

1951-52 (85-1, 199-1, 253-1) First, second and third reports from the Committee of Public Accounts together with the proceedings of the committee, minutes of evidence, appendices and index

FIRST, SECOND AND 75 THIRD REPORTS

FROM

THE COMMITTEE OF PUBLIC ACCOUNTS

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

SESSION 1951-52

*Ordered by The House of Commons to be Printed
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Thursday, 22nd. November, 1951

The Committee of Public Accounts was nominated of Mr. Alport, Mr. Alexander Anderson, Mr. Benson, Mr. Bossom, Mr. Boyd-Carpenter, Mr. Cuthbert, Mr. Edward Davies, Sir Ralph Glyn, Mr. Hoy, Mr. Jay, Mr. David Jones, Mr. Douglas Marshall, Sir John Mellor, Mr. Peter Roberts and Mr. David Thomas.—(Brigadier Mackeson.)

Thursday, 29th November, 1951

Ordered, That Mr. Jay be discharged from the Committee of Public Accounts ; and that Mr. John Edwards be added to the Committee.—(Mr. Drewe.)

Tuesday, 19th February, 1952

Ordered, That Mr. Edward Davies be discharged from the Committee of Public Accounts ; and that Mr. West be added to the Committee.—(Mr. Butcher.)

Tuesday, 4th March, 1952

Ordered, That Mr. Alport be discharged from the Committee of Public Accounts ; and that Mr. Scott be added to the Committee.—(Mr. Drewe.)

Monday, 31st March, 1952

Ordered, That Mr. Alexander Anderson be discharged from the Committee of Public Accounts ; and that Mr. Blenkinsop be added to the Committee.—(Mr. Redmayne.)

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FIRST REPORT

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

TREASURY MINUTE AND ABSTRACT OF APPROPRIATION ACCOUNTS

1. The Public Accounts Committee of 1950-51 explained in their First Report the reasons which had led them to make the innovation of presenting to Parliament at the earliest opportunity the Treasury Minute on the Reports of the Committee of the previous Session.

2. Your Committee take the same view as the Committee of 1950-51 and are glad to learn that the Treasury are fully in agreement with the course followed last year. They are of opinion that the early presentation and publication of Treasury Minutes on Reports from the Committee of Public Accounts could now usefully be accepted as part of their normal procedure.

3. They accordingly present to the House as Appendix I to this Report the Treasury Minute, dated 29th November, 1951, on the First, Second, Third and Fourth Reports from the Committee of Public Accounts, Session 1950-51.

4. The Tables setting forth the Comparison of Audited Expenditure with Exchequer Issues and the General Abstract of Appropriation Accounts for the year 1949-50, which were handed in to Your Committee by the Treasury on 4th December, 1951, would not in the normal course of events be published until the summer of this year, with the final Report of Your Committee. Your Committee have decided that no useful purpose would be served by this delay, and accordingly attach these Tables as Appendix II to this Report.

APPENDIX I

TREASURY MINUTE DATED 29th NOVEMBER, 1951, ON THE FIRST, SECOND, THIRD, AND FOURTH REPORTS FROM THE COMMITTEE OF PUBLIC ACCOUNTS, SESSION 1950-51

My Lords read the First, Second, Third, and Fourth Reports from the Committee of Public Accounts, Session 1950-51, dealing with the Appropriation and other Accounts for 1949-50, on which They make the following comments:—

FIRST REPORT**Treasury Minutes**

My Lords note the comments of the Committee. They are fully in agreement with the course which the Committee have taken with regard to the publication of the Treasury Minute.

SECOND REPORT**Navy, Army and Air Services Accounts****Paragraphs 1 and 2.—Virement.**

My Lords note the comments of the Committee.

Paragraphs 3 to 8.—Virement in connection with expenditure on married quarters to be provided from loans.

My Lords consider that the alternative proposals put forward by the Committee represent a constructive solution of the problem on which the guidance of the Committee was sought. They confirm that the arrangements proposed are acceptable to the Departments concerned and They will themselves adopt the procedure indicated in paragraph 8 of the Committee's Report.

Paragraphs 9 to 15.—Checking of Cash Balances.

My Lords are fully in agreement with the recommendations in paragraph 14, particularly with regard to the imposition of surprise checks. They share the Committee's disquiet that the frauds described should have gone undetected for so long a period. My Lords understand that the procedure in force at the Admiralty for the verification of cash balances has now been tightened up, and They are satisfied that the amended regulations cover the points raised by the Committee.

2. In accordance with the Committee's recommendations, My Lords have reviewed generally the system of control in other large Departments. The Departments hold, and My Lords fully agree, that this is a matter in which there is little scope for the laying down of detailed instructions by the central authority. It is for each Department, in accordance with general principles which have long been established and accepted, to work out the procedure best adapted to the particular accounting arrangements in force in that Department. Nevertheless, Their Lordships' officers are ready at any time to advise upon any specific measures which Departments may have in mind; and They propose, furthermore, to bring to the attention of Departments generally particulars of any novel methods of fraud which may come to their notice, so that appropriate steps may be taken to guard against the repetition of such devices.

3. My Lords think it proper to observe that no methods of control are administratively practicable which would be proof in all circumstances against human error and human ingenuity. Subject to this, They are satisfied, so far as They have been able to judge, that Departments are taking all possible care to secure that misappropriation of cash should not be possible without prompt detection.

Paragraphs 16 to 20.—Maintenance of stocks.

My Lords share the Committee's view of the importance of the principles at stake, and They regret that it did not prove possible, in spite of sustained efforts, to find a solution to the problem in the present abnormal conditions. My Lords share the Committee's hope that it may prove possible in the not too distant future to frame some sort of undertaking which will give Parliament the assurance which the Committee seeks. They note that the matter is likely to be reviewed by the Committee of Public Accounts in two years' time.

Paragraphs 21 to 25.—Outstanding advances, etc., in the Far East.

My Lords have considered the comments of the Committee in consultation with the War Office and the Colonial Office. They share the Committee's concern at the long delay in reaching agreement on the amounts due. In Their opinion, the main reason for the delay was the complexity of British military administration in the territories concerned during the post-war period. Rehabilitation of a disrupted economy called for rapid expansion of civil Government at a time when there was a great shortage of experienced staff and communications were disorganised. Against this background, administrative action and negotiations were necessarily difficult and protracted. In particular, there were and are great difficulties in tracing large numbers of small debtors and obtaining from them the information needed for the purposes of a settlement. While, therefore, My Lords agree that the division of responsibility between the local Government and Departments at home may have contributed to the delay, They do not consider that this was the fundamental cause.

2. In Malaya, My Lords are informed that the United Planters Association have now accepted an offer to treat 50 per cent. as the repayable portion of the advances made up to and including 16th January, 1946, and that revised bills have now been sent to all the estates concerned. It will be recalled that agreement had been reached for repayment of the advances made before 1st January, 1946, on the basis of the assessed value of the work done, but that it had been a condition of all subsequent advances that they should be repayable on demand. My Lords are satisfied, however, that the delay in recovering the advances made after 31st December, 1945, was due largely to the reluctance of the estate owners to admit liability for the whole of the expenditure incurred in the initial period to 31st December, 1945, and to their claims (*a*) that advances made in January, 1946, should be regarded as coming within the initial period, on the ground that much of the work done prior to 31st December, 1945, had been paid for from advances made after that date, and (*b*) that medical expenses arising out of the use by the British Military Administration of Estate hospitals after 1st January, 1946, should be reimbursed. Recovery in full is, therefore, limited to the advances made subsequently to 16th January, 1946, and is subject to the reimbursement of the medical expenses referred to in (*b*) above, which My Lords understand are comparatively small. Precise information about the scale of the recoveries effected to date is not available at the present time, but the matter is being vigorously pursued.

3. So far as My Lords are aware the question of interest on the outstanding advances was not raised during the recent negotiations. In Their view His Majesty's Government would be fully justified in claiming interest, but They reluctantly concur with the view of the Colonial Office that the result might well be to endanger the settlement which has been reached. Further, one of the conditions of the offer which the estate owners have now

accepted was that War Damage payments should be withheld from those who were liable for the repayment of advances until repayment had been made, or, if the amount of War Damage payment was sufficient, that the amount due should be deducted and only the net amount paid over. The Committee will recall that they themselves suggested that this should be done.

4. In addition to claims against the United Planters Association of Malaya there are also outstanding claims for advances in:—

British Borneo (including Sarawak) amounting to £363,911 ;

Burma, amounting to £19,207 ;

Malaya and Singapore, amounting to £298,497.

In Burma, there is no immediate prospect of recovery, but the claim has been noted for consideration in any general settlement of claims and counter claims which may be proposed between the Burma Government and His Majesty's Government. The Governments of British Borneo, Sarawak, Malaya and Singapore are being pressed ; but, for the reasons given in paragraph 1 above, such recoveries as are possible are likely to be slow. In British Borneo and Sarawak, the local Governments have reported that they are not in possession of the necessary information to formulate claims, and the War Office are now extracting from the records of the British Military Administration, and despatching to the Governments concerned, all supporting vouchers and receipts of advances, etc. made in the Territory.

Paragraphs 26 to 28.—Territorial Army : financial arrangements.

My Lords have considered the comments of the Committee in consultation with the War Office.

2. Payments to Territorial Army Associations are made up of (a) outright grants, (b) allotments to meet actual expenditure within approved maxima, and (c) refunds of actual expenditure. Unexpended balances can arise only from the outright grants, which accounted for 42 per cent. of the total payments in 1949-50. My Lords are informed that future increases in reserve funds due to unspent balances of grants are expected to be very small. They recognise, moreover, that the size of the funds is affected by fluctuations in the market value of investments and in miscellaneous income and expenditure not covered by grants.

3. My Lords are assured that the formulae (which are reviewed annually) on which grants to the Associations are based are designed to cover actual expenditure as nearly as it can be estimated, and that closer control under existing arrangements for the administration of the Territorial Army could only be achieved at the expense of the present policy of maximum decentralization. They understand, however, that the War Office intend to review the system of administering the Territorial Army when it approaches its maximum strength, probably in 1953-54. The War Office also propose to set up a full investigation into the question whether the present reserve funds are excessive in relation to the maximum strength of the Territorial Army, and meanwhile to take steps to prevent any unjustifiable increases by making grants in 1952-53 provisional only, and by restricting payment in any case where it is discovered that an undue increase of reserves has occurred in 1951-52.

4. Before the war the War Office presented annually to Parliament, in the form of a Command Paper, a statement showing the financial position of all Associations. My Lords understand that, in view of the Committee's interest, the War Office propose to resume publication this year, showing the position as at 31st March, 1951.

Paragraphs 29 to 32.—Storeholding organisation in East Africa.

My Lords have considered the comments of the Committee in consultation with the War Office. They assure the Committee that, if it again becomes necessary to consider supplementing or replacing existing storage depots abroad, every care will be taken to examine the suitability of proposed sites, in order to ensure that they are capable of effectively meeting the strategic needs for which they are required without incurring disproportionate expenditure on construction and maintenance.

Paragraphs 33 to 37.—Changi Airfield.

My Lords agree that primary responsibility for the expenditure on this scheme rests with the Air Ministry. They agree, moreover, that, had it been thought advisable to undertake more elaborate technical investigations before the scheme was put into effect, there would have been ample time in which to do so. Upon a thorough re-examination of all the circumstances, however, My Lords are not convinced that blame can reasonably be attached, either to the Ministry or to the Treasury, for failing to satisfy themselves that sufficiently searching enquiries had been made. The reason for the loss was that an error of judgment had been made by the technical experts who were responsible for advising upon the practicability of the scheme. A mistake of this kind is always possible, even where, as in the present case, the professional and technical staff concerned were deservedly held in the highest reputation. The difficulties of airfield construction at Singapore were, of course, fully known alike to the technical and professional staff, and to the administrative officers of the Ministry and the Treasury. The resources for examining the scheme from the technical aspect, both locally and at headquarters, were, however, fully adequate, and there was nothing in the reports which were made to suggest either to the Ministry or to the Treasury that the data on which the technical advice was based were, in this particular instance, inadequate. It is easy to see, in retrospect, that it would have been a wise precaution to utilise the time available in order to undertake more elaborate technical investigations, but, even had this been considered advisable, there was no other source to which the Ministry could have gone which would have carried as great a weight in the field of airfield construction as the Works Department of the Ministry. My Lords greatly regret that the opportunity for a fresh examination by the Ministry's advisers was not taken; but They are not convinced that any system could be devised which would ensure either that mistakes in technical advice should never be made, or that their consequences should always be avoided.

THIRD REPORT**Paragraphs 1 to 5.—Fraud and Evasion.**

My Lords note that the Committee recommend that a review of the arrangements for recruiting and training Inspectors of Taxes should be carried out with a view to enabling the Inland Revenue, at as early a date as possible, to enforce full and prompt payment of taxes. My Lords appreciate and agree with the Committee's reasons for making this recommendation, and have asked the Board of Inland Revenue to say what has been and is being done in this matter.

2. My Lords are informed that a drastic scheme of reorganisation, one of whose main purposes was to supplement normal sources of recruitment to the Tax Inspectorate by opening up a much wider avenue of promotion from other grades, was in preparation before the war ended, and was put into operation in 1947. At the end of the war there were about 1,500 trained

Inspectors as compared with 1,700 before the war. No less than 1,100 new recruits have been taken into training since 1945, of whom 750 derived from the Reorganisation scheme. To meet this large influx, training arrangements had to be completely overhauled. The Board decided that standards could not be lowered, and the training necessarily extends over three years. Since new entrants have to be taught and helped along by trained staff, this large intake was, in the Board's view, about as much as the service could reasonably digest.

3. The Board have again taken stock of the position in the light of the Committee's recommendations. By the end of 1951 there will be about 1,730 trained Inspectors, and numbers will be running between 1,800 and 1,900 during the next few years. The aim so far has been to get together a force of 2,000 trained men. But the number of trained Inspectors does not give a complete picture of strength. During this and the next few years a large number of officers will be under training, and after a year or so trainees make a useful contribution to the work. They do not spend all their time in a school, but for the most part are working beside Inspectors in ordinary District Offices and giving assistance on work of a less advanced kind, thus freeing trained staff for more important and pressing duties. Taking this assistance into account, the effective force will be approaching the equivalent of 2,000 trained Inspectors within a year or two, and should be beyond that figure by the middle of the 1950s.

4. During the last year the Board considered whether they should supplement the established sources of recruitment. They decided against this on two grounds. First, that, even if this were done, they would not get more trained men before 1954-55 and by that time, on present showing, they may already have enough. Secondly, although the alternative of transfer from other Departments, as suggested by the Committee, was considered, it was concluded that new sources were unlikely to produce any worth while number of recruits of better quality or experience than those already available among the Board's own staff. Recruitment from Universities—a source on which the Board place the utmost value—is steadily improving. Whereas in 1949 the intake was only 11, in 1950 it rose to 31 and in 1951 it may approach 50.

5. Besides attending to recruitment, the Board have endeavoured to use existing manpower to better advantage, and to find more time for Back Duty work, by cutting down the work of examination of normal business accounts where this can be done without undue risk. They have also encouraged Inspectors to stay in service beyond the normal age of retirement.

6. The additional strength accruing to the Inspectorate is not all available for Back Duty work. The number of Schedule D liabilities, with which the trained Inspector is concerned, has grown faster than could have been foreseen. In 1945-46 the number of Schedule D assessments (Cases I and II) was 1,203,000, but for 1950-51 there were 1,700,000. The first call on Inspectors' time is the settlement of liabilities in which no question of fraud or wilful understatement arises. The affairs of the great mass of honest taxpayers must be expeditiously and efficiently dealt with.

7. In spite of this large increase in normal work the volume of Back Duty work has increased. In 1948-49 £4,432,384 duty was recovered; in 1949-50 £5,054,070; and in 1950-51 £7,469,568. It is hoped to reach the £m.10 mark this year. In July 1949 5,100 cases were under enquiry; in July 1950 7,230; and in July 1951 10,600. Further, a special drive has been made recently to find taxpayers (mainly small traders) who have escaped

assessment altogether. The Board estimate that this drive will bring to light some 35,000 new liabilities this year and that the extra tax charge (including in some cases tax from back years) may be as much as £m.4; the annual tax collectible from these new cases is estimated at £m.2.

8. In the light of this information, My Lords are satisfied that the Board of Inland Revenue are fully conscious of the urgent need to uncover and deal with cases of evasion of tax, and that, allowing for the difficulties inherent in any scheme to train large numbers of staff on practical work without meanwhile hindering the performance of that work, they are successfully grappling with the staffing problem.

Paragraphs 6 to 8.—Remission of duty of general application.

My Lords note the views of the Committee. They agree that, when opportunity occurs, statutory sanction should be sought, wherever possible, for tax concessions of an enduring nature which are based on principles of general application. My Lords observe that in recent years some progress has been made in disposing of concessions, either by legislation or by termination, and They have no doubt that the Board of Inland Revenue will continue to bear in mind the desirability of further action on these lines.

Paragraphs 9 to 11.—Expenditure on the Festival.

My Lords note the comments of the Committee on the increased cost of the buildings in the South Bank Exhibition. The designs on which the original estimates were based had in some instances to be revised in order to provide more substantial structures for reasons of public safety. The buildings were constructed at a time of sharply rising prices for materials and increased labour costs, and My Lords wish to observe that the Festival Office abandoned some buildings and reduced expenditure otherwise in order to meet the increased costs of structures.

2. Since evidence on the matter was given before the Committee, building costs have again increased, but My Lords have been glad to learn that further economies were exercised in order that the gross expenditure of the Festival Office should keep within the "ceiling" fixed for it. (The gross "ceiling" fixed for the Festival is £11,500,000 (excluding loans to Festival Gardens, Ltd.): of this amount the Festival Office gross "ceiling" is £10,051,350 and £1,448,650 is borne on other Votes.)

Paragraphs 12 to 14.—Tenancy of the South Bank Exhibition Site.

My Lords observe that, in order to get the exhibition constructed at all, the Festival Office had ultimately to accept the best terms to which the L.C.C. were willing to agree, or else break off negotiations and look for another site. Other sites had been examined before the South Bank site was selected by the Government. My Lords are of the opinion that it would have been a mistaken policy from a financial point of view to refuse to occupy a rent-free site on the only terms on which it could be obtained, since in the opinion of experts the residual value of services was small, and the terms which were offered by the County Council were otherwise satisfactory.

Paragraphs 15 to 17.—Responsibility for Works Services.

My Lords feel it desirable to point out that this was not a straightforward choice between setting up a special branch within the Festival Office and providing additional staff in the Ministry of Works. A number of considerations had to be taken into account. The Ministry had other heavy commit-

ments, and even with additional staff it was considered that some delay in their other work would have been inevitable had they taken on responsibility for the Festival work. Moreover, the Festival Office was responsible for the design and display of the Festival as a whole, and the closest possible relationship between the building work and the display work was necessary.

2. As a condition of completing the buildings to time the Ministry of Works stipulated for a free hand as regards design, materials and building methods to be followed and the technical staff to be employed. This the Festival Office was unable to agree.

3. It was agreed that the first essential was to press on with the work, and in these circumstances it was decided that the Festival Office should assume responsibility. In the event, the exhibition was opened on time and loss of considerable revenue was thereby avoided. In any case, it was the considered view of the Ministry of Works, the Festival Office and the supervising engineers that it would have been impracticable to employ any contractor other than the two general contractors who were already engaged on the congested site. Further, the Festival Office Contracts Branch did in fact contain experienced officers who kept in close touch with the Ministry of Works.

Paragraphs 18 to 24 and 26.—Festival Gardens Limited.

My Lords note the Committee's observations. The Government's attitude towards the expenditure incurred by Festival Gardens Limited was fully stated in Parliament during the debates on the Festival of Britain (Additional Loans) Bill; and since, as the Committee point out, the matter will no doubt come under review by a future Committee of Public Accounts, My Lords do not propose to make any further comment at present.

Paragraph 25.

My Lords share the Committee's regret that there was not sufficient time to make full use of the normal procedure for ensuring economy in respect of the construction of the South Bank Building; they are, however, satisfied that the need for economy was not overlooked by the Festival Office, and that the arrangements made were the best practicable in all the circumstances.

Paragraphs 27 to 32.—Board of Trade: Receipts U.K.—Dominion Wool Disposals Limited.

My Lords note the criticisms of the Committee upon the delay in securing repayment to the Exchequer of the U.K. share of the surplus funds of the Joint Organisation.

2. My Lords assume, in the first place, that the Committee would have seen no objection to leaving a small amount of the surplus in the hands of the Organisation, for the purpose of maintaining in being, if only on a care and maintenance basis, the staff and properties of the old Organisation, pending a decision on whether or no some new body should be set up in its place. To have wound up the old Organisation without waiting for this decision would have involved running the risk of having to build a new body de novo, a course that could have been wasteful both of manpower and experience. The Committee are concerned that the contingency of financial obligation under a new scheme should have been held to justify leaving in the Organisation's hands large sums which might have been made available earlier for surrender to the Exchequer.

3. My Lords agree that, taken by itself, the contingency of financial obligation under a new scheme could not be held to be sufficient justification for the delay, and They agree further that, from the point of view of strict

Exchequer propriety, it would have been preferable to have recovered the surplus at an earlier date, since it is agreed on all sides that any contribution to a new scheme would have required fresh Parliamentary authority. Had the matter been entirely within the discretion of the United Kingdom Government, that is the course which They would have been able to adopt. Nevertheless, My Lords wish to draw the attention of the Committee to the following circumstances, which in Their view explain, if they may not wholly justify, the decision which was taken.

4. In the first place, any proposal for withdrawing sums from the balances held by the Joint Organisation required consultation with, and the agreement of, all the partners in the scheme. During 1950-51 discussions were in progress between the U.K. Government and other Commonwealth Governments concerned about the setting up of a body to administer a price reserve scheme after the Joint Organisation had been wound up. It was felt at the time that to approach the Governments during the course of the negotiations with a proposal that the U.K. Government should withdraw practically the whole of its share might have been interpreted by those Governments as an attempt to pre-judge the issue. It should be borne in mind in this context that, while participation of the United Kingdom in the setting up of any new organisation would admittedly have been dependent upon Parliamentary legislation, this was not necessarily the case in the other Commonwealth countries.

5. Moreover, there were some grounds for thinking that a withdrawal of profits by the United Kingdom Government, which would have had to be matched by corresponding withdrawals on the part of the other Commonwealth Governments, might have been embarrassing to one at least of the Governments concerned.

6. My Lords consider, therefore, that the decision not to press for an earlier withdrawal of the balances was readily understandable in the circumstances of the time. On reconsideration after the event, however, They are disposed to agree that it might have been preferable to explain clearly during the course of the negotiations that an earlier withdrawal of the United Kingdom share of the profits would in no way have pre-judged the question of a successor body, and, if the Governments concerned had raised no objection, to have taken steps to make the moneys available to the Exchequer.

7. My Lords wish only to add that proposals were made to the partner Governments that practically the whole of the funds should be distributed during June of this year, and the sum of £32.5 million was in fact paid into the Exchequer on the 17th July, 1951. This amount represents almost the whole of the U.K. Government's share of the available surplus.

Paragraphs 33 to 37.—Ministry of Civil Aviation : Airways Corporations : Exchequer Grants.

As was stated in Their Minute of the 4th January, 1951, My Lords agree with the views of the Committee that, in order to give an incentive to economy, grants to the Corporations should be determined as early as possible. My Lords wish now to inform the Committee that the grants for both Corporations in respect of the financial year 1951-52 were determined on the 5th June, 1951. My Lords trust that this substantial acceleration of the process of determination will largely meet the object in view.

Paragraphs 38 to 42.—Rents receivable.

My Lords concur generally in the comments of the Committee. They would only point out, with regard to the Committee's doubt whether the original delay in making assessments was avoidable, that in the circum-

stances ruling up to about 1948 it would not have been possible for the Air Ministry Works Department to make prior assessments of rent without adverse effect on other and more urgent work.

2. My Lords understand that urgent steps have been taken in accordance with the Committee's recommendation, and that most of the outstanding questions have now been settled. Apart from certain items which do not cause any anxiety and upon which settlement should not be long delayed, the only outstanding items of any importance are:—

(a) The hard core of arrears of rent of about £10,000, in respect of which recovery is being sought by legal means: the figure includes £8,300 in respect of firms in liquidation; and

(b) About £16,000 to be collected from some 30 firms for arrears of heating.

3. The first item should be set against a rent roll of £350,000 per annum, or rent collection of £1 million during the past four years. The second item represents less than 4 per cent. of the total charges for heating.

4. My Lords fully agree that in future no occupation of property or supply of services should be allowed without binding prior agreement on terms. Instructions to that effect have been given by the Ministry.

Paragraphs 43 to 45.—Aerodrome accounts.

My Lords note that the Committee are content with the arrangements proposed. They confirm that the Ministry of Civil Aviation will still be able to produce periodical estimates of the relation between the receipts from landing fees and the total cost of the services provided.

Paragraphs 46 to 48.—Department of Scientific and Industrial Research: Grants for investigation and research.

A D.S.I.R. grant to a Research Association is usually made for a five-year period, and consists of:—

(i) a block grant payable against a fixed minimum sum to be raised by the industry;

(ii) an additional grant, within certain limits, made on a pro rata basis against industrial contributions above the minimum.

The grants are designed to stimulate co-operative research in an industry (as contrasted with individual research within individual constituent firms), and to encourage the various firms within the industry to make, and to form the habit of making, contributions to support and develop such co-operative research. The additional portion of the grant is in the nature of an incentive to members of an Association to expand and develop its activities as rapidly as possible to a level judged appropriate to the needs of the industry and of the community. As soon as this scale has been attained, and if possible earlier, it is intended that the pro rata portion of the grant should disappear, and that the Research Association should continue with a fixed grant subject to periodical review.

2. It is impossible to correlate the benefits received by a firm subscribing to a Research Association with its contribution. Broadly speaking the work of the Research Association falls into two classes; basic research which by its nature is speculative and seldom gives immediate benefits, and shorter range investigations which often yield immediate results. The larger firms who gain most from the basic research have much less interest in the shorter range investigations, which often appear to be damaging to their private competitive interests. The smaller firms on the other

hand have most to gain from the short-range investigations, and might be little disposed to contribute to the cost of the basic research. Thus, while it may often be that the firms within any industry could bear the whole cost of the co-operative research carried out by the Research Associations, it does not follow that they would be prepared to do so.

3. My Lords believe that it is most desirable to encourage co-operative research in industry through the Research Associations, and They do not doubt that the grants by D.S.I.R. have encouraged firms within the various industries to make larger contributions to those Research Associations than they would have done in the absence of grants. My Lords are nonetheless anxious that the D.S.I.R. grants should be no larger than is necessary to produce contributions on an adequate scale from industry. It should be emphasized that the ratio of the government grant to industrial contributions is not the same for all Research Associations, and that due regard is had to the resources and organisation of each industry in fixing the ratio. It is not merely the aggregate resources, but also the constitution of the industry and the attitude of the constituent firms to co-operative research, that are relevant to the degree of assistance required in the earlier stages of fostering the growth of a Research Association. My Lords will keep under review further adjustment of the relative size of the D.S.I.R. grants to take account both of the financial position of the industries and firms within them, and of the progress towards Research Associations becoming independent of the additional pro rata grant.

Paragraphs 49 to 51.—Ministry of Works : Miscellaneous Works Services : Royal Opera House.

My Lords entirely agree with the Committee's view that the Ministry of Works in the ordinary way, when undertaking services for grant-aided or outside bodies, should agree the precise terms with those bodies before they enter into any commitments on their behalf. In this particular case the Royal Opera House, Covent Garden, Limited, already had possession of the property and it was to obviate any risk of their being dispossessed that the Ministry of Works, at the request of the Treasury, took an immediate lease of the Opera House.

2. It was fully intended that the terms of the sub-lease from the Ministry to the Royal Opera House, Covent Garden, Limited, should be agreed, and the sub-lease signed, immediately after the signature of the main lease. Because it was desired to conclude the arrangement urgently, the Ministry (after taking legal advice) took a lease which overlapped that of the previous lessees, Messrs. Boosey and Hawkes, Limited. Unfortunately, the previous lessees then contested their legal liability to pay for dilapidations during their tenancy, and this dispute has not yet been settled.

3. It was this uncertainty about the liability for dilapidations which made the Royal Opera House, Covent Garden, Limited, unwilling to sign the sub-lease (since it has been agreed that no cost should fall upon the Ministry of Works and in practice, therefore, the liability lay between Messrs. Boosey and Hawkes, Limited, and the Royal Opera House, Covent Garden, Limited). In August, 1951, however, since there seemed to be no prospect of an early settlement of the dispute, the Treasury authorised the Arts Council to undertake to make good to the Royal Opera House, Covent Garden, Limited, any deficiency in the amount recovered from the original lessees, and with that assurance a sub-lease was signed on 19th September, 1951.

4. My Lords confirm that the transaction will not result in any charge upon the Votes accounted for by the Ministry of Works, and that the full

rent from March, 1949, has now been paid by the Royal Opera House, Covent Garden, Limited. They assure the Committee that every effort will be made to avoid any similar situation in future.

Paragraph 52.—Absence of firm and binding agreements.

My Lords are in entire agreement with the views of the Committee.

FOURTH REPORT

Paragraphs 1 to 19.—Treasury Control.

My Lords welcome the Committee's acceptance of the view that the present division of responsibility between the Treasury and the Accounting Officers of other Government Departments is on sound lines. The reasons for this view are fully set out in the memorandum to which the Committee refer in paragraphs 2 and following, of their Report, and they were further developed in evidence. My Lords fully appreciate the Committee's emphasis on the importance of the subjects dealt with in these paragraphs, and They welcome the opportunity which the Committee has given Them of explaining Their view of the proper scope and meaning of Treasury control under modern conditions. My Lords feel that the necessity of clarifying and bringing up to date the doctrine of Accounting Officers' responsibility, which has involved close consultation between the Treasury and other Departments, has been of value to all concerned, and They hope that the outcome of these deliberations has also been of service in making the position clearer to the Committee.

2. My Lords have given careful consideration to the points raised by the Committee in paragraphs 7 to 18 of their Report. They fully appreciate that the suggestions are put forward solely with the desire to assist in the fuller development of proper Parliamentary and Treasury control of public expenditure, and They have considered the suggestions in the same spirit. Their detailed comments are as follow.

(i) Position of Public Accounts Committee

3. My Lords assure the Committee that there is no danger of the existence and functions of the Public Accounts Committee being regarded in the minds of the Treasury as a reason for abdicating any one of Their own responsibilities. My Lords regard the Committee, in the words of the Report, as "an accepted and valuable factor in the Parliamentary control of expenditure", whose support and co-operation in the discharge of Their own duties They welcome; but They do not in any way look to the Committee to relieve either themselves or Departments of the independent responsibilities of the Executive to conduct the business entrusted to them by Parliament with efficiency and despatch.

(ii) Position of Accounting Officers

4. The primary responsibility of an Accounting Officer, as the Permanent Head of his Department, is to his Minister, and through his Minister to Parliament. He must, therefore, be prepared to justify before the Public Accounts Committee, as the officer taking responsibility for the Accounts, the correctness and propriety of the payments which have been made in his name, and, in a general sense, to make good before the Committee that his Department has been conducted with efficiency and economy. In the day-to-day discharge of this responsibility he is assisted by the Treasury, and is subject to its control in certain cases, particularly where substantial or additional expenditure is involved. But My Lords do not regard these responsibilities as in any way inconsistent or conflicting one with another.

On the contrary, They regard them as complementary, and They doubt whether more can usefully be done by way of definition to describe the special relationship of the Treasury and the Accounting Officer than has already been set out in the memorandum under review. They entirely share the Committee's view of the importance of strengthening this relationship in practice, and this is a matter which They have constantly in mind. It is, however, in Their view rather a question of working out the best methods in practice of co-operation and consultation at all levels than of the formal definition of responsibilities.

(iii) *Position of Principal Finance Officers*

5. As Their Lordships pointed out in the memorandum referred to by the Committee, the arrangement whereby there are Principal Finance Officers appointed by the Prime Minister is not universal. In certain important Departments, finance and administration are so interwoven that it has been felt that the balance of advantage lies in placing the main burden of financial responsibility (under the Permanent Secretary) with the Heads of the Divisions responsible for administration. With this explanation My Lords agree emphatically with the importance which the Committee attach to the position of the Principal Finance Officer. They wish to assure the Committee that these Officers, like Principal Establishment Officers, are graded as among the most important Officers of Departments, and that they are entitled and expected to put forward their views on all matters of finance to Ministers and Accounting Officers before decisions are reached.

(iv) *Disciplinary Action when losses occur*

6. In paragraph 10 of their Fourth Report the Committee suggest an examination of the practice of other large organisations in dealing with incompetence as well as with fraud. The Committee may not be aware of the existing arrangements in the Public Service for dealing with cases of this nature. Losses of public funds due to incompetence of responsible officers fall under two headings, viz. those in which misappropriation, theft, etc., have been facilitated by inadequate supervision and losses resulting from faulty decisions or errors of judgment. It is the regular practice in all cases of theft, misappropriation, etc., to investigate the responsibility of the senior officer or officers concerned. Where it is established that there has been contributory negligence suitable disciplinary action is taken. This may range, according to circumstances, from admonition to down-grading or dismissal.

7. The second type of case presents more difficulty. Important decisions are rarely, if ever, taken by one single individual but are normally the product of a team, including, for example, the administrative staff concerned with policy, technical advisers, and trained financial staff. This system ensures a considerable degree of protection against the risk of losses due to faulty advice or errors, though it follows at the same time that the assignment of individual responsibility for errors of judgment is less easy to determine. Nevertheless appropriate powers exist for dealing with failures of this nature. In the first place, an officer whose judgment was found to be faulty would probably have a note made of the fact in his record, and would fail to obtain promotion. If an officer in a responsible position showed evidence of lack of judgment, he would usually be transferred to other duties, where his responsibilities would be of a different character. The power to deal with more serious cases of incompetence includes admonition or dismissal. My Lords consider, therefore, that the public interests are already adequately protected by the existing arrangements.

(v) Treasury's Exercise of Virement

8. My Lords note the comments of the Committee. They fully agree with the Committee that the Treasury's exercise of virement represents an important duty in the field of financial control, and They are confident that it is exercised with full knowledge of the Treasury's responsibilities towards Parliament. They regard it as essential, however, in the interests of prompt and efficient administration, that the Treasury's recognised discretion in the exercise of this power should not be unduly hampered by an attempt to prescribe specific and detailed limitations to what is essentially an act of judgment which must be exercised in the light of circumstances which will vary from one case to another. My Lords would, therefore, be reluctant in principle to give precise undertakings in the terms contemplated by the Committee, and would prefer to leave the matter on the basis that the Treasury's discretion will continue to be exercised, as it has been in the past, with full regard to the necessity of maintaining intact Parliamentary control of public expenditure. If, for example, My Lords have any particular reason to suppose that the provision of additional funds would be controversial, whether by reason of the size of the excess expenditure or through any other circumstances, They would naturally think it proper that prior Parliamentary sanction should be sought by the presentation of a Supplementary Estimate. Equally, though My Lords are convinced that it would not be practicable to lay down precise definitions of what constitutes "services of a different nature" in this context, They can readily assure the Committee that They will examine all applications involving transfers of this kind with particular care, and will stipulate that express Parliamentary authority should be sought in appropriate cases. In short although it is true that Parliament, in appropriating money by Votes, does so on the understanding that the allocation of the grant as between the different Subheads will be broadly observed, My Lords do not consider that the reasonable exercise of virement, even between Subheads covering services of a different character, necessarily raises such important issues of principle that Parliament would wish, or could conveniently find the time, to consider each case in detail. The Committee may be assured that the Treasury in exercising its power of virement will continue to have full regard to the rights and duties of Parliament where public expenditure is concerned, and They trust, therefore, that on this understanding the Committee will be content to leave the Treasury with reasonable discretion in the matter.

(vi) Treasury Nominees

9. My Lords take note of the Committee's suggestion that, in order to improve control over the financial transactions of organisations largely or entirely supported out of public funds, Treasury nominees should be appointed either as full members or assessors. My Lords desire to emphasize, in the first place, that, with the large majority of independent organisations which are financed out of public funds, it is not the Treasury but some other Department which has the immediate responsibility for controlling the finances of the body. It is only within the class of organisation where the Treasury itself is accountable for the grant that My Lords would regard it as appropriate to consider the appointment of a specifically Treasury representative. Where the primary responsibility lies with another Department, My Lords would consider it wrong in principle, and likely to lead to confusion in practice, to instal Treasury nominees with direct and independent responsibility to the Treasury rather than to the parent Department. My Lords consider, however, that the substance of what the Committee have in mind would be secured by the appointment in appropriate cases of representatives of the Department concerned.

10. The basic safeguard against the waste of public funds in the hands of grant-aided bodies lies, in Their Lordships' view, in the character and capacity of the management (including the permanent officials of the organisation, in addition to the members of the governing Board or Council) and in close and intelligent co-operation with the parent Department; and My Lords would be opposed, in principle, to any step which tended to weaken the sense of financial responsibility of the body concerned. They recognise, however, that, in certain circumstances, the appointment of Departmental representatives can provide an important safeguard on the expenditure of public funds, and They assure the Committee that They will consider the appointment of Treasury or Departmental nominees, as occasion arises, either when new bodies deriving substantial support from public funds are being contemplated, or when circumstances arise in the case of existing bodies which might make such a course desirable.

(vii) Grants in aid

11. My Lords are in full agreement with the view of the Committee that a too rapid increase in the number of grant-aided bodies or the scale of their expenditure would be unhealthy. They agree that new bodies should receive grants only after the most careful scrutiny and enquiry by the Departments concerned, and, They would add, by the Treasury. Further, They welcome the Committee's recommendation that the books and accounts of bodies which receive the greater part of their income from public funds should normally be open to inspection by the Comptroller and Auditor General. They will seek to ensure that this becomes the general practice for the future. The problem of combining the proper financial control of grant-aided bodies, supported largely or entirely out of public funds, with the reasonable degree of independence which such bodies should enjoy, is one of great importance and difficulty, and My Lords are far from claiming that a final solution of the matter has been reached. Although They have attempted to lay down certain principles by which They are guided in the memorandum which They have submitted to the Committee. They wish to emphasize that circumstances vary so much that it is peculiarly difficult to lay down a set of rules which should govern the control of such bodies. They welcome the Committee's interest in the problem and note that it is one which may be considered by a future Committee.

Conclusion

12. My Lords fully appreciate the importance of ensuring that the control of expenditure should be no less effective than hitherto. They do not, however, share the Committee's anxiety lest the broadening of the Treasury's functions to which the Committee refers in paragraph 18, may be detrimental to the traditional one of good housekeeping, which it continues to exercise to the best of its ability. For the most part, the functions which have in recent years newly devolved upon the Treasury are exercised by officers specially allocated thereto. But the two tasks are regarded as essentially complementary and inter-dependent, and are handled by teams which, though separate, work in close co-operation. My Lords do not consider that any weaknesses which may have appeared in the performance of the duty of good housekeeping can be attributed to the pre-occupation of the officials concerned with other duties. They are rather of the opinion that the greatly increased difficulties of the control of public expenditure, as compared with pre-war days, are due to the far greater complexity and multiplicity of the issues with which Government has to deal. They wish to emphasize that it is the very growth in the complexity of the problems and in the activities of Government, with the inevitable rise in expenditure which has accompanied

it, that has made inevitable the development of Treasury control along the broader lines which are described in the Treasury memorandum. My Lords assure the Committee that the problem of the form of organisation most appropriate to deal with this situation is constantly in Their Lordships' minds. They regard the scrutiny and control of public expenditure as one of the primary functions of the Treasury, if not its main function, the fundamental importance of which has in no way diminished with the assumption by the Treasury of wider duties. They do not consider that this assumption has involved any conflict of interest. Indeed the new duties serve to emphasize the greater need for financial scrutiny and control, since waste and extravagance in the expenditure of public funds is incompatible with the broader tasks relating to the proper disposition of the nation's resources.

Paragraphs 20 to 29.—Grants etc. exceeding the cash needs of the year.

My Lords accept the recapitulation of the position set out by the Committee in paragraphs 20 and 21. They have the following comments to make on the specific points raised in paragraphs 22 to 29.

(i) *Grant to B.B.C. for Home Services*

My Lords note that the Committee do not dissent from the Treasury's view that the present arrangements for allocation by the Post Office from the annual licence revenue to the B.B.C. for their Home Services are intended to enable the Corporation to provide reserves from that revenue for future capital expenditure. They note, further, the Committee's view that these arrangements should be reviewed if they should result in the accumulation in the Corporation's hands of sums substantially exceeding the capital outlay which the Corporation expect to be able to undertake within a reasonable period. My Lords are at present considering the arrangements for the period after 31st December, 1951. If those arrangements, when they are settled, disclose any likelihood that the case will arise, They will certainly consider the Committee's suggestion; but They are loth to make up Their minds on it before that stage.

(ii) *Grant in aid of B.B.C.'s Overseas Services*

2. My Lords agree that the general principle of restriction of immediate cash requirements is applicable to the grant in aid for Overseas Services. They understand that the Post Office intend to adopt this principle in future, and they have, in substance, already adopted it in respect of the grant in aid for 1950-51 by restricting issues to the Overseas Services estimated cash requirements for the year, plus, exceptionally, an amount to cover certain outstanding and non-recurring liabilities.

(iii) *Grant in aid of the General Lighthouse Fund*

3. The grant in aid of the General Lighthouse Fund was a special case of an non-recurring grant, as the result of a freely negotiated agreement between the Ministry of Transport and the shipowners. The contribution of £250,000 was accepted as a reasonable recognition of benefits which the Ministry had themselves obtained by an earlier reduction of the dues, and it was agreed to as part of a general settlement under which the shipowners accepted certain obligations on their side. In those circumstances, My Lords feel bound to question whether the general principle, which they accept, of restricting grants to immediate cash needs was relevant to this case, and They doubt furthermore whether it could have been applied without virtually committing a breach of faith.

4. The Committee draw attention to the fact that the Ministry told the shipowners that the grant would be drawn upon as and when required, and they state that this statement should have debarred any suggestion by the

shipowners that postponement would be a breach of agreement. The Ministry have explained, however, that this statement was intended to relate only to the year 1948-49, and that it was understood by the shipowners in this sense. The reason for the statement was that the Ministry had no funds provided for the purpose of the grant in aid in the 1948-49 Estimates, and they were, therefore, anxious to limit any payment in that year to the minimum amount that was necessary. This restriction was no longer valid in 1949-50, when provision for the whole amount of the grant had been taken in Estimates. The Ministry state, and Their Lordships agree, that in these circumstances the shipowners would not have been willing to accept postponement of payment on the strength of an undertaking to pay as and when the Fund needed the cash.

5. Moreover, although the increase agreed upon in June, 1948, was primarily to meet the immediate needs of the Fund, particularly with regard to capital replacements, the shipowners agreed at an early stage that the dues should not again be reduced until reserves had been accumulated, sufficient to cover normal renewals and to establish an equalisation fund so as to obviate violent and frequent changes of rates in the future. If it were accepted that the principle of restricting grants to immediate cash needs were applicable to this case, then, so long as the policy of establishing reserves were maintained, the Ministry would never be in a position to honour their obligation. It is clear that the shipowners for their part would not have agreed to the establishment of these reserves if they had thought that the grant in aid would thereby have been rendered incapable of payment.

6. Their Lordships consider also that it would be embarrassing to take up the Committee's suggestion that, if the improvement in the position of the Fund continues to a point at which a reduction in dues is claimed, the possibility of some refund of the grant should be borne in mind in negotiations. Their Lordships would hesitate in any circumstances to reopen an agreement freely entered into with Their consent. The original contribution of £250,000 was considered at the time to be justified on its merits, and in Their view any question of a reduction in the dues should also be considered on its merits in the light of the status and prospects of the Fund at the time. Moreover, My Lords feel that it would be very difficult to justify using the powers to control dues authorised by the Merchant Shipping Acts to prevent a reduction, justified on other grounds, until such time as this grant was repaid out of the revenue of the Fund. To seek recovery in such a way would again, in Their view, be equivalent to repudiation of a bargain.

(iv) Loan to National Film Finance Corporation

7. My Lords endorse the views of the Committee. They confirm that, so far as the accumulation of cash balances in advance of needs is concerned, the general principles which apply to grant aided bodies are also intended to apply to bodies assisted by way of loan. My Lords would also consider it improper to give intending borrowers advance warning of changes in the rate as a means of enabling them to take advantage of the existing rate by accelerating their borrowings.

Paragraphs 30 to 33.—Contributions to international organisations.

My Lords have given further consideration to the matters referred to in these paragraphs. My Lords still consider, as was stated in evidence to the Committee, that there is an important and relevant distinction between the normal form of grant in aid, the amount of which is entirely within the discretion of Parliament, and a contribution determined by international obligations to which the Government have adhered. Nevertheless they

would see no objection in practice to regarding the type of contribution mentioned in the Committee's Report, and any other substantial contributions to international bodies, as grants in aid. My Lords propose, therefore, that in the absence of any special reasons to the contrary, such contributions should in future be indicated as grants in aid in Part I of the Estimate; that virement in order to increase the size of the contributions should not be exercised, and that balances remaining in the hands of the Organisations should be shown in the Estimate as not being liable to surrender to the Exchequer.

Paragraphs 34 to 37.—Foreign Office.—Income tax liability on pensions advances made to British subjects formerly employed in China.

My Lords accept the view of the Committee that the situation as described in paragraphs 34 to 36 is unsatisfactory. They accept the Committee's recommendation that the Treasury should again consider, in the light of the developments since 1944, what can be done to rectify it. The whole matter is, accordingly, being subjected to a thorough re-examination in consultation with the Departments concerned. My Lords think it advisable, however, to emphasize that the issues involved are of considerable complexity, and that no easy solution, even on the basis of specific legislation, can readily be perceived.

Paragraphs 38 to 48.—Medical Research Council—Grant in aid

My Lords have carefully considered the comments of the Committee on the control of expenditure by the Medical Research Council. As Their Lordships' Officers have already informed the Committee, the Council's annual demands on capital account for the National Institute of Medical Research did not attract the current attention which they deserved, and they were not looked at as a whole as they should have been. My Lords are, however, satisfied that even if a closer examination had taken place, the only alternative to giving approval would have been to stop work on the building altogether. This would have resulted in nugatory expenditure and, in view of the need for medical research, would have been against the public interest.

2. The Committee refer in paragraph 47 to the absence of specific authority in the Council's minutes for some of the additional work on the buildings at Mill Hill. Hitherto, the emphasis in minuting has been on scientific questions and general issues of policy, specific administrative decisions being taken by the Secretariat in consultation, when necessary, with the Chairman or with small Committees of Council members. Such a Committee, appointed for the purpose by the Council, considered major questions arising while the buildings at Mill Hill were being constructed. However, the need for a more formal procedure, in relation to the present scale of the Council's activities, has been recognised, and the recent practice of the Council has been to minute specific decisions on financial and administrative matters to a much greater extent than during the period to which reference is made. This practice is being further extended.

3. The Medical Research Council already provide the Treasury each year with details of the estimated expenditure to be met from the grant in aid, and these will in future be shown in an Appendix to the Parliamentary Estimates.

4. My Lords have already referred, under the heading "Treasury nominees" (paragraph 13) to the general issues raised by the Committee's suggestion that in the case of organisations largely or entirely supported out

of public funds the Treasury should appoint nominees as full members or assessors. They have also considered this suggestion in relation to the Medical Research Council. As the Committee point out, Treasury Officers as laymen are bound to find it difficult to assess technical demands formulated by experts, particularly in this highly specialised field. My Lords do not see that this difficulty would be diminished if They were to appoint a nominee to the Council, and They would prefer to rely on the present close co-operation between the Medical Research Council and Their officials on a day-to-day basis. They are confident that in this way the Treasury can and does keep fully in touch with developments and new proposals in the field of medical research, and so maintains the degree of financial control which is appropriate.

Paragraphs 49 to 53.—Ministry of Health: Emergency Housing.

My Lords have drawn the attention of the Ministry of Housing and Local Government to the Committee's suggestion that where the assessment for rating purposes of a requisitioned property has been increased following improvement carried out at the expense of the Exchequer, the increase in rates should inure to the benefit of the Exchequer. They are glad to know that this suggestion will be discussed with local authorities in the wider context of a general review of the emergency housing service as a whole.

Paragraphs 54 and 55.—National Health Services—Delay in presenting Supplementary Estimates.

My Lords note the comments of the Committee. So far as the presentation of Supplementary Estimates is concerned, My Lords have explained in the note which They submitted to the Committee the procedure which is at present adopted. They are fully aware of the undesirability of committing Parliament in advance to expenditure which it might not be prepared to sanction, and They will bear in mind the Committee's view that a Supplementary Estimate should be presented as soon as possible after it is known that a Vote will be substantially overspent, in order that the sanction of Parliament may be obtained in good time. As was explained to the Committee, the circumstances under which the excess expenditure was incurred on the Health Services in 1949-50 were unique, and it is most unlikely that a similar situation could arise in the future. So far as these particular services are concerned, a detailed review of expenditure in relation to the Estimate is now being made at frequent intervals throughout the year. In consequence, the possibility of an excess on the Vote, or on any Subhead within the Vote, will be brought to the attention of the Ministry and of the Treasury at the earliest possible stage.

Paragraphs 56 to 62.—Control of Hospital Expenditure.

My Lords assure the Committee that the Health Departments and the Treasury will continue to put forward their best endeavours to ensure that a satisfactory system of control over hospital expenditure is established. With regard to the particular matters raised in paragraphs 56 to 60. My Lords agree that progress has been slower than They would have wished to see. At the same time, They doubt whether, given the difficulties of setting up a new and complex organisation on the scale of the National Health Services, much more rapid progress in these matters could reasonably have been expected. The following paragraphs record the position now reached.

Paragraph 57.

With regard to the reviews of hospital establishments, My Lords understand that the conclusions reached by the teams concerned with administrative and clerical grades are in all cases discussed with officers, and frequently also with members of the Boards and Committees concerned, and in many cases an agreed conclusion has been reached. Formal communications will be sent to the Boards and Committees very shortly. Similar action is proposed with regard to the review of medical, nursing and domestic staffs. Experience so far gained indicates that no standards susceptible of general application can at present be arrived at for medical, domestic, or administrative and clerical staffing, but the matter is still under review in relation to nursing establishments. Methods of dealing with redundant staffs have been determined in agreement with representatives of staff organisations.

2. With regard to the individual case referred to by the Committee, My Lords understand that no recommendation was made for cutting by a half the whole administrative and clerical staff of the group; the recommendation related only to one department within the group.

Paragraph 58.

The intention to use the statutory powers of the Minister to enforce approved rates, which was conveyed to the Committee in evidence, has now been carried out. Regulations have been made under Section 66 of the National Health Service Act, 1946, and Boards and Committees have been asked to bring to an end any excess payments which they have been making, or to seek a direction from the Minister in any case for which they may wish to claim exemption from this requirement.

Paragraph 59.

My Lords agree with the importance which the Committee attach towards bringing to the notice of the responsible authority, at the earliest possible date, any question of irregularity or lack of control raised by the auditors. A revised procedure is being introduced which is designed to secure that this is done.

Paragraph 60.

My Lords attach the same importance as the Committee to the adoption of the system of competitive tendering wherever this is possible. Regional Hospital Boards and Boards of Governors have recently been reminded that supplies should be purchased under competitive tender, and My Lords understand that such tenders are now, in fact, generally invited by hospital authorities. My Lords also understand that considerable progress has been made in group purchasing arrangements in suitable cases. It is the policy of the Ministry to encourage such arrangements where they are advantageous. Steady progress is also being made in the development of central purchase.

Paragraphs 63 to 73.—Levels of Remuneration and Profits.

My Lords share the Committee's regret that it has not been found possible to accumulate more rapidly the knowledge of all the relevant facts which would enable an authoritative judgment to be formed as to whether the levels of remuneration in the Health Services are fair and reasonable. They attach great importance to securing the full co-operation of the professions and industries concerned, both in supplying such information and in introducing any necessary modifications; and They are confident that the Departments concerned will continue to do everything that can reasonably be done to secure that these ends are achieved. My Lords attach equal

importance to the taking of effective measures to stamp out abuses. Further progress in these various directions has been made, but much remains to be done. A complication making for delay has been introduced by the charges imposed for certain supplies by the National Health Services Act, 1951.

(i) *Dentists*

Paragraphs 64 to 66.

With regard to the remuneration of dentists, in addition to the cuts referred to by the Committee, negotiations were opened in January, 1951, with the object of making a still further reduction. These negotiations were, however, suspended while the question of introducing charges to the patient was under consideration. The future level of earnings cannot be assessed until it is seen at what level future demand, and the incidence of treatment, will be stabilised. Evidence is, however, being collected on this subject, as also is information about the remuneration under the National Health Service paid to individual dentists. So far as private work is concerned, investigations which have been made suggest that incomes from private practice amount to some 5 per cent. of the total earnings.

Paragraph 66.

My Lords attach great importance to the taking of measures against scamped work and fraud. They have been informed that disciplinary action of one kind and another has been taken in respect of about 700 dentists, or rather more than 7 per cent. of the total number in the National Health Service. Progress in this field depends upon increasing the number of dental advisers in the Dental Estimates Board, and in the Department's own Dental Officers without whom action cannot be taken on cases referred by the Board. Some increase in both these categories has already been made and higher scales, which it is hoped will stimulate recruitment, have been offered for Dental Officers.

(ii) *Chemists*

Paragraph 67.

After the publication of the arbitration award in Scotland, an agreement was reached in the Whitley Council on the remuneration of retail chemists in England and Wales. The agreement fixed the "on cost" allowance approximately halfway between the original figure and that imposed by the Department. It also made a small increase in the dispensing fee. A fact finding investigation into the costs of retail chemists is now being considered.

(iii) *Opticians*

Paragraph 69.

The imposition of charges to the public for spectacles has resulted in a very heavy drop in demand. This drop has, of course, falsified the information previously collected, to which the Committee refer, regarding the earnings of opticians. It will be necessary to undertake a further investigation when the demand has been stabilised; this is not expected to be possible within the next month or two.

(iv) *Prices of Frames and Lenses*

Paragraph 70.

My Lords would not wish to dissent from the view that, in cases where the great bulk of the production of a particular class of goods is being paid for out of public funds, both the Accounting Officer concerned and the Comptroller and Auditor General should have access to the evidence on the basis of which prices have been fixed by the responsible price fixing

authority. Only if this evidence is made available to him will the Accounting Officer, in the absence of effective competition, be in a position to satisfy himself, and give the Committee the assurance, that the prices paid are fair and reasonable; and only if the Comptroller and Auditor General also has access to it will he and the Public Accounts Committee be able effectively to discharge their own responsibilities. The difficulty is that, under the Prices of Goods Act, 1939 (Section 17) it is an offence to reveal information about a particular business, gained during an investigation, without the consent of the manufacturers concerned. My Lords are accordingly considering, in consultation with the Departments concerned, in what way this difficulty can best be resolved.

Paragraphs 74 to 77.—Central Land Board: Failure to secure sales of land at existing use value.

My Lords note and entirely endorse the Committee's view, expressed in paragraph 76, that it is the duty of the nationalised industries in their land transactions to support policy based on statute. My Lords did, in a Treasury Circular of 1948 issued on the day when the Town and Country Planning Acts, 1947, came into operation, ask all Departments concerned with nationalised industries and similar bodies to draw their special attention to the principles of the Acts; and They will in the near future, in a further Circular about to be issued, repeat that request and relate it to the Committee's remarks.

2. My Lords also note the Committee's suggestion, in paragraph 77, that there is need for a special review of the operation of the financial provisions of the Acts in relation to the present abnormal conditions. They are fully alive to the importance of making every effort to ensure that the £300 million to be distributed from Government funds, by way of payments to owners of interests in land which are depreciated in value by the Acts, should not in any sense be wasted expenditure. They would remind the Committee, however, that the purpose of the £300 million was not only to eliminate development value in the case of land privately developed: the Government's chief purpose in providing it was to enable effective land planning by public authorities to proceed unhindered by constant and crippling claims to compensation, and that purpose is fully secured.

3. Moreover, My Lords would remind the Committee that the financial scheme of the 1947 Acts was concerned with the development value of land and not with scarcity value. Its effects are admittedly obscured by the current existence of substantial scarcity value (which is present in all vacant properties, whether newly built or not—the scarcity value of a building licence being a special aspect of this in the case of undeveloped land just about to be developed). My Lords are keeping a close watch upon this situation, and will bear in mind what the Committee have said. But They have also to bear in mind that scarcity value is not the same as development value, and that the effects of scarcity value upon property prices are not in themselves evidence that development value is remaining in those prices. The problem is to prevent transactions in development value without thereby preventing all private land transactions of any kind. My Lords can assure the Committee that it is being studied and will continue to be studied with the utmost care.

Paragraphs 78 to 80.—Board of Trade: Removal of Development Areas from schedule.

My Lords have given careful consideration, in consultation with the Board of Trade, to the views expressed by the Committee. They are assured that the necessity for regular surveys of the situation in the Development Areas

is fully appreciated in the Board, and that, indeed, such a review is now in progress. But the Board would prefer not to be tied to the obligation of a formal review of the Development Areas each year; they believe that there might then be a tendency for undue weight to be given to the events of the preceding twelve months, and to what may be merely passing conditions, at the expense of more permanent features of development. It has, of course, been the primary aim of the policy of promoting the industrial growth of the Development Areas to bring about conditions in which a special danger of unemployment no longer exists, and the Board do not desire to retain any area in the Schedule longer than is necessary to attain this objective.

2. My Lords deem it important to emphasize that the fact that an area is included in the Schedule does not mean that the Board of Trade or any Ministers concerned are bound to incur, or They to approve, the expenditure of public moneys for any of the purposes specified in the Acts. It has always been, and will continue to be, the Board's policy and that of Their Lordships, in co-operation with the other responsible Departments, to relate the provision of public finance in any given case to the particular needs of that part of a Development Area with which a project is concerned; due regard being also had to wider considerations of national interest.

3. The Board of Trade have already given some preliminary consideration to the administrative and legal problems which may arise in removing an area from the Schedule, and they will consider further, in consultation with Their Lordships, whether amending legislation may be required to overcome them.

Paragraphs 81 to 83.—Crown Lands: Investment Policy.

My Lords note the views of the Committee.

2. My Lords consider that account must be taken of the fact that opportunities for investment in land are at present limited and seem likely to continue to be limited for some time. In consequence it is difficult for the Commissioners of Crown Lands to achieve their desired object of reducing the amount invested in securities, or to forecast reliably their future cash requirements. My Lords consider therefore that for the present, and subject to periodical review, the Commissioners of Crown Lands would be justified in continuing to have regard to the additional income which can be earned from holdings of long term investments.

3. The possibility that unforeseen opportunities of investing in suitable land sums in excess of current receipts from sales may arise at any time cannot, however, be entirely disregarded; and the Committee take the view that greater account should be taken of this possibility in framing investment policy. My Lords accept this view, and They have, accordingly, already signified Their general approval of investment of new money in short and medium dated securities. They similarly agree that if, before a suitable holding of such securities has been built up in this way, favourable opportunities should occur to transfer some of the long or undated stocks into shorter dated securities, they should be taken in order to achieve a more balanced portfolio.

Paragraphs 84 to 85.—Ministry of Agriculture and Fisheries: Establishment of self-governing research institutes.

My Lords note the comments of the Committee. The arrangements for financing agricultural research are at present under review. Subject, however, to any fundamental change made as a result of that review, My Lords

consider that it would be appropriate for the Agricultural Departments to ask for legislation making suitable provision for setting up statutory bodies in order to secure greater freedom of administration, which is important in matters of research, without relaxing control of the expenditure of public monies. If, in the meantime, further proposals for incorporation under the Companies Act have to be considered, My Lords would propose to agree on the understanding that such institutes could be brought within the scope of any new arrangements eventually made. My Lords are also proposing to arrange for the Comptroller and Auditor General to have access to the books of agricultural research bodies entirely dependent on State grants for their existence.

2. My Lords think it necessary, however, to assure the Committee that quasi-independent status was not granted to these bodies in order that they might have greater freedom in administering public monies. These new arrangements were made in the interests of efficiency and smooth working and, in Their Lordships' view, did not detract from the effectiveness of the financial control exercised by the Department and the Treasury.

Paragraphs 86 to 90.—Home-produced food : price fixing procedure.

My Lords note the comments of the Committee on estimates of capital employed. They consider, however, that such estimates, even if they could be made, would have only a limited value. The farm income, in addition to giving a return on capital employed, must also provide a return on the labour of the farmer and his wife and insurance against bad weather and other risks of farming. In Their Lordships' view it is not possible, in fixing or varying prices under Section 3 of the Agriculture Act, to consider the principles set out in Section 1 (1) of the Act individually in isolation. They are all relevant and important, but My Lords are of opinion that the degree of importance to be attached to each separate item cannot be precisely defined for this purpose.

2. Apart from this, however, there would be great difficulty in determining with any sort of precision the amount of capital employed in farming, and in obtaining even an approximate figure, without a disproportionate expenditure of money and manpower. The ordinary farmer does not distinguish between his business and personal assets and liabilities such as cash, investments and overdrafts ; but the "farming" assets and liabilities would have to be extracted for an estimate of capital employed. Tillages, unexhausted manures in the soil and growing crops would have to be included, and could only be assessed by expert valuers. The resources of the Universities who carry out the income investigations are already fully stretched, and they could not undertake even that part of an investigation into capital employed which lies within their province. Statistics derived from the Inland Revenue would not help, since the information obtained by the Inland Revenue is not directed to the determination of capital employed and is not adequate for that purpose.

3. From all this My Lords conclude that it would be impracticable to compile an assessment of capital employed in farming suitable for the purpose intended by the Committee, and that, in so far as it could be compiled, the result could not be used in such a way as would justify the effort and cost involved.

4. My Lords note the comments of the Committee on the so-called "capital injection" which, as the Committee record, is now being gradually withdrawn.

5. Finally My Lords have considered the suggestion made in paragraph 90 of the Committee's report. In the case of doctors, accounts prepared by professional accountants are normally available. This is not the position in the case of the smaller farmers; many of them are not liable to tax, and in many cases either there will be no accounts at all, or the accounts will be "home made". A statistical sample based on tax records would, therefore, give reasonably reliable results only in the case of the bigger farmers: for the great mass of the smaller farmers the results would at best be very approximate, and would be of little value for the purpose of price fixing.

Paragraphs 91 to 95.—Ministry of Supply : Prices for Government purchases of iron and steel products.

My Lords note the comments of the Committee. They would agree that the prices paid as a result of tenders in the circumstances described by the Committee can not be regarded as truly competitive, though a significant element of competition remains in that the contracts are placed with the firms quoting the earliest delivery dates. They think it may well be true that the Government purchases as great a volume of steel products as it did in 1937. They fully accept, moreover, that it is the responsibility of the Comptroller and Auditor General to assist the Committee of Public Accounts in judging the reasonableness of prices paid by Government Departments, and that he is entitled to be furnished by the Ministry responsible for the expenditure with all the data necessary for the purpose.

2. Nevertheless My Lords doubt whether it is in fact necessary in these circumstances that the Comptroller and Auditor General should be furnished with this information in order to satisfy himself that the prices of iron and steel products bought by the Government are fair and reasonable. The Minister has a statutory obligation to fix maximum controlled prices on behalf of the consumer of iron and steel products generally, and it is a main part of his duty to ensure that the consumer does not pay an exorbitant price for these products. My Lords do not think that the Committee would claim that they had a right to investigate the fairness of those prices, nor to examine the precise methods by which the Minister may seek to exercise his statutory responsibility in arriving at his decisions.

3. My Lords would not deny the right of the Comptroller and Auditor General to have access to the results of any investigations which a Ministry might make in cases where the Ministry itself, or even the Government as a whole, was the predominant purchaser of the goods in question, and the general public merely a residual consumer. In such cases the object of price fixing can scarcely be said to ensure that the prices paid by the public are fair and reasonable, and My Lords would consider it proper that, in the absence of effective competition, the normal processes of investigation by the Public Accounts Committee, including the submission of all relevant data, should operate. In other cases, however, where the Government itself consumes only a minor proportion of the products of the industry, and is not even necessarily the most important single purchaser, My Lords do not see how the Committee could carry out such an investigation without, in effect, appearing to challenge the basis upon which the Minister, at the express desire of Parliament, is seeking to carry out his functions of price control; for the Committee, in assessing and possibly criticising the reasonableness of prices paid by Government Departments for that proportion of the products of the industry which are being purchased out of public funds, could not fail to call in question the reasonableness of the prices paid by the consumers as a body.

4. My Lords do not think that it would be consistent that Parliament should at one and the same time lay upon a Minister the statutory obligation of fixing prices which are to be fair and reasonable for the community as a whole, and yet question the manner in which he exercises that function, by providing for a special investigation of the prices paid by Departments as consumers of part of the product. To do so would be to give an unfair advantage to certain particular purchasers, viz. Government Departments, as against the industrial or private consumer who continues to have to pay the prices which Government itself lays down. In the view of Their Lordships, in the absence of arrangements authorised by Parliament which would provide specifically for a review of the manner in which the Minister exercises his statutory functions on behalf of the community, the presumption must remain that the prices paid by Government Departments, with which the Committee is rightly concerned, are reasonable, and can be accepted as such without special investigation.

Paragraphs 96 to 98.—Ministry of Food: Need for review of wartime arrangements.

My Lords agree to the desirability of a comprehensive review of these arrangements, and have called for one to be made.

Paragraphs 99 to 101.—Welwyn Garden City Development Corporation.

My Lords have considered the comments of the Committee in consultation with the Ministry of Housing and Local Government. They have devoted particular attention to the suggestion that full account was not taken of the facts that the property purchased from Welwyn Garden City Limited contained little that was profit making and that there were heavy arrears of maintenance to be carried out. They are satisfied that the District Valuer, whose professional advice is, of course, normally accepted, took full account of these facts in assessing the purchase price. They are of the opinion, however, that the Ministry of Housing and Local Government, in their original assessment of the likely return from the property, did not make full allowance for the heavy arrears of maintenance. The effect on the revenue account of this omission was the greater because the arrears were overtaken faster than was expected. Nevertheless, My Lords consider that the fact that there was a loss on revenue account in 1949/50 does not mean that the purchase price was excessive. Indeed, the small surplus in 1950/51 is an indication to the contrary. The Ministry of Housing and Local Government still expect that, when all the arrears of maintenance have been overtaken, there will in due course be a reasonable profit on the whole transaction, and My Lords share this view. My Lords assure the Committee that before approving purchases by Development Corporations, the Ministry of Housing and Local Government and the Treasury satisfy themselves that they have all the information necessary for judging whether a reasonable return is likely to be secured.

Paragraphs 102 to 104.—Industrial Development.

My Lords understand that in carrying out the duties laid upon them by the Distribution of Industry Acts, the Board of Trade have full regard in each case to the advantages and disadvantages of possible alternative locations for a factory. The Board take into account the Government's announced policy of favouring industrial development in the Development Areas, and equally its policy of securing the balanced development of the New Towns by the introduction of industry in step with housing. Industrial development in the New Towns, however, is unavoidably affected by the restrictions on building for civil purposes. Industrial undertakings qualified

to obtain exemption from these restrictions and able and willing to locate their factories in New Towns are difficult to find. Nevertheless, the Board of Trade seek to discharge their responsibilities in conformity with the purposes for which the New Towns were established by making every effort to find such undertakings.

Paragraphs 105 to 115.—Colonial Development Corporation Accounts : Reports and Accounts for 1949 and 1950.

My Lords concur generally with the comments and conclusions of the Committee. They have the following observations to make upon particular points to which the Committee have drawn attention.

Paragraph 107.—Capital sanctions.

My Lords desire to make it clear that the present practice, which They consider to be correct, is for the Corporation to apply for capital sanction for all schemes of any magnitude, which, for purposes of administrative procedures, is interpreted as £50,000.

Paragraph 108.—Terms on which advances to the Corporations are made.

My Lords wish to state that, while They agree with the general comments of the Committee in their Third Report upon the desirability of making firm and binding agreements at the earliest possible moment, the settlement of the terms on which advances to the Corporation are made presented a peculiarly difficult problem which required a great deal of thought and discussion. My Lords do not consider that in all the circumstances the delay in this instance could well have been avoided.

Paragraph 109.—Provision of information in the Accounts.

My Lords entirely agree that the increase in information given by the Corporation in their Report and Accounts is to be welcomed.

Paragraph 110.—Participation in hotels and holiday resorts.

My Lords agree that this type of development should be carefully watched. They do not, however, read the Committee's comments as implying that the Corporation should necessarily be debarred from participating, as they are statutorily empowered to do, in the building and running of hotels and holiday resorts where such enterprises are likely to contribute to the useful economic development of a colonial territory.

Paragraph 111.—Use of pilot schemes.

My Lords fully endorse the Committee's view on the importance of the use of pilot schemes before launching large scale operations in undeveloped areas.

Paragraphs 114 and 115.—Commercial profitability of the undertakings.

My Lords share the concern of the Committee at the failure of certain of the Corporation's initial undertakings and the uncertain prospects of others. My Lords think it important to emphasize, however, that in attempting to contribute to the development of colonial territories, by providing capital and management which could not be provided from elsewhere, the Corporation is entering a new field of enterprise. It is scarcely to be expected that all the schemes which the Corporation undertakes should be profitable; nor is there any obligation upon the Corporation to run each of their undertakings at a profit, so long as the total revenues are not less than sufficient to meet all sums properly chargeable to the Revenue Account, taking one year with another. My Lords appreciate, nevertheless, that each unprofit-

able project must make it more difficult for the Corporation to meet their liabilities. It is still too early to come to any firm conclusion about the prospects of each and of all the Corporation's activities, but My Lords see no reason at the present stage of development to assume that, with sound management and a proper outlay of their resources, the Corporation will not be able to meet their obligations.

Paragraphs 116 to 118.—National Film Finance Corporation Accounts: Report and Accounts for 1949-50.

My Lords note the comment of the Committee on the loan of £3 million to the British Lion Film Corporation Limited, and in particular the suggestion that this large sum of public money might have been safeguarded by the appointment to the Board of British Lion of a Director representing the National Film Finance Corporation, or by insisting on some share of control.

2. In their comments on paragraphs 13 and 14 of the Report My Lords have expressed their views on the more general question of appointing Treasury Directors to organisations largely supported by public funds.

3. In the case of British Lion Film Corporation, at the time that the first commitment of public money to the Company was made, and before the Film Finance Corporation was constituted by statute, the Company was required to have an independent report by chartered accountants on its financial position. Partly as a result of this report, changes were made in the membership and organisation of the Board, which were designed to strengthen financial control. Subsequently the National Film Finance Corporation required the appointment by the Company of a Finance Director, and the Company is also required to make frequent and detailed reports to the Corporation on its expenditure and receipts.

4. My Lords have no reason to believe that these arrangements do not give as satisfactory safeguards as are compatible with the fact that it is the Company who have the responsibility for carrying out the obligations of the loan.

APPENDIX II

PAPER handed in by Mr. P. S. Milner-Barry, O.B.E., on 4th December, 1951

1949-50

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,
4th December, 1951COMPARISON OF AUDITED EXPENDITURE in 1949-50 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 SERVICES ... FUND ...	550,391,638 4 6	550,391,638 4 6	—	—	—	—
NAVY	186,800,000 — —	180,276,263 17 11	6,523,736 2 1	—	—	—
ARMY	291,800,000 — —	294,686,029 16 2	—	2,886,029 16 2	—	—
AIR SERVICES	201,600,000 — —	199,547,056 5 6	2,052,943 14 6	—	—	—
MINISTRY OF DEFENCE ...	700,000 — —	682,281 15 4	17,718 4 8	—	—	—
	680,900,000 — —	675,191,631 14 11	8,594,398 1 3	2,886,029 16 2	—	—
CIVIL SERVICES	2,118,784,000 — —	2,095,293,654 8 7	23,490,345 11 5	—	—	—
REVENUE DEPARTMENTS...	199,209,000 — —	198,465,872 14 4	743,127 5 8	—	—	—
TOTAL	3,549,284,638 4 6	3,519,342,797 2 4	32,827,870 18 4	2,886,029 16 2	—	—
			2,886,029 16 2			
			29,941,841 2 2			

1949-50

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, 1949-50			Expenditure, 1949-50			Differences between Exchequer Grants and Net Expenditure (Columns 3 and 6)	
	Estimated Gross Expenditure (1)	Authorised Receipts in Aid of Grants (2)	Exchequer Grants (3)	Gross Expenditure (4)	Actual Receipts in Aid (5)	Net Expenditure (6)	Surpluses (7)	Deficits (8)
	£	£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Navy	211,010,010	21,760,000	189,250,010	210,903,291 12 10	30,627,027 14 11	180,276,263 17 11	8,973,746 2 1	—
Army	356,200,000	51,500,000	304,700,000	345,189,109 6 4	50,503,079 10 2	294,686,029 16 2	10,013,970 3 10	—
Air Services	236,691,600	29,241,600	207,450,000	229,422,712 15 9	29,875,656 10 3	199,547,056 5 6	7,902,943 14 6	—
Ministry of Defence	717,695	5,000	712,695	687,281 15 4	5,000 — —	682,281 15 4	30,413 4 8	—
TOTAL, NAVAL, MILITARY AND AIR SERVICES AND MINISTRY OF DEFENCE ...	804,619,305	102,506,600	702,112,705	786,202,395 10 3	111,010,763 15 4	675,191,631 14 11	26,921,073 5 1	—
Civil Services:								
Class I	27,364,661	12,214,216	15,150,445	25,920,162 16 6	11,974,192 13 9	13,945,970 2 9	1,204,474 17 3	—
" II	68,134,796	1,903,593	66,231,203	65,787,386 13 5	1,745,738 4 6	64,041,648 8 11	2,189,554 11 1	—
" III	62,295,417	6,157,185	56,138,232	56,586,903 7 8	5,852,494 1 10	50,734,409 5 10	5,403,822 14 2	—
" IV	256,959,678	12,580,658	244,379,020	252,314,374 12 8	12,534,826 9 2	239,779,548 3 6	4,599,471 16 6	—
" V	944,299,673	117,810,370	826,489,303	916,094,091 4 2	117,724,512 12 5	798,369,578 11 9	28,119,724 8 3	—
" VI	207,979,809	35,886,307	172,093,502	182,315,158 13 7	33,848,915 — 2	148,466,243 13 5	23,627,258 6 7	—
" VII	100,536,232	17,972,950	82,563,282	95,141,194 4 2	17,972,950 — —	77,168,244 4 2	5,395,037 15 10	—
" VIII	99,687,043	2,933,943	96,753,100	98,171,051 9 8	2,933,943 — —	95,237,108 9 8	1,515,991 10 4	—
" IX	894,565,454	246,093,640	648,471,814	851,672,266 — 11	244,121,362 12 4	607,550,903 8 7	40,920,910 11 5	—
TOTAL CIVIL SERVICES ...	2,361,822,763	453,552,862	2,208,269,901	2,544,002,589 2 9	448,708,934 14 2	2,095,293,654 8 7	112,976,246 11 5	—
Revenue Departments:								
Customs and Excise	9,988,000	629,000	9,359,000	9,859,622 — 6	629,000 — —	9,230,622 — 6	128,377 19 6	—
Inland Revenue	22,068,550	61,900	22,006,650	21,718,384 8 10	61,900 — —	21,656,484 8 10	350,165 11 2	—
Post Office	181,882,273	12,891,273	168,991,000	180,470,039 5 —	12,891,273 — —	167,578,766 5 —	1,412,233 15 —	—
TOTAL REVENUE DEPARTMENTS ...	213,938,823	13,582,173	200,356,650	212,048,045 14 4	13,582,173 — —	198,465,872 14 4	1,890,777 5 8	—
TOTAL FOR VOTED SERVICES	3,680,380,891	569,641,635	3,110,739,256	3,542,253,030 7 4	573,301,871 9 6	2,968,951,158 17 10	*141,788,097 2 2	—

XXXII
REPORTS FROM

CONSOLIDATED FUND

	Estimated Expenditure	Actual Expenditure	Less than Estimate	More than Estimate
	£	£ s. d.	£ s. d.	£ s. d.
National Debt Services { (a) Interest, etc. } { (b) Sinking Fund }	485,000,000	{ 472,206,144 15 11 18,722,647 5 7 }	—	5,928,792 1 6
Excess Profits Tax post-war refunds (part deducted for tax)	5,700,000	11,893,000 — —	—	6,193,000 — —
Payments to Northern Ireland Exchequer	30,000,000	36,963,319 7 5	—	6,963,319 7 5
Other Consolidated Fund Services	12,000,000	10,606,526 15 7	1,393,473 4 5	—
TOTAL OF CONSOLIDATED FUND SERVICES	532,700,000	550,391,638 4 6	1,393,473 4 5	19,085,111 8 11
GRAND TOTAL OF EXPENDITURE	—	3,519,342,797 2 4	—	—

* The savings on Votes for the year 1949-50 amounted to £141,788,097 2s. 2d. as shown in column 7 and were dealt with as follows:—

	In the Financial year	
	1950-51	1951-52
Written off from the Exchequer Grant Accounts out of Ways and Means of 1949-50	£ 53,436,185	£ —
do. 1950-51	s. d. 8 6	s. d. —
Paid to H.M. Exchequer by the Paymaster-General	87,536,864 3 2	—
	815,047 10 6	—
	141,788,097 2 2	—

	In the Financial year	
	1950-51	1951-52
Written off from the Exchequer Grant Accounts out of Ways and Means of 1949-50	£ 53,436,185	£ —
do. 1950-51	s. d. 8 6	s. d. —
Paid to H.M. Exchequer by the Paymaster-General	87,536,864 3 2	—
	815,047 10 6	—
	141,788,097 2 2	—

SECOND REPORT

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

VIREMENT

1. In their examination of the Accounts of the three Service Departments, Your Committee have reviewed the exercise by the Treasury of their powers under the annual Appropriation Act to sanction provisionally, subject to subsequent confirmation by Parliament, the application of a surplus on any Vote to meet a deficit on any other Vote in the same Service Department.

2. Your Committee report that they see no reason why Parliament should not sanction all the transfers relating to the Accounts for 1950-51 which were temporarily authorised by the Treasury in their Minutes laid before the House in February, 1952.

ACCOUNTS OF THE SERVICE DEPARTMENTS

3. It has been the recent practice of Committees of Public Accounts to combine in a single Report their comments upon the exercise by the Treasury of their power of virement and upon the Accounts of the three Service Departments. Although they have completed the examination of these Accounts, Your Committee propose to defer reporting upon them until they have received additional information which they have sought on certain matters touching all three Departments.

THIRD REPORT

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THIRD REPORT

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

GENERAL

HOUSING FOR THE ARMED FORCES AND CIVILIAN EMPLOYEES

(i) *Standards and costs*

1. The War Office, the Air Ministry and, to a smaller extent, the Admiralty are engaged in programmes extending over several years of building married quarters for officers and other ranks and ratings. The Ministry of Works are also building houses for civilian employees at research and other establishments of the Ministry of Supply. The information on costs available when the Comptroller and Auditor General made his reports on the Army and Air Accounts suggested that the Army quarters were more expensive than those for the Air Force and that both might be more expensive than houses built by local authorities for the civilian population. Your Committee therefore asked the Departments concerned for an explanation of the apparent differences and examined the arrangements made by the Treasury for co-ordinating the standards of provision by the Departments in relation to those permitted under the existing system of building controls for the civilian population.

C. & A.G.'s
Army
Report,
Paras. 16 &
17.
C. & A.G.'s
Air Report,
Paras.
15-17.
Qs. 3326,
3426-30,
3824-34,
5335-93.

Q. 3429.
Q. 3430.

2. The War Office admitted that quarters for soldiers, though somewhat smaller, cost more than quarters for airmen. They justified the extra cost on the ground that the Army builds smaller groups of houses than the Air Force; that the Army houses are on more remote and more difficult sites with higher charges for external services; and that the Army provides fittings such as cupboards and geysers more freely than do the Air Force or local authorities.

3. The Air Ministry have furnished a statement (printed as Appendix 11) giving a detailed comparison of the costs of airmen's quarters and those of somewhat larger local authority houses. The difference they attribute partly to the extra cost of the imported labour they have to employ; partly to the extra cost of installing services such as water and electricity or of carrying them to remote sites; and partly to the provision of additional fittings and the carrying out of preliminary work on gardens. There is also said to be a small increase in average cost because their contracts are mostly for smaller numbers. On these grounds the Ministry conclude that the cost of quarters for airmen compares closely, like for like, with that of local authorities' houses.

C. & A.G.'s
Army
Report,
Para. 18.
Q. 3441.
Q. 3447.

4. For officers, the War Office at first built non-traditional houses, some 20 or 30 per cent. larger than the average local authority house, of the type, known as the "Harwell", then being provided by the Ministry of Works for the Ministry of Supply. The Army did not like this type of house, as it was of a much lower standard than they had been accustomed to before the war, and they accepted it only as an interim measure. The Treasury subsequently authorised the construction of larger houses than the Harwell house for officers of the rank of major and below. The costs of these are turning out well above the limits agreed by the Treasury and may reach over £4,000 each exclusive of land. The War Office are negotiating limits for larger houses for officers of higher ranks than that of major, for whom they have so far provided by buying existing properties.

C. & A.G.'s
Army
Report,
Paras. 19 &
20.
Qs. 3450,
3453.

5. The first quarters built for Air Force officers were of about the same size as local authority houses and were of the standard normally provided for warrant officers. Larger houses approximating in size to those approved for the Army were subsequently authorised. The information so far available suggests that the Air Force officers' houses, like the airmen's quarters, are costing rather less than those for the Army.

C. & A.G.'s
Air Report,
Paras. 16,
19 & 20.

6. A number of houses under construction for the Ministry of Supply at various establishments in 1950-51 were also larger and more expensive than the "Harwell" house. For staff earning more than £1,000 a year, detached four-bedroomed houses with a garage are provided. Staff earning less than £1,000 but with large families have semi-detached four-bedroomed houses without garages. Three-bedroomed and some two-bedroomed houses are provided for other staff. The Ministry state that the remoteness of their sites and the need to import labour are responsible for the seemingly high cost of their houses. It appears, however, that it sometimes proves possible to find enough labour nearby at sites where importation was at first thought to be necessary.

Q. 5336.

Qs. 5341,
5369.

Q. 5342.

7. The methods of Treasury control of the various Departments' expenditure on housing appear to have varied. The Comptroller and Auditor General reported that the Treasury had stipulated that tender prices for airmen's quarters should be agreed with the Housing Officers of the Ministry of Health to ensure that prices conformed with those for other comparable housing schemes, but they waived this stipulation for soldiers' quarters on the understanding that any contractor suggested by the Housing Officers who satisfied certain conditions would be invited to tender. Treasury approvals of schemes for airmen's quarters were based on estimates of costs; for soldiers' quarters the Treasury delegated authority to the War Office to approve contracts within specified price limits. For officers' quarters the Treasury approved general standards of construction either at stated estimated costs or within specified price limits. There seems to have been some lack of clarity as to what had been sanctioned, as the War Office considered that they were entitled to build to the standards approved even if the cost limits were exceeded, though the Treasury intended that these should be actual limits. Some houses have cost substantially more than the Treasury limits.

C. & A.G.'s
Air Report,
Para. 15.

C. & A.G.'s
Army
Report,
Para. 15.

C. & A.G.'s
Air Report,
Paras. 19 &
20.
C. & A.G.'s
Army
Report,
Paras.
18-20.
Q. 3451.

8. In evidence the Treasury explained that they intended that Army and Air Force quarters should be broadly comparable and that the estimated costs of schemes submitted for approval were average figures of what was likely to emerge, which the Treasury accepted without demur. For the Service Departments they gave a general authority to go ahead with housing programmes on a certain scale of house; but they examined the much smaller schemes of the Ministry of Supply in great detail and approved each individual scheme according to its requirements. The Treasury claimed that each scheme was examined in the light of the limits prescribed by the Ministries responsible for control of civilian building, though there appeared to be some uncertainty in evidence as to what these limits were. The Treasury admitted that the general limit of size for civilian building was lower than that of the larger houses they had approved for the Services and the Ministry of Supply, but they thought that the people for whom these were approved had claims for exceptional treatment, such as the liability to entertain, comparable to those which had secured such treatment for managerial and similar grades in civil life.

Q. 3426.

Q. 3830.

Q. 5343.

Qs. 5344-5.

Qs. 5345-
53.
Qs. 3442-
9.

9. On the question of cost, the Treasury said that the figures produced by the Comptroller and Auditor General had been of great help to them

Q. 3840.

13963

B 3

Q. 3449.

but the comparisons with local authority costs had fortified them in their view that they could rest well content with the cost of soldiers' and airmen's quarters. They were less satisfied about officers' quarters; they hold very strongly that these are larger than can be justified at the present level of building costs and they state that discussions have been going on for some considerable time on cutting them down.

10. Your Committee are not satisfied by the evidence before them that the methods of control adopted by the Treasury have been fully effective in securing the degree of economy that present economic circumstances demand. They feel sure that members of the Armed Forces, and in particular officers of those forces, would not wish to claim for themselves standards of housing beyond those generally available in present circumstances to their fellow-citizens of comparable standing in civil life. Your Committee therefore welcome the statement of the Treasury that discussions are in progress on cutting down some of the more expensive schemes. They hope that the Treasury will have the co-operation of all the Departments concerned in securing conformity with present standards of civilian housing so far as these are not incompatible with essential Service requirements. In particular they trust that, in view of the excessive costs believed to result from the use of imported labour, every effort will be made to restrict its use and to secure labour for these schemes, which are said to be individually so small, from the nearest possible source.

(ii) *Rents*

Qs. 3330-1.

11. As the rents charged by the Service Departments for married quarters appeared to bear no relation to the economic rent of the quarters built since the war, Your Committee asked for information showing the degree of subsidy entering into the rents. The statements furnished by the Departments are printed as Appendices 8, 9 and 10. They give the economic rents of furnished quarters completed for junior officers in 1950-51 as about £301 for the Army, and £280 for the Air Force. No quarters for naval officers were completed in 1950-51. The economic rent for the few junior naval officers' quarters completed in 1951-52 is given as about £283. For quarters completed in 1950-51 for other ranks of the Army the economic rent is assessed at about £167, for airmen at about £160 and for naval ratings at about £163. The War Office and the Air Ministry state that 87 per cent. and 50 per cent. respectively of their quarters were built before 1940 and that the economic rents of such quarters would be much less.

C. & A.G.'s
Army
Report,
Para. 21.
App. 9.

12. In addition to building new quarters, the War Office also hire furnished houses and flats. In 1950-51 the average hiring charges paid by the War Office were £229 for officers and £202 for other ranks. The occupants pay the same rents to the War Office as they would for the appropriate married quarters.

13. The rents charged to junior officers of all Services for furnished quarters, inclusive of rates, are £100 a year. In addition their marriage allowance is reduced by £54 15s. a year. Naval ratings are charged £44 4s. a year and other ranks of the Army and airmen from £36 to £44. The Departments point out that, in estimating the degree of subsidy, allowance must be made for the saving of the cost of single accommodation to which all members of the Forces are entitled free of charge; they give no estimate of the amount of such savings.

14. The Service Departments explain that the new Services pay code of 1946 was based broadly on the level of pay of civilians and it was decided that charges for accommodation should be fixed in relation to

what civilians generally of comparable income would pay by way of rent. To ascertain this they had recourse to the results of investigations made in 1937-38 and 1938-39 into the proportion of income which civilians of comparable grades spent on rent. The Ministry of Supply and other Civil Departments fix rents of the quarters provided for their staff by reference to the District Valuers' assessment of the level of rents actually paid at the present time for comparable accommodation in the neighbourhood. This level varies according to the proportion of local authority, private controlled and private uncontrolled houses in the neighbourhood. The weekly rents so fixed for Ministry of Supply houses range from 29s. to 42s. 6d. in respect of those for staff receiving £1,000 a year and upwards; from 22s. 3d. to 32s. 6d. in respect of those for more junior staff with large families; and from 18s. to 28s. for others. These quarters are unfurnished and the rents are exclusive of rates. Your Committee think it important that the Departments should know how their rents compare with those actually charged at the present time for comparable houses by local authorities, and be in a position to judge whether their housing arrangements result in a greater subsidy from public funds than do those of local authorities.

Qs. 5355-67,
5394-5405.

Qs. 5395,
5399.

Qs. 5362-5,
5401-4,
App. 12.

15. They recommend therefore that the Treasury should review rent-fixing arrangements with the Service Departments in the light of all the information available from local authorities and District Valuers as to the rents at present being paid for comparable houses by civilians of similar standing.

ACCOUNTING TREATMENT OF BLOCKED CURRENCIES

16. At Your Committee's request the Treasury have furnished them in confidence with a list of Funds held by Government Departments in the form of blocked currencies. These holdings have arisen, and further holdings may arise, in certain former enemy or enemy-occupied countries from various circumstances connected with the war, and Your Committee have inquired at considerable length into the procedure for bringing such holdings to account. Following these inquiries the Treasury have provided a statement printed as Appendix 3 setting out their views on the appropriate accounting treatment of such currencies. This indicates that in certain circumstances the existence of the assets will be noted in the Finance Accounts, but that, apart from this, such currency holdings will only be brought into the published accounts piecemeal as and when Departments are able to use them in lieu of sterling, expenditure being then charged to the appropriate Vote and offset by countervailing credits.

17. Your Committee recognise that it is implicit in these arrangements that expenditure from these funds is subject to normal Parliamentary control like any other expenditure, in that it needs to be provided for in Estimates and that it comes under the examination of the Comptroller and Auditor General. But the capital of the funds remains outside the Exchequer, though it is true that when the currency is an Exchequer Asset (e.g. reparations or the settlement of war debts) it will normally be recorded in the statement of Estimated Assets in the Finance Accounts of the United Kingdom. When the currency is treated not as an Exchequer but as a departmental asset (e.g., an asset which, if held in the form of sterling, would be brought to account as Appropriations in Aid) it is held in a departmental suspense account. Your Committee are not normally aware of amounts so held and they felt some concern lest under the existing arrangements funds of considerable size belonging to Her Majesty's Government might lie, as departmental assets, without the knowledge of Parliament, in the possession of foreign banks over a long period. They therefore asked the Treasury

App. 3.

to consider whether certain of the funds in question might be dealt with earlier once and for all by transfer to the Exchange Equalisation Fund and they are pleased to learn that the Treasury, after discussion with the Bank of England, have accepted this suggestion. Your Committee have, however, asked the Comptroller and Auditor General to discuss with the Treasury the arrangements proposed to give effect to the suggestion, since they have not been able to take evidence on certain technical aspects on which they feel some doubt.

EXPENDITURE NOT BROUGHT TO CHARGE IN APPROPRIATION ACCOUNTS

18. Your Committee have considered certain receipts and expenditure by the Ministry of Transport and the Ministry of Agriculture and Fisheries which are not recorded in their Appropriation Accounts.

(i) Ministry of Transport

C. & A.G.'s
Civil Report
(Class IX),
Para. 33.
Qs. 3152-4.

19. (a) *Cost of ships for Korea.* In connection with the Korean operations the Ministry took into the trooping service 4 extra ships and chartered a further 19, of which 17 were for the conveyance to Korea of stores and vehicles. The Ministry's costs on all the ships were recovered from the Service Departments but whereas the costs of the troopships were borne on debit subheads of the Ministry's Vote and the recoveries from the Service Departments were credited to Appropriations in Aid, the Ministry's expenditure (about £935,000) and the corresponding receipts on the other ships were, with Treasury consent, excluded from their Appropriation Account and accounted for through a suspense account.

20. The reason given for the procedure adopted for the store ships was that normally the Service Departments, with advice and assistance from the Ministry, themselves arranged for any shipments of their stores in cargo vessels, and that though, in the exceptional circumstances at the time of the outbreak of war in Korea, the Ministry carried out the whole business of transporting the stores, they did it in effect as agents of the Service Departments.

C. & A.G.'s
Civil Report
(Class IX),
Paras. 40-
42.
Qs. 3183-
3235.

21. (b) *Refund of sale price of ship.* A ship, seized in prize while under construction in Germany at the end of the war was completed at the expense of the Ministry of Transport and, before being condemned in the Prize Court, was in March, 1949, sold for £325,000, the sale agreement providing for the refund of the purchase price, less an agreed amount for hire, if, after delivery to the purchaser, the Prize Court required the Minister to return the ship to its custody. The Prize Court proceedings proved more protracted than had been expected and in 1951 the Ministry, with Treasury approval, took the ship back from the purchaser and refunded the purchase price, less a hiring charge. The £325,000 received from the purchaser in March, 1949, had been paid into the Exchequer in 1949-50, and it could not be refunded from the Exchequer without Parliamentary sanction. The refund made in 1951 was, however, not charged to the Ministry's Vote but was made from other moneys payable to the Exchequer later received by the Ministry and in their hands.

22. The Treasury considered the procedure unobjectionable in this particular case, which they regarded as exceptional. The money had originally been, so to speak, provisionally paid into the Exchequer; the chances were, however, that it had been paid in for good and they considered the alternative of holding the money in suspense till the Prize Court proceedings had been concluded as unsatisfactory. There seemed little point in asking Parliament

to re-vote money to make the refund, particularly as they expected that in due course the ship would be sold and the proceeds again go to the Exchequer. Os. 3192-4.

(ii) *Ministry of Agriculture and Fisheries*

23. (c) *Purchase and sale of home-produced wool.* Provision for a full year's trading in home-produced wool was made in the Estimate for the Ministry of Agriculture and Fisheries for 1950-51, on the same basis as in previous years. The 1950 wool clip was purchased by the Ministry and sold by auction, a large surplus being realised owing to the increase in the world prices of wool. Normally these receipts would have been paid over to the Exchequer, but with Treasury agreement all transactions relating to the 1950 wool clip were removed from the Vote Account to a suspense account pending the approval by Parliament of the British Wool (Guaranteed Prices) Order, 1951, which had the effect of giving to the newly-established British Wool Marketing Board the benefit of all the Ministry's transactions in respect of the whole of the "wool year" which began on 1st May, 1950. The Order became effective on 30th April, 1951, and in May, 1951, the amount of the net proceeds of the 1950 wool clip, £9,089,705, was paid over to the Board from the suspense account. C. & A.G.'s
Civil Report
(Classes I
to VIII),
Paras. 112
& 113.
Qs. 3646-
53, 3674A-
82, 3692-
3700.

24. The Comptroller and Auditor General brought this payment to notice as open to objection on the ground that, as provision was made in the Estimate and the grant by Parliament was used to finance trading operations, the related transactions were proper to be recorded in the Vote Account, and their removal to a suspense account for the purpose of a settlement with the Board constituted a material variation from the terms of the Estimate. The Treasury, while agreeing that the technically correct procedure would have been to pay the surplus receipts into the Exchequer and to provide by Supplementary Estimate for the net amount due to the Board, defended the action taken on grounds of practical administrative convenience. Q. 3646.

25. Your Committee are not entirely convinced by the reasons given in any of these instances for excluding the transactions from the published accounts. While they recognise the propriety of taking administrative convenience into account they could not regard this as justifying any risk of impairing Parliamentary control, save in the most exceptional circumstances.

CIVIL APPROPRIATION ACCOUNTS

CLASS I, VOTE 9. EXCHEQUER AND AUDIT DEPARTMENT

STANDARD OF AUDIT

26. Previous Committees of Public Accounts have regarded it as one of their duties to satisfy themselves from time to time that the standard of audit of public accounts was satisfactory. The Committee of 1945-46, having been told by the Comptroller and Auditor General that in his opinion it was very desirable that the existing standard should be raised, expressed their trust that he would be able to secure the staff necessary to raise the standard and adequately to discharge the additional duties imposed upon him by new legislation. P.A.C.,
1945-46,
4th Report,
Para. 3.

27. Your Committee examined the present Comptroller and Auditor General on the subject, and were informed that, following the report referred to, sanction was given to increase the maximum number of staff in the Exchequer and Audit Department to 546. Actually, however, owing to periodical limits imposed, the number never rose above 510 and by 1950 Q. 1781.

it was down to 501. In that year, in the light of additional duties imposed by fresh legislation, the Treasury agreed that the figure might be increased to 526. This authorised maximum was reduced to 516 in November, 1951, and at the beginning of 1952 a further cut of ten was imposed with the prospect of additional cuts to follow.

Qs. 1762-3. 28. The Comptroller and Auditor General supplied details of the additional amount of work which had fallen on his Department in recent years and said that he could carry out a thorough examination of an expanding Defence programme only by cutting staff engaged on civil work, which he regarded as very fruitful. He also gave particulars of the large sums of public money actually recovered as a result of his Department's activities, quite apart from the general deterrent effect of an efficient external audit.

Qs. 1779-80. Qs. 1776. Q. 1781-2. Q. 1783. Q. 1822. 29. The Treasury explained that, in carrying out the policy of staff reduction announced by the Chancellor of the Exchequer in November, 1951, they had felt it right that the Exchequer and Audit Department should make a modest contribution in the same way as other Departments, including Revenue Departments, were asked to do. They would not necessarily regard the fact that they were losing money as a ground for not reducing the staff in the present manpower position. They recognised that a possible loss of efficiency and of revenue might result from the staff cuts they were imposing, but the administrators clearly had to judge the point at which the revenue interest outweighed the manpower interest.

30. Your Committee fully appreciate the importance of saving manpower, especially in the present economic position. They are not, however, convinced that economy in staff and economy in money can properly be dissociated. An efficient audit is in their view a vital factor in securing economies, but any audit must suffer a loss of efficiency if the degree of test applied is reduced below a reasonable level.

Q. 1762. 31. Your Committee are surprised to learn that the figure of total staff in the Exchequer and Audit Department, fixed at 546 following the report of the Committee of 1945-46, has never been approached in practice owing to periodical limits imposed by the Treasury and that, in spite of additional work falling on the Department, the numbers in post have been actually reduced this year with the prospect of additional cuts to follow. They cannot regard a staff of just over 500 all told as excessive to carry out a test audit of transactions totalling some £5,000,000,000 a year such as will enable the Comptroller and Auditor General to certify the public accounts and to bring to notice important matters which call for investigation by the Committee of Public Accounts. They are satisfied that the Comptroller and Auditor General has maintained only an essential minimum standard of audit in recent years and they would deprecate any further cuts in his staff without prior consultation with the Committee of Public Accounts. Like the Committee of 1945-46, they consider that the minimum standard should eventually be raised, and in the meantime they trust that, if the work of the Department continues to expand, reasonable arrangements for extra staff may be reached with the Treasury from time to time, which will enable the Comptroller and Auditor General to discharge adequately any fresh duties which may be entrusted to him without further reduction of the existing standard of audit.

CLASS IV, VOTE 1. MINISTRY OF EDUCATION

TEACHERS' SUPERANNUATION SCHEMES: ACTUARIAL POSITION

32. No separate pension funds are kept under the Teachers' Superannuation Schemes, the contributions and benefits being accounted for annually in the Votes of the Education Departments. The relevant Acts require, however, that accounts of all revenue and expenditure should be kept by the Departments, and that actuarial inquiries should be made every seven years into the financial state of the schemes.

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Para. 24,
Qs. 3525-
46, 3570-
75.

33. Owing to the war the regular sequence of actuarial inquiries was interrupted, and only recently has the Government Actuary reported on the state of the schemes at 31st March, 1948. His report on the scheme for England and Wales disclosed an actuarial deficiency of £102,000,000 at that date, and it is estimated that at 31st March, 1952, the deficiency had risen to £146,000,000. On the other hand, current receipts from the contributions of teachers and employers have greatly exceeded the amounts paid out in benefits. Thus, the departmental accounts of revenue and expenditure (which include notional interest of 3½ per cent. per annum on balances) showed a surplus of revenue of no less than £167,000,000 at 31st March, 1948.

Q. 3535.

Q. 3531.

34. It appears therefore that, while the Exchequer has been and is still receiving substantial sums annually from the current excess of contributions over benefits paid, heavy burdens have been accumulating for future years. Your Committee regard this as a highly unsatisfactory situation, and they are glad to learn that means of preventing further deterioration are at present under consideration. They hope that action will not be long delayed. The most important point is that the actuarial position of the schemes should be rectified, but Your Committee are also of opinion that Parliament should be kept better informed on the subject than it is at present, when warning of any deficiency is given only by the septennial reports of the Government Actuary. They accordingly suggest that, in the intervals between the Government Actuary's reports, the Appropriation or Finance Accounts should include notes of the estimated actuarial deficiency, and of the accumulated balances of the departmental accounts of revenue and expenditure under the schemes, up to the latest convenient date.

Q. 3573.

35. Similar considerations arise under the scheme for Scotland.

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

GRANTS TO UNIVERSITIES

(i) *Recurrent grants*

36. Grants to the various universities, &c., from the grant in aid provided under this Vote are made by the Treasury on the recommendation of the University Grants Committee. In March, 1947, the Chancellor of the Exchequer informed the House of Commons that he proposed that Parliament should be asked to provide recurrent grants rising in the five academic years 1947-48 to 1951-52 from £9,000,000 to £11,920,000 and totalling £52,780,000 excluding provision for teaching hospitals and agricultural education. In February, 1952, the House was informed that recurrent grants for the next quinquennium would amount to £111,750,000 rising from £20,000,000 in 1952-53 to £25,000,000 in 1956-57.

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Paras. 28-
35.

Q. 1912.
C. & A.G.'s
Civil Report
(Classes I
to VIII),
Para. 33.
Q. 1927.
Q. 1911.

37. The Interim Report by the University Grants Committee on University Development 1947-1951,* which was presented to Parliament in February, 1952, gave the total of recurrent grants for the five academic years ending with 1951-52 as £64,630,221, or some £12,000,000 more than the total grants originally proposed. The difference was explained to Your Committee as due to additional grants, earmarked for special purposes during the course of the quinquennium. These additional grants included grants during the last 3 years of the period and amounting to over £3,000,000 in 1951-52 for additions to salaries. It was explained to Your Committee that the increase in consultants' salaries under the National Health Service, following the Report of the Spens Committee, had made it essential to put up the corresponding salaries in the medical schools, and this in turn had an inevitable repercussion on academic salaries generally. The amount of the increase was determined by the Chancellor of the Exchequer after taking the advice of the University Grants Committee.

Qs. 1932-5.

Q. 1904.

App. 13.

Qs. 1905,
1907, 1909.

Q. 1914.

Qs. 1915,
1918, 1960.

38. Expenditure by the universities out of the grants made to them is not accounted for to the Comptroller and Auditor General. The audited accounts of the universities are furnished to the University Grants Committee, by whom they are checked to ensure that the correct amounts of grant have been brought to account and that the accounts are in the form prescribed to enable the Committee to present uniform annual returns of income and expenditure to Parliament. The University Grants Committee do not audit earmarked grants, and it is not their practice to consult the universities' auditors; the universities are paid the earmarked grants promised to them whether they spend them or not, and any unspent balance is accumulated in the universities' reserves.

39. In view of the steep increase in this expenditure previous Committees of Public Accounts, while not wishing to suggest that university expenditure should be subjected to detailed Treasury control, have considered that Parliament is entitled to some assurance that these large grants are administered with due regard to economy. The grants now meet some two-thirds of the expenditure of the universities and Your Committee have examined the current arrangements made for control. They agree generally with the opinion expressed by the Select Committee on Estimates of the present Session, in paragraphs 27 to 37 of their Fifth Report, that, subject to the provision of certain further information in Estimates, these arrangements are a reasonable compromise between the general desire to maintain the independence of the universities and the need for the exercise of proper financial control both by the University Grants Committee and by Parliament. They would point out, however, that the advantages of a system of quinquennial grants, notified in advance, may be materially lessened if large additional grants are made during the quinquennium, as they were in the period 1947-48 to 1951-52. If additional grants for special purposes become inevitable, Your Committee consider that they should be accounted for separately and that arrangements should be made to satisfy Parliament that they are used solely for the purposes for which they were granted and to ensure that any accumulated balances of unspent special grants are not applied by universities to the general purposes for which the quinquennial grants were made.

(ii) *Non-recurrent grants*

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Para. 35.
Q. 1947.

40. Non-recurrent grants totalled £7,294,567 in the financial year 1950-51. Each grant is determined by the University Grants Committee in the light

* Cmd. 8473.

of the financial position of the university ; sometimes it is the whole cost, sometimes part of the cost. The larger capital projects are examined by a Works and Buildings Sub-Committee and by the Ministry of Works who are also consulted on schemes which would not come before the sub-committee. The sub-committee examine the plans and estimates of cost of proposed buildings to see whether the project and the estimate are reasonably designed. They are not furnished with tenders ; these are obtained by the universities, who are expected to get competitive tenders and, save in very special circumstances, to accept the lowest. The University Grants Committee are informed of the amount of the accepted tender.

Qs. 1950,
1982-3.

Qs. 1987-8,
1990-1993.

Qs. 1984-7.

Q. 1989.

41. Your Committee are glad to note that, beginning with the Estimates for 1952-53, details of major works items on which non-recurrent grants are made are being appended to the Estimates, for the information of Parliament. They are of opinion, however, that the present system of controlling these grants, which stops short at an examination of plans and estimates, is less than Parliament is entitled or accustomed to expect where such appreciable amounts of voted money are involved. It does not appear to them that any objectionable infringement of university autonomy would be introduced were the control extended to an examination of the methods of tendering, the tenders obtained and the payments made under them. Your Committee accordingly recommend that this expenditure be more closely controlled by the University Grants Committee. They also agree with the views expressed in the Fifth Report of the Select Committee on Estimates of the present Session, that the records should be open to examination by the Comptroller and Auditor General.

CLASS IV, VOTE 13. FESTIVAL OF BRITAIN, 1951

GIFTS OF PUBLIC PROPERTY

42. Scientific and artistic material costing about £200,000 which had been used in the Festival of Britain was offered as free gifts to various public bodies. The Comptroller and Auditor General drew attention to these arrangements and reported that the Treasury had agreed, in view of the practical difficulties of waiting for the new Parliamentary Session, that the Festival Office could offer the gifts in advance of Parliamentary authority provided it was made clear to the proposed recipients that such authority would have to be obtained. Your Committee were told that this had the advantage of allowing proposed recipients to examine the material while it was on exhibition and to take direct delivery, thus avoiding deterioration and the inconvenience and expense of taking it into custody in the Festival Office store.

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Paras.
43-44.

Qs. 561-2.

43. The procedure for obtaining Parliamentary authority, approved by the Committee of Public Accounts of 1923, requires that, for gifts of an unusual nature or exceeding £10,000 in value, the Treasury should present to the House of Commons a Minute giving particulars of the gift and explaining the circumstances ; and that Treasury assent to the gift should not be given until fourteen days after the issue of the Minute, except in cases of special urgency. A Treasury Minute under this procedure, covering the above-mentioned gifts, was presented to the House on 29th January, 1952, by which time many gifts had already been made.

44. It may well be that the public interest called for action in advance of Parliamentary sanction in this particular case, but Your Committee would deprecate any tendency to depart from the recognised rule which requires a prior sanction. They were therefore glad to hear the Treasury say that

Qs. 520-2, 563. they would not anticipate Parliamentary authority lightly in a matter of this kind, and they are confident that they can rely on that Department to scrutinise very closely any similar proposals they may receive from other Departments in future.

Qs. 527-8. 45. Your Committee were informed that the Treasury Minute presented to the House on 29th January, 1952, had not been printed. They do not regard that procedure as satisfactory and they wish to record their opinion that all Treasury Minutes presented to the House under the procedure approved by the Committee of 1923 ought to be printed in the series of Command Papers, and published not later than the day of their presentation.

CLASS V, VOTES 2 AND 15. NATIONAL HEALTH SERVICES

LEVELS OF REMUNERATION AND PROFITS

(i) *General*

46. The Committee of Public Accounts of last Session, in paragraphs 71 to 73 of their Fourth Report, recorded their disappointment that, nearly three years after the introduction of the National Health Services, there were still so many gaps in the Departments' knowledge of the facts relevant to the assessment both of proper remuneration of those employed in the Services and of fair and reasonable prices for goods supplied. The results of Your Committee's further inquiries into the arrangements made by the Departments to check the fairness of the remuneration provided and the prices paid are recorded in the following paragraphs. In general they indicate that very little progress has been achieved towards filling the gaps in the Departments' knowledge.

(ii) *Levels of Remuneration*

47. The Departments have ascertained the gross earnings of dentists from the service and have obtained information about the general level of practice expenses which indicates that this was substantially lower than the 52 per cent. assumed at the outset of the scheme in July, 1948, for the purpose of calculating gross remuneration. Previous Committees of Public Accounts have pointed out that the net remuneration obtained by dentists on this assumption had greatly exceeded the levels which the gross payments were designed to afford, and that this was stated to have been due to dentists working for much longer hours than had been allowed for. It now appears, however, that dentists had obtained even higher net remuneration as a result of the Ministry's use of an excessive rate for practice expenses.

Q. 4835. 48. The Ministry have also investigated the earnings and expenses of opticians. The information obtained for both dentists and opticians related mainly to the period before charges were made to patients for dental and ophthalmic services and the Departments have suspended negotiations with the professions until the effect of the charges can be ascertained. No investigation of the earnings and expenses of chemists had been made when, in June, 1951, the remuneration of chemists in Scotland was submitted to arbitration. The Tribunal awarded increases to the Scottish chemists and, as a consequence, the Ministry of Health gave comparable increases, costing £4,000,000 a year, to chemists in England and Wales. The Departments had proposed to ask the chemists to agree to an investigation of overhead expenses, but they do not now consider that such an investigation would be worth while until the effect of the recently introduced charge for prescriptions is known. Although cuts have been made in the rates of remuneration for some of the professional services, these reductions were not arrived at

Q. 4828.

Q. 4839.

Q. 4896.

Q. 4891.

after investigating the net income actually provided by the remuneration, and their fairness has not been tested by subsequent investigation. Your Committee find it difficult to agree that knowledge of the facts in the period before charges were made to patients would be of little value in fixing remuneration for the future. They would have thought that this information if properly interpreted would provide an adequate basis on which to negotiate remuneration appropriate to the changed conditions, and they do not consider that rates which had been ascertained to be excessive should remain unrevised until it is known precisely how far the introduction of charges may have reduced the demand for the services.

49. Your Committee are particularly surprised to find that the Department of Health for Scotland proposed arbitration on the remuneration of Scottish chemists without having investigated the chemists' profits and expenses. If the rate of remuneration is to be fair both to the taxpayer and to those providing the service it is essential that the Departments should establish the full facts as a basis for negotiation; only where it is found impossible to agree terms with the profession in the light of the ascertained facts should arbitration be considered. Q. 4835.

(iii) *Levels of Profits*

50. The prices paid to chemists for drugs are laid down in a drug tariff based by the Departments on the price lists of one of the biggest manufacturers after comparison with the list produced by an association of the industry. The Departments have made no investigation of manufacturers' costs; they believe that competition within the industry has been sufficient to ensure that the list prices are fair. They have, however, begun negotiations with the manufacturers of some proprietary preparations; reductions have been obtained in the prices of two preparations and 15 others are under consideration, but progress in the negotiations is slow. Q. 4979.
Q. 4981.
Qs. 4989-91.

51. Your Committee agree with the opinion expressed by the Committee of Public Accounts of last Session, in paragraph 73 of their Fourth Report, that it would more effectually protect the Exchequer if the prices of supplies obtained for the service were treated as needing the same careful investigation as those for supplies under non-competitive tenders. The Departments believe prices of drugs to be limited by competition, but in the absence of investigation Your Committee do not know on what evidence this belief is based; they observe moreover that the Ministry have not tested by cost investigation the prices paid for proprietary preparations, which are clearly not determined by competition, or for certain special drugs bought from a single supplier or from suppliers who quote identical prices. The Departments agree that there are statutory powers to investigate costs, but they consider that there is very little point in doing this unless it is also intended to use the powers to control prices and no decision has yet been reached on this latter question. Your Committee do not accept the view that knowledge of costs is of no use unless prices are to be controlled. To obtain information as to actual costs of production appears to them to be the most effective method of testing the reasonableness of any prices whose fairness is not clearly established by competition; and they would expect that in this way it might often be possible to ensure fair and reasonable prices without recourse to price control. They therefore consider that the Departments should take prompt steps to secure such information about important supplies for the Health Services if there is any doubt whether competition is fully effective, so that future Committees of Public Accounts may be able to reach a more informed judgment on the reasonableness of the resultant charges to public funds. Q. 4903.

CLASS V, VOTE 3. HOUSING, ENGLAND AND WALES

EMERGENCY HOUSING

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Paras. 71-
78.

52. Charges for Emergency Housing Services in 1950-51 were £18,653,832 and receipts were £10,343,108, bringing the total expenditure and receipts for the five years ended 31st March, 1951, to £81,661,829 and £32,992,968 respectively. The charges consist mainly of the expenditure by local authorities on property requisitioned for the accommodation of the inadequately housed and include the cost of rest centres and "halfway houses".

53. The Committee of Public Accounts of last Session commented in paragraphs 49 to 53 of their Fourth Report that housing in requisitioned properties involved greater proportionate expense to the Exchequer than the subsidies payable under the Housing Acts for normal re-housing arrangements, and pointed out that the whole cost of properties requisitioned for emergency housing is refunded by the Ministry to the local authorities who have thus no obvious incentive to economical administration. The Committee were not satisfied that it was fair to the Exchequer to place upon it the whole cost of providing housing by adaptation of requisitioned property instead of by new building, and they considered that the Ministry should discuss with the local authorities concerned the possibility of revising the financial arrangements.

Qs. 1328-30.
Qs. 1321, 1325.
Q. 1316.

54. Your Committee were informed that the Ministry had investigated high costs of repair and administration and had been able to secure some reductions; much of the expenditure, such as compensation rent and local rates, was beyond the control of the Ministry but they were urging local authorities to release some of the most expensive properties. A number of properties had, in fact, been released and the deficiency falling on the Exchequer was being reduced. The Ministry had recently pointed out to the local authorities that a term must be put to this expenditure, and had asked them to nominate representatives to a working party to consider requisitioned properties generally.

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Paras. 74-
76.
Qs. 1365-7.
Qs. 1338, 1425-7.

55. Rest centres derive from war-time arrangements made by public assistance authorities to accommodate for very short periods persons rendered homeless by enemy action; halfway houses are run by housing authorities for people unable to find other accommodation for themselves immediately. In 1949-50 the average cost of housing and feeding a family of four in a rest centre was £688; for this the average charge was £165, leaving a net cost to the Ministry of £523. In halfway houses, where food is not provided, the net cost was £166 in 1950-51; this included substantial capital expenditure. The charges are fixed by the local authorities; the Ministry consider that it would be administratively difficult to review them and they had been concentrating on trying to bring the service to an end. With that object in view they had set up a working party in July 1951 to review the arrangements; the working party's report was being considered by the local authorities.

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Para. 71.
Qs. 1346-7.

56. Rehousing of persons inadequately housed is an obligation which rests by statute on local authorities. Moreover, the duty of providing temporary accommodation for persons in urgent need of it through circumstances which could not reasonably have been foreseen was specifically placed upon local authorities by the National Assistance Act, 1948. It therefore appears to Your Committee that rest centres and halfway houses have placed on the Exchequer the cost of services which should properly fall on local authorities.

57. Your Committee inquired particularly into the Ministry's authority to bear upon the Vote the cost of providing food to the occupants of rest centres. The Ministry agreed that they had no specific statutory authority but claimed that until 31st March, 1950, the provision of food was within the ambit of the Vote for the Ministry of Health as set out in the annual Appropriation Acts. In 1950-51, however, the charges fell upon a new, separate Vote for the provision and improvement of housing accommodation and in view of the doubt whether this Vote covered the provision of food the Ministry had, in agreement with the Treasury, amended the ambit of the Vote for 1952-53 to include also "services in relation to emergency housing".

Q. 1340.

Q. 1394.

Qs. 1342-3.

58. Your Committee note that the net deficiency falling on the Exchequer for emergency housing in the five years to 31st March, 1951, approached £50,000,000. They are glad to be informed that the annual rate of deficiency is now being reduced and that the Ministry have opened up discussions with local authorities on the future of requisitioned premises. Like their predecessors of last Session, they are not satisfied that it is fair to the Exchequer to place on it the whole cost of providing housing by adaptation and use of requisitioned property and they trust that the discussions with the local authorities will lead to at least a substantial part of the cost being borne by those authorities.

59. Your Committee also note that the Ministry intend to bring to an end their expenditure on rest centres and halfway houses. They consider it a matter for regret that these arrangements, intended to provide short-term accommodation in exceptional cases only, should have been continued for so long and at so heavy a cost to the Exchequer. They are particularly surprised to find that appreciable numbers of families have been accommodated in rest centres for periods of from one year to over two years and they are unable to understand why this form of communal life should have cost the Exchequer £523 a family in 1949-50. They recommend that the cost of rest centres and halfway houses should cease to be a charge on the Exchequer after March, 1953, at the latest.

Q. 1351.

60. It appears to be admitted that the Ministry's expenditure on the provision of food at rest centres in 1950-51 was not within the ambit of the new Vote for Housing to which it has been charged, but similar expenditure in previous years was thought to be covered by the more general description of the ambit of the Ministry of Health Vote on which it was then borne. Your Committee do not feel it necessary in these circumstances to recommend disallowance of the 1950-51 expenditure. The Vote for 1951-52 was taken in the same terms as that for 1950-51, but, as already mentioned, in the 1952-53 Estimates the ambit of the Housing Vote has been enlarged by the addition of the words "services in relation to emergency housing". The Treasury and the Ministry consider that by this addition Parliamentary authority for the provision of food at rest centres in 1952-53 will be obtained in the Appropriation Act. It is not for Your Committee to express an opinion about the legality of charges which may appear in future Appropriation Accounts, but, as the subject has been examined by them in relation to the 1950-51 Accounts, they think it appropriate to express their view that it is by no means obvious that the provision of food is a service related to the provision of emergency housing. It would, therefore, in their opinion, have been better if the Ministry, when seeking a grant from Parliament to cover the provision of food as well as housing, had described the service more plainly in Part I of the Estimates.

App. 4.

CLASS V, VOTE 4. EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, ENGLAND AND WALES

CLASS V, VOTE 17. EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, SCOTLAND

EXCHEQUER EQUALISATION GRANT

61. The Local Government Act, 1948, substituted for the block grants previously made to local authorities a system of Exchequer Equalisation Grants to Counties and County Boroughs in England and Wales whose rateable value per head of population (weighted for certain special factors) falls short of the national average, and to those Counties and large Burghs in Scotland whose rateable value is less than a figure derived from that average.

62. The Act transferred the work of assessing rateable values from the individual local authorities to the valuation officers of the Inland Revenue Department, and provided for the preparation of new valuation lists on a uniform basis to come into force generally in April, 1952 or 1953, as the Minister might determine. The working of the new system was to be investigated when the new lists came into force. There was no provision for revaluation in Scotland, where the rating arrangements differ from those in England and Wales, but the working of the system there was to be reviewed in such years between 1952-53 and 1955-56 as the Minister might determine. The Inland Revenue Department, however, have been unable to obtain enough qualified staff to complete the revaluation in England and Wales by the statutory date, and the preparation of the new valuation lists will have to be postponed. An investigation into the operation of the grants is, however, to be started in 1952.

Qs. 1452-3.

Q. 1455.
H.C. Deb.
(1951-52)
497, c.
142-3.

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Para. 84.

Q. 1447.

63. In addition to the equalisation grant to authorities whose rateable values are below the average, specific grants are frequently made to local authorities for particular purposes and a number of these specific grants are made under arrangements which provide that the amount of the grant shall depend upon the rating resources of the authority. In making some of these specific grants the Departments take into account the actual burden falling on the authorities after allowing for equalisation grant, but this is not always done. The largest specific grant of this kind, the Education Main Grant, is based upon a formula which provides for the deduction of the produce of a 30d. rate, and in assessing this produce no addition is made to the rateable value of the area for the rateable value which is in effect added by the equalisation grant. The Departments state that the special formula for this grant was an integral part of the settlement with local authorities which led to the Local Government Act, 1948.

Qs. 1445-6.

64. If the scheme of Exchequer Equalisation Grants is to be fair both to the Exchequer and to the individual local authorities it is essential that rateable values should be assessed on a uniform basis throughout the country, and there can be no assurance of uniformity until the new valuation lists have been prepared by the valuation officers of the Inland Revenue Department. It appears, however, that the completion of the revaluation is likely to be postponed for an appreciable period. Your Committee are therefore of opinion that the Departments, as part of their investigation of the operation of the grants, should ascertain whether the revaluations so far made reveal serious differences in standards of assessment. If so, they should in Your Committee's view, consider at once whether interim adjustments for equalisation grant purposes are desirable to avoid continuing unfairness beyond the date at which Parliament expected revaluation to be completed.

Q. 1454.

Q. 1458.

65. Your Committee also hope that in the course of this investigation special attention will be given to the relationship of equalisation grant to the specific grants which depend upon the rating resources of the individual local authorities. The Departments are reluctant to agree that, as a general principle, the rating resources of an authority receiving equalisation grant should include the resources added by that grant; they feel that this would be difficult to apply to all grants and that, in particular, it would conflict with the settlement made on the education grant. It appears to Your Committee, however, that unless this principle is applied a double compensation may be given to some authorities, and they therefore recommend that further consideration be given to the question by the Departments and the Treasury.

Qs. 1448-51.

Qs. 1449-50.

Q. 1444.

CLASS VI, VOTE 1. BOARD OF TRADE

TORQUAY CONFERENCE

66. In the autumn of 1949 the President of the Board of Trade invited the Contracting Parties to the General Agreement on Tariffs and Trade to hold their next Conference in England. The intention was that conference-rooms and secretariat offices should be provided without charge but that the cost of office-rooms and ancillary services used by individual delegations should be recovered from them. The cost of the services to be provided without charge was estimated in February, 1950, to be not more than £2,500; the Contracting Parties were told by their Secretariat, on the basis of information supplied by the Board, that the cost of offices would be £3 weekly per room, with perhaps some additional charge for heating.

C. & A.G.'s Civil Report (Classes I to VIII), Paras. 105-7.

67. The Finance Division of the Board of Trade were not represented on the committee which supervised the preparations for the Conference, but in June, 1950, both they and the Treasury became aware that the estimated cost of £2,500 was likely to be largely exceeded, and the Treasury called a meeting as a result of which a Supplementary Estimate was taken. At this meeting no mention was made of the fact that the delegations had been told that the weekly charge would be £3 a room, and the Board's Finance Division remained ignorant of it until November, when they estimated that the average charge for rent and services would be about £9 a room. Delegations naturally protested against charges much in excess of those previously notified and in the upshot substantial concessions had to be made.

68. The Board stated in evidence that the final gross expenditure was £73,988, of which £25,058 was recoverable, and that, although the amount of the loss that had been incurred owing to the lack of co-ordination and other errors must necessarily be hypothetical, they and the Treasury had agreed that £8,000 was a reasonable estimate.

Q. 1525.

69. Your Committee were surprised to learn that the commitments referred to in these paragraphs should have been entered into without the knowledge of the Board's Finance Division. They understand that this was a contravention of the Board's standing instructions, and that the need for financial control and adequate consultation with the Finance Division has since been emphatically brought to the notice of the staff. Your Committee cannot express too strongly their view that in all Departments there should be full consultation between administrative and finance branches before any commitments are entered into in relation to proposals which have financial implications.

Q. 1521.

Q. 1526.

CLASS VI, VOTE 2. SERVICES IN DEVELOPMENT AREAS

REMOVAL OF DEVELOPMENT AREAS FROM SCHEDULE

70. The Committee of Public Accounts of last Session called attention in paragraphs 78 to 80 of their Fourth Report to the power given to the Board of Trade, under Section 7 of the Distribution of Industry Act, 1945, to remove from the Schedule of Development Areas, after three years from the passing of the Act, any areas in which the requisite conditions no longer exist, and they recommended that any technical or legal obstacles to removal should be examined at once and, if they could not be otherwise surmounted, amending legislation should be introduced.

Q. 1603. 71. In their Minute of 29th November, 1951, on that Report the Treasury stated that the Board had given some preliminary consideration to these problems and would consider further, in consultation with them, whether amending legislation would be required. In evidence before Your Committee the Board stated that, although they had reached no definite conclusion, they thought there was no doubt that, if an area were removed from the Schedule, some amendment of legislation would be needed to enable them to deal with Government-owned assets in the area.

72. Your Committee consider that there should be no possibility that the removal of any area might be delayed through the absence of statutory powers to deal with the ensuing situation and they trust that any necessary amending legislation will be introduced as soon as is practicable.

CLASS VI, VOTE 6. MINISTRY OF FUEL AND POWER

PROMOTION OF ECONOMY IN GAS AND ELECTRICITY SUPPLY

Qs. 2850, 2903. 73. The Minister of Fuel and Power has the statutory duty, under the Ministry of Fuel and Power Act, 1945, of promoting economy and efficiency in the supply, distribution, use and consumption of fuel and power. Your Committee examined the Ministry regarding the exercise of these functions to promote economy in the gas and electricity industries by securing the joint provision of common services by these industries.

Qs. 2920, 3010. 74. The Ministry stated that, under the nationalisation Acts, the Minister had two powers; he could give the Boards of these industries directions of a general character on matters appearing to him to affect the national interest and, on representations to him by a Consumers' Council, he could give a specific direction to remedy any fault in their general arrangements. The Boards were financially independent and autonomous bodies who had got to pay their way, and it was for them to decide whether satisfactory joint arrangements were practicable. The Minister had no powers (except possibly following a recommendation by a Consumers' Council) to use his oversight of building licences to co-ordinate the building programmes of the Boards and get them to share showrooms and offices; and no powers, for instance, to get them to use the same office staff and meter readers. He could, however, make an informal recommendation to the Boards where appropriate.

Qs. 2995-9, 2966, 2852-3.

Qs. 2863-5, 2964-6.

75. Whilst Your Committee recognise that, under the nationalisation Acts, formal responsibility for the economical supply of gas or electricity rests with the industry, they are not convinced that the Ministry, in the exercise of their general responsibility for the economical supply and distribution of fuel

and power, cannot play a useful part in co-operation with the industries, especially in fields which are the common concern of those industries. They trust that the Ministry will take all steps practicable to promote co-operation between the gas and electricity industries and to eliminate unnecessary expenditure, having regard particularly to the present difficulties in the national economy.

CLASS VI, VOTE 8. MINISTRY OF AGRICULTURE AND FISHERIES

HOME-PRODUCED FOOD: PRICE FIXING PROCEDURE

76. The Committee of Public Accounts of last Session, in paragraph 87 of their Fourth Report, commented that, although the Agriculture Act, 1947, requires that the prices fixed at the annual reviews of farm prices shall be the minimum consistent with *inter alia* "an adequate return on the capital invested in the industry", no reliable figures of either landlords' or tenants' capital were available for the purpose. In their Minute of 29th November, 1951, on the above Report, the Treasury stated that in their view the principles which, under the Act, are to govern the price fixing procedure could not be considered individually in isolation. They concluded that it would be impracticable to compile an assessment of the capital employed in farming, suitable for the purpose of estimating the profitability of the industry, and that in so far as it could be compiled, the result could not be used in such a way as would justify the effort and cost involved. While Your Committee do not underestimate the difficulties of making a reliable assessment of the capital employed, they are nevertheless concerned that this requirement of the Act is not more definitely complied with. The evidence given as to the extent of the consideration of the matter in the annual price reviews amounts to no more than a very general statement that the Departments and the Treasury are, without any precise information, broadly satisfied as to the return on capital. Qs. 3626-45, 3665-74.

77. At the request of Your Committee, the Ministry of Agriculture have now furnished them with an estimate, which is stated to be no more than a very rough approximation, of tenants' capital. They state that they know of no reliable estimate of landlords' capital invested in agriculture and have not found it necessary to compile one for the purposes of the Act. The landlords' return on capital is represented by rent, which is one of the items taken into account in arriving at farmers' aggregate net income. Your Committee do not propose to quote the tentative figure of tenants' capital, which has been produced at very short notice and may be subject to substantial adjustment on further consideration. They suggest however that, if a similar approximate calculation were made before each annual review and used in conjunction with the other information available as to turnover and aggregate net income, it would at least be possible to bring out the general trend of profitability of the industry and thus to secure closer compliance with the requirements of the Agriculture Act. App. 17.

78. Your Committee have again considered the effect of the system of fixing uniform prices for agricultural produce, which is admitted to be unduly favourable to the low-cost producer. They are glad to learn that this problem is under constant review, and that as much as possible of the Government assistance to the industry is given not by price increases but in the form of direct and selective subsidies which are applied where they are most needed. They learnt however with regret that it had not been found possible in the 1952 Price Review to make any further reduction in one element of the price structure—the so-called "capital injection"—which is specially open Qs. 3638-9.

Q. 3642.

to the objection that it accrues not only to those farmers who need assistance but to others who could very well provide for themselves. The Committee of 1950-51 had expressed the hope that it would not again be thought necessary to provide any substantial help of this nature and the Treasury in their Minute of 29th November, 1951, had stated that this form of assistance was now being gradually withdrawn. Your Committee hope that the progressive reduction of the amount provided for "capital injection" which began in 1951 will be resumed at the earliest possible moment.

CLASS VI, VOTE 16. MINISTRY OF CIVIL AVIATION

AIRWAYS CORPORATIONS: EXCHEQUER GRANTS

(i) *Date of determination of Grants*

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Paras. 118-
120.
Qs. 882-3,
902-5,
934-54,
969-71,
995-1010.

79. Recent Committees of Public Accounts have called attention to delay in determining the grants payable under the Civil Aviation Act, 1946, to the Airways Corporations. The Committee of last Session, in paragraph 37 of their Third Report, expressed the view that the provision in the Act for revision of grants in the event of error in the material assumptions on which they were based should render unnecessary any long delay in determining grants. The grants for 1950-51 were not determined until October, 1950, for B.E.A.C. and December, 1950, for B.O.A.C. Your Committee were informed, however, that both grants for 1951-52 were determined in June, 1951. They welcome this substantial acceleration.

(ii) *Non-revision of grant*

C. & A.G.'s
Civil Report
(Classes I
to VIII),
Para. 119.
Qs. 903,
934-8,
996-1005,
1008-10.

80. The grant to B.O.A.C. for 1950-51 was based on estimates presented by the Corporation in May, 1950, and revised in August, 1950, as a result of a special review, made at the instigation of the Ministry, of the Corporation's plans for their South American service. The grant of £6,000,000 so determined exceeded the figure provided in the Ministry's original Estimate by £1,000,000; additional provision for this amount was taken in a Supplementary Estimate presented to the House on 8th February, 1951. Shortly afterwards the Corporation told the Ministry that it looked as though their deficit for 1950-51 would be less than the grant. Nevertheless the grant of £6,000,000 was paid in full. Mainly as a result of improvements in the second half of the year, the Corporation's account showed a deficit on the year's working of £4,565,428 only, leaving the Corporation with a revenue surplus for the year of £1,434,572. In addition there were surpluses of £620,951 on capital transactions and £415,908 on adjustments of transactions in previous years.

Qs. 1005-6.

App. 18.

Q. 945.

Qs. 882,
949.

Qs. 948,
1007.

Q. 950.

81. The Ministry knew the material assumptions on which the Corporation had based their estimates of the grant needed and, in the letter notifying the determination of the grant, had explained that it was subject to revision in the light of changes from those assumptions. The Treasury and the Ministry agree that this provision could be used to reduce as well as to increase a grant. The Ministry decided, however, not to propose a revision of the grant for several reasons. One was that they felt that the great part of the saving had been largely due to the Corporation's efforts to attract traffic; another, that they took into account the accumulated loss on previous years; a third, that they felt it would be very discouraging to the Corporation staff if the fruits of their efforts were denied them. In the Corporation's accounts £2,000,000 of the surpluses has been shown as transferred to a special reserve against the contingency of existing types of aircraft being withdrawn from service before the expiry of their normal obsolescence

period. The Ministry agree that such a reserve does not in fact exist so long as there is a much greater accumulated deficiency and that at present the only effect of the transaction is to reduce that deficiency. Qs. 951, 953.

82. Your Committee are not fully convinced by the evidence before them that the course taken was entirely proper. In the first place, it appears that the Ministry took no special steps to satisfy themselves that the whole of the saving compared with the estimate was in fact due to the efforts of the Corporation, and there is reason for doubting whether all of it was so caused. Part of the saving, for instance, resulted from an increase in the amount of air mail traffic over that assumed in the Corporation's estimate and most of this traffic is provided by the Post Office. In the second place, the accumulated deficiency results from losses in previous years exceeding the maximum grants permissible for those years under the Act. To take such losses into account in determining grants for subsequent years would in Your Committee's opinion have the effect of making grants towards meeting them in excess of the statutory maximum. The Ministry apparently agree that such losses should not be taken into account in determining the original grants for subsequent years but it seems to Your Committee that to take them into account in deciding whether an original grant determination should be revised is open to the same objection. Qs. 940-2, 969. Q. 1007.

83. Your Committee, therefore, while appreciating that revision of a grant determination is by statute permissive, not mandatory, think that if similar circumstances recur it would be more in accordance with the intention of Parliament for the Ministry first to take steps to establish how much of the variation from the original estimate was clearly the result of the Corporation's efforts, and then to revise the grant so as to give the taxpayer the immediate benefit of any savings not due to those efforts. Your Committee consider that, if it is thought desirable at any time to make contributions towards meeting deficiencies on previous years beyond the statutory maximum grants for those years, specific proposals to that end should be presented to Parliament. Qs. 882-3, 939.

CLASS VII, VOTE 2. HOUSES OF PARLIAMENT BUILDINGS

HOUSE OF COMMONS: REBUILDING

84. Provision for rebuilding the House of Commons was first made by a Supplementary Estimate in 1944-45. The total estimate was then £1,250,000, but the Ministry state that this was prepared to give a rough indication of the scale of expenditure and the use of building resources, so that the Government could decide whether rebuilding should be started in the economic conditions then existing. Drawings, specifications and bills of quantities for the Chamber were not completed until the end of 1946 and when the contract was let in February, 1947, the estimate was revised to £1,753,400; in December, 1947, it was further revised to £1,779,050 including £65,500 for contingencies. Because much of the work was highly specialised and details of the work on the surroundings of the Chamber were not ready, the contract included very large sums for items that were provisional or to be paid for at actual cost. Work on the Chamber was completed in October, 1950, and on the surrounding area by September, 1951. C. & A.G.'s Civil Report (Classes I to VIII), Paras. 130-131. App. 19. Qs. 2072, 2087.

85. In December, 1950, after a full valuation by the quantity surveyors of the work actually done, the estimate was revised to £1,900,000. Rather more than half of this increase of £120,000 was due to cost variations; about £8,000 was due to additional items of work for which the professional Q. 2072.

- Qs. 2080-2, 2128-30. officers had not obtained prior authority of the Ministry as required by their instructions; the balance represented increases ascertained on measurement of items which had not been specified in detail in the contract or which had been varied on instructions by the architect or engineer. Although this revision of the estimate was not made until the main work had been completed and valued, the Ministry's professional officers had known earlier that increases in wages and in the prices of materials would add to the cost, but they had thought that this addition would be covered by savings on other items of work and that an increase in the total cost was unlikely. The risk of such an increase had thus not been reported to the Ministry, or by the Ministry to the Treasury. The total estimate was increased to £1,916,000 in the 1952-53 Estimates; the final cost is now estimated at £1,943,000, excluding any further claims which the contractors may make.
- Q. 2071
- Q. 2078.
- App. 19.

86. It is the Ministry's opinion that the figures of cost now given cannot be regarded as unreasonable, in view of the very substantial increases in building costs and of the fact that so much of the estimate comprised provisional figures. While this may be so, it is not apparent to Your Committee that the work was under complete control by the Ministry. They would have expected that, as this contract was so unusual and included so much work that was provisional or to be paid for at cost, the progress of expenditure would have been particularly closely watched; but it was not until the main work was completed and valued that it was discovered that in addition to the £65,500 provided for contingencies in the revised estimate of December, 1947, a further £120,000 would be required. The Ministry state that certain economies were made to counteract increases, but it appears to Your Committee that the field of possible economy could have been more effectively surveyed had earlier information of increases in cost been available.
- App. 19.
- Q. 2080-1. The Ministry consider their arrangements for financial control satisfactory but admit that they were not fully operated by the professional officers on this occasion. Your Committee trust that arrangements will be made to ensure in future not only that a satisfactory procedure for watching and controlling the progress of expenditure is laid down but also that it is faithfully observed.

CLASS VII, VOTE 4. PUBLIC BUILDINGS OVERSEAS

ERECTION OF A NEW EMBASSY AT RIO DE JANEIRO

- C. & A.G.'s Civil Report (Classes I to VIII), Para. 137. 37. In 1939 a site for a new Embassy was acquired at Rio de Janeiro and plans were prepared to erect a building at an estimated cost of £60,000. The scheme was suspended on the outbreak of war and revived, in an amended form, in 1944, when the cost of the building was estimated at £150,000.
- Qs. 2151-3. 88. The Ministry appointed as their architect an English resident in Rio de Janeiro who advised them to select a reliable Brazilian firm with a local organisation and resources adequate for the work, and to pay the firm the actual costs of construction plus a fee. They state that there were only two such firms; one of these was selected and a contract was placed which provided for the payment of actual costs of construction plus a fee of 16 per cent. thereon, subject to a maximum fee equivalent to about £32,000 at the rate of exchange then current. No tender was obtained from the other firm, nor were tenders invited from any British contractors. The architect's fee was at first fixed at 6 per cent. on cost but was later revised to 7 per cent.
- Qs. 2153, 2176-7.

89. In November, 1945, the estimate was increased from £150,000 to £215,000 and since then it has risen by successive increases to £413,000. Of this total increase of £263,000, alterations in the rate of exchange, mainly on the revaluation of sterling in September, 1949, account for £74,000, and modifications and additions for £48,000; the balance of £141,000 represents increases in costs of labour and materials during the progress of the work. The architect's fee has amounted to £25,307. App. 20.

90. The work under this contract, which has proved so expensive, was supervised by the local architect and clerk of the works. In addition an architect and a quantity surveyor from the Ministry visited the work and satisfied themselves that the increases in cost were justifiable and, indeed, unavoidable. The contractor was working to a design approved by the Ministry and the Foreign Office; no attempt was made to economise by changing the design and the Ministry consider that it would have been a mistake at that stage to have tried to alter it. Q. 2207.
Qs. 2162,
2216, 2221.
Q. 2222.

91. Your Committee appreciate that it is specially difficult to control the cost of work in a foreign country but they would comment that the difficulties are inevitably much greater where the work is carried out under a non-competitive contract providing for payment of the contractor's actual costs. The Ministry claim that they took the best advice they could obtain before placing this contract, but it is not apparent to Your Committee that there would have been any disadvantage had tenders been sought from other contractors, including British contractors. Indeed, they think that this would, at the least, have provided the Ministry with useful information. They are informed that the Ministry do not at present contemplate building any other Embassies abroad, but, if any proposals are made in future, Your Committee recommend that the Ministry should take steps, by widening the field of tender, to avoid non-competitive contracts on a prime cost basis. Qs. 2176-7.
Qs. 2171-2.

92. The figure of total cost quoted above includes £9,400 for gardening work and £5,000 for a swimming pool, but it excludes the cost of furnishing which is estimated at over £54,000. The revised plans prepared in 1944 were based upon a general scheme drawn up in 1943 which laid special emphasis on the importance of really high standards of accommodation for British representatives abroad. While Your Committee appreciate the importance of maintaining British prestige, they hope that before other buildings are erected in foreign capitals the Ministry of Works, in association with the Treasury and the Foreign Office, will review the standards proposed in 1943 to ensure that they are no higher than is appropriate in present financial conditions. Q. 2163.

CLASS IX, VOTE 1. MINISTRY OF SUPPLY FINANCIAL ADJUSTMENT WITH SERVICE DEPARTMENTS

93. Since the Service Departments resumed in 1947-48 the practice, suspended during the war, of paying the Ministry of Supply for stores and services furnished by that Department, the Treasury have considered that some degree of estimation is inevitable when calculating the sums to be charged each year in the Service Departments' Accounts for stores and services furnished to them during the year. A revised procedure to secure closer approximation between these sums and the value of stores and services actually furnished each year was set out in the Treasury Minute dated 27th February, 1950, on the Reports of the Committee of Public Accounts of 1948-49. Under this revised procedure the sums charged each C. & A.G.'s
Civil Report
(Class IX),
Para. 14.

year would comprise the amount of the latest available estimate of the value of deliveries in the year and an adjustment to bring the amount so charged in the previous year to the value of actual deliveries in that year, as ascertained after it had ended. The Committee of Public Accounts of 1950, in paragraph 5 of their Third Report, expressed the view that the new scheme would be an improvement in so far as it ensured more accurate appropriation of the moneys voted by Parliament.

App. 25. 94. Detailed records from which the actual value of deliveries can be ascertained are maintained for the more important goods only. In consequence only 58 per cent. of the charges to the Service Departments in 1950-51 represented the ascertained value of actual deliveries. Charges for the less important goods are based on one of three assumptions. For some the value of deliveries to each Department in any year is assumed to be the same as the expenditure on behalf of that Department in that year; for others the value is assumed to be broadly the value of each Department's demands; for the remainder it is assumed that the deliveries bear the same proportion to the demands as do the deliveries of the related main items.

95. It thus appears that for some 42 per cent. of items the final adjustment made in 1950-51 with the intention, as stated in the Treasury Minute of 27th February, 1950, of bringing the charge in the previous year to the value of actual deliveries in that year as ascertained after it had closed, is less precise than might have been expected from the terms of that Minute. There were also serious errors in the forecast made in January, 1951, on which the provisional charges in the accounts for 1950-51 for deliveries in that year were based. Although the value of actual deliveries for eight months of the year, as assessed for the final adjustment, appears to have been ascertainable by January, 1951, the forecast then made was some £15,000,000 more than the actual value as finally assessed a few months later. The percentage of error on deliveries to the Air Ministry was 2.7, to the War Office 11.8 and to the Admiralty 14.4. The Treasury had expressed concern at the size of these variations and had been told that the estimates had been scrutinised with particular care and that the figures were as accurate as careful forecasting could make them. In view of this and of the limited field in which the actual value of deliveries in any year is ascertainable, Your Committee directed their examination to the question whether the latest procedure for determining the payments to be made by the Service Departments to the Ministry ensures in fact the more accurate appropriation of moneys voted by Parliament which the Public Accounts Committee of 1950 expected of it.

C. & A.G.'s
Civil Report
(Class IX),
Para. 16.

P.A.C.,
1950, 3rd
Report,
Para. 5.

Q. 3800.

Qs. 3285,
3384, 3796-
7, 3858,
3885, 4045.

Q. 4048.

Qs. 4046-7.

Q. 4049.

96. The Treasury explained that payments by Service Departments were resumed in order that it should be brought home to those Departments with reasonable approximation what proportion of the national resources they were using up within the total of the defence budget. A broad basis of adjustment was adopted because it was not thought that the extra manpower that would be necessary to obtain complete accuracy in the assessment of the value of the deliveries to each Department could be justified. The Ministry of Supply stated that, although the sums paid for deliveries in any one year might still not correspond with the actual value of those deliveries, despite the adjustment in the succeeding year which was introduced with that object, nevertheless over a series of years the cost to the Ministry of supplies to the Service Departments and their payments to the Ministry could be reconciled. The difference over the last four years had been £10,000,000 only, on expenditure of about £700,000,000. The Ministry attributed the bad forecast in January, 1951, to the announcement

about that time of the initial instalments of the rearmament programme; this had led to an over-optimistic estimate of the extent to which deliveries of stores would be accelerated. The Ministry expect the outcome to be much better in future. Qs. 4051-2.

97. Your Committee agree that the primary object of the financial adjustment can be achieved without precise correspondence each year between the charges to the Service Departments and the deliveries to them, provided that reasonably precise correspondence over a series of years can be demonstrated. They must point out, however, that such large variations between the actual and the estimated payments in any year as occurred in 1950-51 may well impair Parliamentary, and possibly also Departmental, control of expenditure. They trust therefore that every effort will continue to be made to secure that both estimates and assessments of actual deliveries are as accurate as possible without making undue claims on manpower. They consider that it would materially assist future Committees of Public Accounts in judging the merits of the procedure if the Ministry published each year with their Appropriation Account a statement showing how the accumulated payments by Departments over a suitable period compare with the expenditure on their behalf. Q. 3796.

PRICES FOR GOVERNMENT PURCHASES OF IRON AND STEEL PRODUCTS

98. In paragraphs 91 to 95 of their Fourth Report, the Committee of Public Accounts of last Session referred to the arrangements introduced during the last war under which maximum control prices, as fixed by the Ministry of Supply, were accepted as suitable for Government contract prices of iron and steel products on the understanding that the Comptroller and Auditor General would be given access to all the information on which the Ministry of Supply based the control and hence the contract prices. The Committee reported that maximum control prices were still being generally accepted for Government purchases of these products but that no information had been furnished to show whether the prices paid for purchases since 1946 were fair and reasonable. They recommended that, unless and until there was real price competition in tenders, the Ministry should make available to the Comptroller and Auditor General all the information they had relating to the reasonableness of the prices for iron and steel products. Qs. 3925-4040.

99. In their Minute of 29th November, 1951, on that Report, the Treasury agreed that the contract prices for iron and steel goods referred to could not be regarded as truly competitive. They stated that they fully accepted that it was the responsibility of the Comptroller and Auditor General to assist the Committee of Public Accounts in judging the reasonableness of prices paid by Government Departments and that he was entitled to be furnished with all the data necessary for this purpose. Nevertheless they doubted whether it was necessary for the Comptroller and Auditor General to be furnished with this information in order to satisfy himself that those prices were fair and reasonable. They explained that, as the Minister of Supply had a statutory obligation to fix maximum controlled prices for these products on behalf of the consumer of iron and steel products generally and it was a main part of his duty to ensure that the consumer did not pay an exorbitant price for them, they thought that the Committee of Public Accounts would not claim a right to investigate the fairness of those prices or to examine the precise methods by which the Minister arrived at his decisions. The Treasury would not deny the right of the Comptroller and Auditor General to have access to the result of a Ministry's investigation

in cases where the Ministry or the Government was the predominant purchaser of the goods in question. The Treasury thought, however, that for the Committee to assess and possibly criticise the reasonableness of prices paid by Government Departments for goods of which the Government was not the predominant purchaser could not fail to call in question the reasonableness of the prices paid by the consumers as a body; and that any such investigation of those prices would give an unfair advantage to Government Departments as against private consumers. It was the Treasury view that, in the absence of arrangements authorised by Parliament which would provide specifically for a review of the manner in which the Minister exercised his statutory functions on behalf of the community, the presumption must remain that the prices paid by Government Departments were reasonable and could be accepted as such without special investigation.

Qs. 3989,
3993, 4001.

100. In evidence before Your Committee the Ministry admitted that, control prices being maximum prices, it was technically possible to quote a lower price, but that in practice the maximum price was generally quoted. The Ministry contended that they did not buy iron and steel products in quantities which would make it *prima facie* reasonable that the producing firms should quote a lower price; and they considered that maximum control prices, as prescribed by the Ministry, were fair and reasonable for the quantities they were ordering. They were not prepared, unless directed by Parliament, to make available to the Comptroller and Auditor General data which had been obtained for a purpose other than the judging of the fairness of prices for Government purchases.

Qs. 4002-3.

Q. 4012.

Qs. 3926,
4014.

101. The Treasury were examined on how the Comptroller and Auditor General could carry out his recognised responsibility to assist the Committee to judge the reasonableness of prices paid by Government Departments without access to the relevant data. They thought, as stated in the Treasury Minute, that where the Government purchased only a minor proportion of the products of an industry, the fairness of prices fixed under statute should be assumed without investigation of the particular data. If advantage were taken through the Committee of Public Accounts to seek to drive down the price for relatively small contracts, it would put Government Departments in a position other consumers were not able to adopt, and the Treasury were not sure that this might not be unfair to consumers generally. They did not see how the Committee of Public Accounts could question the fairness of a particular price without calling into question the whole basis on which prices were fixed; and Parliament had made no provision for investigating the method of price-fixing for the country as a whole.

Qs. 4023,
4026.

Q. 4018.

Q. 4014.

Q. 4039.

102. Your Committee are not convinced by the arguments adduced in the Treasury Minute and elaborated in evidence. They consider that, so long as there is no effective competition on prices, some way should be found to enable Committees of Public Accounts to judge whether prices paid for Government purchases are fair and reasonable. It has long been recognised as one of the duties of the Committee of Public Accounts to satisfy themselves on such a point and they do not think it necessary for special Parliamentary authority to be given in this case; nor do they readily appreciate why the exercise of this normal function of the Committee in this particular field of Government purchases should be regarded as unfair to other consumers. They therefore welcome the Ministry's undertaking to discuss with the Comptroller and Auditor General to what extent their purpose may be secured without trespassing on any special responsibility the Ministry may have to consumers as a whole.

103. At Your Committee's request the Ministry have provided a statement, printed as Appendix 23, showing the general basis on which the maximum control prices are fixed. This indicates that, on a broad estimate, the prices current at the end of 1951 would then yield a return on capital of the order of 6½ per cent. Your Committee have no doubt that the implications of the information furnished in this paper will be fully discussed when the proposed consultations take place.

CLASS IX, VOTE 3. MINISTRY OF FOOD

FOOD TRADING FUND

104. Expenditure out of the Vote for the Ministry of Food for 1950-51 was £121,000,000 below the Estimate of £402,000,000. This very large underspending was mainly due to (a) unexpectedly low cash payments, notably for meat and cereals, and (b) a large reduction in stocks instead of the increase provided for in the Estimate. Nevertheless, the total cost of food subsidies, as shown in the Foreword to the Ministry's Trading Accounts for the year, proved to be only £9,700,000 short of the Budget Estimate of £410,000,000. Qs. 4136-42, 4155-65.

105. Cash variations of the order of £120,000,000 from the Estimate on one Vote must, as the Treasury agree, seriously affect Budgetary considerations; and in the view of Your Committee they lend force to the proposal made in the Report of the Committee on the Form of Government Accounts (the Crick Committee)* for a Food Trading Fund, financed as to capital by a loan from the Consolidated Fund and replenished annually by a Vote of Parliament representing the actual amount of the Ministry's food subsidies for the year. Your Committee understand that final decisions, which depend upon Government policy as to the future of State trading, have not yet been taken on this proposal, which would in any event require legislation. They wish to record their opinion, however, that for services such as those administered by the Ministry of Food which, though not necessarily permanent, seem likely to continue on a large scale for some time, the institution of a Trading Fund offers solid advantages over the present method of accounting. They therefore recommend early reconsideration of this subject. Q. 4136.

CLASS IX, VOTE 4. MINISTRY OF TRANSPORT (SHIPPING AND WAR TERMINAL SERVICES)

RECONDITIONING OF SHIPS UNDER FIXED FEE CONTRACTS

106. Large-scale work on reconditioning ships for the Ministry of Transport is placed with contractors under fixed fee contracts. The profit element in the fixed fee is calculated at 10 per cent. on the estimated cost of labour, materials and overheads, and 5 per cent. on the estimated cost of sub-contracts. Your Committee had evidence of lack of uniformity in the treatment by contractors of purchases of machinery and other finished products. Some contractors treated these as sub-contracts attracting a fee of 5 per cent. only; others regarded them as materials attracting 10 per cent. C. & A.G.'s Civil Report (Class IX), Paras. 34-38, Qs. 3155-75.

107. The Ministry stated that no rules had been agreed with contractors to govern the allocation of costs between materials and sub-contracts, nor had any procedure been laid down for ensuring uniformity of treatment by different contractors. The technical experts who examine contractors' estimates on the Ministry's behalf do not check them in detail, but make independent

* Cmd. 7969.

estimates based on the detailed specification of the work, information as to the main items to be put out to sub-contract, and their own wide experience of costs, the emphasis being on the reasonableness of the estimate as a whole and the amount of the fixed fee.

Q. 3162.

108. The Ministry are quite certain that elasticity in allocation as between materials and sub-contracts gives them considerable advantages in money over any rigid system. Your Committee believe, however, that some general guidance on this point could with advantage be given to contractors and they consider that the Ministry and the Treasury should further examine the question in the light of actual experience.

TRADING ACCOUNTS AND BALANCE SHEETS

MINISTRY OF FOOD

REMUNERATION OF AGENT ASSOCIATIONS

C. & A.G.'s
Trading
Accounts
(Vol. I)
Report,
Paras. 7-9.
Qs. 4152-4,
4184-4270,
4277-8.

109. Your Committee have taken evidence in regard to the remuneration paid from public funds to importers, wholesalers and others who were put out of business on the outbreak of war by the activities of the Ministry of Food and were formed into associations to render expert services to the Ministry in the handling and distribution of food. The net remuneration of some £4,000,000 a year paid to these bodies, in which the original active members of the various trades (or their successors in title) are shareholders, was settled in relation to a number of factors, one of which was the maintenance of the structure of the trades intact ready to resume private trade on the removal of control. Their remuneration was therefore generally fixed at or about the level of the pre-war earnings of the shareholders.

Q. 4190.

Qs. 4191-2.

App. 21.
C. & A.G.'s
Trading
Account
(Vol. I)
Report,
Para. 8.

Qs. 4190,
4197.Qs. 4188,
4203, 4205,
4225.

Q. 4205.

App. 21.

110. The agency work of these bodies is organised in two ways. In some the work is shared out between the members so that all of them take part in it. Most of the associations, however, have concentrated the work in central offices and offshoots of those offices and the individual members contribute the necessary management and staff. Where the work is so centralised not all the shareholders are needed for it and some take no active part. During and since the war many of the people concerned have taken up other work for the Ministry, who rely upon the trades for the experts they need. The numbers of members actually employed on the work of the associations are not readily available, but it appears that in certain trades some members do no work for the Ministry, others only work part-time and others are engaged largely on clerical and routine duties. The Ministry recognise that to some extent some of the shareholders in agent associations which have centralised their work are in effect "sleeping partners" whose share in the remuneration paid for the work amounts to a maintenance payment. The Ministry also have to meet the working expenses of the associations, which amount to some £8,000,000 a year, and they are convinced that the centralised associations, even with some "sleeping partners", are the most economical in operation and that to distribute the work among all the members would cost more. The element of maintenance involved in keeping the remuneration of the members of the associations at or near its pre-war level was deliberately provided at the beginning of control as a matter of policy, and the provision appears to have achieved its purpose, since Your Committee are assured that only a minute proportion of the remuneration is paid to members who would be unable or unwilling to resume business on the termination of control.

111. The situation thus appears to be that during and since the war it has been necessary to carry on various food trades in ways which do not require the active services of all the persons, firms and others who shared the pre-war earnings of those trades. These persons, firms and others (or their successors in title) nevertheless receive, through the Associations into which they were formed, remuneration which is broadly equal to those pre-war earnings. Your Committee doubt whether it is in the public interest that the pre-war pattern of the trades should thus be indefinitely maintained. In their view, the present arrangements should be revised (except where there is some prospect of early decontrol) to secure that the sums paid by the Ministry by way of remuneration shall not exceed what is fair and reasonable for the persons actually engaged in the work. If, after the twelve years which have elapsed since the war began, it is still thought necessary to provide anything in addition, such sums should be separately assessed and paid as the continuing cost of the Ministry's restrictions upon the normal activities of the trades.

OILS AND FATS: COST OF MAINTAINING CLOSED PLANTS

112. The Ministry of Food are at present paying £48,000 a year for the cost of maintaining a number of oilseed crushing plants which were closed under wartime concentration schemes and have not been reopened. The capacity of these plants is 327,000 tons out of a national total of 1,900,000 tons and the industry was stated to be operating at about 55 per cent. of capacity. In view of the continuing shortage of oilseeds and of the tendency of exporting countries to export oil instead of seeds, there is little prospect that the supplies available for crushing will require the reopening of the closed plants.

C. & A.G.'s
Trading
Accounts
(Vol. I)
Report,
Para. 10.
Qs. 4279-
83, 4308-
14.

113. Your Committee were informed that in accordance with the understanding reached with the industry during the war, the Ministry are bound either to allow these plants to reopen if the owners so desire, or to meet the cost of maintaining them so long as control continues. The former course would in the opinion of the Department be the more expensive, because it would necessitate sharing the available seed between a larger number of crushing plants, with consequent higher overheads and transport costs.

Q. 4308.

Q. 4309.

114. While Your Committee appreciate the difficulties created for the Ministry by the wartime undertaking, they would deprecate the indefinite continuance of these payments for maintaining factories which are unlikely to be required again for their original purpose, and they are glad to learn that the matter is at present under review by the Ministry. In view of the smaller supplies of oilseeds now available, which would have affected the amount of crushing capacity required whether or not control had continued, they think that the Ministry may reasonably look to the owners to co-operate in arriving at some fair arrangement for ending the Department's responsibility for these payments.

Q. 4314.

MILK MARKETING BOARD, ENGLAND AND WALES

115. Since the introduction of a Government price guarantee for milk in 1940 the principal function of the Milk Marketing Board, namely, the marketing of milk to the best advantage of producers, has been in abeyance. The Board's organisation has, however, been employed by the Ministry of Food as their agent for important functions in connection with the control and distribution of milk. The payments to the Board for general administration expenses amount at present to some £600,000 per annum; in addition

C. & A.G.'s
Trading
Accounts
(Vol. I)
Report,
Paras. 11-
13.
Qs. 4284-
4307, 4315-
38.
Q. 4288.

Q. 4302. the Board receives a commission which was originally 4s. 3d. per £100 and is now 1s. 6d. per £100 for guaranteeing the payment of debts due to the Ministry. The total amount of commission paid up to 31st March, 1952, was over £1,087,000, against which the actual bad debts for which the Board had to take responsibility have been under £12,000. In the last three years, during which the rate was 1s. 6d. per £100, the bad debts have amounted to only £7,000 against a total commission of £265,000.

App. 22.

116. While the use of the available facilities of the Board has no doubt been of great value to the Ministry, it appears to Your Committee that the financial arrangements have been unduly generous. During a period in which the Board's marketing functions have been in abeyance, its organisation has not only been fully maintained, but substantial additions have been made to its reserves which are ultimately the property of producers whose interests are being safeguarded by the State in other ways. In the view of Your Committee the payments to a statutory body in such circumstances should not exceed the actual cost of the work done. They hope therefore that the financial arrangements as a whole will be reconsidered, and in particular that the fee for guaranteeing debts due to the Ministry, which is out of all proportion to the risk involved, will be promptly revised.

NAVY APPROPRIATION ACCOUNT

STORE ACCOUNTING

C. & A.G.'s
Navy
Report,
Para. 20.
Qs. 3310,
3332-4.

Q. 3345.

117. Your Committee were informed that, in spite of staffing difficulties and the increase in volume of work as a result of the rearmament programme and the Korean operations, a definite if gradual improvement was being made in the standard of Navy Store accounting and stocktaking. They were pleased to note this progress and, as stores of immense value and their availability in the event of operations are concerned, they inquired whether the improvement would be adversely affected by the latest manpower cuts in the Civil Service.

Qs. 3310,
3333-4,
3345.

118. In reply the Admiralty stated that in most fields, if there had been no rearmament programme and no cut of staff engaged on store accounting, they would have expected to get their system into satisfactory shape by about the spring of 1954. They explained, however, that the rearmament programme had already tended to retard progress in the naval stores field, where some of the experts on store accounting and storekeeping had had to help in the Reserve Fleet; and the volume of stores to be dealt with over the next two or three years was going to be very much larger than to-day. The Admiralty were still engaged in discussing their civilian staff ceiling with the Treasury; but, in the worst event, it seemed probable that they would have to ask the Treasury for authority to relinquish some of the procedures built up over the last two or three years, and transfer some of the authorised numbers for use on what were regarded as the high priority services.

App. 5
(Annex
2).

119. The Treasury informed Your Committee that the question at issue had been, not by what number the staff should be reduced but the least number by which, over the Admiralty as a whole, the staff must be increased. They had recently suggested to the Admiralty a total figure which allowed some small margin for still further expansion over and above that which had already taken place in the last twelve months or so, and discussions were about to begin on the detailed distribution, in the course of which the needs of the Stores Department would be examined.

120. Your Committee realise that the allocation of available manpower must rest with the Government. Previous Committees of Public Accounts have, however, stressed the need for an adequate standard of store accounting, in the interests both of economical administration and operational efficiency, and Your Committee view with concern the possibility that the full achievement of this may be delayed, or even the existing standard jeopardised, as a result of the latest manpower allocations. They trust that full weight will be given to these views in determining manpower priorities in present circumstances.

P.A.C.,
1945-46,
4th Report,
Paras. 1-3.
P.A.C.,
1946-47,
3rd Report,
Paras. 1-9.
P.A.C.,
1950, 3rd
Report,
Paras. 9-
12.
T.M. (4th
January,
1951) on
P.A.C.,
1950, 3rd
Report,
Paras.
9-12.

COAL INDUSTRY NATIONALISATION ACT, 1946, ACCOUNT

PROGRESS OF SETTLEMENT OF COMPENSATION

121. The amount of compensation due to individual colliery owners for interests transferred from them to the National Coal Board under the Coal Industry Nationalisation Act, 1946, is dependent upon valuations by District Valuation Boards under Section 13 of the Act, and final settlement cannot be effected until the District Valuation Board has certified the value to the Minister of Fuel and Power under Section 14 (3). The Comptroller and Auditor General reported that no such certificates had been issued at 31st December, 1951, in respect of the "coal industry value", and that, although some stock issues had been made in partial satisfaction, a large part of the total sum, fixed at £164,660,000 under Section 10 (3), still remained to be distributed. With regard to "value for subsidiary purposes", certificates of value had been issued in respect of all railway wagons under requisition at the vesting date and nearly all stocks and stores, but few certificates had been issued in respect of brick works, coke ovens, houses, etc., expected to involve at least £40,000,000. Of the total compensation for transferred interests under the Act, thought to be between £250,000,000 and £300,000,000, compensation satisfied amounted to £140,148,448 at 31st December, 1951, of which only £40,691,998 represented final settlements.

C. & A.G.'s
Report on
C.I.N. Act,
1946,
Account,
Paras. 3-5.

122. The Ministry explained that the slowness of progress was due mainly to the magnitude and variety of the assets to be valued, the problems of arranging them in compensation units and of deciding which of these were covered by the total sum, and the difficulty of collecting, agreeing and checking the information necessary for identification and valuation of the assets, all of which was a most complicated and difficult task. Moreover, a number of legal and valuation problems had arisen from time to time which had had to be referred to referees and the High Court. They thought, however, that the bulk of the work ought to be completed by the middle of 1953.

Qs. 3016,
3022,
3038.

Q. 2945.
Q. 3037.

123. In view of the continuing charges on public funds incurred by the Ministry, including the salaries and expenses of the Valuation Boards, it would seem that speed of settlement is of more concern to the Ministry than to the National Coal Board or the colliery owners. Your Committee therefore urge the Ministry to take all possible steps to accelerate the legal and valuation work and bring to an end as soon as possible this considerable public expenditure.

RAW COTTON COMMISSION ACCOUNTS**REPORT AND ACCOUNTS FOR 1949-50**Qs. 71,
175-6.

124. The auditors' report on the accounts of the Raw Cotton Commission for the year ended 31st July, 1950, and the Balance Sheet as at that date, referred to payments in advance of salary which had been made to the then Chairman of the Commission, both before and since 31st July, 1950, without the approval of the Board of Trade. The Report added that nothing was outstanding as at the date of the Balance Sheet, but Your Committee were informed in evidence on 6th December, 1951, that the Chairman had not remained in office long enough to earn all the advances made after 31st July, 1950, and that he still owed the Commission over £2,000.

Qs. 73-4.

125. Section 5 of the Cotton (Centralised Buying) Act, 1947, provides that the members of the Commission shall be appointed by the Board of Trade and their salaries determined by the Board with the approval of the Treasury. The Board's functions under this section are now exercised jointly with the Ministry of Materials. The Board stated in evidence that the terms of the Chairman's appointment did not specify when the salary was to be paid, but it had been assumed that the normal Civil Service practice of payment in arrear would be followed. They agreed that the point should be made explicit.

Q. 76.

126. Your Committee consider that the normal Civil Service practice of payment in arrear should be followed by public Corporations accountable to Parliament. In view of the suggestion made in evidence that business practice might sometimes differ, they think that Departments should not leave to assumption any of the terms of payment of members of such bodies for whose appointment they are responsible, but should define them clearly and fully either in the letter of appointment or in some other formal contract document.

MINUTES OF PROCEEDINGSTHURSDAY, 29TH NOVEMBER, 1951.

Members present:

Mr. Alport.	Sir Ralph Glyn.
Mr. Benson.	Mr. David Jones.
Mr. Bossom.	Mr. Douglas Marshall.
Mr. Cuthbert.	Sir John Mellor.
Mr. John Edwards.	Mr. Peter Roberts.
Mr. Edward Davies.	Mr. David Thomas.

Mr. John Edwards was called to the Chair.

The Committee deliberated.

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

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

TUESDAY, 4TH DECEMBER, 1951.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Alport.	Mr. Edward Davies.
Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Sir John Mellor.
Mr. Cuthbert.	Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., Comptroller and Auditor General, and Mr. P. S. Milner-Barry, O.B.E., a Treasury Officer of Accounts, called in and examined on all the Accounts considered this day.

Exchange Equalisation Account considered.

Sir Leslie Rowan, K.C.B., C.V.O., a Second Secretary, Treasury, called in and examined.

American Aid and European Payments Accounts, 1950-51, considered.

Sir Wilfrid Eady, G.C.M.G., K.C.B., K.B.E., a Second Secretary, Treasury, called in and examined.

[Adjourned till Thursday at Four o'clock.]

THURSDAY, 6TH DECEMBER, 1951.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Alport.	Mr. Douglas Marshall.
Mr. Benson.	Mr. Peter Roberts.
Mr. Bossom.	Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Cotton (Centralised Buying) Act, 1947, Account, 1950-51, considered.

Sir Frank Lee, K.C.B., C.M.G., Permanent Secretary, Board of Trade, called in and examined.

Raw Cotton Commission Accounts for the year ended 31st July, 1950, considered.

Sir Frank Lee, K.C.B., C.M.G., further examined.

Sir Ralph Lacey, Chairman of the Raw Cotton Commission, called in and examined.

[Adjourned till Tuesday, 5th February, 1952, at Four o'clock.]

TUESDAY, 5TH FEBRUARY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. David Jones.
Mr. Cuthbert.	Sir John Mellor.
Mr. Hoy.	Mr. David Thomas.

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

Resolved, That the Draft Report be the First Report of the Committee to the House.

The Committee deliberated.

Sir Frank Tribe, K.C.B., K.B.E., called in and examined on all the Accounts considered this day.

House of Commons Members' Fund Accounts, 1949-50 and 1950-51, considered.

The Rt. Hon. William Whiteley, C.H., a Member of the House, Chairman of the Trustees, House of Commons Members' Fund, and Mr. F. Wyndham Hirst, C.B.E., Public Trustee, called in and examined.

[Adjourned till Tuesday, 19th February, at Four o'clock.

TUESDAY, 19TH FEBRUARY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Alport.	Mr. Douglas Marshall.
Mr. Benson.	Sir John Mellor.
Mr. Bossom.	Mr. Peter Roberts.
Mr. Cuthbert.	Mr. David Thomas.
Mr. David Jones.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Revenue Departments Appropriation Accounts, 1950-51, Vote 3, Post Office with Post Office Loan Expenditure Account; Post Office Commercial Accounts, 1950-51; Post Office Savings Banks Account, 1950, considered.

Sir Alexander Little, K.C.B., Director General, Mr. A. J. Pettit, Assistant Accountant General, Post Office and Mr. N. C. Chapling, Managing Director, Cable and Wireless Limited, called in and examined.

Revenue Departments Appropriation Accounts, 1950-51, Vote 2, Inland Revenue, considered.

Sir Eric Bamford, K.C.B., K.B.E., C.M.G., Chairman, and Mr. R. L. Southern, Accountant and Comptroller General, Board of Inland Revenue, called in and examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 21ST FEBRUARY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Mr. Peter Roberts.
Mr. Cuthbert.	Mr. David Thomas.
Mr. David Jones.	

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mrs. D. C. L. Johnstone, an Assistant Secretary, Treasury, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class IV, Vote 13, Festival of Britain, 1951, considered.

Mr. G. A. Campbell, Controller, Festival of Britain Office, 1951, and Lieutenant-General Sir Charles King, K.B.E., C.B., Chairman, Festival Gardens Limited, called in and examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 26TH FEBRUARY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Sir John Mellor.

Mr. Hoy.

Mr. Peter Roberts.

Mr. David Jones.

Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mrs. D. C. L. Johnstone called in and examined on all Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class V, Vote 13, Central Land Board, considered.

Sir Robert Fraser, K.C.B., K.B.E., Deputy Chairman and Secretary, Central Land Board and War Damage Commission, called in and examined.

The witnesses were ordered to withdraw.

The Committee deliberated.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 28TH FEBRUARY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Douglas Marshall.

Mr. Bossom.

Mr. David Thomas.

Mr. Hoy.

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mr. J. J. S. Shaw, an Assistant Secretary, Treasury, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class VI, Vote 16, Ministry of Civil Aviation, considered.

Sir Arnold Overton, K.C.B., K.C.M.G., M.C., Permanent Secretary and Sir Alfred Le Maitre, K.B.E., C.B., M.C., Controller of Ground Services, Ministry of Civil Aviation, called in and examined.

Civil Appropriation Accounts, 1950-51: Class I, Vote 1, House of Lords, Vote 2, House of Commons, Vote 3, Registration of Electors, Vote 5, Privy Council Office, Vote 6, Privy Seal Office, Vote 7, Charity Commission, Vote 8, Civil Service Commission, Vote 10, Government Actuary, Vote 11, Government Chemist, Vote 12, Government Hospitality, Vote 13, The Mint; Trading Accounts and Balance Sheets, 1950-51, The Mint; Civil Appropriation Accounts, 1950-51: Class I, Vote 14, National Debt Office; Irish Land Purchase Fund Accounts, 1950-51; Sinking Funds Account, 1950-51; Civil Appropriation Accounts, 1950-51: Class I, Vote 15, National Savings Committee, Vote 16, Overlapping Income Tax Payments, Vote 18, Public Works Loan Commission, Vote 19, Repayments to the Local Loans Fund, Vote 20, Royal Commissions, &c., Vote 21, Secret Service, Vote 22, Tithe Redemption Commission; Tithe Act, 1936, Accounts, 1950-51; Civil Appropriation Accounts, 1950-51: Class I, Vote 23, Silver, Vote 24, American Aid Counterpart Fund, considered.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 4TH MARCH, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Sir John Mellor.
Mr. Cuthbert.	Mr. Peter Roberts.
Mr. Hoy.	Mr. David Thomas.
Mr. David Jones.	Mr. West.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class VI, Vote 18, Department of Scientific and Industrial Research, considered.

Mr. E. Barnard, C.B., C.B.E., F.S.O., Deputy Secretary and Mr. S. H. Smith, Finance and Accounts Officer, Department of Scientific and Industrial Research, called in and examined.

Civil Appropriation Accounts, 1950-51: Class VII, Vote 10, Central Office of Information, considered.

Mrs. D. C. L. Johnstone called in and further examined.

Sir Robert Fraser, O.B.E., Director-General, Central Office of Information, called in and examined.

Civil Appropriation Accounts, 1950-51: Class II, Vote 5, International Refugee Organisation, Vote 6, Commonwealth Relations Office, Vote 7, Commonwealth Services, Vote 8, Oversea Settlement, Vote 9, Colonial Office, Vote 10, Colonial and Middle Eastern Services, Vote 11, West African Produce Control Board, Vote 12, Development and Welfare (Colonies, &c.), Vote 13, Development and Welfare (South African High Commission Territories), considered.

The witnesses were ordered to withdraw.

The Committee deliberated.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 6TH MARCH, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Peter Roberts.
Mr. Bossom.	Mr. David Thomas.
Mr. Douglas Marshall.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class V, Vote 1, Ministry of Health, Vote 3, Housing, England and Wales, considered.

Mr. J. G. E. Owen, an Assistant Secretary, Treasury, called in and examined.

Mr. J. M. K. Hawton, C.B., Secretary, Ministry of Health, and Sir Thomas Sheepshanks, K.C.B., K.B.E., Permanent Secretary, Ministry of Housing and Local Government, called in and examined.

Civil Appropriation Accounts, 1950-51: Class V, Vote 4, Exchequer Contributions to Local Revenues, England and Wales, Vote 17, Exchequer Contributions to Local Revenues, Scotland, considered.

Mr. J. G. E. Owen further examined.

Mr. J. M. K. Hawton, C.B., and Sir Thomas Sheepshanks, K.C.B., K.B.E., further examined.

Sir Charles Cunningham, K.B.E., C.B., C.V.O., Secretary, Scottish Home Department, called in and examined.

Civil Appropriation Accounts, 1950-51: Class I, Vote 26, Scottish Home Department; Legal Aid (Scotland) Act, 1949, Accounts, 1950-51, considered.

Sir Charles Cunningham, K.B.E., C.B., C.V.O., further examined.

Civil Appropriation Accounts, 1950-51: Class III, Vote 1, Home Office, Vote 2, Home Office (Civil Defence Services), Vote 3, Police, England and Wales, Vote 4, Prisons, England and Wales, Vote 5, Child Care, England and Wales, Vote 6, Fire Services, England and Wales, Vote 9, Land Registry, Vote 10, Public Trustee, Vote 11, Law Charges, Vote 12, Miscellaneous Legal Expenses, Vote 13, Scottish Home Department (Civil Defence Services), Vote 14, Police, Scotland, Vote 15, Prisons, Scotland, Vote 16, Approved Schools, Scotland, Vote 17, Fire Services, Scotland, Vote 18, Scottish Land Court, Vote 19, Law Charges and Courts of Law, Scotland, Vote 20, Department of the Registers, Scotland, Vote 21, Supreme Court of Judicature, &c., Northern Ireland; Supreme Court of Judicature, Northern Ireland, Land Purchase Account, 1950-51; Civil Appropriation Accounts, 1950-51; Class III, Vote 22, Irish Land Purchase Services, considered.

The witnesses were ordered to withdraw.

The Committee deliberated.

[Adjourned till Thursday next at Four o'clock.

THURSDAY, 13TH MARCH, 1952

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.

Mr. David Jones.
Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O. B., called in and examined and all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class VI, Vote 1, Board of Trade; War Risks (Commodities) Insurance Fund, considered.

Sir Frank Lee, K.C.B., C.M.G., Permanent Secretary, Sir Henry Gregory, K.C.M.G., C.B., a Second Secretary, Board of Trade, and Mr. Gordon Russell, C.B.E., M.C., R.D.I., Director, Council of Industrial Design, called in and examined.

Trading Accounts and Balance Sheets, 1950-51, Board of Trade; Civil Appropriation Accounts, 1950-51; Class VI, Vote 2, Services in Development Areas, considered.

Sir Frank Lee, K.C.B., C.M.G., and Sir Henry Gregory, K.C.M.G., C.B., further examined.

Cinematograph Film Production (Special Loans) Act, Accounts, 1950-51, considered.

Sir Frank Lee, K.C.B., C.M.G., and Sir Henry Gregory, K.C.M.G., C.B., further examined.

Mr. R. J. Stopford, C.M.G., Chairman, National Film Finance Corporation, called in and examined.

Civil Appropriation Accounts, 1950-51: Class IV, Vote 2, British Museum, Vote 3, British Museum (Natural History), Vote 4, Imperial War Museum, Vote 5, London Museum, Vote 6, National Gallery, Vote 7, National Maritime Museum, Vote 8, National Portrait Gallery, Vote 9, Wallace Collection, Vote 12, Broadcasting, Vote 14, Public Education, Scotland, Vote 15, National Galleries, Scotland, Vote 16, National Library, Scotland, considered.

[Adjourned till Tuesday next at Four o'clock.

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TUESDAY, 18TH MARCH, 1952

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Sir John Mellor.
Mr. Cuthbert.	Mr. Scott.
Mr. Hoy.	Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class V, Vote 8, Ministry of National Insurance; Accounts of the National Insurance Fund, the National Insurance (Reserve) Fund, the Industrial Injuries Fund and the National Insurance (Existing Pensioners) Fund, 1950-51, considered.

Mr. P. S. Ross, a Principal, Treasury, called in and examined.

Sir Geoffrey King, K.B.E., C.B., M.C., Secretary, Ministry of National Insurance, called in and examined.

Civil Appropriation Accounts, 1950-51: Class I, Vote 9, Exchequer and Audit Department, considered.

Sir Frank Tribe, K.C.B., K.B.E., Comptroller and Auditor General, examined as Accounting Officer for the Vote.

Civil Appropriation Accounts, 1950-51: Class V, Vote 5, Registrar General's Office, Vote 6, Ministry of Labour and National Service, Vote 7, Grants in Respect of Employment Schemes, Vote 9, National Assistance Board, Vote 10, National Insurance Audit Department, Vote 11, Friendly Societies Registry, Vote 16, Housing, Scotland, Vote 18, Registrar General's Office, Scotland, considered.

[Adjourned till Thursday at Four o'clock.]

THURSDAY, 20TH MARCH, 1952

Members present:

MR. JOHN EDWARDS in the Chair

Mr. Benson.	Sir John Mellor.
Mr. Cuthbert.	Mr. Peter Roberts.
Mr. Hoy.	Mr. Scott.
Mr. Douglas Marshall.	Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class IV, Vote 10, Grants for Science and the Arts, with Medical Research Council Accounts, Agricultural Research Council Account and Nature Conservancy Account, considered.

Sir Wilfrid Eady, G.C.M.G., K.C.B., K.B.E., called in and further examined.

Captain C. R. P. Diver, C.B.E., Director General, the Nature Conservancy, called in and examined.

Civil Appropriation Accounts, 1950-51: Class IV, Vote 11, Universities and Colleges &c., Great Britain, considered.

Sir Wilfrid Eady, G.C.M.G., K.C.B., K.B.E., further examined.

Mr. E. Hale, C.B., Secretary, University Grants Committee, called in and examined.

Civil Appropriation Accounts, 1950-51: Class VI, Vote 3, Financial Assistance in Development Areas, Vote 4, Export Credits, Vote 5, Export Credits (Special Guarantees); Trading Accounts and Balance Sheets, 1950-51, Export Credits Guarantee Department; Civil Appropriation Accounts, 1950-51: Class VI, Vote 7, Office of Commissioners of Crown Lands, Vote 10, Surveys of Great Britain, &c., Vote 11, Forestry Commission; Trading Accounts and Balance Sheets, 1950-51, Forestry Commission; Civil Appropriation Accounts, 1950-51: Class VI, Vote 15, Mercantile Marine Services, Vote 17, Development Grants, Vote 19, State Management Districts, England and Wales; Trading Accounts and Balance Sheets, 1950-51, State Management Districts; Civil Appropriation Accounts, 1950-51: Class VI, Vote 22, Fisheries, Scotland, Vote 23, Herring Industry, Vote 24, State Management Districts, Scotland; Trading Accounts and Balance Sheets, 1950-51, State Management Districts, Scotland, considered.

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

TUESDAY, 25TH MARCH, 1952

Members present:

MR. JOHN EDWARDS in the Chair

Mr. Bossom.	Mr. Peter Roberts.
Mr. Cuthbert.	Mr. Scott.
Mr. David Jones.	Mr. David Thomas.
Mr. Douglas Marshall.	Mr. West.
Sir John Mellor.	

The Committee deliberated.

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mrs. D. C. L. Johnstone called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class VII, Vote 2, Houses of Parliament Buildings, Vote 3, Public Buildings, Great Britain, Vote 4, Public Buildings Overseas, considered.

Sir Harold Emmerson, K.C.B., Secretary, Ministry of Works, called in and examined.

Civil Appropriation Accounts, 1950-51: Class VII, Vote 3A, Oxford and Asquith Memorial, Vote 5, Royal Palaces, Vote 6, Royal Parks and Pleasure Gardens, Vote 8, Rates on Government Property, Vote 11, Peterhead Harbour, Vote 12, Works and Buildings in Ireland; Class VIII, Vote 1, Merchant Seamen's War Pensions, Vote 2, Ministry of Pensions, Vote 3, Royal Irish Constabulary Pensions, &c., Vote 4, Superannuation and Retired Allowances, considered.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 27TH MARCH, 1952

Members present:

MR. JOHN EDWARDS in the Chair

Mr. Benson.	Mr. David Thomas.
Mr. Douglas Marshall.	Mr. West.
Mr. Scott.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51; Class I, Vote 17, Public Record Office, considered.

Sir Hilary Jenkinson, C.B.E., LL.D., F.S.A., Deputy Keeper of the Records and Keeper of the Land Revenue Records, Public Record Office, called in and examined.

Civil Appropriation Accounts, 1950-51: Class I, Vote 27, Scottish Record Office, considered.

Sir James Fergusson of Kilkerran, Bt., Keeper of the Records of Scotland, Scottish Record Office, called in and examined.

Civil Appropriation Accounts, 1950-51: Class II, Vote 14, Imperial War Graves Commission, considered.

Mr. F. Higginson, C.B., C.M.G., A.R.I.B.A., Secretary, Imperial War Graves Commission, called in and examined.

Civil Appropriation Accounts, 1950-51: Class VII, Vote 9, Stationery and Printing; Trading Accounts and Balance Sheets, 1950-51, Stationery Office, considered.

Mr. H. G. G. Welch, C.B.E., Controller and Mr. C. F. S. Plumbley, C.B.E., Deputy Controller, Stationery Office, called in and examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 1ST APRIL, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Mr. Peter Roberts.
Mr. Cuthbert.	Mr. Scott.
Sir Ralph Glyn.	Mr. David Thomas.
Mr. Hoy.	Mr. West.
Mr. David Jones.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on the Accounts considered this day.

Report, Statement of Accounts and Statistics of the British Transport Commission, 1950, considered.

Lord Hurcomb, G.C.B., C.B.E., a Member of the House of Lords, attending by leave of that House, Chairman of the British Transport Commission, Sir Gilmour Jenkins, K.C.B., K.B.E., M.C., Permanent Secretary, Ministry of Transport, Sir Alan Rae Smith, K.B.E., F.C.A., and Sir Harold Barton, F.C.A., Joint Auditors to the British Transport Commission, called in and examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 3RD APRIL, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Sir John Mellor.
Mr. Cuthbert.	Mr. David Thomas.
Mr. Hoy.	Mr. West.
Mr. David Jones.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class V, Vote 12, Ministry of Town and Country Planning; New Towns Act, 1946, Accounts, 1950-51, considered.

Sir Thomas Sheepshanks, K.C.B., K.B.E., called in and further examined.

Sir George Henderson, K.B.E., C.B., Secretary, Department of Health for Scotland, called in and examined.

Report and Accounts of the Crawley Development Corporation for the period ended 31st March, 1951, considered.

Sir Thomas Sheepshanks, K.C.B., K.B.E., further examined.

Sir Thomas Bennett, C.B.E., Chairman, and Colonel C. A. C. Turner, O.B.E., T.D., General Manager, Crawley Development Corporation, called in and examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 8TH APRIL, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.	Sir John Mellor.
Mr. Blenkinsop.	Mr. Peter Roberts.
Mr. Bossom.	Mr. Scott.
Mr. Cuthbert.	Mr. David Thomas.
Mr. Hoy.	Mr. West.
Mr. Douglas Marshall.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class VI, Vote 6, Ministry of Fuel and Power; Coal Industry Nationalisation Act, 1946, Account, 1950-51, considered.

Sir Donald Fergusson, G.C.B., Permanent Secretary, and Sir Arthur Watson, C.B., C.B.E., a Principal Assistant Secretary, Ministry of Fuel and Power, called in and examined.

[Adjourned till Tuesday, 22nd April, at Four o'clock.

TUESDAY, 22ND APRIL, 1952.

Members present:

Mr. Benson.	Mr. Douglas Marshall.
Mr. Blenkinsop.	Sir John Mellor.
Mr. Cuthbert.	Mr. David Thomas.
Mr. Hoy.	Mr. West.

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

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mr. E. C. R. Kahn, a Principal, Treasury, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class VI, Vote 13, Ministry of Transport, Vote 14, Roads, &c.; Road Fund Accounts, 1950-51; Civil Appropriation Accounts, 1950-51: Class IX, Vote 4, Ministry of War Transport (Shipping and War Terminal Services), with War Risks (Marine) Insurance Fund; Trading Accounts and Balance Sheets, 1950-51, Ministry of Transport, considered.

Sir Gilmour Jenkins, K.C.B., K.B.E., M.C., called in and further examined.

Cunard Insurance Fund Accounts, 1950-51, considered.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 24TH APRIL, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Cuthbert.	Mr. Peter Roberts.
Sir Ralph Glyn.	Mr. Scott.
Mr. Hoy.	Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., Mr. G. P. Humphreys-Davies, an Under Secretary, Treasury, and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Navy Appropriation Account, 1950-51, considered.

Sir John Lang, K.C.B., Permanent Secretary, Admiralty, and Mr. J. E. B. Finlay, O.B.E., an Assistant Secretary, Board of Customs and Excise, called in and examined.

Treasury Minute, dated 11th February, 1952, authorising the temporary application of surpluses on certain Navy Votes for the year 1950-51 to meet deficits on other Navy Votes for the same year; Navy Dockyard and Production Accounts, 1950-51, considered.

Sir John Lang, K.C.B., further examined.

Greenwich Hospital and Travers Foundation Accounts, 1950-51; Revenue Departments Appropriation Accounts, 1950-51; Vote 1, Customs and Excise, considered.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 29TH APRIL, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Cuthbert.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Mr. David Thomas.
Mr. West.

Sir Frank Tribe, K.C.B., K.B.E., Mr. G. P. Humphreys-Davies and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Army Appropriation Account, 1950-51: Treasury Minute, dated 20th February, 1952, authorising the temporary application of surpluses on certain Army Votes for the year 1950-51, to meet deficits on other Army Votes for the same year, considered.

Sir George Turner, K.C.B., K.B.E., J.P., Permanent Under-Secretary of State for War, called in and examined.

Royal Hospital, Chelsea, Account, 1950-51, considered.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 1ST MAY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Cuthbert.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Mr. Scott.
Mr. David Thomas.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class IV, Vote 1, Ministry of Education, considered.

Mr. J. G. E. Owen called in and further examined.

Mrs. P. M. Rossiter, a Principal, Treasury, called in and examined.

Sir John Maud, K.C.B., C.B.E., Permanent Secretary, and Mr. B. L. Pearson, C.B., D.S.O., M.C., Under Secretary for Finance and Accountant General, Ministry of Education, called in and examined.

Civil Appropriation Accounts, 1950-51: Class VI, Vote 8, Ministry of Agriculture and Fisheries, with Account of Development Fund Schemes for Fisheries Services, Vote 9, Ministry of Agriculture and Fisheries (Food Production Services); Trading Accounts and Balance Sheets, 1950-51, Ministry of Agriculture and Fisheries, considered.

Mr. L. Petch, an Assistant Secretary, Treasury, called and examined.

Sir Donald Vandeeper, K.C.B., K.B.E., Permanent Secretary, Ministry of Agriculture and Fisheries, called in and examined.

Wheat Fund Accounts, 1950-51, considered.

Mr. L. Petch and Sir Donald Vandeeper, K.C.B., K.B.E., further examined.

Mr. H. D. Vigor, O.B.E., Vice-Chairman, Wheat Commission, called in and examined.

Agricultural Land Commission Accounts, 1950-51; Land Fertility (Research) Fund Account, 1950-51; Sugar Industry (Research and Education) Fund Account, 1950-51, considered.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 6TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Sir John Mellor.
Mr. Cuthbert.	Mr. Peter Roberts.
Sir Ralph Glyn.	Mr. West.
Mr. Hoy.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Ministry of Defence Appropriation Account, 1950-51, considered.

Sir Harold Parker, K.C.B., K.B.E., M.C., Permanent Secretary, Ministry of Defence, called in and examined.

Air Services Appropriation Account, 1950-51; Treasury Minute, dated 15th February, 1952, authorising the temporary application of surpluses on certain Air Votes for the year 1950-51, to meet deficits on other Air Votes for the same year, considered.

Mr. G. P. Humphreys-Davies called in and further examined.

Sir James Barnes, K.C.B., K.B.E., Permanent Under-Secretary of State for Air and Mr. W. Deane, Director of Accounts, Air Ministry, called in and examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 8TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Mr. Scott.
Mr. Cuthbert.	Mr. David Thomas.
Sir Ralph Glyn.	Mr. West.
Mr. David Jones.	

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on the Account considered this day.

Civil Appropriation Accounts, 1950-51: Class IX, Vote 1, Ministry of Supply, considered.

Sir Archibald Rowlands, G.C.B., M.B.E., Permanent Secretary, Ministry of Supply, called in and examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 13TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. David Jones.
Mr. Blenkinsop.	Sir John Mellor.
Mr. Bossom.	Mr. Peter Roberts.
Mr. Cuthbert.	Mr. David Thomas.
Mr. Hoy.	Mr. West.

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mr. L. Petch called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class IX, Vote 3, Ministry of Food; Trading Accounts and Balance Sheets, 1950-51, Ministry of Food, considered.

Sir Henry Hancock, K.C.B., K.B.E., C.M.G., Permanent Secretary and Dr. E. E. Bailey, C.B., C.B.E., D.Phil, Principal Finance Officer, Ministry of Food, called in and examined.

The Chairman was called away from the Committee, and Mr. Benson was called to the Chair.

Trading Accounts and Balance Sheets, 1950-51, Ministry of Food, further considered.

Overseas Resources Development Act, 1948, Accounts, 1950-51, considered.

Sir Henry Hancock and Dr. Bailey withdrew.

Overseas Resources Development Act, 1948, Accounts, 1950-51, further considered.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 15TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Scott.

Mr. Blenkinsop.

Mr. David Thomas.

Mr. Hoy.

Mr. West.

Mr. Douglas Marshall.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class IX, Vote 6, Foreign Office (German Section), considered.

Sir William Strang, G.C.M.G., K.C.B., M.B.E., Permanent Under-Secretary of State for Foreign Affairs and Mr. S. J. Secker, C.B.E., Accountant General, Foreign Office (German Section), called in and examined.

Civil Appropriation Accounts, 1950-51: Class II, Vote 1, Foreign Service, Vote 2, Foreign Office Grants and Services, Vote 3, British Council, Vote 4, United Nations, considered.

Sir William Strang, G.C.M.G., K.C.B., M.B.E., further examined.

Mr. R. Davies, C.M.G., Assistant Director General, British Council, called in and examined.

Civil Appropriation Accounts, 1950-51: Class IX, Vote 6, Foreign Office (German Section), further considered.

Civil Appropriation Accounts, 1950-51: Class IX, Vote 7, Administration of Certain African Territories, considered.

Sir William Strang, G.C.M.G., K.C.B., M.B.E., and Mr. S. J. Secker, C.B.E., further examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 20TH MAY, 1952

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Hoy.

Mr. Blenkinsop.

Mr. David Jones.

Mr. Bossom.

Mr. Peter Roberts

Mr. Cuthbert.

Mr. West.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class III, Vote 7, Supreme Court of Judicature, &c., Vote 8, County Courts, &c., considered.

Sir Albert Napier, K.C.B., Q.C., Clerk of the Crown in Chancery and Permanent Secretary to the Lord Chancellor, called in and examined.

Legal Aid and Advice Act, 1949, Account, 1950-51, considered.

Sir Albert Napier, K.C.B., Q.C., further examined.

Mr. T. G. Lund, C.B.E., Secretary, the Law Society, called in and examined.

Civil Appropriation Accounts, 1950-51: Class VII, Vote 2, Houses of Parliament Buildings, Vote 3, Public Buildings, Great Britain, Vote 4, Public Buildings Overseas, further considered.

Civil Appropriation Accounts, 1950-51: Class VII, Vote 1, Ministry of Works, Vote 7, Miscellaneous Works Services, with Brick Charges Account; Building Materials and Housing Act, 1945, Accounts, 1950-51; Housing (Temporary Accommodation) Act, 1944, Account, 1950-51, considered.

Sir Harold Emmerson, K.C.B., called in and further examined.

Supreme Court of Judicature Account, 1950-51; Supreme Court Prize, etc. Deposit Account, 1939-51, considered.

[Adjourned till Thursday at Four o'clock.]

THURSDAY, 22ND MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Bossom.

Mr. Hoy.

Mr. David Jones.

Mr. Peter Roberts.

Mr. West.

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

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

Paragraphs 1 and 2 agreed to.

Paragraph 3 amended and agreed to.

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

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mr. J. G. E. Owen called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class V, Vote 2, National Health Service, England and Wales, Vote 15, National Health Service, Scotland, considered.

Mr. J. M. K. Hawton, C.B., and Sir George Henderson, K.B.E., C.B., called in and further examined.

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

TUESDAY, 27TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Bossom.

Mr. Cuthbert.

Mr. Hoy.

Mr. David Jones.

Mr. Douglas Marshall.

Mr. Peter Roberts.

Mr. David Thomas.

Mr. West.

Sir Frank Tribe, K.C.B., K.B.E., Mr. P. S. Milner-Barry, O.B.E., and Mr. J. G. E. Owen called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class V, Vote 2, National Health Service, England and Wales, Vote 15, National Health Service, Scotland, further considered.

Summarised Accounts of Regional Hospital Boards, &c., for England and Wales, 1950-51; Hospital Endowments Fund Account, 1950-51, considered.

Mr. J. M. K. Hawton, C.B., and Sir George Henderson, K.B.E., C.B., called in and further examined.

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

THURSDAY, 29TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Blenkinsop.
Mr. Cuthbert.
Sir Ralph Glyn.
Mr. Hoy.

Mr. David Jones.
Mr. Douglas Marshall.
Sir John Mellor.
Mr. David Thomas.
Mr. West.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class I, Vote 4, Treasury and Subordinate Departments, considered.

Sir Edward Bridges, G.C.B., G.C.V.O., M.C., Permanent Secretary, and Sir Bernard Gilbert, G.C.B., K.B.E., a Second Secretary, Treasury, called in and examined.

Civil Appropriation Accounts, 1950-51: Class I, Vote 25, Miscellaneous Expenses; Class V, Vote 14, Department of Health for Scotland; Class VI, Vote 20, Department of Agriculture for Scotland, Vote 21, Department of Agriculture for Scotland (Food Production Services); Trading Accounts and Balance Sheets, 1950-51, Department of Agriculture for Scotland; Civil Appropriation Accounts, 1950-51: Class IX, Vote 8, Advances to Allies, &c., Vote 9, War Damage Commission, Vote 10, Burma War Damage Payments; Cinematograph Fund Account, 1950-51; County Courts Account, 1950; Crown Lands Abstract Accounts, 1950-51; Czecho-Slovak Refugee Fund Account, 1950-51; Development of Inventions Act, 1948, Account, 1950-51; Foreign Compensation Commission Accounts, 1950-51; Herring Industry Acts, 1935 to 1948, Account, 1950-51; Housing Act, 1914, Account, 1950-51; Lace Industry (Levy) Account, 1950-51; Local Loans Fund Accounts, 1950-51; National Debt—certain Funds left in Trust; Royal Air Force Prize Fund Account, 1950-51; Royal Naval Prize Fund Account, 1950-51; Savings Banks and Friendly Societies Accounts, 1950-51; Treasury Chest Fund Account, 1950-51; War Damage (Business and Private Chattels Schemes) Account, 1950-51; War Damage (Land and Buildings) Account, 1950-51; War Damage (Public Utility Undertakings) Account, 1950-51; Wool Textile Industry (Export Promotion Levy) Account, 1950-51, considered.

[Adjourned till Thursday, 12th June, at Four o'clock.

THURSDAY, 12TH JUNE, 1952.

Members present:

Mr. Benson.
Mr. Blenkinsop.
Mr. Bessom.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. David Thomas.
Mr. West.

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

Sir Frank Tribe, K.C.B., K.B.E., Mr. G. P. Humphreys-Davies and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class IX, Vote 1, Ministry of Supply, further considered.

Civil Appropriation Accounts, 1950-51: Class IX, Vote 2, Ministry of Supply (Trading Services and Assistance to Industry); Trading Accounts and Balance Sheets, 1950-51, Ministry of Supply, considered.

Sir Archibald Rowlands, G.C.B., M.B.E., called in and further examined.

[Adjourned till Tuesday next at Four o'clock.

TUESDAY, 17TH JUNE, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Blenkinsop.

Mr. Cuthbert.

Mr. Hoy.

Mr. Douglas Marshall.

Sir John Mellor.

Mr. Peter Roberts

Mr. West.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Summarised Accounts of Regional Hospital Boards, &c., for Scotland, 1950-51, considered.

Sir George Henderson, K.B.E., C.B., called in and further examined.

Mr. J. Stirling, C.B.E., F.S.A.A., Assistant Secretary and Accountant General, Department of Health for Scotland, called in and examined.

Civil Appropriation Accounts, 1950-51; Class IX, Vote 5, Ministry of Fuel and Power (War Services), with Coal Charges Account, Miners' Welfare Fund Account, and Miners' Welfare General Endowment Fund Account, considered.

Sir Donald Fergusson, G.C.B., and Sir Arthur Watson, C.B., C.B.E., called in and further examined.

Mr. R. J. Ayres, C.B.E., Accountant General, Ministry of Fuel and Power, called in and examined.

[Adjourned till Thursday at Four o'clock.

THURSDAY, 19TH JUNE, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Blenkinsop.

Mr. Hoy.

Mr. David Jones.

Mr. Douglas Marshall.

Sir John Mellor.

Sir Frank Tribe, K.C.B., K.B.E., and Mr. P. S. Milner-Barry, O.B.E., called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1950-51: Class I, Vote 4, Treasury and Subordinate Departments, further considered.

Civil Appropriation Accounts, 1950-51: Class I, Vote 25A, Repayments to the Civil Contingencies Fund; Civil Contingencies Fund Accounts, 1950-51; Civil Appropriation Accounts, 1950-51: Class VI, Vote 12, Development Fund; Development Fund Accounts, 1950-51; Consolidated Fund Abstract Account, 1950-51; Public Income and Expenditure Account, 1950-51; Finance Accounts of the United Kingdom, 1950-51; National Land Fund Account, 1950-51, considered.

Sir Bernard Gilbert, G.C.B., K.B.E., called in and further examined.

Mr. N. E. Young, C.M.G., M.C., Secretary and Comptroller-General, National Debt Office and Mr. E. H. E. Havelock, C.B., C.B.E., F.R.S.E., Secretary, Development Commission, called in and examined.

Civil Appropriation Accounts, 1950-51: Class I, Vote 14, National Debt Office, further considered.

Sir Bernard Gilbert, G.C.B., K.B.E., and Mr. N. E. Young, C.M.G., M.C., further examined.

Mr. O. J. Phillips, O.B.E., F.I.A., Assistant Comptroller, National Debt Office, called in and examined.

[Adjourned till Thursday, 24th July, at Four o'clock.

THURSDAY, 24TH JULY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Blenkinsop.

Mr. Cuthbert.

Mr. David Jones.

Mr. Douglas Marshall.

Sir John Mellor.

Mr. Peter Roberts.

Mr. David Thomas.

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

Ordered, That the Draft Report be read a second time, paragraph by paragraph. Paragraphs 1 to 13 agreed to.

Paragraph 14 amended and agreed to.

Paragraphs 15 to 38 agreed to.

Paragraph 39 amended and agreed to.

Paragraphs 40 to 51 agreed to.

A paragraph brought up and read the first time, as follows:—

“Your Committee were informed that doctors receiving payment by the Ministry for training other doctors in general work were not allowed to increase the number of patients on their panels in respect of any such trainee assistants under instruction; such an increase was, however, permitted if a doctor employed a paid assistant not under training. Your Committee are not satisfied that the existing arrangements are adequate to ensure that no doctor can represent a trainee assistant as an ordinary assistant for the purpose of increasing the size of his panel, and feel that a much closer check should be kept upon this practice.”—(*Mr. Peter Roberts*.)

Motion made, and Question proposed, “That the paragraph be read a second time.”

Motion and paragraph, by leave, withdrawn.

Paragraph 52 agreed to.

Paragraph 53 amended and agreed to.

Paragraphs 54 and 55 agreed to.

Paragraph 56 disagreed to.

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

Paragraphs 57 to 59 agreed to.

Paragraph 60 read, as follows:—

“It appears to be admitted that the Ministry's expenditure on the provision of food at rest centres in 1950-51 was not within the ambit of the new Vote for Housing to which it has been charged, but similar expenditure in previous years was thought to be covered by the more general description of the ambit of the Ministry of Health Vote on which it was then borne. Your Committee do not feel it necessary in these circumstances to recommend disallowance of the 1950-51 expenditure. The Vote for 1951-52 was taken in the same terms as that for 1950-51, but as already mentioned in the 1952-53 Estimates the ambit of the Housing Vote has been enlarged by the addition of the words ‘services in relation to emergency housing’. The Treasury and the Ministry consider that by this addition Parliamentary authority for the provision of food at rest centres in 1952-53 will be obtained in the Appropriation Act. It is not for Your Committee to express an opinion about the legality of charges which may appear in future Appropriation Accounts, but, as the subject has been examined by them in relation to the 1950-51 Accounts, they think it appropriate to express their view that it is by no means obvious that the provision of food is a service related to the provision of emergency housing. It would, therefore, in their opinion, have been better if the Ministry, when seeking a grant from Parliament to cover the provision of food as well as housing, had described the service more plainly in Part I of the Estimates.”

Amendment proposed in line 6, to leave out the words “do not.”—(*Mr. Peter Roberts*.)

Question put, “That the words ‘do not’ stand part of the paragraph.”

The Committee divided: Ayes, 4; Noes, 4.

Ayes.

Mr. Benson.

Mr. Blenkinsop.

Mr. David Jones.

Mr. David Thomas.

Noes.

Mr. Cuthbert.

Mr. Douglas Marshall.

Sir John Mellor.

Mr. Peter Roberts.

Whereupon the Chairman declared himself with the Ayes.

Paragraph agreed to.
Paragraphs 61 to 76 agreed to.
Paragraph 77 amended and agreed to.
Paragraphs 78 to 84 agreed to.
Paragraph 85 amended and agreed to.
Paragraphs 86 to 99 agreed to.
Paragraph 100 amended and agreed to.
Paragraphs 101 to 122 agreed to.
Paragraph 123 amended and agreed to.
Paragraphs 124 to 126 agreed to.

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

Ordered, That the following papers be printed as Appendices to the Minutes of the Evidence taken before the Committee:—

Memoranda from the Treasury on—

- (i) The cost of married quarters for Other Ranks, Army and R.A.F. ;
- (ii) The assessment of rents of Ministry of Supply houses ;
- (iii) The treatment of blocked currencies ;

Extract from letter by Mr. P. S. Milner-Barry, O.B.E., relating to Emergency Housing ;

Letter from Sir Edward Bridges, G.C.B., G.C.V.O., M.C., in amplification of evidence given by him on 29th May, 1952 ;

Extract from letter by Mr. P. S. Milner-Barry, O.B.E., relating to the Milk in Schools Scheme ;

Correspondence between the Chairman and Sir Wilfrid Eady, G.C.M.G., K.C.B., K.B.E., relating to the Ministry of Transport Trading Accounts ;

Memorandum from the Admiralty on the costs and economic rents of Naval married quarters ;

Memorandum from the War Office on the rentals of Army married quarters ;

Memoranda from the Air Ministry on—

- (i) The rentals of R.A.F. married quarters ;
- (ii) The cost of Airmen's married quarters in relation to Local Authority housing ;

Memorandum from the Ministry of Supply on houses erected for the Ministry of Supply: rents of married quarters ;

Memorandum from the University Grants Committee on Earmarked Recurrent Grants ;

Memoranda from the Ministry of Health on—

- (i) The remuneration of dentists in Great Britain ;
- (ii) Prescriptions ;

Memorandum from the Department of Health for Scotland on Prescriptions ;

Memorandum from the Ministry of Agriculture and Fisheries on the measurement of capital employed in agriculture, and the return thereon ;

Memorandum from the Ministry of Civil Aviation on Grants to Airways Corporations: initial determination and revision ;

Memoranda from the Ministry of Works on—

- (i) The cost of rebuilding the House of Commons ;
- (ii) The Rio de Janeiro Embassy ;

Memoranda from the Ministry of Food on—

- (i) Agency Associations ;
- (ii) The amount of Guarantee Fee paid to the Milk Marketing Board each year, together with bad debts written off ;

Memoranda from the Ministry of Supply on—

- (i) Iron and steel price control: basis of price-fixing ;
- (ii) Iron and steel products: allocation of Ministry of Supply contracts ;
- (iii) Bulk settlement for supplies to the Service Departments by the Ministry of Supply: methods of assessment of value of deliveries.

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

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TUESDAY, 4TH DECEMBER, 1951.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Alport.
Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.

Mr. Edward Davies
Mr. Douglas Marshall.
Sir John Mellor.
Mr. David Thomas.

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

AMERICAN AID AND EUROPEAN PAYMENTS ACCOUNTS, 1950-51.

SIR WILFRID EADY, G.C.M.G., K.C.B., K.B.E., a Second Secretary, the Treasury, called in and examined.

Chairman.

1. Will Members of the Committee turn to the White Paper on American Aid and European Payments Accounts, 1950-51? It would probably be more convenient to take the Accounts one at a time. Sir Wilfrid, would you like to say anything to us at the outset?—(Sir Wilfrid Eady.) I think, if you have no objection, I would prefer to answer your questions.

2. On the first Account, is there anything more to come from Marshall Aid?—As at 31st March, 1951, there was a balance of only £14 million in the Special Account, and in April of this year it was applied to the return of debt in the same way as the other moneys that had passed through the Special Account—and that cleared out the Special Account grant money.

3. Completely?—Yes.

4. There are no more receipts?—No.

5. Is this the last Account?—No; there will be the Account since March—the residual Account.

6. Apart from that one item we are to receive no more?—The whole of it has not been finally received; but it was brought to an end at the end of December, 1950. There will be a residual clean-up on the next Account.

7-26. Which we shall use for the retirement of the National Debt in the same way as this figure of £275 million?—Yes.

Chairman.

27. Could we now pass to the next Account—the American Aid (Agreed Schemes) Deposit Account? I do not think I have any questions on this, because I imagine that if there is anything arising on the actual technical assistance projects we can take it on the appropriate departmental accounts. I have no questions?—I would not be able to give you details of these itemised technical schemes.

Chairman.] If we are interested I am quite sure we can deal with that point if we have departmental witnesses in due course.

Mr. Douglas Marshall.

28. I would like to ask a question on a point of principle, on which I think Sir Wilfrid may be able to help me. Under this American Aid (Agreed Schemes) Deposit Account is it the fact that an agreed scheme for helping to finance by equipment any development of any mineral wealth would come under such an account as this?—As you can see from the sums of money involved in these technical assistance projects, they have hardly got beyond the stage of examination of the technical possibilities of a project, and it does not follow that the Americans will put up money to develop such a project.

Mr. Edward Davies.

29. With regard to this Anglo-American Council of Productivity, does it mean to say that out of the money we receive from America we underwrite all our expenses?—Yes—the sterling expenses. It is part of the American conception of the Aid that these teams should go out to the United States, and they have agreed that the sterling transportation costs and expenses of these bodies should be defrayed through this Account.

30. These schemes cost this country nothing?—No; it is American Aid.

Chairman

31. The dollar expenses are met independently?—Yes. In sterling it costs the Exchequer nothing.

32. Coming to the Intra-European Payments Account, is this the last Account which you have?—Yes, under the co-operation agreement.

33. Can you tell me what all these references to the Bizone are about? You see: "Recovery of drawing rights equivalent" etc.?—That is a carry-over from a much larger figure in a previous year. Drawing rights of £4 million were given to the Bizone in 1948-49 and then we decided that that should be halved, so that £2 million was refunded. In order to enable the purchase

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SIR WILFRID EADY, G.C.M.G., K.C.B., K.B.E.

[Continued.]

by the Bizone of some herring oil from Iceland we had to give further drawing rights of 1,658,000 dollars. E.C.A. unfortunately declined to recognise the herring oil transaction with Iceland as eligible for American Aid and they disallowed it, leaving a deposit of £411,414, which is shown here. We have had this amount to repay in the final clear-up—and the Civil

Contingency Fund, which made an advance, has also been repaid.

Sir John Mellor.

34. Where is the Bizone?—It is a German term.

Chairman.] May I take it that these Accounts are approved? (Agreed.) Thank you, Sir Wilfrid.

The witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 6TH DECEMBER, 1951.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Alport.
Mr. Benson.
Mr. Bossom.

Mr. Douglas Marshall.
Mr. Peter Roberts.
Mr. David Thomas.

SIR FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

COTTON (CENTRALISED BUYING) ACT, 1947, ACCOUNT, 1950-51.

SIR FRANK LEE, K.C.B., C.M.G., Permanent Secretary, Board of Trade, called in and examined.

Chairman.

35. We will take first of all the Cotton (Centralised Buying) Act, 1947, Account, 1950-51. Sir Frank Lee, I understand that at the present time the Board of Trade's responsibility for this has gone over to the Ministry of Materials as from July, and while I think you were not in fact responsible for anything happening during this period, you have taken the responsibility by signing this document?—(Sir Frank Lee.) That is so.

36. We are now in a position where the Ministry of Materials is the responsible department under the present arrangement, and if we want to go beyond the period of this Account it will be necessary for us to call on Mr. Hitchman for help?—That is the position.

37. The first question I should like to ask is this: although the Act lays down a limit of £10 million gross for aggregate capital advances the Account does not disclose the gross amount of capital advances up to the close of the Account. Ought not we therefore to have some expansion of the footnote at the bottom of the Account, where it says: "Advances outstanding at 31 March 1951 amounted to £29,469,442 on Capital Account and £62,848,404 on Revenue Account"?—Do you mean that we should have amplified that footnote by putting the gross

amount of capital advances and then showing separately the repayment on the annuity basis which the Commission has made since the beginning? I am not entirely sure that I follow your point.

38. In the Act it talks about aggregate capital advances—or advances "in the aggregate"; I have not the Act in front of me—and in form, at any rate, the Account does not show what has been advanced in the aggregate?—That is true. The Account shows the net figure in the footnote to which you have drawn attention, which is the aggregate less the repayments which the Commission will have made in accordance with the standing arrangements.

39. Can you tell me what is the aggregate figure?—I cannot give you the exact figure. I think it was something of the order of £30½ million, and this figure of £29.4 million was for September—the net amount allowing for repayments. The position was that the Commission took over assets which became their first capital—assets of just over £30 million—and they have had certain small capital advances since that date.

40. Perhaps you would let us have that figure?—I am sorry; I have it here. I was wrong. The initial capital advance

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Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

was £30 million, and there have been advances since of £326,214. There have been repayments amounting to about £857,000, which leaves this total of £29,469,442.

41. Would you consider giving some sort of expansion of this figure, because you will appreciate that this Committee is concerned with seeing that the Statute is kept and unless the aggregate figure is available to us we cannot check up on section 15 (b) of the Act?—I appreciate the point. As you were kind enough to say at the beginning, I am no longer responsible for this Account and therefore it is perhaps not proper for me to commit Mr. Hitchman, but for my part I can see no difficulty about expanding the note as you suggest.

42. Perhaps the point could be noted?—Yes.

43. The second question I should like to ask you is this: have revenue advances been used exclusively for revenue expenditure and capital advances exclusively for capital expenditure by the Cotton Commission?—I understand that the practice of the Commission hitherto has been that they have had advances without there being a definite specification whether those advances were to be used for revenue or capital account, and they have approached the Board of Trade or the Ministry of Materials at the end of the year for authority to transfer the total of capital expenditure to a capital advance, on the basis of which the annuity calculation is made and the repayments are made. The Ministry of Materials have taken up with the Commission, however, the question of whether that procedure should not be amended so that in future the Commission should apply for a capital advance each time they need to make a capital payment.

44. So you are proposing that in future these two categories should be kept completely separate, with no overlapping of any kind—not even small amounts?—That is the proposal as I understand it. (Sir Frank Tribe.) There is one further point. I believe it is a fact that, with Treasury agreement, any expenditure on small capital items up to £1,000 is to be made from revenue advances for all time, and never transferred to capital account. The aggregate may be comparatively small but it has to be borne in mind that the advances on capital account carry a very much higher rate of interest than those on revenue account and therefore, so far as capital items are not charged to capital account, the Commission escape paying the higher rate of interest. (Sir Frank Lee.) I understand that that is an arrangement which has been carried on with Treasury approval, and that it was entered into as a matter of administrative convenience because there were a number of these small items and, on the principle of *de minimus non curat*, it was thought that this was the most con-

venient arrangement. As I said, I am not sure whether or not the point about the differential interest payment was taken at the time.

45. In any case you would agree, Sir Frank, that in order to be sure that the provisions of the Act have really been met it is necessary to have these two categories kept in more or less watertight compartments?—I have already said I accept that in principle. I should like, if I may—on behalf of the Ministry of Materials—to make a reservation about the change of procedure to which the Comptroller and Auditor General has referred, on minor items of less than £1,000 individually.

46. There is one other matter about which I should like to ask you. In the footnote to the Account it says: "Advances outstanding at 31st March 1951 amounted to £29,469,442 on Capital Account and £62,848,404 on Revenue Account". How far is this sum really indicative of the position throughout the period of the Account, that is to say, did it fluctuate a great deal? Could you give the highest and lowest figures during the period of the Account?—Yes, it certainly varies during the period, according to the seasonality of cotton imports and payments for those imports. I am not sure that I have readily available what was the highest point which the advances reached in the year—or the lowest point—but I could certainly let the Committee have those figures.*

47. I think my colleagues would agree that it would be interesting to know the range of movement there. Do you happen to know what is the latest figure, going beyond the period of the Account?—Yes. At 26th November the revenue advances stood at over £80 million.

48. Could you tell us something about the way in which rates of interest chargeable on advances to the Commission have moved? Has there been any recent change?—Yes. As from 1st December, the rate of interest, both on the capital advances and the revenue advances, has been increased. In the case of capital advances it has been increased to 3½ per cent. and in the case of revenue advances to 1 per cent.

49. So the capital interest increased from 3 to 3½ per cent.?—No—from 3 per cent. to 3½ per cent. from 1st January, 1949, to 1st December last, when it went to 3½ per cent.

* Note by witness: The figures are as follows:

Highest	amount	outstanding,
£63,878,300	(on 22nd March 1951).	
Lowest	amount	outstanding,
£33,878,300	(on 12th August, 1950).	

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[Continued.]

50. The rate on revenue advances had been 1 per cent.?—It had been one-half per cent. from 1948 until 1st December last.

51. This current month?—Yes.

52. It has now gone from one half per cent. to 1 per cent.?—That is so.

Mr. Peter Roberts.

53. One thing occurs to me. I see that the interest on advances, on the right-hand side of the payments column, is all lumped together in one amount of £1½ million. In view of the difference in interest rates would it not be more convenient to show those as two separate items, so that it could be seen how much was at 3½ per cent. and how much was at 1 per cent.?—I see no reason why it should not be done. This is again the responsibility of the Ministry of Materials, but I can see no reason why it should not be done.

Mr. Peter Roberts.] I think it would show up the difference we are discussing.

Mr. Bossom.

54. I have a question to ask on Item No. 3 in the foreword: "Within certain limits the Act empowered the Board to make to the Commission periodical advances". Is there any limit at all to the amount of those advances?—Yes. They are laid down in the Act. On revenue account the advances are not to exceed a total of £75 million, plus what was known as the initial advance, which the Commission, as it were, took over on its inception.

55. That was £105 million, was it not?—I think it was something like £105 million. There is a limit of £10 million on advances on capital account, under section 15 (b) of the Act.

56. Have we ever approached that £75 million in respect of revenue advances?—I think the total goes up pretty near it, with the recent rise in cotton prices and during periods of heavy imports. I think that would be made clear when I give the Committee the figure for which the Chairman has asked, namely, the maximum outstanding at any one point of the year on revenue advances.

Mr. David Thomas.

57. I do not know whether I understood Sir Frank correctly when he answered the previous question about capital account and revenue account. If I understood you correctly, Sir Frank, you did say there has been overlapping in the past. Then you were asked a question about the difference in the rates of interest. Is there any difficulty at all in keeping these two accounts separate for all transactions connected with the Cotton Commission?—I think I may have unwittingly given a wrong impression. I would not wish it to be thought that there had been overlapping in the sense that there

had been anything that might conceivably be thought to be an irregular procedure. What I intended to convey was that in applying for advances the Commission have not hitherto said: "We want this particular advance for capital purposes and we want that particular advance for revenue purposes". They have applied for an aggregate sum. Then, in a subsequent period, they have notified the Board of Trade that an appropriate proportion of that sum was required on capital account, and interest has been claimed accordingly at the appropriate rate on that apportionment. I would not call that overlapping in the ordinary sense but, as I explained, we have asked the Commission in future, when applying for an advance, to specify at the beginning—when the application is made—whether it is for capital purposes or revenue purposes.

Mr. Benson.

58. When an application is made for capital is it granted automatically, or has some case to be made out for it? You say there is no differentiation between capital and revenue account. Surely a mere demand that the Commission want another £30 million is not met by the Board of Trade without some inquiry?—Your question originally related to capital account and there you have the limit of £10 million laid down by Parliament. Provided it is within such a limit the answer is that neither we nor the Ministry of Materials inquire what are the capital purposes for which the sum is required, in so far as that sum may be required for the construction or repair of fixed assets; but the Commission is subject to the ordinary rules about capital investment. From the beginning the Board of Trade have adopted the quite deliberate procedure that within the limits of the framework laid down by Parliament in the Act the Commission has the responsibility for spending, in its wisdom and discretion, the sums for which it asks, and we do not seek to question the purposes for which those sums are asked.

Chairman.

59. Could I follow that up? I quite see that the spending of the money is within the competence of the Commission and that the job of the Board of Trade is merely to pass the money over, having got it from the Consolidated Fund; but who decides what are capital and what are revenue items for this Commission?—That is being left to the Commission. The sums asked for on that Account, as I indicated in a preceding answer, are relatively small—of the order of £300,000 since the Commission began.

60. Is there anything further you would like to say on this, Sir Frank Tribe?—(Sir Frank Tribe.) It affects me as Comptroller. All advances from the Consolidated Fund have to receive my approval and, in giving approval, I have to satisfy myself

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Sir FRANK LEE, K.C.B., C.M.G.

[Continued.]

that they are within the limits laid down by Parliament. Hitherto it has not been possible to let me know whether any advance was on capital account, under section 15 (b) or on revenue account, under section 15 (a). They are quite different, because one is a revolving fund and the other—the capital account—is limited in its aggregate, and I have felt some difficulty in operating this scheme, because I regard it as my duty to Parliament to see that no more than the sums authorised by Parliament under each subsection are issued from the Consolidated Fund. Up to the present I have not been able to get sufficiently satisfactory information as to how the money is to be divided. If I can be supplied in future with a split between the two accounts when demands are made upon the Exchequer that would solve my difficulty.

61. That is what Sir Frank Lee said was to be done?—(Sir Frank Lee.) Yes. I appreciate that point.

Mr. Peter Roberts.

62. That is from the point of view of the Treasury, but I think you said it was the Commission itself who decided how they were to allocate the money when they got it. You merely paid it over on their demand. The question I want to put it this: who checks up actually with the user as to whether, in point of fact, it is used for capital purposes—because there is a big difference in interest, of 3½ per cent. as opposed to 1 per cent., which would mean that someone who is a competent housekeeper would obviously try to get it at the lower rate of interest if there was any question of that being an arguable point. It is a question of who is responsible for putting the marginal expenditure on one side or the other?—The answer is that the Commission is a prudent housekeeper, but nevertheless we must assume that they obey the rules of financial propriety and that they have commercial accountants or auditors to see that they do so; but the short answer to that question is that if, under

the new procedure which I have outlined to the Committee, the Commission tell us that they require money for capital purposes, we shall not question that; equally, if they tell us that they require the money bearing the lower rate of interest for revenue account, we shall not question that.

63. The point I want to make is that I should think that two different people, acting with great propriety, would come to a different decision as to whether a particular item was capital or revenue. Sometimes the border is difficult to define. You say the commercial accountants would check that?—I am sorry. In the first instance the professional accountants employed by the Commission would no doubt use their judgment in that field; but presumably that is a matter to which the auditors of the Commission, equally, would direct their attention.

Chairman.] May I suggest that if we want to go on with this point we take it when we deal with the next document, in a moment or two?

Mr. Benson.

64. Has the Commission any borrowing powers other than from the Board of Trade?—Yes. With the consent of the Board of Trade they can borrow temporarily, by way of overdraft or otherwise, up to the limit of £10 million. They have never exercised that power.

65. They have already been quite near their limit, with fluctuating prices. It might be awkward if they reach their limit at the beginning of the Long Recess and there is no power to finance them?—I imagine that in that case we might well have to authorise the Commission to sell short-term securities from its reserve and to finance itself in that way, subject to replacement later.

Chairman.] May I take it that this Account is approved? (Agreed.)

RAW COTTON COMMISSION: ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31st JULY, 1950.

Sir RALPH LACEY, Chairman of the Cotton Commission, called in and examined.

Chairman.

66. We now turn to the statement of account of the Raw Cotton Commission for the year ended 31st July, 1950. Sir Ralph, I should like to start by asking a question about the time it takes for the Accounts to get in front of us. We find that the Account we have just considered runs up to the end of March, 1951, and at the same meeting we take the Raw Cotton Commission Accounts up to July, 1950. Is it really necessary for the Accounts to take so long before they can get in front of

Parliament?—(Sir Ralph Lacey.) No, Sir, I should say not. There was a rather special reason why the Accounts for the year ending July, 1950, took a long time. That was because of the change in the Chairmanship, just about the time when the Accounts would normally have been reaching finality; but it should not normally take anything near that time.

67. If we were able to get the Accounts by March we could take two sets of accounts which were much more comparable. I should like to ask you the same

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and Sir RALPH LACEY.

[Continued.]

question, Sir Frank, because whereas in the previous year you seem to have disposed of your part of the business in a matter of a few days, in this last year it seems to have taken a couple of months from the time you received the report of the Commission to the time at which the Account was brought to the House?—(Sir Frank Lee.) I was unaware that that was so. I would only say that we will seek to mend our ways in future.

68. It is true that in the previous year you did do it in a few days and this year you took a couple of months. Sir Ralph, turning to the Accounts, we are naturally interested in the auditors' report, on page 35, and in particular to the last paragraph of the report, where the auditors qualify their report in respect of advances of salary paid to the Chairman. The note says: "Nothing was outstanding as at the date of the foregoing Balance Sheet"?—(Sir Ralph Lacey.) Yes.

69. But earlier it says: "... payments in advance of salary which were made without the approval of the Board of Trade to the then Chairman of the Commission before and since 31st July, 1950". I appreciate that this was before your time but can you tell us whether advances were made after the 31st July, 1950, to the former Chairman of the Commission?—Yes, they were.

70. Could you tell me what happened thereafter? Did the Chairman stay long enough as Chairman to earn the advances, or were they subsequently refunded?—Neither. He did not stay long enough to earn the advances, nor has he yet repaid them.

71. So there is actually a debt owing by the former Chairman to the Commission?—That is so.

72. Was he paid any compensation for loss of office?—No.

73. Sir Frank, can you tell me whether the terms of the Chairman's appointment specify that salary has to be paid periodically in arrear—or what it says?—(Sir Frank Lee.) The terms themselves did not specify any payment of salary in arrear or in advance. It was assumed that the normal practice in the Civil Service in comparable appointments would be followed and that the salary would be paid in arrear and could only be drawn in arrear.

74. Would you agree that this point should be made explicit in view of what has happened?—Yes.

75. I do not mean in this appointment but in any appointment of this kind. Do you not think it had better be made explicit?—Certainly.

76. Do you think it is at all the common practice in business for people to draw salaries in advance?—(Sir Ralph Lacey.) I

would not have thought so; but I must say that repercussions from people in the industry after this particular unfortunate event led me to suppose it was much more frequent than I had thought.

77. I will leave that point and come now to the question of the trading profit. The statutory duty of the Commission is to sell at prices as low as possible, consistent with what the Commission deem to be the public interest, with the overall duty of planning the Accounts on an average of good and bad years. I should like you to tell us a little more about that in relation to the profit of nearly £10 million which these Accounts show?—The reason why there was a profit during the course of the year covered by these Accounts is simply that world prices for cotton did advance substantially during the course of the year. The Commission is bound to buy cotton in many cases when it becomes available—that is, over a short period of about three or four months when a particular crop of cotton is coming on to the market—especially in the kind of circumstances that have existed in the last few years, when there has not been too much cotton to meet the world's needs. It has been necessary to buy the cotton as and when it was available, even though it would not be wanted for use for several months. In most cases the only possible way of buying it is at a fixed price at the time. Subsequently it is sold to spinners and some other users when they need it, and if general world prices have risen in the meantime the Commission has to decide between reselling it at its own cost or at the current replacement value. Right at the beginning of its life the Commission decided that it must have regard to replacement cost at the time when the sales were made, rather than original cost, because should prices go in the opposite direction—should they fall after the cotton had been bought—it would be necessary then to have regard to replacement cost if the industry was going to be competitive; so the general policy of the Commission has been to fix its selling prices having regard to replacement cost at the time—with certain qualifications—and not to bother about the original cost, so that in a period when prices have been rising the Commission is bound to make a profit, although, to a very large extent, it is a paper profit and has arisen by reason of having a large stock of cotton which is worth more merely because of the rise in price. If there is a subsequent fall, to that extent the money will be lost again.

78. Could I ask a question on the reserve fund—on page 33, Item No. 8? Have you a policy about your reserve fund? Do you review it in the light of price trends and prospects?—Not at very frequent intervals. It is always reviewed at the end of each financial year, of course, and at intervening

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[Continued.]

times if, and only if, there appears to be some special reason for reviewing it.

79. You have a reserve of something over £4 million, representing income tax on the profit for the year. It looks as though this is a pretty tentative figure. Is there any doubt about this income tax figure?—Yes; there certainly was at the time these Accounts were published, and there is still some little doubt that arises from the losses the Commission made in its early years and the extent to which those losses can be carried forward to offset the profits of this year. There is still an argument going on with the Commissioners of Inland Revenue on that point.

80. You do not really know whether or not you are going to need to call on this figure for this purpose?—The figure will be very near this. The amount concerned in the argument is small.

81. There is another point which may seem to be rather a small one. On page 32, Item No. 1, there is an item for payments in advance. I gather from what the report says that that figure includes advances to the Nigerian Cotton Marketing Board and, I think, to one other body. The first question I want to ask is: what is the reason for this kind of thing? What lies behind it?—The payment to the Nigerian Marketing Board was a very special one. The Commission, as you probably know, buys the whole of the exportable surplus of cotton from Nigeria, and the Nigerian Government were complaining rather bitterly (whether for themselves or their constituents I am not sure) that the Commission had been buying Nigerian cotton at a low price and reselling it at what they regarded as a high price, and so making a substantial profit, which they felt really ought to have been going back into Nigeria for development. The Commission would not admit that argument because the reason for the profit was once again the general advance in world prices over the period concerned. Each time a purchase figure was arranged with the Nigerian Government it was a reasonable one but by the time the cotton had come to be resold to the spinners it had become much more valuable. Nevertheless, the Commission was under strong pressure from the Nigerian Government (as they put it at the time) to refund a part of the profit we were said to have made out of Nigerian cotton, and they proposed to use it to give initial financing to the Nigerian Cotton Marketing Board which the Nigerian Government was just about to set up. The Commission was very anxious to keep in very friendly contact with Nigeria and was decidedly keen in having a hand in future Nigerian crops. It would not admit that it had made undue profit out of past Nigerian crops but it did agree to give a grant of £250,000 as the initial finance for

the Marketing Board. The Commission preferred to regard that not as a repayment of profits made but as a part of the price to be paid for Nigerian cotton during the next three years. The words "payment made in advance" in that case do include £250,000. It is really a way of looking at it.

82. Are you satisfied that you have proper authority to do that kind of promotional work?—I must confess that the doubt had never arisen in the Commission's mind.

83. You have never taken any legal opinion on it?—No.

84. There are two other points about which I wanted to ask you, Sir Ralph. First of all, what is your policy regarding insurance?—The policy with regard to insurance is to insure all our assets, both of a capital nature and the raw cotton, and to insure the cotton at as near as we can get to replacement cost at the time, with just a little added on for safety. It is the normal commercial procedure, in fact.

85. This is a considered policy?—Yes.

86. Have you ever considered carrying your own risks?—The Commission considered that and decided against it.

87. Could you say why?—I find it a little difficult to say why, because the Commission is a collective body and I could not pretend that all the members were unanimous on this particular point. Those who were most strongly in favour of insuring through insurance companies were in fact the business men on the Commission; but the other point of view was quite strongly considered.

Mr. Bossom.

88. With what firm are the insurances carried? Are they carried with an insurance company?—It is all done through the Associated Fire Insurers.

89. Is there any competition for that insurance, or do the Commission just take it to one firm and have done with it?—I suppose the Associated Fire Insurers is a combine of the leading insurance houses.

90. Could they not have taken it up with Lloyds and asked them what it would cost, in order to see whether the price would be the same?—It could have been done; but it was not done. My own opinion, from what I have seen of insurance rates, is that the rates we do get through the Associated Fire Insurers are distinctly low. They are negotiated. We do not just take their word for it.

91. If you are insuring a ship you go round from underwriter to underwriter and you find the rates vary to a certain extent. Why would they not look into this in the same sort of way?—The risk involved is

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[Continued.]

quite a large one. Nobody but a very large company could take it.

92. Lloyds is fairly large?—I agree.

Chairman.

93. Do I understand that you go to a group of the big fire insurance people? Fire is your main concern?—Yes.

94. You get what is in effect a group tender, or a group negotiated price and they distribute it among their participating firms?—Yes. (Sir Frank Lee.) In so far as the Government insures Government-owned stocks as distinct from Commission-owned stocks of raw materials or food-stuffs against fire, it is with that same group that the Government insures, and again on a negotiated basis.

95. But, generally speaking, the Government Department carries its own risk?—That is true of Government property as a whole but there are special exceptions.

Chairman.] The reason lying behind my question is that this is a very big concern and I wondered whether it had considered carrying its own risk.

Mr. Bossom.

96. On the same point, the Government does carry a lot of its own insurance?—Yes.

97. Is there any particular reason why it should not carry this? Why is this particular item excluded?—I think we must draw a distinction. I think the question whether the Commission should carry its own insurance is one we should wish to leave to the Commission's judgment. If you are implying that the Government itself would underwrite the Commission's risks in this matter I think the answer is that we have no statutory power under the Act to do so.

Chairman.

98. I think there is no doubt that this is a matter for the Commission to decide. I merely wanted to be satisfied that the Commission had considered the point. On another matter, can you tell me the present size of your staff? You give some figures in paragraph 61 of the report. You show that your administrative, clerical and technical staff increased but your industrial workers decreased. Have you the up-to-date figures?—(Sir Ralph Lacey) I am afraid I have not got that with me. I could supply it.

99. What has been the trend?—The trend has been the opposite way.

100. For both categories?—Yes.

101. You mean they have both been going down?—No; the industrial staff has increased.

102. But the other staff has been going down?—That is right.

Mr. Alport.

103. May I draw your attention to paragraph 59? It may be entirely my fault, but I have not been able to find any estimate of the result of the depreciation in the stock—any estimate of what it has cost owing to damage during storing in open stores. I gather it did deteriorate when stored in the open? Is there any estimate as to what that has in fact involved?—No. As a matter of fact I should say that cotton just does not deteriorate in open stores. In the very early days of the war (this is going rather outside the sphere of the Commission) when the Cotton Controller first started to store cotton out-of-doors there was some deterioration; because it was some time before we gathered sufficient experience to find out how to do it; but physically, as far as deterioration is concerned, there is no choice between open and closed stores. The only choice is on convenience and cost.

104. What is the object of increasing the number of covered stores from 214 to 258, covering a smaller number of bales in store, and decreasing the open sites from 19 to 16, when the policy of the Commission, as I understand it, is to have open sites?—It is partly for greater convenience, not only for the Commission but for its customers. So far as cost is concerned the outdoor storage places are cheaper in relation to the actual cost of holding bales but more expensive in relation to handling bales. The covered stores are cheaper in handling bales because you can have the proper equipment for handling them. On balance closed stores are a little more expensive; but it is absolutely necessary to have a considerable volume of cotton in closed stores for sampling purposes. Cotton just cannot be sampled on the outdoor sites; so in so far as cotton is stored in outside sites it has to be handled twice; it has to be taken into the closed store and sampled and then taken into the outside store for storage.

105. There is no question of deterioration?—No.

106. My second question is with regard to selling policy. In paragraph 49 it says: "The price mechanism has been used to a considerable extent to divert demand from growths subject to exchange or export restrictions, although there is an economic limit to the possibilities in this direction". How, in fact, is the price mechanism worked, in this context?—This applies mainly to the cotton from the United States, or comparable cotton—comparable in the sense that it can, at a pinch, be used instead. The present situation, for example, is that cotton from Brazil would cost you something like 20d. a lb. more than cotton from the United States. In fact spinners regard these two types of cotton as just about

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[Continued.]

equivalent, and what this sentence means is that the Commission, instead of trying to sell the American cotton at its replacement cost and the Brazilian cotton at its replacement cost, at 20d. a lb. more, averages the replacement costs of all the cottons which can be substituted for American cotton and sells at an average price equal to that. That average is made up of individual prices which appear to the spinners to represent the relative values of the cottons. Selling Brazilian cotton at the moment would cost 20d. a lb. more than American cotton for equivalent qualities. We are, in fact, selling the Brazilian cotton at a slightly lower price than the American cotton so that a spinner who uses Brazilian cotton is no worse off than a spinner who uses American cotton. We do not get a demand from spinners for American cotton which would greatly exceed the amount of cotton we could supply.

107. The price charged is purely the Commission's decision and is only related to the fact that both types of cotton are in demand and are of the same quality?—Yes. It is a question of experience.

108. The third question is with reference to paragraph 69. I see that £5,000 was given to the British Cotton Industry Research Association. It appears to me to be a small sum of money, considering the enormous interest which the Commission has in the improvement of cotton techniques, and research and development in connection with the cotton industry. Is that all that is required or asked, or is it the policy of the Commission to be economic in this matter?—There is a question of policy there, though it is not exactly a policy of being economic. I should say that individually every member of the Commission fully recognises the value of the Shirley Institute to the industry and is interested in the work it is doing; but the Commission would feel that it was going a bit outside its scope if it used its funds to help research which really ought to be supported by the industry itself. This £5,000 really represents the value of work the Shirley Institute does for the Commission, not for the industry.

109. On whose authority was the advance of pay made to the Chairman? Was it on his own authority?—I find it a little difficult to answer that one because I was not a full-time member of the Commission at the time. My impression is that it was in fact on his own authority.

Mr. Peter Roberts.

110. I would like to ask one or two questions about accommodation. It is referred to on page 16 of the report, in connection with storage, office and saleroom accommodation. Do I understand that this is mainly hired, or is some of it freehold?—Some of the storage accommodation is freehold.

111. Is any of the office accommodation freehold?—No; that is all hired.

112. Therefore the improvements which have been made in the office and saleroom accommodation would be done for the benefit of the eventual freehold owners, I suppose?—Yes; they were.

113. Would those improvements be classed as capital or revenue charges?—I am afraid there would be some of both. I can certainly think of one item of that nature which had been regarded as a capital item.

114. Then, in so far as it was part of an allocation, it would be put to the capital fund?—Yes.

115. With regard to such reconditioning or improvement of accommodation, who decides how it should be divided between capital and revenue?—The Commission would decide that. The Commission has a Finance Committee for dealing with that kind of thing. It naturally receives recommendations from members of its staff, but the Commission itself decides.

116. I have another question, rather on the same lines, with regard to the grant for research. It is on page 18 of the report. The Empire Cotton Growing Corporation received a grant of £15,000 for the completion of a large new and modern research station?—Yes.

117. Would that grant be considered as revenue or capital expenditure?—From the Commission's point of view that would be regarded as revenue expenditure.

118. A revenue grant?—Yes.

119. Again, who would decide that?—Again, it would be the Commission.

120. On the question of handling equipment, I notice you have been able to reduce the industrial staff by the improvement and introduction of handling equipment. How much would that be? Have you any idea?—Do you mean how many?

121. How much money would be spent in the purchase of such handling equipment?—There again, I am afraid I could not say offhand. It would be perfectly easy to supply the figure if the Committee would like it.

122. On page 40, Schedule 7, there is an item relating to fixed assets consisting of equipment at storage sites purchased by the Commission during the year—£33,841. Would that cover all handling equipment, or might some be for their renewal charges?—No. All the handling equipment would be there.

123. It would all be there?—Yes.

124. Any new handling equipment of that kind would be put through that Account and not be charged as a replacement or renewal of the existing handling equipment?

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[Continued.]

—I shall have to check the accounts themselves with regard to that.

125. The only point there is that if there were a decision it would be made by the Commission?—Yes. It would depend how the question of depreciation was being dealt with.

126. Then, with regard to Schedule 8, on page 41—warehouse accommodation: Much of that came in, I imagine, as freehold property, at £153,000, which has been depreciating over two years by roughly £13,000 a year?—Yes.

127. And none of it has been disposed of as such?—The accommodation?

128. This warehouse accommodation?—No.

129. That does not include what you call open sites?—No. That £153,000 is in relation to buildings.

130. Are any of the open sites freehold?—No; not the sites themselves—not the actual land.

131. If you managed to release yourself from that burden it would be a revenue release and not a capital one?—Yes. Some of the land is held on lease, in connection with the fully open sites.

132. Who decides how many years' depreciation there shall be? I notice that 20 years' depreciation is introduced for the new accommodation, as opposed to 10 years previously. Does that mean that all the new accommodation, amounting to £138,000 worth, is new building, or, rather, newer than what was there before?—This is in fact newer.

133. Why should one be at 20 years and the other at 10 years?—The period over which the advance was to be repaid was a matter for agreement with the Board of Trade.

134. Now you have to pay 3½ per cent.; so it is for a longer period?—Yes.

135. On a rather different point—in connection with the expenses of part-time members attending meetings, can you give me any idea whether a part-time member attending a meeting would receive expenses? I see it is shown somewhere that they have received some money in travelling expenses?—When I was a part-time member I used to receive it.

136. What is the policy of the Commission with regard to the payment of railway expenses of a part-time member attending a meeting?—The payment of railway fares is what it amounts to. The part-time members of the Commission are drawn partly from people whose place of business is in Liverpool and partly from people whose place of business is in Manchester, or the immediately surrounding districts, and to meet their

convenience the Commission meets alternately in Liverpool and Manchester. The Commission does pay the railway fare from one place to the other for the part-time member attending a meeting away from his usual place of business, providing he claims it. They do not all claim it.

137. If he were coming from home to the meeting of the Commission would he get expenses?—No.

138. It is only if he were coming from his place of business?—Yes.

Mr. Bossom.

139. On page 30—administration expenses—apparently the amount of activity in 1949 and 1950 was about the same, looking at it generally, and yet it says, in the third line, that “a large part of the increase, £48,765, arises on staff salaries, wages and national insurance, as a result of increased staff and normal salary and wage increments”. Was there much of an increase in the staff, or were the salaries increased between those times?—The main reason for the increase in the amount would be the annual increase in salary. There was, in fact, an increase of staff of 36, as I have already said, during the course of the year.

140. Part of the staff was reduced?—Yes, the industrial staff.

141. Yet the payment has gone up?—Yes. Of course, there was an increase in the non-industrial staff and a decrease in the industrial staff. In fact, the average payments to the non-industrial staff are larger than the average payments to the industrial staff; so that the decrease did not offset the increase. Then, of course, there were the annual increments.

142. Do you anticipate that there will be any continued increase in spite of continued mechanisation?—In industrial staff I should not think so; not as a general trend. There would be ups and downs at various times but I should not expect a general trend.

143. In other words, you think today you have about reached your normal level, except for increases due to, say, long service?—Yes.

144. There is no likelihood of a decrease on account of mechanisation?—It is a possibility. I hope it will, in fact, decrease; though it will probably not be a very marked decrease.

Mr. Douglas Marshall.

145. I have one or two questions to ask. If one turns to page 39 one sees the Raw Cotton Commission reserve fund investments as at the 31st July, 1950. Who really directs the policy of that investment—as to whether the major proportion should be in short-dated Government securities or in slightly longer-dated securities, and so

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[Continued.]

forth?—That is decided by the Commission on the recommendation of the Finance Committee which I mentioned a few moments ago.

146. On the recommendation of the Finance Committee?—Yes; it is merely a committee of the Commission.

147. In other words there is no advice at all from the Treasury upon that point: it is purely a Commission decision?—Yes. The Commission would not in fact ask for advice on the subject, though, of course, they would certainly take account of any advice that was tendered to them.

148. I asked that question purely because in the event of values sinking and interest rates rising you could lose a considerable amount of money if your advice were wrong. On the other hand you might be purchasing such stock as would help to keep the market up. I wondered whether any of those considerations came into play?—(Sir Frank Lee.) Perhaps I could answer that question. The Board of Trade certainly discussed at the outset this general investment policy in relation to reserves; but the second consideration was never in anyone's mind. I think the investment in short-term securities was thought to be a proper arrangement for the reserve fund, having regard to the purposes for which the reserve fund might be required.

149. You say "short-term" but there is a variation in the short-term. As far as I can see there is practically £10,000, stretching from 1951 to 1956, in three different terms, and £10,000 from 1956 to 1961?—There is a mixture there.

150. One being longer than the other?—Certainly.

151. The next point is this: in the purchases of dollar cotton is a transaction immediately made covering the forward dollar?—(Sir Ralph Lacey.) Not at the moment.

152. You run an exchange risk?—Yes. We finance our American cotton by entering into a contract with an American shipper for the cotton, but as soon as a price is determined a credit is opened in dollars with an American bank.

153. I am not interested in the credit. I am interested in the covering of the exchange risk?—The exchange is obtained at the same time as the price is fixed with the American exporter.

154. You buy spot dollars in order to cover your forward commitments in cotton?—Yes.

155. And no forward dollars are purchased?—Not by the Commission.

156. Is there any particular reason why that is not done?—The Commission does not want to pay any more money than it

needs to at any one time, either in sterling or in dollars.

157. I am sorry; but I do not think you have followed my point. If you were purchasing your cotton for forward delivery it used to be customary to cover the dollars on the forward market for the delivery of the dollars against the ultimate purchase of the cotton?—It was often done.

Chairman.

158. May I interpose? You actually make the purchase and when you have made the contract you then cover it with dollars?—Yes, as soon as the price is fixed. (Sir Frank Lee.) The point is that if the exchange moved in our favour between that date and the date of actually taking possession of the cotton we should not get the benefit of it if we had paid forward dollars.

Mr. Benson.

159. Conversely, if the exchange moved against you you would make no losses. In other words, you do not gamble on exchange risks?—(Sir Ralph Lacey.) No.

Mr. Douglas Marshall.

160. An exchange of forward dollars is the reverse of gambling; it is the covering of the exchange forward of the transaction you have already dealt in. It is a safety factor, not the reverse. I am putting the question to inquire what is done?—The dollars are bought at the same moment that we fix the price of the cotton in dollars.

161. Anyway, I have that answer. The next point I should like to raise is a rather similar one to that which was raised just now—the price mechanism which is mentioned as a matter of policy on page 14 of the report. If you turn from there to page 8, according to the report there is an agreement between the Gezira Board and the Cotton Commission for the purchase of their cotton, and the price appears to be related to whatever is the spot market price in Alexandria between January and May. Does that mean to say that whatever movement occurred between January and May affected the price between the Gezira Board and the Commission, and therefore there is in fact no use of the price mechanism? I hope I have made myself clear?—That is exactly what did happen. In purchasing the Sudan crop, the price paid for the cotton was the average of the spot prices of the nearest comparable cotton in Alexandria during the months from January to May. That was the Commission's purchase price from the Gezira Board. The latter reference, on page 14, is to the Commission's selling price, which is not necessarily the same thing.

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[Continued.]

162. I see. There are two further questions I should like to ask. On the question of administrative expenses, referred to on page 43 of the report, I see there is an item: "Travel expenses abroad and in the United Kingdom: Members of the Commission—£3,496; Others—£9,333." Exactly what does that mean?—"Others" means members of the staff.

163. There is no body other than that attached to the Commission which travels on their behalf?—No.

164. I wanted to get that point clear. The other point is really quite a small one. How many official cars are there attached to the Commission, and are any of those cars attached to any specific individuals, or is there a pool of cars?—I cannot be too sure of the exact number. I think it is about nine, altogether. I could supply full details if the Committee would like them. Of those, four are attached to particular individuals.

165. Those individuals are—?—the two full-time members other than the Chairman, the Transport and Storage Manager and the General Sales Manager.

Mr. Benson.

166. On page 14, paragraph 49: "In other cases where the market price has risen for some artificial reason"—what exactly does that mean?—I could give two examples which I think would illustrate the point, though they did not come into this period of account. During the course of 1950 there was an attempt to corner Ashmouni cotton on the Alexandria market. It was a very good attempt; it was very nearly a corner and the price in Alexandria shot up to a most ridiculous figure. The Commission did not attempt to follow it because in fact it had bought all the Ashmouni cotton it wanted long before and it did not regard that as a normal commercial movement. The second was in January of this year, when the American Government decided to buy some long staple (Karnak) cotton and announced the fact that it was going to do so. Once again the price shot up in Alexandria and the Commission did not take any notice of it because they did not regard a government announcement that it was going to buy cotton as a normal commercial movement.

167. With regard to the reserve fund, mentioned on page 33, as on 31st July, 1949, it was £24 million. That reserve fund has arisen from previous profits, I take it?—In the main it was handed over to the Commission by the Board of Trade at the beginning of its life.

168. That represents Board of Trade profits?—Yes—the Cotton Control profits in the last year of operation.

Mr. Peter Roberts.

169. Is that money referred to as a capital or revenue allocation?—(Sir Frank Lee.) No interest is payable on that.

170. It does not come into the £102 million or the £10 million?—No.

171. It is entirely separate?—Yes; it was a once-for-all transaction. It was a hand-over of profits made previously.

Mr. Benson.

172. What is the amount of your total purchases per annum, roughly?—(Sir Ralph Lacey.) It varies with the price. It is about £130 million or £140 million.

173. So you have approximately a 25 per cent. cover in case of a sudden drop or a continuing drop? If the market reverses you would be steadily losing?—Yes, quite.

174. Do you think that is enough?—I should think it is.

175. I do not think any announcement was made of the amount of salary advanced to the previous Chairman which was now owing?—It is just over £2,000.

176. Have any steps been taken to collect it?—Steps are being taken. They have not succeeded so far but they are being taken.

177. I have one other point. You referred to the advance payment to Nigeria for the cotton to be purchased in the next three years. I think your words were that you regarded it as an advance payment?—Yes.

178. Does Nigeria consider it to be an advance payment?—I think all Nigeria wanted was the money.

179. Have you a clear-cut agreement that this is an advance for future Nigerian purchases?—No. So far as Nigeria is concerned it has nothing to do with our future purchases. They merely received £250,000 from us.

180. Are you hoping to deduct, over the next three years, your £250,000?—No. When we were negotiating the price with Nigeria during those three years it was regarded as a fair price in existing circumstances.

181. Do you regard that £250,000 as an advance on your future purchases?—Not quite. We are regarding that £250,000 as an extra cost over the next three years, on top of what we really pay to Nigeria; but we regarded it as part of the price we pay for Nigerian cotton.

182. You still have to pay market prices for Nigerian cotton, plus the £250,000?—Yes.

Chairman.

183. It is not a market price but a negotiated price?—Yes; but it is related to the market.

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[Continued.]

Mr. Benson.

184. It is a negotiated price but it is related to the market and you can only negotiate it within fairly fine limits?—Yes.

185. In effect, it really was a gift to Nigeria, except that you do not admit you were doing it on the grounds on which they asked for it?—Yes.

Mr. Alport.

186. I was not quite clear about the grounds on which that payment was made. Why was the gift made—to encourage the development of the cotton market there?—Yes, and to help to steer it in future years in our direction. We did want to encourage the growth of cotton in Nigeria and we wanted to have it ourselves.

Mr. Peter Roberts.

187. Is that a capital or a revenue charge?—We regarded that £250,000 as money paid for Nigerian cotton, which means it is a revenue charge.

Mr. Douglas Marshall.

188. Arising out of that, does that create a precedent with Nigeria? Will they always expect a gift for their cotton crop?—No. This was for the setting up of a marketing board in Nigeria. It was a once-for-all payment. We thought that was £250,000 worth of goodwill.

189. I have just one more question, arising out of a former question with regard to the previous Chairman's salary. The answer was given that the sum involved was £2,000. Is that net or gross? Does that include or exclude P.A.Y.E.?—It is excluding P.A.Y.E.

190. In other words there is not £2,000 to come back?—There is £2,000 to come back. That was the net amount paid; but it is being treated as a debt.

Chairman.

191. It is being treated as a debt?—Yes.

192. I have one final question. We have asked you a lot of questions about the number of staff. It looks as though you have about 800 people employed in the Commission?—Yes.

193. Have you any idea how that compares with the total staffs formerly employed by the merchants?—I am rather lost on the industrial side of that. Before the war, I think the non-industrial figure was 3,000, or something of that order.

194. Then you have 467 administrative, clerical and technical staff?—That would compare with somewhere between 2,000 and 3,000 before the war.

Mr. Bossom.

195. On the same point, do you have more space now for handling the situation than the private merchants used to have?—So far as covered storage is concerned, a lot less.

196. I meant for the staff—the general handling of the work of the Commission?—Its accommodation?

197. Yes?—Very much less.

198. You have more employees but less space?—No; we have a much smaller number of employees—400 compared with 2,000 or 3,000 employed by the market.

199. You have no figures at all which would tell us what income tax was paid by the people who used to handle this?—No.

200. You have no figures on that?—No.

Mr. Douglas Marshall.

201. Arising out of that question, I think, Sir Ralph, you said your figure was 600 or 800 as opposed to 2,000?—No; the figure that compares to 2,000 or 3,000 is 400.

202. But those 2,000 or 3,000 people dealt with other things than just the purchase of cotton for one particular arrangement?—The business I am speaking of was entirely dealing with raw cotton; but part was for export.

203. Not only the United Kingdom?—No.

204. From part of which we got our invisible exports?—Yes.

Chairman.] Thank you. This is the first time we have taken the Raw Cotton Commission Accounts and we are obliged to you for your answers.

*The witnesses withdrew.**Adjourned till Tuesday, 5th February, 1952, at 4 p.m.*

TUESDAY, 5TH FEBRUARY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Cuthbert.
Mr. Hoy.

Mr. David Jones
Sir John Mellor.
Mr. David Thomas

Sir FRANK TRIBE, K.C.B., K.B.E., Comptroller and Auditor General, called in and examined.

HOUSE OF COMMONS MEMBERS' FUND.

HOUSE OF COMMONS MEMBERS' FUND ACCOUNTS, 1949-50 AND 1950-51.
(House of Commons Members' Fund. Report of the Government Actuary on the General Financial Position of the Fund, as at 30th September, 1950.)

The Rt. Hon. W. WHITELEY, C.H. (a Member of the House), the Chairman of the Trustees, House of Commons Members' Fund, and Mr. F. WYNDHAM HIRST, C.B.E., the Public Trustee, called in and examined.

Chairman.

205. Mr. Whiteley and Mr. Hirst, we are very glad to see you this afternoon. We are looking forward to having your help in considering the Accounts of the House of Commons Members' Fund and the Report of the Actuary. If I put the questions, perhaps you can sort out between yourselves who is going to answer them. The first question I wanted to ask was, what is really the essential difference between the grants that are paid periodically, the periodic grants, and the special grants?—(Mr. *Whiteley*.) There are certain cases, of course, that have to be treated specially. I have only been to one meeting; Mr. Hirst might tell us. (Mr. *Hirst*.) The special grants are provided for under Section 4 of the Amending Act of 1948. When evidence was given before the Select Committee on the House of Commons Members' Fund it was pointed out that in certain cases of difficulty the Trustees had not got sufficient power to give immediate help, and Section 4 of the Act of 1948 made special provision that up to but not exceeding a sum of £3,000, the Trustees might have power to make special hardship grants.

206. So that, really, the periodical grants are what we might call pensions?—Yes. (Mr. *Whiteley*.) That is right.

207. And the others are *ad hoc* assistance?—(Mr. *Hirst*.) Yes.

208. As you have pointed out, Mr. Hirst, there is £3,000 earmarked for these special hardship grants. I see from the last accounts that £2,056 was paid out up to the end of September, 1951?—That is so.

209. What do the Trustees propose to do when the £3,000 that has been earmarked

for these special grants is exhausted?—(Mr. *Whiteley*.) What we would have to do. I assume, would be to see what the state of the Fund was, as to whether we could earmark some further amount for that purpose.

210. That would require a resolution of the House?—It would require a resolution, yes.

211. Now, may I put another point. The balance in the Fund is increasing every year and it is now over £70,000. Is it the policy of the Trustees to go on building up this balance?—Yes, I think it is. On general lines we think that it ought to be allowed to go on increasing, at least for some time, until we see what interests come in in order to reconsider the point, whether to suggest a raising of the pension or a reduction of some of the contributions. Of course, the contribution is only a small thing, a pound a month; there is nothing really serious in that.

212. No?—But we have that in mind, that when it gets to a certain point we will reconsider the whole basis of it.

213. You have not at the moment anything in mind, you are not proposing to recommend to the House any changes in contributions or benefits?—Not at present.

214. May I just ask a question about the investments. On page 4 of the last accounts there is a statement of the investments. Who advises the Trustees on their investments?—The Public Trustee.

215. The Public Trustee advises on the investments?—Yes, we keep in touch with him all the time on that.

216. Are the Trustees satisfied with the average yield of their investments which

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The Rt. Hon. W. WHITELEY, C.H., and
Mr. F. WYNDHAM HIRST, C.B.E.

[Continued.]

are quoted as nearly $2\frac{3}{4}$ per cent. in paragraph 3 of the Actuary's Report?—Yes, at the moment. We think that is probably as much as we can get, taking it all round, unless, of course, we begin to speculate, and we do not feel we can do that in this kind of case.

Sir John Mellor.

217. May I just ask this: are not the gilt-edged securities on the list, though, speculative at the present time?—Yes, but I am talking in another sense.

Chairman.

218. Even within the field of trustee stocks you could, of course, get a higher yield if you went into longer dated stocks, I think. I do not know whether Mr. Hirst would care to give a view on that?—(Mr. Hirst.) Yes. The policy, I think, that has been adopted by the Trustees has been to try and preserve the original subscription fund and I do not think it is any part of the duty of the Trustees to speculate with the fund. The present policy, as you will see from the list of investments, has been to keep the money as short as possible with a backing of the Consolidated $2\frac{1}{2}$ per cent. Stock which, of course, is a non-dated stock. The holding of Consolidated Stock that was originally subscribed has been realised, and realised at a profit, and converted into these short-dated stocks with a view, of course, to taking advantage of the market at any time if there should be a change in interest rate, which has actually happened, and the preservation of the Fund is entirely due to the change which was then made in 1945.

Chairman.

219. Do you think, if you do go on building up a bigger balance, that there may not be something to be said for having, at any rate, some proportion of longer dated stocks on which you would get a higher return?—That has already been done. It does not appear in these Accounts, but it should appear in next year's Accounts.

220. Thank you very much. There are two other things I would like to ask. Most of the White Paper accounts that come in front of us have an explanatory foreword. I wonder whether you would agree that it would be for the help and convenience of Members if these Accounts could have some similar foreword instead of just having the bare accounts?—(Mr. Whiteley.) Yes, as a matter of fact, we have had our attention drawn to that and we intend discussing the matter at our next meeting.

221. Thank you. The only other thing I wanted to ask Mr. Whiteley was this: Am I right in supposing that ex-Members of the House of Commons who are Members of the House of Peers, are eligible for grants from the Fund?—I do not think so.

222. I am assuming that they comply with the conditions. I am not suggesting that their being in the House of Peers counts, but if they have a qualification, ten years or whatever it is, in the House of Commons, when they go to the House of Peers, are they entitled to draw from the Fund?—I do not think so, and I do not think we have ever had an application. (Mr. Hirst.) The matter has been considered and it was decided that any Member who moved to the House of Lords was no longer eligible for a grant from the Fund.

Mr. Cuthbert.

223. Just to follow that up, Mr. Chairman, the important question is, do you give them back what they subscribe during their period in the House when they are suddenly taken out. Is there any return?—There is no provision in the Acts.

Mr. Benson.

224. Mr. Whiteley, you referred to a possibility of considering increasing the grants, but looking at the Fund, the position has been that your expenditure has grown very rapidly and the annual increase in the Fund has decreased equally rapidly?—Yes.

225. In the year ending 1950, the increase was roughly £2,700, of which £1,900 was due to interest on your Fund?—Yes.

226. Taking the year ending 30th September, 1951, the increase was £2,300, a further diminution of £400 during the year?—Yes.

227. Again, with interest amounting to £1,900, leaving you an increase in the Fund from Members' subscriptions of only £400?—That is right.

228. There was a sharp increase during the year in your payments in periodical grants and non-recurrent grants?—Yes.

229. If the increase goes on for another year, then the payments will equal the income and that means that any further increase in grants would produce a steady diminution of the Fund and, therefore, a diminution in income derived from interest?—Yes.

230. Is there any ground for assuming that you cannot increase grants unless you make some sharp increase in the annual contribution from Members?—That is why I said that we could not possibly consider any increase in grants or reduction in contributions until that £70,000 got to a much bigger sum.

231. It looks as if your £70,000 is not going to get to a much bigger sum at the present trend?—Maybe not.

232. The tendency, if any, would be for it to decrease?—Yes. Of course, that

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[Continued.]

depends; you see, there are a lot of things to take into consideration because in some years you may have a number of people who go out of the Fund. They may pass on, and all that kind of thing.

233. Yes, but they do not go out of the Fund, unless you use the word "pass on" in its ordinary sense of death?—Yes, that is right.

234. But there are also new Members coming into benefit so to speak?—Yes, but I do not suppose you would have that recurrence until, probably, another Election: I do not know.

235. No, but the trend of the figures certainly is not healthy?—I agree.

236. The idea that was current some time ago that the Fund was excessively large is not borne out by the experience of the last three or four years?—That is quite true.

Mr. Thomas.

237. The main question which I desired to ask has already been asked and answered. Another question I would like to ask is, who received these special grants? I take it they are in addition to the pensions received by the ex-Members in respect of their contribution, and having regard to their years of service. Who decides on the extra grants which are made?—No, it is not those who receive a pension. They are special cases asking for assistance and the Trustees, of course, decide on the evidence as to whether they are entitled to assistance.

238. Does that mean that any Member who does not serve, say, ten years—take nine years—who has contributed regularly as he must do, and he passes out and the widow then is in straitened circumstances, would she be entitled to ask the Trustees for a special grant?—We deal with all those special cases on the actual facts of the situation as they are presented to us. We have not any definite practical line that we go along in special cases at all.

239. Do I take it from that then, that with a Member who dies without having put in ten years in the House, his wife being in very straitened circumstances, the Trustees would consider her case?—Absolutely.

240. And make a payment?—Yes.

241. So, the ten years for a pension, then, applies only to a man who lives over the ten years and retires from Parliament, and he gets a pension?—To the real pension case, yes.

Chairman.

242. Take a man who had only done nine years; if he were in straitened circumstances, he could still come to you and it would be within your absolute dis-

cretion to decide whether to help him or not?—To consider him as a special case.

Mr. Benson.

243. Would a special case include a grant of a pension or simply and solely a lump sum to tide over a specific trouble?—It would be just to tide over a specific trouble.

244. Not a pension, it is just a grant?—Not a pension at all.

Mr. Cuthbert.

245. One point, if I may ask Mr. Whiteley: is the pension that is allowed to Members, when they are governed by all the circumstances, of course, a fixed sum or does it vary according to the circumstances of the Member?—Oh, yes, it will vary. It will vary according to his actual income that he is getting from other sources, you see. We make him up to a certain point.

246. Quite. Now, just one other point: in these investments we do know now that the Public Trustee advises you as to the investment to make. Is it done fairly frequently, once a year or twice a year or what; does he go through the investments to make sure they are all right?—At nearly every meeting we have we refer matters to the Public Trustee for consideration.

247. Then, there is a constant watch on the position?—Yes, and then we have an Actuary's report every three years to keep us right.

Mr. Hoy.

248. I would just like to be clear on one question; I was not certain what Mr. Hirst said. Supposing there was a Member of the House who had the necessary age qualification and had served this House for, say, two or three months short of his ten years. Would it still be impossible for the Committee to grant him a pension?—(Mr. Hirst.) I do not know whether I ought to answer that question, Sir, or whether it is for Mr. Whiteley. You see, the Public Trustee is only the custodian trustee, he has no discretion to deal with the grants made in any way. I should say, yes, if you ask me.

249. This is not a question to get a different answer; I only wanted to know just how rigidly the rule was applied. What I wanted to be assured of was, you might come across a specially difficult case where a man ceased to be a Member, say, a couple of months short of the qualifying period. It seems to me to be terribly hard luck that, having contributed £118, for the lack of the other £2, he would be debarred from getting a pension?—Yes. I should have thought that might be dealt with.

Mr. Thomas.

250. Mr. Chairman, if I might say this to you, there is a general view amongst the Members that you must put in ten years

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and the reply received by my honourable friend now is, well, there is no line of demarcation. If a Member serves nine years and six months and he has to retire, his circumstances being very poor, he can make application, and the answer, as I understood it, is that the Trustees, or the Committee, can make a specific pension in that particular case. I always understood that it must be ten years and there is no deviation from that. I am very glad to hear the news, Mr. Chairman?—(Mr. Whiteley.) Oh, no.

Mr. Hoy.] I was just trying to find out.

Chairman.

251. Perhaps Mr. Whiteley will tell us?—Let us have it quite clear: in the case of anybody who has the ten years and fulfils the conditions, he gets a pension. If it is below ten years, then he is treated as a special case and he is not given a pension, but he is given assistance over a period to assist him in his difficulties. It is the fifth clause in the First Schedule of the Act: "No payment shall be made to any person unless the person by virtue of whose membership of the House of Commons the payment is to be made was a Member of the House of Commons for periods together amounting to ten years: provided that the Trustee may in special circumstances make payments notwithstanding that the requirements of this paragraph are not complied with". So, it deals with the word "special" as against the pension.

252. May I just try and bring this point out perfectly clearly, Mr. Whiteley? A person has got to have ten years to have an absolute entitlement on the Fund?—That is right.

253. Within the other limits laid down?—Yes.

254. If he has not got ten years, he can, nevertheless, approach the Fund?—That is right.

255. And the Committee within their absolute discretion can help him, provided only that at the present time the fund that they have available to help him, and others like him, is limited to £3,000?—That is the point, yes.

256-7. If the Committee thought there were cases and they had come to the limit of their £3,000, they would be likely to ask the House for authority to have another amount earmarked for this purpose?—That is quite right.

Mr. Hoy.

258. As a matter of interest, I would like to ask about the House of Lords. Where

in the Act is a man debarred from receiving it merely because he goes to the House of Lords if he has, in fact, qualified in the House of Commons by reason of age and length of service and contributions? What is there in the Act which says that, merely because he goes to the Lords, he has no further interest in the Fund?—Of course, the basis of it is that it is purely a House of Commons Fund. There has never been any provision made by Members of the House of Lords. If they leave the House of Commons and go to the House of Lords, it has been regarded as a severing of their connection altogether.

Mr. Hoy.] If I might say so, a man may have made all these contributions, and it really is not promotion to go to the House of Lords, and another man may quite as well take up some public position and he would not be debarred from applying for a pension.

Chairman.

259. I think, Mr. Hoy, if I may say so, we had better not get into an argument about this. I think we had better just confine ourselves to asking questions. It is rather a different basis. If it was an insurance, then it would be a different kind of thing altogether. This is not what you might call a pension fund in the real sense, it is a benevolent fund created by the Members of the House of Commons to assist their old Members when they get into difficulties?—(Sir Frank Tribe.) Perhaps, Mr. Chairman, I could just give the history of this. The Acts at present do not bar a peer from receiving an award if he is otherwise qualified. The Select Committee which considered this whole subject in 1947 recommended that in no circumstances should a grant from the Fund be made to a Member of the House of Lords and an amendment was proposed in 1948 when the Bill was going through to that effect, but the amendment was put and lost, 46 voting for it and 48 against it. So, the Acts do still permit a grant to be made to an ex-Member of Parliament who is a peer.

Chairman.

260. Thank you, Sir Frank, but I understood from Mr. Whiteley that no ex-Member of Parliament who is a peer had hitherto applied?—(Mr. Whiteley.) Not to my knowledge.

Mr. Hoy.] That would not affect the principle of the thing.

Chairman.] Are there any further questions on the Accounts? May I take it the Account is approved? (Agreed.) Thank you very much, Gentlemen.

The witnesses withdrew.

Adjourned till Tuesday, 19th February, 1952, at 4 p.m.

TUESDAY, 19TH FEBRUARY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Alport.
Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Mr. David Jones.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. Peter Roberts.
Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E.,
called in and examined.

TREASURY MINUTE ON PARAGRAPHS 20-29 OF THE FOURTH REPORT OF
THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir ALEXANDER LITTLE, K.C.B., Director General, Mr. A. J. PETTIT, Assistant Accountant
General, the Post Office, and Mr. N. C. CHAPLING, Managing Director, Cable &
Wireless, Ltd., called in and examined.

Chairman.

261. I would like to start with the Treasury Minute on the Fourth Report of this Committee, 1950-51, paragraphs 20-29, on the question of grants, and I would like to ask you, Sir Alexander, a question on the grant to the B.B.C. for Home Services. Are there any developments to report to us on possible arrangements to restrict the accumulation of reserves to meet future capital requirements in view of the present and likely continuing limitation on capital expenditure?—(Sir Alexander Little.) Not, yet, Sir. On that, really, we are waiting until we see what comes out of the new arrangements which will be set up, I suppose, about the middle of this year, and then I think it will be a matter for us to consult the Treasury at the appropriate time.

262. But you are seized of the desirability of not accumulating reserves if there is no likelihood of their being used?—Yes, we have carefully read what the Treasury there said in reply to the Committee, and

our intention is to consult with the Treasury when the appropriate time comes.

Mr. Cuthbert.

263. May I just ask this: I remember that at the last Meeting we did ask a question about the accumulation of reserves over the actual expenditure. Can Sir Alexander give the ordinary public some sort of assurance that, at some time when those reserves really warrant it, it might be found possible to make a reduction in the charge that is made for licences, shall we say, at some future date? Is that in your mind?—If ever that happy position should come, then we should certainly take advantage of it. Perhaps I might add on that, in regard to the grant in aid, you will remember that last year the Committee took up with us the question of accounting with the B.B.C. on a cash basis and that has been arranged.

Chairman.] Yes, thank you. Are there any further questions on the Treasury Minute?

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1950-51.

VOTE 3.

POST OFFICE.

POST OFFICE LOAN EXPENDITURE ACCOUNT.

POST OFFICE SAVINGS BANK ACCOUNT, 1950.

Chairman.

264. We can turn now to the Revenue Appropriation Accounts for 1950-51 and the Comptroller and Auditor General's Report, paragraphs 21 to 26, page ix and onwards. I would like to ask you, Sir Alexander, whether the Treasury nominees exert any control over the finances of the company?—The position there is this: the company, as you know, is a limited liability

company owned by the Government, who appoint the directors. All the directors are appointed by the Government, and two of the directors are Post Office officials, and I think that you may take it that in considering the affairs of the company on the Court of Directors, the Post Office directors play a part that any director would play.

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[Continued.]

265. Would you agree that the Treasury interest is, in fact, protected by those directors?—Yes, surely, and it is also protected by the fact that the shareholders of the company are appointed by the Government and the senior shareholder is the Treasury Solicitor. There is another Treasury official and there are two Post Office officials, one Deputy Director General, the other the Director of Overseas Telecommunications.

266. Could I turn now to another point in paragraph 21? There is this reference to land and buildings and so on that were transferred, amounting to some £2 million. I am a little perplexed as to why this payment has to be made at all. Perhaps you could enlighten me?—The arrangement there was that the Post Office were taking over from the company their assets in this country and they paid for those assets by a cash payment.

267. What did Cable & Wireless do with the £2 million that they got?—Perhaps I might ask the Managing Director of Cable & Wireless who is here with regard to that question.

268. Yes, certainly?—I imagine they put it to reserve. (Mr. *Chapling*.) That is quite right, Sir, it was put to reserves.

269. What interests me is that I really cannot see why it was necessary to pay over this £2 million when, in fact, it was really the same people, if not legally, at any rate, as a matter of practice. (Sir *Alexander Little*.) Of course, one of the very important considerations in the minds of everybody, when making this set-up, was to preserve the character of the company as a completely independent company.

270. Could we go on, then, to paragraph 22? Why was it not necessary to satisfy yourselves that you actually had got the assets that you paid for?—The simple explanation of the line that the Post Office took in that was the relationship between the two parties to the transaction. Cable & Wireless, as I do not need really to recall, was owned by the Government; the Government, by virtue of its ownership of the shares, owned the assets of the company. The officers of the company who checked up the assets which were to be transferred were in the last resort responsible to the Postmaster General. The officers of the company who were operating those assets operated them one day as servants of the company subject to Government ownership, and the next day they operated them as civil servants in the Post Office. Further, it was a going concern transfer, and I would just add two other considerations: we knew that we were going to work a profit-sharing arrangement, a joint purse, the company and ourselves, and, secondly, the Post Office engineers

were actually in the stations before the date of transfer, and by the courtesy of the Engineer-in-Chief of the company, they were allowed to go in there before 1950, the actual date of transfer, and were provided by him with a booklet of the plant there, and if there had been anything wrong seriously, if any of the assets had not been there, it would have been brought to our notice. So, we felt that it was sufficient to do as we did in the course of a general inspection by our accountants, who checked up the assets against the inventories and examined the value of them against Post Office practice; we felt that that was in the circumstances sufficient.

271. Did the engineers of the Post Office help the accountants in this checking up process?—Not in the actual check-up. They were there. The question which the Comptroller and Auditor General addressed to us related to the main items of plant which we took over and those main items of plant were relatively few in number and easily identifiable, and if there had been anything wrong with them, well, the working of the stations would not have been satisfactory.

272. Could I then go on, Sir Alexander, to paragraph 24, at the bottom of page ix and running over the page. Why is it that the balance of the pool is divided in agreed proportions relating to the operating results. Does this mean, in effect, that the less successful Cable & Wireless is the more the Post Office would pay them?—The arrangement there is, from our point of view, a fairly simple one. As you know, we took over operating in this country. We collect all the money and we had to make a payment to Cable & Wireless for our use of the common user telecommunications network, the cables. We were under the terms of the transfer ourselves taking over and operating the wireless stations. The joint purse agreement which we came to was in conformity with the 1949 Act and it was a broad settlement based on the conception that the company should continue to earn their standard revenue. It was agreed between the company and ourselves that the Post Office share should be based on what we had ourselves been earning in this field before plus some £50,000 or £60,000 in respect of the wireless stations which we took over. So, we arrived on the one hand as a basis at £1,200,000 for the company and on the other hand £200,000 for the Post Office, and the revenue was divided in that proportion. If the revenue should increase beyond £1,400,000 we got a proportionate sum, the company six-sevenths and we one-seventh. If it falls below that figure the payment is abated in the same proportion.

273. Then, may I go on to paragraph 25, to the Commonwealth Telecommunications

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[Continued.]

Board? I see that your share of the expenses of this Board amounts to nearly 80 per cent. Have you a voice in the affairs of the Board commensurate with this very large contribution?—Well, it is a democratic board and it is really an intra-governmental board and the arrangement there arrived at is that the partner governments contribute to the expenses in proportion to their net revenue from this common user system.

274. One other point on that. Will the accounts and report of the Commonwealth Telecommunications Board be laid before Parliament?—I do not think so. I am not quite certain about that, but I do not think so. (Mr. Pettit.) If I may add to that, the constitution of the Board is such that they are under obligation to publish their accounts in the territories of the partner governments. Just precisely how they will publish them has not yet been determined.

275. Then, the last section here is paragraph 26, the Post Office Savings Bank Account. The Comptroller and Auditor-General refers here to the modified system of balancing which was adopted in 1936, which has not been reintroduced, I gather. Do you expect to be able to apply this modified system of balancing to all the accounts regularly in future?—(Sir Alexander Little.) I am afraid not. We have only now after an interval of six years been able to complete the modified balancing and I am afraid that all the signs and portents, and the pressure upon us to reduce staff in the Savings Bank, are that it will be a long time before the complete modified balancing applies.

276. Have you completed the special enquiry which you told the Committee last year was in progress, to make certain whether further safeguards were necessary against internal fraud?—A great deal has been done to tighten up the measures against internal fraud, but the real safeguard against internal fraud is a complete balancing. I may say that we have had two cases of internal fraud, one of which falls into these accounts, I think, and one which will fall into next year's accounts, and there we have done whatever is possible by tightening up the internal administration of the bank to make it difficult for people to lay their hands on the documents which enable them to carry out this internal fraud.

277. May I now take you, Sir Alexander, to page 16 of the Appropriation Accounts, Subhead E? Can you tell the Committee what profit or loss was made on overseas air mail traffic in 1950-51?—There was a small loss of the order of £200,000.

278. Were the rates paid to the Airways Corporation for conveyance of mails increased in 1950-51?—Yes, they were.

279. Were the rates of air mail increased?—No; what happened was that there was a settlement after the close of the year 1950-51 and it had a retrospective effect to the beginning of that year so that three months of that settlement fell into the 1950-51 account.

Chairman.] That is all I want to ask on the Appropriation Accounts. I will take the Commercial Accounts afterwards.

Mr. Benson.

280. I would like to look at page x. You mention there that you now have a pooling arrangement between the Post Office and Cable & Wireless for the collection, I take it, of messages and the general collection of traffic?—Yes, we pool the revenue from our overseas telegraph business.

281. Have you any idea how much saving that has resulted in as compared with what happened prior to the nationalisation of Cable & Wireless?—You mean, as to whether we have been able to effect savings?

282. Yes?—I cannot say that we have as yet been able to effect savings. We are really in process there of shaking down and perhaps conditions at the present time are not really very favourable to effecting savings. The one thing that we have done is that we have closed down one of the Cable & Wireless branch offices which we took over, the Southampton Docks Branch Office.

283. You have not closed down many?—We have not closed down many yet.

284. What is the advantage of having a Cable & Wireless office in London? Presumably you can send a cable from any Post Office?—Yes, that is true, but there is, you know, a very great element of competition in overseas telegraphs. We—and when I say “we”, I mean Cable & Wireless and ourselves who are now very closely associated—are not the only body operating in the United Kingdom for overseas telegraphs.

285. Who else operates?—There is the Western Union and the Commercial Cable Co. who both send telegrams to the States.

286. To anywhere else but the States; are there any other activities?—There is the Great Northern. (Mr. Chapling.) The Great Northern operate in competition with the Post Office services as they existed before April, 1950. The Commercial Cable Co. and the Western Union carry traffic not only to the United States but also to Canada, the West Indies and South America.

287. Does Cable & Wireless operate in the United States?—No, Sir.

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[Continued.]

288. Why?—It would be an extremely expensive undertaking to go there today and I think we might find, although I would not be sure, that it would be difficult to get a licence which would be suitable to us.

289. Why should you allow foreign private firms to operate in this country and compete with you?—(Sir *Alexander Little*.) I should like to say there that not only do they operate in this country—it is largely a matter of history and a matter, I take it, of the availability of channels of communication on the North Atlantic—but they carry some 85 per cent. of the traffic from this country to the States, and I would like to say there that they do so on terms which are very advantageous to this country, and it is at the present moment a matter as to which we are under very considerable pressure from the American Cable Companies to put up rates. At the present time the rate from here to America is 8d., and the equivalent of the rate in the reverse direction is 1s. 4d., and, as I say, we are under very considerable pressure to put that rate up because, of course, they have to conform to the rate we charge of 8d.

290. How many channels to the States do Cable & Wireless and the Post Office own?—(Mr. *Chapling*.) The Post Office operate three wireless circuits from this Country to the United States via R.C.A., Mackay Radio and Press Wireless. The Post Office has no direct cable communication with the United States through American Cables.

291. How many channels have the Americans?—I think the American Cable Companies have, possibly, between them eight cables.

Chairman.

292. As a matter of practical interest, when you say "eight cables" how many channels does that really mean?—It would vary. It all depends on the cable. On some of the older cables they would only, possibly, have one channel, but on some of the modern cables they can get more. On one of their modern cables they have at least eight channels.

Mr. *Douglas Marshall.*

293. I have got some particular questions I should like to put, but arising out of the questions which have already been asked, there is one point which I should like to ask Sir Alexander about. Presumably, the essence of a cable, especially where it applies to commerce, is speed, and, therefore, if a cable is being sent from the outside to the United Kingdom it would appear, if you want an immediate reply, to be much speedier to go back on the system on which you have received than to get in communication with another cable company under the

circumstances when you are dealing with very rapid cables?—(Sir *Alexander Little*.) I am not quite sure that I follow that point.

294. Where you are dealing with an interchange of cables in commerce between someone external to the United Kingdom and yourself and the incoming cable is asking for an immediate reply, the essence of speed may well be to send it over the same company as the incoming cable?—I think that we should dispose of it over our own network, and I take it that someone who had a message of that sort would send it at the urgent rate, in which case I think that we could undertake to dispose of it with great despatch.

295. Yes. The point I am making is not quite the question as to how quickly your department would dispose of it, but the fact is that if you are getting something over a channel from some particular cable company, there must be an element of delay if you are going on to another company?—(Mr. *Chapling*.) May I reply to that? I do not think it would follow because most of the customers that have extensive cabling have tie-lines to all the big cable companies in London. One might receive a cable from the States via Western Union, and it might be just as easy for you to telephone your reply to the Post Office in London and the reply would go on the R.C.A. or Mackay Wireless direct to New York. You cannot have a telegram dictated to you from the receiving office in London and send your reply straight away; you would have it put on your desk, you would then formulate your reply and then it would be just as quick to send the reply by another company.

296. Yes, in the case where there is a tie-line to the office concerned, but in the case where there is not a tie-line to the office concerned, that would not perhaps be so. Arising from that question, there is competition to get full tie-lines to other commercial companies?—Yes, I should say there is competition.

297. The other question I had arising out of this Appropriation Account is on page 13, Vote 3. I see that under Subhead B, "Travelling, etc.", the expenditure that has been made in excess of that granted is £12,775 18s. 9d. for travelling, and for the conveyance of mails, Subhead E, £52,434 18s. 11d. Presumably, a goodly part of that expenditure is due to the rise of cost?—(Sir *Alexander Little*.) In part.

298. Is it possible to splinter it, to say whether in fact the expenditure has been greater than the provision to your knowledge by virtue of a greater cost?—Actually, it is an accident in regard to Subhead B in that we speeded up the payment on

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[Continued.]

accounts in the year and actually paid for 13 months instead of 12 which, I think, explains the increase under that Subhead. Of course, in regard to the conveyance of mails, conveyors' payments have been going up.

299. The last question I had under this heading was on page 19. I wanted to ask a question there on Subhead H, "Losses by default, deficiencies due to burglaries, £46,416." How does that compare with the previous year?—The first point that I would like to make about these entries under H is that they refer to the year in which the payments are brought to account and not actually to the year in which the burglaries occurred, and taking the year in which the burglaries actually occurred, 1950-51 was quite a good year and our losses in that year were £30,000. As it happens, the year before was rather a bad year for us and our losses in that year were something of the order of £60,000.

300. So, taking those two years, it really gives under 50 per cent.?—Yes, but may I say, I do not want it to be inferred that the change from 1949-50 was to favourable, it was to more normal. The fact is that the losses in the year before were abnormally high.

Mr. *Bosom*.

301. Sir Alexander, could you explain a little more what you mean by "a democratic Board"? It is a new phrase to me, I have not heard that before?—I understood the Chairman to ask me there whether our voice was effective as to 80 per cent. in relation to our payment, and that is not the case.

302. That does not explain the "democratic Board". What do the words "democratic Board" mean?—I simply meant, one person, one vote, but, really, the business is not done by voting. I was meeting the Chairman's point as to whether we had a special pull on the Board, as I understood him to mean, because we found 80 per cent. of the expenses.

303. That made no difference at all?—No.

304. They have their own voting in their own way. Now, have the number of stations been reduced since Cable & Wireless has been taken over by the Government?—The actual sending stations?

305. Yes?—No, we are still working the four stations which we took over.

306. Has the number on the staff increased or decreased?—There has been no change, to my knowledge.

307. I was out in Madeira, and there they told me, as I understood, that the

numbers had been considerably increased?—In this country?

308. No, in Madeira. Is that the case, or was I misinformed?—I must ask Mr. Chapling to deal with that.

309. I may have been misinformed, but they told me there had been an increase at that time?—(Mr. *Chapling*.) To the best of my knowledge there has been no substantial increase. I should doubt if there has been an increase at all; it is a very small branch indeed.

310. You said you made provision against internal fraud. Have you experienced any internal fraud?—(Sir *Alexander Little*.) In the Savings Bank; the internal fraud I was talking about took place in the Savings Bank. I just want to be sure that is what you are on?

311. Yes, you are speaking of that point?—In the Savings Bank, yes. We have not had many cases, but we have had one which falls into this year of account and there has been another which will fall into the next year of account, and there he got away with some £6,000.

312. What happened in that case?—I must ask Mr. Pettit to give you details of that.

313. Does that loss come out of the Treasury?—It comes out of the Savings Bank Fund. What happened in that case, broadly, was that he operated on three books. I do not know if you would like me to explain a little as to how internal fraud does operate in the Savings Bank?

314. I would, rather, yes.—The Savings Bank is organised in ledgers and the ledger is really a locked tray, or a tray with a lock, which carries some 29,000 cards which are the ledger accounts of those contributors to the Savings Bank. For internal fraud, what a man has to do is to get hold of a book which is proper to that particular tray or block of ledger accounts to which he has access and manipulate the ledger card which is in that tray.

315. Are those ledger cards made mechanically or by hand?—They are entered mechanically. (Mr. *Pettit*.) They are posted mechanically. (Sir *Alexander Little*.) He has to inflate the entry in the ledger card. Then he has got to get a forged entry into this book which he gets hold of in two or three different ways. The simplest way, as happened in this case, was that a member of the public had found a book and had sent it in to the Savings Bank and he, by a lucky chance from his point of view, was able to get hold of that book, and then he forged entries in the book. He also inflated the entry in the ledger card, then he proceeded to operate on the book itself just in the ordinary

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[Continued.]

way. His downfall was rather interesting. What happened was that the warrant against a payment which he had asked for was mis-posted. The Post Office misdirected this warrant to the wrong branch office, it was returned to the Savings Bank and that set going an enquiry which led to his discovery.

316. Thank you very much. That is liable to occur again; it is a possible risk?—Oh, certainly, I am not going to say it is not.

317. How is the money that is lost replaced; where does it come from?—(Mr. Pettit.) The National Debt Commissioners. It is charged in the vote and recovered from the National Debt Commissioners.

Sir John Mellor.

318. If it does occur again, it would not be possible to rely on the Post Office mis-posting again, would it?—(Sir Alexander Little.) I shall hope not.

319. I would like to ask there a question on page 13, Subhead H, "Losses". Are those losses of Post Office property or does that include claims by the public for losses of parcels, and so on?—Subhead H.1 is Post Office property, and Subhead H.2 are losses by the public in the post.

320. In the case of losses of parcels you may have noticed a case referred to in the papers recently where parcels which had been consigned by the railways had been missing, and were found to have been sold to the railway employees, and comments were made by the magistrate. I want to ask you, in the case of parcels where the addressee or the sender cannot be identified, how are they disposed of, and what happens?—Ordinarily, of course, every effort is made, if the address on the parcel is missing, to return it to the sender. That is the first thing we do. We open the parcel and we hope to find inside a slip saying that this has been sent by so and so, in which case we return it to the sender. If we cannot dispose of it in that way, if we just cannot get rid of it, what we do with it is that we have from time to time auction sales at Mount Pleasant and other returned letter offices who deal with that sort of work.

321. They are all sold by auction, are they?—I think so.

322. They are not offered to Post Office employees in the first instance, are they?—Oh, no.

323. You have not had any similar practice in the Post Office?—No.

324. There is no practice such as that which was criticised in the case of the

railways?—No, they are all disposed of by auction to the public.*

325. By public auction?—Yes.

326. And the Post Office employees have no special advantage at those auctions?—No, certainly not.

Mr. Cuthbert.

327. Just to follow up the very interesting statement of Sir Alexander's on the fraud business, in most large banks and offices they can cover such losses by fraud, and so on, by insurance. Has that ever been thought of in the Post Office?—It is standing Government practice, I believe—it is certainly Post Office practice—for the Department to carry its own insurance.

328. Then, it is insured internally, as it were?—Exactly, yes.

Mr. Peter Roberts.

329. Could I refer back to the question of the competition in rates between this country and foreign users. How far would you say that the money which the Post Office and Cable & Wireless receive is a dollar earner? Your rate now, of course, will be charged to people in this country using it, and similarly people in America and other countries also using it. Can you give us any idea how much of this is a dollar earner?—I would say straight away that on the telephone side it was a dollar loser, and on the telegraph side, if we were to be moved, as we possibly shall be compelled by the merits of the case, to increase the rate of our telegraphs from here to the States, that would unquestionably involve us in a loss of dollars.

330. Thank you. The next point is on Subhead K dealing, first of all, with engineering materials, which appears to show an excess of expenditure of over £1 million. That is on page 22. One sees that that really arises owing to only £6 million odd being set aside as the amount chargeable to the loan account as opposed to the £8

* *Note by Witness:* This answer requires correction. Undeliverable articles other than perishables are invariably sent by sorting and delivery offices to one of nine Returned Letter Offices. In general, Returned Letter Offices dispose of undeliverables by public auction. Perishables, not already bad and so due for immediate destruction, are similarly sent to a Returned Letter Office unless it is clear that they will become offensive before arrival; in such cases they are disposed of locally under the instruction of the Returned Letter Office. The amount of perishables fit for consumption and disposal is trivial. Wherever possible they are sold to dealers but, failing that, may be sold under safeguards to officers of the Department.

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[Continued.]

million odd which it was estimated would be so set aside. Can you give us any explanation as to why that amount has not been used, so to speak, for capital expenditure? I see in the notes below there is reference to only one or two small contracts which have been cancelled?—Yes.

331. The amount is so large that I should have thought there must be some other explanations than those?—Yes, the broad explanation of that, as you will see from the note appended to Subhead K, is that we under-spent on capital to the amount of £1,900,000, or we would have done had we not been able to effect savings to the amount of £726,000, which is stated there. So, we actually under-spent on capital to the extent of rather more than £1 million. If you will turn to Appendix 1 there are set out our under-spending on capital which absorb those under-spending on stores. If you will look at Appendix 1, for instance, there was a saving on capital on trunk lines and there was a saving on local lines.

332. When you say “saving”, do you mean a saving or an under-spending?—An under-spending, really.

333. The question I am really leading up to is, how far will the non-user of this capital equipment deteriorate the working of this branch in the future; in other words, are you really saving or is it merely going to pile up extra stock in the future?—It is merely that we have not drawn on our central stock for stores for capital work to that extent.

334. We meet in the country generally demands for more telephone equipment and so on?—Yes.

335. We are always told that the materials are not available, yet here it seems that there is an under-spending where the Post Office, in point of fact, draw on these materials and provide the services which we sometimes ask for?—I know, it does. It lays us open to that charge and the reason why we did not spend was that, although the Post Office is very anxious to spend right up to the limit which is allowed it, it is, as you know, very much restricted in the matter of capital spending and the fact that we did not spend the capital here to the extent of our sanction arises out of the difficulties under which we are working, really, at the present time. Under some of these heads upon which we did not spend capital it is difficult to get all the spending done, the contractors' accounts in and everything into that year of account. In part, we did make a shift from spending on local lines as you will notice under Appendix 1, to subscribers' circuits, and another shift to new exchanges and exchange extensions, and that was due to a change of policy during

that year where we felt that we could make very good progress in meeting the demands on us for connection by applicants for telephones if we concentrated our labour on some places where we had everything available other than labour—that is to say, they were what we call labour-waiting cases—and just to slow down to a certain extent the work of putting in additional lines.

336. I see that, but how far do you think that the charge might be levelled that work was not completed for private subscribers and so on, for which an estimate had been made and, I suppose, materials allocated? How far could that charge be made?—We must admit that here we did not spend all the capital that we might have done.

337. If you saw some of the letters I receive from my constituents you would appreciate why I press this?—I quite understand, and I personally would much rather be here asked by you: “Why have you exceeded on your capital” than “Why have you under-spent”, but it just so happens in that particular year, owing to the incidence of that particular work—that is, trunks and local lines—it is very difficult to get that work completed because there are a number of problems involved, one, to plan for no more than your capital, because we are very tightly held down, and secondly, in that tight position, to get all the work done within the year of account.

Chairman.

338. If you do not get it all done, can you carry forward any amounts not spent, or does it have to be then separately accounted for?—It is governed to a certain extent in the year of spending by the availability, really, of labour and materials in that year. I know that the Hon. Member has suggested that here we had stores, but we have still got to get the stores in each year. I think we are really constricted there by the availability of labour and the availability of stores. There is also the money limit which is imposed on us.

Mr. Alport.

339. Does the Post Office hold the view that the system of identity cards is of value in preventing external fraud on Post Office Savings?—They have been of some value but there I would like to say that we have introduced a number of measures to deal with external fraud and we have been tremendously successful in that line. We have cut down the figures of fraud from something like £107,000, if my memory serves me, to something like £20,000, or something of that sort, and there have been a number of measures there. The most important of them all has been reintroducing the rule by which the counter

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[Continued.]

clerk, when he or she gets a book, the entries of which have filled in one whole page, sends it up automatically to the Savings Bank. Another line we have taken is that when an account is opened, instead of the counter clerk handing the book over to the individual opening the account, he gets the address and the book is sent to that address from Savings Bank Headquarters so that we get some point to work from. It may be an accommodation address, but it helps. Thirdly, we have introduced a very much better book, stippled throughout, and the entries are in fugitive ink. We put in an entry at the head of each page and stamp it with an official stamp, and all these measures have contributed to what I regard as a most successful drive by us against fraud. The production of the identity card is only one of several measures.

340. May I ask one point about the relationship or measure of responsibilities of Post Office and Cable & Wireless Ltd. Does the Post Office control the policy with regard to the services supplied to the customer by Cable & Wireless, and does it in any way control the policy of the extension of the actual physical services—by that I mean stations and types of service, and capital investment of Cable & Wireless—or is it entirely separate from Post Office policy?—May I take that in two parts. First, as regards the services, you appreciate that all the services in this country are now in the hands of the Post Office, so when you ask me if we control those services, their services are at places in territories abroad, and I take it in those you are not interested.

341-2. No?—May I give that in answer to the first point, that services are entirely in the hands of the Post Office in this

country. With regard to their policy, there is a very close association between Cable & Wireless and the Post Office, and we have set up a joint Committee, the External Telecommunications Board, on which is represented Cable & Wireless, ourselves, the Treasury, the Colonial Office, and any other interested party, and that is the forum on which we discuss just those questions which you have raised with Cable & Wireless. There is also, of course, the fact that there are on the Cable & Wireless Board two Post Office Officials, the director of Overseas Telecommunications and the director of the London Telecommunications Region, and they serve as directors of the company, but, of course, they are also Post Office officials.

Mr. David Jones.

343. I just wanted to ask one question as a matter of interest. You told Sir John Mellor that when you are unable to deliver parcels you hold periodic auction sales. How do you dispose of perishable traffic if the auction sales are only held at infrequent intervals?—(Sir Alexander Little.) I am afraid that a great deal of perishables are just lost.

344. Just thrown away?—A great deal of perishables, I am afraid, are just lost.

Sir John Mellor.

345. They are not given to Post Office employees?—No, there is none of that.*

346. They are destroyed?—Yes. We do warn the public not to send perishables by post.

Chairman.] Are there any further questions on the accounts? May I take it the accounts are approved? (Agreed.)

* See footnote to Question 324.

POST OFFICE COMMERCIAL ACCOUNTS, 1950-51.

Chairman.

347. Now, Sir Alexander, we have gone the round, and may I ask you just one or two questions on the commercial accounts which we have not yet taken. First of all, I would like to ask whether you have any costing or other information which enables you to say whether the individual postal services, inland mails, overseas mails or letters in both cases, parcels, and postal orders, are run at a profit or a loss. Can you split them up?—Yes, we have got the costing of that.

348. Can you say offhand what the position is?—I am speaking from memory here, and on that I would say that, with regard to the inland services, the inland letter is profitable; the parcels service is just a little in the red; the remittance services are profitable. I think I am right there.

349. Perhaps you would be good enough to let us know?—I will put in a note, if I may.*

* Note by Witness: The estimated results of the individual postal services for the year 1950-51 were:—

Inland Correspondence ... Profit	£000
Inland Parcels Loss	9,900
Inland Parcels Loss	800
Overseas Correspondence:	
Surface Loss	830
Air Loss	220
Overseas Parcels Loss	950
Registration Service Loss	100
Remittance Services Loss	169
Profit showing in Commercial Account	6,831

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[Continued.]

350. I see from Statement 2 on page 10 that pools correspondence numbers 743 million. Have you any idea how much you make on pools?—Well, the figure there has been differently quoted at different times as to whether you cost it on a marginal basis or whether you cost it in full, and to the best of my recollection we reckon that we make a profit of about £2 million on the pools.

351. Now, a series of points on the same theme. You give special terms to Press telegrams, I understand?—Yes.

352. When were the rates last fixed?—They have been, I think, unchanged for a long time. (Mr. Pettit.) Before the war Press telegrams were 1s. per page. They are now 1s. 3d. per page.

353. When was that rate fixed?—I think it was towards the end of the war when it was increased. (Sir Alexander Little.) I would like to say that Press telegrams in this Country have become really quite a small matter because the newspapers rent private wires.

354. You say it is a small matter; how much do you lose a year on Press telegrams?—I have not got that figure. I will put that in, if I may.*

355. Yes, I shall be interested to know. I am right, am I, in supposing that the rates for Press telegrams were not increased at the same time as the rates for ordinary telegrams?—(Mr. Pettit.) You are quite right. (Sir Alexander Little.) On the last increase they were not changed.

356. So, in effect, in so far as the extent to which you are making a loss on your Press telegrams is concerned, you are subsidising the Press?—I think it is to a very small extent, for the reason that I mentioned, that I think Press traffic is a very small part of the whole today.

357. Perhaps you can let me know the exact figures?—I will put in a note on that, if I may.

Mr. Alport.

358. I wonder if Sir Alexander can help me about this. On the commercial account the profit, I think I am right in saying, is about £12 million?—About £12 million.

359. We had explained to us in the past in the House that that was not a real profit, that it did not include the cost of

* *Note by Witness:* The expenditure on the inland press telegraph service during the year 1950-51 was £251,000; the corresponding income £31,000; leaving a deficit of £220,000. The present tariff is 1s. 3d. for a page of 60 words by day or 80 words by night plus 3d. per page for each additional address. The tariff has remained unchanged since 1940.

Post Office services to Government Departments, which came to about £12 million, if I remember?—£24 million. If the hon. Member will turn to page 51, there is there set out a reconciliation of the cash figures, and the commercial account figures, and I think that it may be summed up as follows: you will notice that the excess of revenue, taking the cash figures, was £800,000, and that commercial account surplus was £12½ million, so that the commercial surplus is £11.8 million more than the cash surplus. If you take services rendered free to other Government Departments, it is £24 million, and take away services rendered by other Government Departments, £6 million, that leaves £18 million. Then, the Stationery Office and Broadcasting bring in £1.3 million. Those figures, added together, leave me to explain an excess of expenditure on the commercial account of expenditure of £7.5 million to bring it down to the commercial surplus of £12.5 million, and that is arrived at by the excess of interest and depreciation payment over annuities and renewals which are the cash figure, £4.7 million, and then there is the excess of pension liability over the actual pension payments the cash figure, £1.8 million, and then stores and miscellaneous, which tot up to £1 million, giving you that £7.5 million. That, roughly, is the reconciliation between the two.

360. Then, why is it not possible to ensure that the Government Departments, instead of getting these services free from the Post Office, in fact pay some contribution for the services which they do receive from the Post Office?—That, too, falls into two parts. On the one hand there is the postal and on the other hand there is the telegraph and telephone. The postal has never been paid for, it has always been rendered free, and postal services are credited to us in the commercial account and debited to other Government Departments at cost. The telegraphs and telephones are debited at public rates, and I think from about 1923 onwards they were paid for in cash. Then, during the war that system of payment in cash was dropped. It has been raised on several occasions since as to why that practice should not be revived. The Post Office, quite frankly, would like to have the money. The increase in these services rendered free unquestionably distorts our cash accounts. We appear to be making a very small profit or even making a deficit, but at the present time the Post Office is not billing these other departments for its telephone and telegraph services in detail. It is simply proceeding on a sample, and the credit is assessed on a sample, and I think that it is reasonable of another Government Department to say that they would expect the Post Office to render a full account if it expected that Department to pay cash on the nail.

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[Continued.]

361. Would that be worth while?—From our point of view, yes, but if I might just put it in here, as I argued before the Committee last time when I was before them on this point, it would mean additional manpower for the Post Office. We should require additional clerks of the order of about 60 or 70, and in the present tight position we just cannot really make that additional claim on the country's manpower.

Mr. Peter Roberts.

362. Further to that, is it possible to consider that if the Departments had, in point of fact, paid cash, that would make them more careful in the use of the telephone and postal services, or not?—I know that point has been held very strongly by this Committee and it is possible, I think, to hold different views about it, but I think the real way of dealing with the point the hon. Member is on, is due economy in the consumption of Post Office services by other Government Departments. I think much the best way of getting that is by putting on some kind of vigilance on the user of the telephone within the Department, and I may say that the Treasury have been in close touch with us on this and we are only too happy to help other Government Departments in the economical use of Post Office services, and the Treasury have quite recently, I think, issued a very strong circular to other Government Departments enjoining economy in the use of our services.

363. Further than that, do these Government Departments take too great a proportion of the materials available. Are you spending a lot of money in putting in new telephone installations into the Government Departments as they are coming along, and how is that need assessed?—I think, on that, if you allow that Government Departments have got to have certain telephone user, there is very close co-operation between the Post Office and other Government Departments. We do not just give them what they ask, we argue with them, we argue about the best layout of their telephone facilities, and only when we are satisfied that they are not making undue claims on our additional resources, do we put in what they want.

364. In other words, you hold the final word, so to speak?—We are not dictators; do not let me give you the impression that we can dictate to other Government Departments.

Mr. Bossom.

365. In other words, it really is a book-keeping affair, no money passes?—No money passes, no.

366. But it is based on an estimate, that is all?—That is true.

367. It is really eyewash?—I would not say it was eyewash at all.

368. Then, what would you call it? How would you describe it?—Given the necessity for estimating, I should claim it is a pretty fair estimate.

369. You have no money to pass, you do not keep accounts of it, so how do you know?—Would it not be eyewash that one Government Department should pay money into the pocket of another Government Department, equally as billing it here in the accounts?

Sir John Mellor.

370. May I ask one question on the commercial accounts. In paragraph 11 of the explanatory notes on page 17 it is stated: "The Post Office carries its own risks and does not insure against them". I assume that some provision is made, at least notionally, against capital losses. In the ordinary way, of course, there would appear in commercial accounts under expenditure, the cost of insurance. As you do not insure, I take you have to make some provision in your commercial accounts against losses?—Yes.

371. Under what head does that provision appear?—Well, this is an accounting point which I would like Mr. Pettit to deal with. (Mr. Pettit.) The Post Office does not insure in any respect except in one particular field, that is for its boiler insurance, and in that case we regard that not so much as an insurance as the purchase of technical advice when boilers are inspected from time to time. For the rest, losses are borne by the Post Office as they are incurred, and in each account, postal, telegraph and telephone, are included, in the miscellaneous expenses generally, the losses that have been incurred. The Sub-head H losses that we have been speaking about in the appropriation account are included under Miscellaneous Expenses in the commercial accounts.

372. So, in the reconciliation on page 51, under Expenditure the last item is "Miscellaneous, £326,420"?—Oh, no, that is a number of items within the reconciliation. I am speaking of the miscellaneous item which appears in the general account on page 18, "Travelling, law charges and miscellaneous expenses". That is the heading which carries, say, the losses under Subhead H.1.

373. Would you just give me that again?—On page 18, the General Account, travelling, law charges and miscellaneous expenses. Included in that figure is the total charged to each one in the Appropriation Account, the losses.

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[Continued.]

374. So, if you have, say, a Post Office burnt down, the cost of rebuilding that Post Office simply appears under expenditure in that income and expenditure account?—Not quite. In that case we should need to build a new one, and when it was completed, the annual charges of the new building would be incorporated in the accommodation account in the commercial accounts as well as the outstanding value of the old.

375. But it would be charged to revenue and not to capital; that is what I mean?—It would not be charged to capital, no, but the new building would, of course.

376. That is my point. The new building would not be charged to revenue?—The new building would be charged to capital, and the annual charges on that new building, on the capital expenditure on that new building, will, in company with the annual charges on the old building, continue to be charged as accommodation in the General Account.

Mr. Cuthbert.

377. May I follow that up with my colleague, because I got an answer from Sir Alexander under the appropriation account, when I was just raising this very point of insurance, and you informed me, Sir Alexander, that it was insured—I do not know whether we used the actual word—internally. What I meant to talk about was what my colleague has been putting: do you make any allowances as you would if it was covered by insurance, in the way of premium to be set against these losses you make, or is it this that whatever loss you have you simply take out of any profit or deficit, whichever it may be, each year?—(Sir Alexander Little.) I am sorry I misled you on that. What I meant was that we make no provision, we just take it in our stride.

378. There is, really, no insurance, then, whatsoever?—I am sorry if I misled you on that.

Mr. Marshall.

379. If you turn to page 16, paragraph 7: "Pension liability" you read in the centre of that paragraph: "No fund is actually set up, but the adequacy of the provision is tested by maintaining an account of a hypothetical fund, which is investigated periodically by the Government Actuary"?—Yes.

380. You then go on to say that there is an estimated deficiency of £58 million odd and then on that deficiency, interest is calculated at 3 per cent. which comes to £1,751,000 odd, and that, plus the annual provision of £11 million is then

carried on to the balance sheet on page 51 as £12,885,000. In that case there are no actual reserves with the Post Office and, therefore, the liability in no way shows in the commercial account. Am I correct in that?—(Mr. Pettit.) That is quite correct, yes.

381. So, again, there is a liability there in the same way as we have been discussing the insurance?—It does not in fact show there is a liability for insurance. There is included in the commercial accounts a close assessment of the liability of the Post Office to pay pensions, and the Government Actuary has recommended certain percentages to be applied to pensionable staff salaries and wages for the assessment of this liability. He has, since the war, made two or three investigations into this hypothetical fund which he maintains in respect of Post Office staff and he has found this deficiency and he has recommended that we charge interest on that deficiency for the time being until we see how that deficiency develops in the future. That is, shall I say, an exercise compiled by the Government Actuary in respect of liabilities by the Post Office to pay pensions. (Sir Alexander Little.) I may add to that that it is the intention to hold another investigation by the Government Actuary at the end of this year, I think it is, and I think this, as it were, temporary arrangement has been arrived at partly on the advice of the Government Actuary himself. My belief is that he was not wholly satisfied with the accuracy of his results and, therefore, there is this intention of having a further investigation at the end of this year when we shall have very seriously to consider on the outcome of that investigation as to what we are to do in order to make this pension liability fund fully solvent.

382. It would appear that either you ask the Treasury now for a further £58 million, and if at any future date there was a surplus, then pay it back to the Treasury, or vice versa, and keep the fund solvent, but at the moment there is a £58 million deficit which is only liable to interest?—We shall have to give very careful consideration to this when we have this fresh report.

Mr. Benson.

383. I take it, on the question of the £58 million deficit, you never put aside actual cash to meet it; it is purely what you might call a notional figure?—It is a constructed figure.

Chairman.] Has any Member of the Committee any questions on the Accounts? Then, I take it these Accounts are approved?

(Agreed.)

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[Continued.]

Chairman.] There is one other thing: does any Member of the Committee wish to ask Sir Alexander or Mr. Milner-Barry anything arising out of Mr. Milner-Barry's

letter to me of the 2nd February, which has been circulated?* I myself have nothing to ask. Thank you very much, Gentlemen.

* Not printed.

Sir Alexander Little, Mr. Pettit and Mr. Chapling withdrew.

TREASURY MINUTE ON PARAGRAPHS 1-5 AND 6-8 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

REVENUE DEPARTMENT'S APPROPRIATION ACCOUNTS, 1950-51.

VOTE 2.

INLAND REVENUE.

Sir ERIC BAMFORD, K.C.B., K.B.E., C.M.G., Chairman, the Board of Inland Revenue and Mr. R. L. SOUTHERN, Accountant and Comptroller General called in and examined.

Chairman.

384. I think it would be convenient in this case if we took these two documents together, that is to say, the Treasury Minute of November, 1951, on the Third Report of the Public Accounts Committee for last year, and the Revenue Department's Appropriation Accounts, the relevant paragraphs of the Comptroller and Auditor General's Report, and the pages in the Account dealing with Inland Revenue. Otherwise I think we may find that we go round in circles if we take these documents independently. I would, therefore, like to lead off and to ask you, Sir Eric, a number of points. I start with paragraph 13 in the Comptroller and Auditor's General's Report; that is on page v. That says that the yield from income tax was £34 million less than in the previous year. I wonder if you could give me any reasons for that fall in income tax yield?—(Sir Eric Bamford.) That, I think, is the reflection of the changes which were made in the previous Budget with regard to the graduation of the tax.

385. In fact the changes in the Budget mean a lower yield; they were concessions?—There were remissions of income tax, reliefs were given and they are reflected in that reduced yield.

386. Then, on paragraph 14, continuing that, does the fact that only £47 million was finally discharged out of the £169 million indicate that there was more doubt than you thought about the assessment?—You are speaking now of the non-statutory discharges?

387. Yes, actually, £47 million was finally discharged, according to this. The sentence I am reading there is: "The sums so dealt

with to the end of the previous accounting year totalled £169,400,000 of which only £47,200,000 had been finally discharged at the end of the 1950 account"?—That only means that the non-statutory discharges, which are sums which we know will never be collectable, represent part of the hard core of the arrears. It takes a very long time to clear up these old liabilities, particularly the ones which are tangled up with E.P.T., and for that reason this £169 million of non-statutory discharges which we have made are pretty intractable and it may be, possibly five years after the event before they really get settled up.

388. Is that the reason, then, that there is so much delay in collecting the outstanding assessments referred to in the last sentence of that sub-paragraph, the assessments outstanding at the end of 1950?—Exactly.

389. A further point on that, on the table: why was as much as £88 million due for payment at the balancing dates uncollected?—This is the final column against 1950?

390. Yes, the final column?—That may be due, of course, to taxes which were only placed in assessment just before the balance was made, and some of them would not actually be due.

391. Would not be due?—Our collection machine would not really have got started on them. Perhaps I should put it that way.

392. The amounts are the amounts actually due, are not they?—They are in the balance accounts as actually due but they may have been assessed only just previous to the balance being made up, and one could not expect them to have got in course of collection.

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393. Then, at the bottom of the page, Sir Eric, in the last sentence, you see: "The total is £624,069 more than that of the previous year"; these are the amounts written off. Is there any special reason for this increase?—That is due to an increase of about half a million pounds in bankruptcies; that is mainly the answer.

394. Can I now turn, Sir Eric, to the Treasury Minute on the third report of P.A.C. for last year. I think it is convenient to do it this way, because then we get the subjects together instead of having to go round in circles. On paragraphs 6 to 8 I would like to know what progress you have been making in terminating or regularising concessions. The Committee last year were very interested in this matter?—We have got these concessions in the Board's report for this year and we have noted there the two concessions which have come to an end because the relevant sections of the Dominion income tax relief have ceased to operate. Last year we put the Building Societies concession into the Statutes; we have since added one or two small concessions, all of which, except one, might be dealt with later on by either regulations or legislation. There is one which is a moribund estate duty concession which will come to an end when the relative Defence (Finance) Regulations come to an end. There is not very much change and with the prospect of a large Finance Bill this year, I am doubtful whether we shall get any way with making up the back log this year. Perhaps I ought not to prophesy about the Finance Bill.

395. There is not very much progress to report, then, Sir Eric, because you seem to have added as many as you have got rid of?—That is so, Sir.

396. Then, if I may go back to the Comptroller and Auditor General's Report on the Appropriation Accounts, paragraph 16, there is a whole section here devoted to P.A.Y.E. You will find this on page vii, paragraph 16. Have you any machinery for tracing people who change their employment, and if you have, does it, in fact, pick up most of them?—We have machinery, of course, under the P.A.Y.E. arrangement, but particularly during the war years and in the early days of P.A.Y.E., it did not by any means pick up all of them, because movement was very rapid, and one had so many leavers who could not be traced afterwards, that we had to adopt these rather sweeping measures to clear up the mess.

397. Would not it be possible for a collector in a district in which a taxpayer lives to recover the amount direct in a case where the man ceased to be under P.A.Y.E.?—The trouble is with the people you cannot trace. You lose touch. A

man is in employment and his name is in one tax office, and he is paid by one employer and then he moves and he is supposed to fill in a little form and see that it goes to the right quarter, and the employer likewise. But it does not always happen and the man just disappears and you do not know where he is. He is one of the 10,000 William Smiths in the country.

Mr. Peter Roberts.

398. May I ask one question on that. The normal change of employment in a firm is 20 to 25 per cent. In how many cases does this loss of name occur, would you say?—I could not possibly give any figure, because the experience has been so varied. Over the war years, as you know, there was a great movement of labour.

399. To get a figure into my mind, is it 10 per cent. of the people who disappear or is it 1 per cent.?—I could not give a figure because it varies from district to district and from year to year. Now we are coping with the thing, but in the early days of the war when there was not a P.A.Y.E. Scheme, under the old deduction scheme and when P.A.Y.E. was being set up under very great difficulties, things just did not work and one got the derelict cases, an entry ended with an assessment, and the man had gone, and you did not know where he had gone. Really, all this process is just another bit of liquidation of the war years dealing with what we call the stranded P.A.Y.E. under-payments.

Chairman.

400. What are we doing about the cases of under-payment since 1949? This is really dealing with the ones before that, is not it?—Well, we are not yet in a position to make a complete balance account of P.A.Y.E. which would show the liability on one side and the way it is discharged on the other. Some people do not even think that that would ever be worth while, and, anyway, manpower makes it impossible now. We had a Committee sitting to examine the best way to clear up all these P.A.Y.E. troubles, and as the result of that we are trying to make the balance of the under-payments from about 1949, and they will be dealt with in future under the ordinary remission procedure. We shall keep track of them.

Chairman.] I think, before we go on to this question of fraud and evasion, it might be a good thing to take up any questions from the Committee on the part of the Comptroller and Auditor General's Report we have covered so far.

Mr. Benson.

401. You have no idea at all at the present moment how much you are losing

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through changes. This £3 million apparently, refers to the early years?—Oh, yes, this is part of the clearing up.

402. How is it running at the present time, more smoothly?—Yes, P.A.Y.E. is running far better than we have ever known it.

403. Your losses in that respect are negligible?—I do not know whether they are negligible, but there is nothing of this proportion. (Mr. *Southern*.) Yes, I think we could say that they are very small.

404. I notice you are still collecting super-tax. Super-tax has not been assessed for about a quarter of a century, has it; at least, it has not been imposed. How much super-tax are you collecting?—(Sir *Eric Bamford*.) Do you mean the old super-tax?

405. The old super-tax, yes?—We have an account of it somewhere.

406. I only want it approximately. In your balance of tax and assessment, apparently, you are holding tax assessment over 20 years if there is a chance of collecting it?—Yes. There is still some excess profits duty of the 1914-18 war in our accounts.

407. And you will get some of it?—We will get some of it.

Mr. *David Thomas*.

408. Just one question relating to income tax under the P.A.Y.E. system. What happens to a workman who goes from one town to another, say, in April or May. Does not he commence paying tax immediately under the new employer?—Oh, yes.

409. Who assesses the tax, then, for that employer?—He takes with him a statement which covers all the tax he has paid and his code number and all the relevant particulars, and as soon as he is in the new employment that begins to operate. The new tax office takes over the papers.

410. So, you say that the workman takes along with him to the new employer a statement from the previous employer?—Yes.

411. Then, should there be any difficulty at all in the Inland Revenue tracing that man from the commencement of the income tax year to the end of the income tax year?—There is no difficulty when the machine is working properly as it is at the present. These difficulties mainly occurred when people went out of employment or went below the income tax levels and were no longer of interest. During the war years the documents got dispersed, they did not get to the right place and you just lost them.

412. So, at the present time, no workman in the country can possibly avoid paying tax under this system?—I would not like to say that.

Mr. *Benson*.

413. May I just ask one further question. Supposing a workman takes a job and he has no papers, for instance, supposing he has come out of prison, how does he get round that without disclosing to his employer that he has just been released from prison?—I am afraid that is a technical question beyond my ambit.

414. He has to account for the fact that he has not had earnings recently?—I feel sure we have a regulation which copes with it, but which it is I do not know.

415. I would like to know?—I will find out for you.

Mr. *Marshall*.

416. I have, I think, only three questions, two specific. Dealing with the last question, you get an emergency card, and then, presumably, the Inland Revenue from that gets at the salary that is being then paid per week, and there would not be any necessity to disclose anything at all?—Of course, the coding does disclose something to an employer, I have no doubt.

417. Only past earnings, nothing else?—I suppose the ranges of coding must show to a certain extent the man's family circumstances, but I have never heard anybody complain of that.

418. The two points that I have here that I would rather like to ask about are, first, that I do not quite understand the actual wording on page vii under amounts irrecoverable "Liability not enforceable". How does a liability become not enforceable?—May I look up the provision? It is just that people have gone outside the jurisdiction while they were liable to pay tax. They have gone abroad and cannot be got at. It is as simple as that.

419. It is really a question of people having gone from this country?—Yes, when they are abroad the jurisdiction does not extend to them.

420. Those were the two specific questions. Now, there is one general question which I wanted to ask, and I quite realise the difficulty of this. It possibly is absolutely impossible to answer, but where you get a kind of liability to tax on a P.A.Y.E. system of about £10 or £15 a year, something in that category, do we know what it costs in fact to collect it, together with the arrangements which every commercial house has to have in order to conduct in an orderly fashion that part of their business?—No, we have no figures which would disentangle that, even in the Government service, from the other work in a tax district, but if the implication is that there are marginal amounts in P.A.Y.E. which it is probably not completely economic to collect, I should agree.

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421. So, it is quite possible, if it could be got at, that there might, in fact, be a sum by direct taxation which is not really economic to collect?—At some level that must be true, I think.

Mr. *Bossom*.

422. Do you make an annual estimate of the amount of P.A.Y.E. that you expect to collect?—Yes, it is about £500 million at the present time.

423. What percentage of that is never collected?—We can tell how far our estimate is wrong, but not having a balance account of P.A.Y.E. we cannot at the moment say what fails to get into the P.A.Y.E. net.

424. You know your estimated total and you know the amount you do not get?—We know the amount we get.

425. You know the amount you get, yes?—But we do not know the amount we do not get.

426. What is the approximate difference? Is the estimate wrong, or that you are bound to have certain inaccuracies in a fund of that sort, or is it due to the fact that it never gets collected?—We believe that the P.A.Y.E. machine is now reasonably effective, so far as it goes.

427. You have no idea of the figures?—It is not completely accurate, of course, because the coding tables would be unmanageable if you collected exactly the right amount, but we so arrange it that the amount collected is always a little bit less than the taxpayer's liability. Any errors are always in favour of the taxpayer and there is a certain amount of loss there.

428. You say you make your annual estimate of the P.A.Y.E.?—Yes.

429. And you do know how much you collect?—Yes.

430. Approximately, what is the difference in percentage, 10 per cent. or 20 per cent.?—Our estimates are like the Budget estimates, which are very close, may be as accurate as within half of 1 per cent.

431. In other words, within half of 1 per cent. is collected?—Those are, of course, statistical estimates, and we are pretty good at doing them and we know what we collect. It does not mean that we have got the right liability.

432. No. The amount you do not collect represents two possibilities, one, money you never collect and two, the inaccuracy of your estimate?—There are always things—

433. Those are the things which make it up?—There are always things like overtime earnings which do not get put in and casual labourers and fruit picking and things like that. Those escape, but what

they are we just do not know. We do our best to make sure it does not pay in the end.

434. The point in my mind is, following on Mr. Marshall's question, is there not a figure where it does not pay to attempt to collect certain amounts? You have got that estimate, you have got the amount you do get, and you get a certain difference?—This reasoning we applied, of course, when we did our write-offs after the war, when we had got a lot of arrears. It was not sense to keep them round our necks and be unable to get straight with current administration because we were trying and failing to collect minimal sums from old soldiers and people who had gone out of liability. We entirely appreciate that reasoning, but we have, of course, to apply the law, whatever it is, and it is our business to collect P.A.Y.E. under the law, and we do that as nearly as we can. If, as you say, it is suggested that the collection of P.A.Y.E. in the lower ranges is probably expensive in relation to the amounts you get, I should agree. There is a lot of taxpayers to be put through the machine to get £15 million in those lower ranges, but that is inseparable from the P.A.Y.E. scheme as you have it now.

Sir *John Mellor*.

435. Can you sometimes proceed in ports outside the jurisdiction, in foreign ports or British Colonial Ports, to attempt to recover? Is not there some provision under double taxation agreements by which Governments can proceed in each other's territories?—I am afraid I do not know that. I have never met a case where we have proceeded outside the jurisdiction.

Mr. *Peter Roberts*.

436. One small point on page vii. You see "Bankruptcy or liquidation". Those are amounts, I suppose, where the bankruptcy or liquidation has been final and the tax has not been forthcoming?—Yes.

437. What about a voluntary liquidation? Would that come in there? Do you allow companies to go into voluntary liquidation if they owe tax, or do you force them into a compulsory liquidation?—I think it would depend on the circumstances, which we thought would pay us.

438. But you have cases of a write-off under this heading of £850,000 where it may have been the result of a voluntary liquidation?—Yes.

Mr. *Alport*.

439. Is it still policy to set off income tax arrears against post-war credits, and if so, how much, in fact, has been set off?—That was done only as an exceptional arrangement by Mr. Dalton in two of the

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post-war years, largely with the object of clearing the decks again, and it has not been repeated.*

440. May I get that clear? It has not been done since?—It is not current law, no.

Chairman.

441. Could I now just ask you a few questions on the sections that follow in the report, paragraphs 17, 18, 19 and onwards? First of all, on paragraph 17, does this mean that you have actually got in the amount of £7,469,000 odd, or merely that you have got an agreement to pay it? You see those figures on the top of page viii?—Those are the charges raised, and as I understand it they are agreed to be paid.

442. They are agreed to be paid?—I should think most of them have been paid.

443. Have you, in fact, got back most of what is agreed to be paid?—Yes, I can say that.

444. These figures relate, I assume, to your Head Office Investigations only. Have you any figures about the results of local investigations?—Yes. I have got some figures which are more up to date than these figures. I do not know whether I should be in order in giving you those. These are the figures for settlement from the 1st April, 1951, to the 18th February, current.

445. I would be interested in that, but the immediate question I am asking is a rather different one?—Yes, I have got the figures. I have those figures, including the figures dealt with locally.

446. Perhaps you would be good enough to put them in. I do not think I need bother you to give them to me now, but I think the Committee would be interested to see them?—There is quite a lot done locally, and I think it is true that the present figures we put in do not give us full credit for what is being done. I do not think they include, for example, the duty which is raised as a result of prosecutions or cases where there is no penalty position arising, and that sort of thing. Still, this is the way the figures have been kept and these compare.

447. If we could have those local figures, I think it would complete the picture for us?—I will see you have those, Sir.†

448. In paragraph 18, on penalties, as the maximum penalty is over three times the duty, it looks from the figures in para-

graphs 17 and 18 as if the penalties imposed were much less than the maximum. Is this so?—That is so, Sir, yes. This fairly savage rate is *in terrorem* and, of course, would not apply to minor infractions or negligences.

449. May I, then, take you just a little further on to valuation offices. I have one or two things which I wanted to ask you about that. How do you ensure that departments and authorities do not make excessive demands on you for work on this part, the valuation office?—I am afraid that is a thing we fail entirely to do. They always do make excessive demands.

450. When we say that, then, we mean that the demands are excessive merely from your point of view?—From our point of view.

451. Do you think you get what we might call uneconomic performance in respect of any of this work?—What I meant by my statement really was that we have been overloaded beyond what recruitment of valuers can cope with. So much work was put on us by Parliament which involved valuation that after what I think are heroic efforts on the rating side, setting up what is practically a new department and really doing a pretty good job under very great difficulties, we had to say, as was said to Parliament last year, that we could not complete the job in the time allotted.

452. Could you make any comparisons between the cost of valuation of this work and the fees charged by private firms for similar work? Have you got any comparative figures of that kind?—No, I have no figures of that kind, but from my own experience of outside valuers I should imagine we do it pretty cheaply.

453. On the rating work we were told some time ago that the valuation was going to be postponed, or, at least, the period for the first one extended to April, 1953. Do you think you are likely to be able to get the work done by April, 1953?—All those arrangements under the rating scheme are being reviewed at the moment as a matter of policy. It is not my responsibility, and I really could not answer any questions about them properly, I think, Sir.

454. Having regard to the staff and so on that you have at the moment, does it look as though you can, in fact, do the job by April, 1953? This does not raise any issue of policy?—You are sure of that? Then, I can safely answer it. If so, the answer is clearly that we cannot.

455. This is rather a difficult question and perhaps you cannot answer it, but as a matter of interest, does the work that you have done so far on rating valuation confirm the suggestions which certain

* *Note by Witness:* The arrangement was that arrears of tax due at the end of 1945-46 could be set against the Post War Credit for the year 1945-46.

† See Questions 467-8.

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Ministers made during the passing of the Local Government Act, 1948, that standards of valuation were not uniform?—I am sure of that.

456. How far are you employing outside firms of rating valuers?—Pretty extensively. We have had two schemes for employing outside valuers. A great number of specialised undertakings were put out to these outside valuers when we found that time was running against us and we had another shot later.

457. Do you negotiate a special fee with them when you have got somebody who is going to do a lot of work?—There were prolonged negotiations, the results of which, in anticipation of this question I tried to summarise in my mind, but they are really very difficult. They vary over the field so that I could put in a paper about them but I could not give you an impression except to say that they are well below the scale fees.

458. I think we would be interested to have just a summary of the material, if you would put it in?—Would that meet your wishes?

459. Yes, that would meet my view. Now, I have only got one other thing, something I ought to have asked earlier. Going back to this fraud and evasion point, what I would like to know is, whether any of the decisions which have been taken on civil service manpower announced since the date of the Treasury Minute, have in any way affected the programme which was then promised?—Not as regards technical inspectors.

460. Is the back duty campaign which you talked of last year still gathering momentum?—I think at the moment it really is. It is getting integrated with the normal work of the department and the local tax offices have put it into their normal work in the great majority of offices. There are some offices where the district inspector is older or is more troubled with illness or has more difficulties than others. There are some which fall below the general standard, but certainly, where they are not handicapped in that way, the district offices are coping. I was told by the Chief Inspector when I was talking to him a little while ago that there are at least six quite small tax offices which have totted up £100,000 back duty and penalties each, which is quite a start.

Mr. Peter Roberts.

461. I want just to get my mind clear. Am I right in thinking at the present moment or in 1950, that there is this £307 million—this is on page vi again—which is likely to be recovered, but you say you do not think that you are going to catch up on that figure appreciably at the annual rate of collection. You think, in other words,

when we get the 1951 figure it will still be around the £300 million mark?—This is the amount ultimately due for collection?

462. Yes?—We are making progress with these arrears. This year's experience is, I think, a little bit better than last, and the collection is holding up, but that ultimately due may be collected one, two, three, four or five years hence.

463. I rather gathered from you that you think there is not much hope of accelerating the collection of the ultimately due figure, is that right?—No, once the thing is in the hands of the collectors, of course, then we are all right but some of the stand-overs, the amounts which may be ultimately due are not collectable at the moment, and they may not be collectable for years.

464. I thought that was the £500 million which is another figure which may not be collectable. As I understand this little chart, it shows that out of the £850 million outstanding, £300 million is collectable and the other £500 million is a little more doubtful?—No, that is not quite right. The £850 million represents the balance of tax in assessment as it says, and some of that, of course, is just estimated assessments; they may be quite wide of the mark, we just do not know yet. That £850 million we expect on our previous experience and on the figures worked out by our statistical branch, will ultimately bring us in £307 million over whatever number of years it may be.

465. I appreciate that. Therefore, not only is the £500 million a little doubtful, but some of the £307 million is a little doubtful also?—It is an estimated figure.

466. Therefore, if there could be an acceleration in the next year of collection, one could decrease that £300 million, but you do not think by very much?—We should hope, of course, to get these figures better. The Excess Profits Tax is the main cause of the delay, with income tax and surtax, all coiled up together so that you cannot get your income tax settled until you have settled your Excess Profits Tax.

467. The other point is that I think you were at the point of telling us what figure we might be able to write in on page viii above the year ended March, 1951, the total charges raised. I think you said you have got that figure there, at any rate, up to this month. I think it would be useful to know what that figure is?—I can give that figure to you now.

Chairman.

468. Yes, the only thing was that I thought you had got quite a number of figures here about local investigations, and I just did not want to try to absorb a lot

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of figures, but if it is just a straightforward, simple figure, you can give it?—There are two figures which I could give. The settlements in the current year up to yesterday amounted in number to 3,816 and the amount was £7½ million, and that included 1,435 cases totalling £593,000 dealt with by local inspectors under powers we have recently delegated to them.

Mr. Peter Roberts.

469. One other question with regard to the penalties. Those, I assume, are only imposed where you have a court case, or can you impose penalties?—No, that is not so. We assess the penalties ourselves when we make a settlement according to the heinousness of the case. If the man does not like it, of course, he can always insist on being taken to court. but they do not.

470. You think that you are as firm in those penalties as you should be?—If you saw our back duty people you would not need to ask that question.

Mr. Bossom.

471. Under rating valuation, has an estimate been made as to whether there are enough trained valuers available to enable the work to be finished by 1953? I have heard the question raised whether there are enough people existing?—We failed to recruit up to the figure that we thought necessary, that is all I can say.

472. Are there enough available in the country? I have heard it questioned?—They may be available, but they are shy birds, not to be tempted into our net by Government salaries.

Chairman.

473. You would agree, would not you, Sir Eric, that there is a vast amount of valuation work of one kind and another, and there are not an awful lot of unemployed valuation staffs?—No, it is a very difficult problem. Obviously, there is such an amount of valuation work going on at the moment that, really, nobody could say that there are enough valuers to do it. It just depends on the time factor, how long you have got to do it. Of course, there is this, that the Treasury Compensation scheme is, as far as we are concerned, beginning to run its course, and we are hoping to have some staff to be freed from that half way through the coming financial year. That, of course, will ease the situation.

Mr. Douglas Marshall.

474. Might I clarify one point? I was not clear at all when a colleague of mine asked you a question about post-war credits, and your answer was that Mr. Dalton, when he was Chancellor of the Exchequer,

allowed that to go on, and that it was not current law. That did not find its way into a Finance Act, did it?—No, I am sorry, I was wrong in saying “law”, it was an administrative arrangement.

475. When actually was that altered? I was unaware, myself, that it was altered?—Mr. Dalton, I think, announced at the time that it was solely for the two current years, and it was done in order to save work.*

Mr. Benson.

476. That was not post-war credits, was it, but post-war gratuities?—No, it was the actual post-war credits.

Mr. Douglas Marshall.

477. Does that mean that if by chance now we found someone who had served in His Majesty's Forces and still there was an amount owing, in that case he could not obtain his post-war credit, if he had no other moneys?—No, you cannot set off.

478. You have not the power of discretion?—No, under the arrangement there is no discretion. The amount can either be paid when you reach the specified ages, or not paid.

Mr. David Thomas.

479. Following up on your last answer, does it mean in the case where a person owes tax and he is unable to pay it at the present time and post-war credits become due when the man is 65, that the tax cannot be deducted from the post-war credit at that time, that the Inland Revenue cannot recover tax when the man is 65? He will not get his post-war credits if there is a debt owing by him, will he?—I understand from the Accountant-General that we can still do it in respect of these two years for which Mr. Dalton made the arrangement, but we cannot have a set-off in respect of any later tax.*

480. That means, then, that after these two years that you referred to, if a man is entitled, when he becomes 65 to, say, £20, and then right back in 1951 he owed £15 tax, he will get his full post-war credits and then allow the Inland Revenue to claim from him what he owed in 1951?—I am assured it is so. I am sorry, I am not very familiar with this machinery.

481. I think it is important, because if that is the case, there is very little hope of the Inland Revenue recovering the amount that the man now owes. If a man owed £10 and he finds it difficult to pay, that will be set off against his post-war credits, I should imagine, in accordance with the arrangement which has been operating in the last two years, as you say?—The last two years

* See footnote to Question 439.

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were the last years in which the post-war credit was being given against the tax. Those are long past.*

Chairman.

482. Is not it true that if a man did owe tax in these years in question then, any post-war credits in respect of that period has already been set off against it?—In these years when it comes to be totted up.

483. Inasmuch as post-war credits have been set off against it, there will not be anything in that respect for the man of 65 to draw?—I understood the question to be, that you had a man whose post-war credit had been settled after any deductions due in those years and then, unfortunately, he fell due for more tax, and we failed to collect it, so that at the time he became 65 and drew his post-war credit he was owing us £15 or so. As I understand it—I am afraid it is a point I have not struck before—we could not set off.

Mr. Douglas Marshall.

484. May I follow up on that? I am still not clear over this point that the hon. Member has raised; it is rather a new one. Supposing the man owed £15 or £20, and at the present he was 63 or 64, and in a year or two's time he drew this money, it would not, in fact, make any difference because that man owing the Inland Revenue that money, still owes it; he then is in receipt of certain funds and, therefore, he has got to pay, provided you still know

* See footnote to Question 439.

about him?—We should know if he had funds.

485. He has got the funds. The liability is still against him?—Yes.

486. You do not take the liability away?—Oh, no. I should imagine no difficulty arises, we know he is in funds, and presumably, would make sure we got our whack but I think the point was whether we could still set off, and I do not think we can.

Mr. Benson.

487. There is the old adage about the butter and the dog's throat. If you have no power to set off, you are certainly bound to lose a considerable amount, are not you?—That is a matter of opinion, one cannot say in the abstract.

488. Reverting to this balance of tax in assessment and ultimately due, the balance of tax in assessment is reduced to ultimately due by the fact that £500 million is found not to be due?—Not to be due to assessments or discharged?

489. Not to be due, yes, it is not that you do not collect it, it is ultimately found not to be due?—Yes, we make a wide shot at the assessment.

Chairman.] Does any Member of the Committee wish to ask any further questions on the Report of the Comptroller and Auditor General or the Accounts? May I take it these Accounts are approved?

(Agreed.)

Thank you very much, Sir Eric.

The witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 21ST FEBRUARY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.	Mr. Douglas Marshall.
Mr. Bossom.	Mr. Peter Roberts.
Mr. Cuthbert.	Mr. David Thomas.
Mr. David Jones.	

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mrs. D. C. L. JOHNSTONE, an Assistant Secretary, the Treasury, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 9-11, 12-14, 15-17, 25 and 52 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1951.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS IV.

VOTE 13.

FESTIVAL OF BRITAIN, 1951.

Mr. G. A. CAMPBELL, Controller, Festival of Britain Office, called in and examined.

Chairman.

490. I propose to start with the Treasury Minute on the Third Report of the Public Accounts Committee, paragraphs 9 to 11 and then 12 to 17, 25 and 52. The first question I would like to put is to the Treasury. I see that the Festival Office's own gross expenditure has been kept within the ceiling fixed for it?—(Mr. *Milner-Barry*.) Yes.

491. Doubtless you can tell us with some degree of finality now how things have turned out as regards the gross ceiling for the Festival as a whole, taking into account charges on other votes, of course?—I do not think we are in a position to say that yet, Sir, quite, but I understand the net expenditure is within the ceiling. (Mr. *Campbell*.) We have, Sir, a statement similar to the one which was put in last year which builds up to the £11½ million plus Festival Gardens loans. I have some copies here if you would like them.

492. Perhaps we could have the copies put in as a paper.* Mr. *Milner-Barry*, you said something about the net costs of the Festival. It was given in the last Public Accounts Committee's Report as £9 million. Did I understand you to say that, again, had not been exceeded. That is apart, of course, from the extra commitments in connection with the Festival Gardens?—(Mr. *Milner Barry*.) Yes, Sir, that is the position.

* Statement supplied: not printed.

493. Now, may I turn to the Appropriation Accounts starting at paragraph 37 of the Comptroller and Auditor General's Report? Mr. *Campbell*, the Comptroller and Auditor General, in paragraph 37, talks about the system for the control of cash admissions. I would like to ask whether the Festival Office considered the problem of control of cash admission centrally as one common to all Festival Exhibitions?—Yes, we did, Sir. We did, in fact, consider the problem as a whole and we decided that the South Bank was a different problem from the others. We had a different system at all the other Exhibitions from the system in the South Bank. The numbers admitted at the other Exhibitions were, of course, very much smaller than those at the South Bank, and we were faced also with the problem of queuing space. At other Exhibitions there was space to queue, while at the South Bank a queue of any size at certain entrances was bound to go across thoroughfares, to which the police, of course, raised certain objections.

494. Did you get any special advice on this from other people familiar with this type of thing?—Yes, we took advice from outside people and we also had on our staff several people who had been in Exhibitions of various kinds in the past. Our General Manager was, indeed, a man who had specialised in admissions generally in the theatre, and one of his assistants was a man who had been in greyhound racing on the

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[Continued.]

admission side. In addition to that, we had outside advice.

495. You told the Comptroller that the trouble was mainly due to untrained staff?—That is so, Sir.

496. Was any preliminary instruction given in the use of forms and in the operation of the system generally in advance of the opening?—Yes, Sir. We were at one time considering taking on the staff a month in advance so that we could work out this system and really train them, but we found that that would have been a very expensive business. But the staff concerned were taken on a week before and were in fact trained. Some of them turned out to be very good, but a large number of them proved to be incompetent.

497. May I just turn to the ticket system where I think it is plain that, as compared with a direct admission to the turnstile operator, the ticket system enables an independent check to be made on turnstile meter readings. That is the argument in favour of it?—That is one of the arguments in favour of it, yes.

498. Sir Frank Tribe says in his Report that at the South Bank this check was not carried out until the end of June, so that for two months you were not getting any benefit from your extra costs of this particular system. Can you tell us why there should be this two months' delay, if this system is so much more advantageous than the ordinary one?—I think what Sir Frank Tribe is referring to is a test check. There was, in fact, of course a visual check—the supervisors did watch the ticket being issued, the ticket being given up, and put in the box. It was a test check that was late in being brought into operation fully, but prior to June—indeed, from the very beginning of the Exhibition—there was some attempt to make a test check which did not prove very successful because the staff were overworked. I think it is fair to say that, Sir. We were under-staffed in those days and we were very much surprised at the large number of people who came and paid at the entrances. We had expected, of course, that the main bulk of the traffic would be by sale of advance tickets. That did not prove to be correct and, indeed, in the first few days we were faced with bringing into operation in the morning a large number of cash boxes that we had not expected would be brought into operation until late in the afternoon.

499. Would you agree that, in fact, if you had taken that check earlier you would have reduced the extent of the fraud that the Comptroller and Auditor General talks about, or might even have prevented it?—No, Sir.

500. Perhaps you would explain why that is so?—The fraud was one that involved four corrupt people in a row. There

was the girl in the cash box, there was a linkman who saw the people coming from the cash box to the turnstile, there was the turnstile-man and there was the checker, and the fraud was that all those four people were in a conspiracy. And even if the check had been introduced earlier and had been introduced fully from the earliest days, if there had been that corruption it would not have made any difference because one cannot go on adding check after check. If there were four people in a row who had all decided that they would defraud the Festival Office, there was nothing one could have done to stop it. It was not the check itself which was at fault. The fraud came to light because a new checker came on to the work. He was approached by the other three people in this conspiracy to do one of two things; not to check a particular turnstile at all, or if he had instructions from his superiors to check a particular turnstile, having seen the turnstile reading, say, 2,000 and lifted out (or had brought to him) 1,900 tickets, he then gave a certificate that there were 2,000 tickets. This particular man who was asked to come into this conspiracy was a man who had actually been employed at one of the other Exhibitions, the Lansbury Exhibition in Poplar. He was transferred to fill a vacancy at the South Bank and he was then approached to come into this conspiracy. He reported this and Scotland Yard were informed, and from then onwards this particular man came under the instructions of Scotland Yard. In fact, one of the test checkers who was prosecuted at the Old Bailey had been from the very beginning one of the supervisors in the Exhibition, and at one time had been doing those checks. So even if the full system had been introduced earlier, if there was that conspiracy, the fraud would have gone on, of course.

501. I do not suppose you have any idea of how much you have lost by this. Have you any idea of other losses such as cash deficiencies in relation to recorded ticket sales, and so on?—The complete admission losses in the South Bank are about £850. In addition to that, some tickets were lost; there were 5,000 tickets which were issued to a cash office which never arrived. We did eventually check up on the tickets for the day—of course, there were special tickets for every day—and these tickets were not used. Whether it was intended that they should be used one cannot say, but they never came to light in any of the checks made.

502. Being wise after the event, if you were starting over again, would you have any other method than the simple turnstile?—I would have exactly the same method as we have now, but I think, if I were starting again, I would want more notice in recruiting staff.

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[Continued.]

503. May I now go on to paragraph 39? This paragraph deals with the loss of revenue of, perhaps, as much as £35,000. Can you tell the Committee how this error happened?—Yes. It was, of course, a blunder, but I think I should explain as a matter of interest how it happened. We started out with the idea of having a guide for the South Bank of 160 pages with no advertisements at all, and on the estimate we got from the Stationery Office we worked out what the economic selling price would be. The selling price, allowing for distribution costs, would, if we sold the number we expected, have met the cost of production. At a later date we decided that, in order to make additional revenue, we should introduce advertisement pages, and we cut down the books from 160 pages to 96 pages, and added 64 pages of advertisements, which were sold. Indeed, it was because we were trying to get additional revenue that we, in fact, fell into this trap. I am quite clear that if we had started with the idea of having advertisements and examined the estimates as a whole, we would have seen this fallacy that we were really subsidising the advertiser. On one of the other books where we did start with the idea of having advertisements, we immediately saw that the price we would have to charge for advertisements was so high that no advertiser would pay it, and, therefore, we cut out advertisements altogether in the souvenir book. But what happened was that here we started with the idea of a book of 160 pages selling at a price which would repay us for the cost of production. Then we decided we really ought to get some additional revenue and make a profit and, therefore, we cut out 64 pages of text and put in 64 pages of advertisements. In fact, by cutting down the size of the book so far as the text was concerned, we were really making a profit but, unfortunately, the advice we got was that all we could get for these advertisement pages was something between £500 and £1,000—those were the figures given to us—and we chose £750. We did not check up then that that was an economic price.

504. May I go to paragraphs 40 and 41? The original system, I understand, for selling guide books and catalogues broke down very soon. Was the system based on advice from people acquainted with this sort of business?—Yes, Sir, the system was an entirely good system. The system was not changed, it was merely the control of the system that was changed. If I may say so, Sir, we put in control people who were accountants rather than leaving the control to people who were more acquainted with the running of Exhibitions. The system was very little changed but what happened was that our accounts side then took control. In the early days, I must admit that there was a certain amount of

confusion in the issue from stores and issue from the kiosks. The kiosks turned out to be not large enough to store the publications. There were 11 titles on sale and some of the copies got left about. The girls were not undertaking a proper stocktaking, the control that was exercised over them was not adequate, and it was in the early days, of course, that the losses occurred.

505. Then, at the end of paragraph 40 there is a reference to discrepancies which, it says, had been reduced to a figure the Department considered to be reasonable for an operation of this kind. This is the last sentence of paragraph 40?—Yes.

506. Can you give the Committee any idea of the overall loss you sustained at South Bank and the Festival Ship on this particular operation?—Yes, Sir, the shortage in publication was £1,264, which was .62 per cent. of the gross publications revenue in the South Bank. On the Festival Ship, "Campania," the loss was about .7 per cent. I should explain that the losses on the "Campania" took place in the early days. What happened was that copies of the guides were delivered to the ship while it was still in the hands of contractors and we imagine, although we do not know, that in fact what happened was that a number of the bundles were broken open and the workmen took copies away with them. The failure was, of course, to lock them up and also the failure was to delay the delivery to the ship at that stage.

507. Then, on paragraph 42, when the Exhibition was closed, did your inventory of exhibits reveal any losses?—Yes, quite a number of losses, quite small things, some losses of things of value 1s. and half-a-crown and things like that, and I must admit that they numbered, perhaps, 200 or 300, but there had been quite considerable losses, including a quite valuable camera. We think it was inevitable that there should have been some losses. First of all, in an Exhibition the public must necessarily come very close to the exhibits if they are going to get any benefit from them and in the ordinary exhibition, the ordinary trade fair, each exhibitor has, of course, his own staff to watch over these things. We ourselves had gone into it very carefully and we had thought that if we had put on the security regulations that had, indeed, been suggested by an insurance company, it would have cost us something like £46,000. Our losses are nothing like that, of course.

508. Can you put a money value on the losses?—Well, Sir, I can only say that we have a case in the High Court, I think next week, which may affect the position very much. The insurance company—it is a test case—are taking action against us to recover certain moneys. It is very difficult indeed to say what the effect of

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[Continued.]

that case will be because the insurance companies are holding off until the result of this test case.

509. What is your own estimate of the losses on exhibits?—If we win this case I should say the loss is of the order of £5,000 to £6,000. If we lose the case, I should not like to hazard a guess.

510. As regard other stores that were not in an inventory, it is stated that stock-taking deficiencies are so far small?—Yes.

511. But as your records are stated to be incomplete, I suppose it is not unfair to estimate that you do not really know the full extent of the losses?—Oh, yes, we do know the full extent of the losses.

512. I am now talking about other stores, I am not now talking about the exhibits?—We do know the extent of our losses, but there are some things, of course, that have changed the form, as it were, of the stores issued—timber and paint and things like that. And there the stores record shows what has been issued in the way of stores. When it got to the South Bank, of course, the paint was used and the timber was used and they are unidentifiable, but the number of things that we have as identifiable articles in our records that have been lost are very few indeed. I think the last figure I had was something like 44, to a value of something under £500. I do not suggest that these are absolutely the last figures and, indeed, we still, of course, are in possession of four great hangars at Langley Airfield, and some of these may turn up.

513. Are you merely saying that, in-so-far as you have records, the losses are small?—No, I am saying two things: I am saying that our record is pretty well complete and where there is not a complete record there is a very small margin. There is, in fact, a record of everything that was bought. Everything at all that was bought by the Festival Office was recorded by the storekeeper. The fault lay in this—that the storekeeper having issued things to the South Bank management team, there was no inventory kept there. It is only at the end of the Exhibition that the storekeeper is able to tie up with his stores record what, in fact, he issued, and it is on that that we are engaged at present, and so far we find the deficiencies are relatively small.

514. Sir Frank, would you care to comment on that, because I am really pinning this on the statement that it appeared also that the record of certain other stores, including office furniture, was incomplete? That is paragraph 42?—(Sir Frank Tribe.) This report of mine was compiled just before Christmas and we had not got the latest information. Our information generally was that the losses, so far as they had been discovered, had been what

I should have regarded as remarkably small, and the further information which the witness has now given us would seem to confirm that, on the whole.

515. Now, paragraph 43. Mr. Campbell, can you tell us what the latest position is with regard to the disposal of the South Bank assets?—(Mr. Campbell.) The Treasury Minute, of course, has been laid on the table of the House with regard to the gifts to museums, national institutions and non-profit making bodies to the value of £200,000.

516. I am sorry, I would like to take that in a minute, I am really talking about the disposal of the other assets?—You mean the buildings and so on?

517. The Dome of Discovery, and so on?—On the Dome of Discovery and on the Skylon, the Minister of Works has been in consultation with the London County Council, and as I think he said in the House the other day he is still considering the question of the Dome, with which the Skylon goes. That is on the upstream portion of the site. The other buildings on that site, with the exception of the station gate at the Tube Station, Waterloo, which may be rented, will be demolished by the Ministry of Works as agents for the Festival Office. On the downstream portion, that is, the other side of the bridge, the London County Council, of course, own that site and they have recently agreed to take over the whole of the site on certain terms, and certain buildings will be demolished at the cost of the Festival Office, the ground levelled and some of the foundations will be taken out. That is part of the general settlement with the London County Council who have certain claims against the Festival Office in respect of out-of-pocket expenditure incurred amounting to something like £280,000. The proposal is that a payment should be made by the Festival Office to the London County Council of approximately £95,000, that the London County Council should inherit all the buildings on the downstream portion that they want to inherit with the exception of the telecinema and the main administration block. It has been agreed that the Festival Office should pay the cost of the demolition of such buildings as the London County Council do not want to retain, and that the London County Council should take the liability for removing the foundations—which will be a very heavy liability, I am told—when the site is developed in later years.

518. Now, about the £200,000 worth of assets which are to be distributed as free gifts to public bodies in the United Kingdom and in the Commonwealth, how is that going on?—Well, so far museums and national institutions have taken delivery

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[Continued.]

of £155,000 worth of the £200,000 suggested. Some of the other material has been refused by the museums which it was suggested should take it largely because it had been damaged or because, for one reason or another, the museum has changed its mind. It has been suggested by those Committees which made the recommendations that there should be approaches to other museums and national institutions who may, in fact, wish to take the material. If not, then, of course, it will come in the second auction by the Festival Office held on the 3rd March of this year.

519. In due course will there be a list published of all those gifts?—I do not think that is the intention. Of course, we have a list, and it could be published, but I have not heard any proposal that it should be. It is a pretty big list, you know, because although it is £200,000, there are a very large number of small things, and the last time I saw the list I think it was something like 40 to 50 pages of typescript.

520. I would like to ask the Treasury a question on paragraph 44. I do not need, perhaps, to stress the point that Parliamentary freedom is inevitably curtailed when gifts are offered in advance, even qualified in regard to the need of Parliamentary authority. Clearly Parliament would find it very difficult indeed to deny any expectations which had been raised, and I would like to ask, does the Treasury agree that the circumstances must be very exceptional indeed before this kind of procedure which has been followed is adopted again?—(Mr. *Milner-Barry*.) Yes, Sir, I think I would certainly agree with that. At the same time, if I may say so with respect, Sir, I am not quite clear that Parliamentary authority was curtailed by this procedure because it was made perfectly clear to the bodies and institutions concerned that these offers of gifts could only be provisional, and I would have thought that it would have been perfectly understandable if Parliament had taken objection to the idea of these gifts being made.

521. Yes, I think it is, if the ordinary procedure is followed and you lay the Minute about it, and then Parliament gets a time, and that is very different from what is asked for in this case where because of the recess and so on, special parliamentary circumstances, you went ahead and gave your sanction before the thing was laid at all?—Yes. I was only making the point that it was a provisional sanction and it was so understood by the recipients.

522. Yes, I appreciate that, but it does not alter the fact, does it, that it is much more difficult for Parliament to say "No", if the procedure is followed as in this case than if the procedure laid down in 1923 is adopted?—Yes, Sir, I would certainly accept that.

523. When was the Minute laid?—I think it was laid on the first day of the new Session.

524. Have you any idea when it is likely to be available?—It is available, Sir.

525. It is available?—Oh, yes, indeed.

526. When was it available?—I think on the 29th January.

527. That is to say, it was published on the 29th January?—Not published, it was laid on the table of the House so that anybody may inspect it.

528. Is it to be published?—No, I do not think so, Sir.

529. Is not it a Command Paper?—The Treasury Minute? Perhaps the Auditor General would know? (Sir *Frank Tribe*.) According to the Order Paper, it was laid by command, and it generally follows then that the document is printed as a Command Paper. It was laid on the 29th January, but I have not seen a copy of it. (Mr. *Milner-Barry*.) I am sorry, Sir, perhaps we could look into that?

530. I would be glad if you would. I was a little perplexed because I did know it had been laid, but I had not seen it and I had assumed, if it were a Command Paper, under the ordinary arrangements it would have been printed and would be available?—I am not quite sure about that.

531. I would be glad if you would look into this, because the procedure approved by the Public Accounts Committee in 1923 does not really make very much sense unless the paper is published?—(Mrs. *Johnstone*.) If I may say so, there was a precedent which was followed in drafting this Minute, that was the precedent regarding the disposal of pictures painted by war artists during the war. That, I think, was laid but never published, but whether there was any special wartime arrangement about that, I do not know.

532. Perhaps it could be looked into; it needs clearing up?—(Mr. *Milner Barry*.) Yes.

Mr. *Benson*.

533. If a Paper is laid and not published I think it is deposited in the Library, is not it?—I think that is so, yes.*

Chairman.] Could we now take any questions from Members of the Committee on the Treasury Minute, leaving out paragraphs 18 to 24 and paragraph 26—that is, the Festival Gardens paragraph—and leaving out paragraphs 46 to 50 of the Comptroller and Auditor General's Report—that is, under item (c)—and leaving out for the moment the paragraphs under item (b). I would like to take any questions on the Treasury Minute concerning the Festival in

* Information supplied; not printed.

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[Continued.]

general, or anything on the Civil Appropriation Accounts, or the Comptroller and Auditor General's Report concerning the Festival in general.

Mr. Benson.

534. I was not quite clear as to how you work out that you had made a loss on your advertisements, whether it was in the guide or the souvenir. You proposed to print 180 pages or thereabouts, was it?—(Mr. Campbell.) 160.

535. Then, you reduced the reading matter to something under 100 pages and substituted advertisements?—Yes.

536. Did you vary your sale price as a result of that?—No, Sir.

537. Was your advertisement setting more expensive?—No, the explanation is that the original estimates we had from the Stationery Office were £160,000 for production. The latest estimate we received—it just came in yesterday—was, I think, £213,000; that is for the cost of production.

538. The cost of production, yes. I do not see why that lands you in a loss. It may well be that the cost per page was less than you got for your advertisements. Is the £160,000 total loss or the cost of production?—The cost of production was given to us originally as £160,000 and on that basis we worked out what the selling price should be on the assumption that the whole of the 160 pages were text and there were no advertisements.

539. How much did that come out to, what did you sell at?—We sold at 2s. 6d., two million copies.

540. Then, you got £125,000 for it?—No, we would have had a gross of £250,000 and then there were distribution costs from that, and so on. There is no actual loss in this sense—that if we had not put advertisements in at all and had still to 160 pages of text, we should have been still worse off, of course.

541. Certainly?—I think what Sir Frank Tribe is saying is that if we sold these pages at the economic price we would, in fact, have got £35,000 more, but whether, in fact, we could have sold the pages at £1,500 is anyone's guess. We set out to sell 480 pages of advertisements in all the publications, and we actually sold only 383, so it did not prove such a good bargain generally as one might have thought. On the South Bank Guide it was not difficult to sell the pages at £750 a page. I am very doubtful whether we could have sold them at £1,500 a page.

542. What you really mean is this, then, that if instead of keeping the thing at 160 pages you reduced it to 90, or whatever it was and still sold it at half-a-crown, you would have made more money?—That is so, yes.

543. But you have sold a thing of half the size at the same price?—Well, one can do practically anything at an Exhibition. I think that we would not have felt it was reasonable to do that. Indeed, there was one proposal that we should reduce the size to 96 pages and sell it for 2s. Certain advertisers approached us and said it was unreasonable that in an affair of this sort advertisers should not get a chance of advertising their goods when so many foreigners were coming to this country and would come to the Festival, and we thought that was not unreasonable. The blunder was that we did not, in fact, consider whether we were right to have advertisements if there was a loss. We might still have said, "We will still have 160 pages, we will have 64 pages of them as advertisements and we are prepared to lose money on the advertisements". That we did not do, and I think that is the criticism of the Festival Office.

Mr. Douglas Marshall.

544. I have got one or two primary questions leading from what you have already asked, Mr. Chairman. You mentioned just at the beginning when the Chairman was putting certain questions, that if you had the experience that you now have you would still have used, on the question of the turnstiles, exactly the same check as was, in fact, used at the time, and not knowing this procedure myself I was wondering, would there have been any benefit of any kind of a rota system which did, in fact, immediately make a conspiracy impossible, to have had a change round, like watch and watch in that way, or is it that you generally do carry on exactly the same with the same people from beginning to end?—No, from the start we changed round from place to place, but what happened was, of course, that they came round and they came back to the same turnstile eventually. You had a rota for so many entrances and they came back eventually.

545. Could I interrupt you for a moment. You mean, with the combination of change all four—I think you mentioned four—ultimately again and again find themselves together?—No, what I am saying is that at some time or another you had the corrupt checker. Where the corrupt checker is, if he can get one person who will be equally corrupt with him, it is possible, if he is willing to take a risk, even so to have a fraud, but, in fact, this particular gang only operated, so far as we can make out, for two weeks. The shift system only took place every three weeks; they were shifted every three weeks, but if we had suspected, I think, probably we would have shifted them every week. If you do that, though, you lose a certain amount of skill which they get in operating turnstiles. With turnstiles, I am told—I am not experienced in these things—some of them are a bit difficult, your new man gets difficulty with a new

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[Continued.]

turnstile, and these were a little stiff and a little bit difficult to work. If we were starting again I think we should consider changing the turnstile-men every week, or something like that.

546. So, there would be a slight alteration. I am only thinking of future things that might happen that one might learn from the evidence we now have?—Yes.

547. The next point arising out of one of the Chairman's questions, which I did not understand, is that you mentioned the question of a test case coming up at the present moment with regard to losses and with regard to insurance of those losses. I may have misunderstood you, but I thought you said at the time that had you carried out the safeguards which the insurance companies have recommended, it would have cost you an extra £45,000 or so?—Yes.

548. But I assume that somewhere within the policy was some mention of what adequate safeguards should be carried out, and that the premium on their policy charged to the Festival vote would have some relation to reasonable safeguards being taken. Then, I think you went on to say that if the case was won by the Festival Office, the loss you thought would be in the region of £4,000 to £5,000, but if the case was lost you could not hazard a guess. I could not see why some kind of figure should not even now be in the minds of those concerned, as to what the total loss was?—It is a little complicated, and if I may explain the position, it is this: there were two types of exhibit—there was the non-industrial exhibit and there was the industrial exhibit. The non-industrial exhibit was one where the exhibitor had no advantage in showing the particular thing we were asking him to show. We got, for instance, W. G. Grace's bat from the M.C.C. It was no advantage to the M.C.C. to have W. G. Grace's bat shown in the Festival. There we gave an indemnity . . . that if we lost or damaged the exhibit, we should pay damages. Now, these are the losses we made which I think we said would be likely to be of the order of £6,000—where we have damaged or lost an article for which we have given an indemnity we met those losses. There is no insurance—a Government Department undertaking this sort of operation does not insure, it carries its own insurance. Now, the second type of exhibit was one where the industrialist lent an exhibit, and it was of some advantage to him that his exhibit should be shown. So that if one went to a tennis manufacturer and he was showing in the sports section tennis rackets, then he provided the tennis rackets at his own cost with no indemnity from us, and he was advised by us that he must carry his own insurance. What we undertook to do ourselves was to exercise due care in hand-

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ling the goods. Although we said we would exercise due care, we took no responsibility. Various industrialists who had sent exhibits to the South Bank took out their own insurance with the insurance companies. The insurance company which is concerned in this case is saying that what they insured was the margin between the exhibition authorities, exercising due care, and fire, damage, and things which nobody could prevent reasonably. They are claiming that we did not exercise due care while the goods were in our possession and they are claiming that, in that case, we are due to pay the cost of the loss or the damage. So, it really comes to this question: Was the Festival Office, in respect of the industrial exhibits where it gave no guarantee other than to exercise due care, in fact careless in looking after them?

549. But then, arising out of that, I assume that I must be right, if a decision has not yet been given on a particular case which you referred to as a test case, that a fairly large liability may, in fact, still be there?—There may be a large liability there, but a very large number of people have, of course, had exhibits returned and have examined them and have raised no points, and having examined them and said they are in good condition, have given us a clearance. But there are a number of people who have taken delivery and having given us a clearance, have not given a certificate that the goods are in satisfactory condition, and some of them may, of course, directly or through their insurance companies claim if this case goes against us.

550. The next point I had was a very small one. You did mention: "The Dome goes with the Skylon". Is there any reason why the Dome goes with the Skylon. They are not together, are they?—No, I am not an architect, but I am told that the Dome and the Skylon are regarded by the London County Council as going together. It is the first time we have heard it, but it has been suggested by the London County Council that if they take the Dome, they will take the Skylon. If they do not take the Dome, they will not be interested in the Skylon.

551. In actual practice, if somebody will pay a larger price for the Skylon and the Dome separately, you would not suggest it would be refused, would you?—Oh, no.

552. I see, so they are not inseparable. Then, on paragraph 17 on page 5 of the Third Report, there was a point I was going to raise there. I see it is suggested that it would have been better if, indeed, the Ministry of Works had been able to carry out this work. Is that your view as well?—Well, I personally should have been delighted if the Ministry of Works had carried it out and I think there is very little doubt that the Ministry of Works,

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[Continued.]

with all its staff and resources, were in a very much better position to carry out the work. The Festival Office was, of course, recruiting staff to do this work and was sometimes finding difficulty in getting staff for a short-term job. But it was not quite as clear-cut as that because the buildings that were being put up were of a rather exceptional kind requiring services, in the view of the Festival Office, of young architects with new and novel ideas. In addition the buildings, of course, apart from being exhibition buildings, were to house displays which were being designed by designers employed by the Festival Office and the designers and the architects were working hand in hand. I doubt very much whether there would have been any other satisfactory arrangement. If the Ministry of Works were employing the architects to do the building and the Festival Office employing the designers to do the display, at some point or another it would have been necessary for the architect and designer to work out a sort of combined operation. If two Departments had been concerned with that it might have been a bit muddly, especially as time was so short and we were all working under very great difficulties.

553. The last question that I have got is to do with the Festival Ship, and I am looking at paragraph 41 on page xvii of the Appropriation Accounts. I do not know whether this comes within the scope of the question, but I wondered whether one knew what loss was actually made on the Festival Ship itself, if one can splinter that in any way?—On the publications?

554. No, on the question of the Festival Ship, within the Festival. Is there any method at all of knowing that?—Do you mean the revenue, compared with the total expenditure?

555. Yes?—Yes, I think I can give you that. The total costs of the ship, of course, are not known yet because the Admiralty has to reconvert it for use later and we are still in discussion with the Admiralty about those costs, but the costs of the ship were given to the House as likely to be of the order of £500,000, and the cost is likely to be slightly less than that. The total revenue was £73,000 from admissions, and with the sale of publications and souvenirs, a bit of catering, and so on, it is approximately £89,000 in all.

556. And the expenditure is £500,000?—No, it will be less than £500,000.

557. That is counting the movement and everything?—Counting everything, yes.

558. The ship being loaned free?—The ship being loaned free.

559. So the capital expenditure was nil from that point of view?—Yes, except that there was a great deal to be done in making the ship into an exhibition ship; there was a very large expenditure in that. The

whole of the hangar had really to be reconverted into an exhibition hall. The conversion and reconversion together are expected to amount to about £178,000.

560. I am certain you cannot answer this question straight away, I would not expect you to, but would it be possible to obtain figures to give us some idea as to the expenditure locally on the advertisements announcing that the ship was arriving in the different ports during the period of her stay. I can tell you the reason that I am rather interested in that question. It is that one found oneself a lack of knowledge of the ship's presence and, therefore, I would like to know how it compares from port to port?—We will do our best. I must say that our staff, which was almost 3,000, is now reduced to something under 200, and many of the people who have the information have gone, of course, but I do not know whether our records will throw that up.*

Mr. Douglas Marshall.] The last thing I would wish to do would be to put you to great trouble over it.

Mr. Cuthbert.

561. I only wanted to follow up one of your questions, Mr. Chairman, which rather concerned me, and that is in paragraph 43 again, about the permission of the House about these gifts that were given to the Commonwealth and various other people. We do, of course, accept what the Treasury have told us, that you had a proviso there that permission would be given afterwards, but I would stress again what the Chairman said, that that is rather a different point of view from asking Parliament beforehand or putting it to Parliament beforehand. Was there any real hurry why that should not have been done by the Committee that decided to give the gifts away; was there any real hurry about it, that they could not wait for the House to meet and pass it in the ordinary way?—(Mr. Milner-Barry.) I suppose we were rather anxious to get on with the job of winding up and disposing of the assets but, equally, I suppose we could have waited. (Mr. Campbell.) I think, if I may say so, we were very anxious indeed that the museums should come and see some of the things as they were exhibited at the South Bank and elsewhere. We were under obligation to get out of the South Bank and clear the buildings. We did not want the museums to come along afterwards to see this material, it having been taken to our store at Langley. Of course, it would have had to be packed and taken to Langley, and would have had to be re-erected for them

* Note by witness: The Festival Office relied largely on the local authorities for advertising the visit of the Ship, and the expenditure on publicity could not readily be obtained.

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[Continued.]

to see what it looked like, and there would have been certain depreciation and also we have had the greatest difficulty in getting storage space. That was another thing. We were afraid, really, of three things, deterioration, lack of storage space and also, I must say, that we were very anxious indeed not to incur expenditure on security staff watching these valuable exhibits. The Festival Office, I must admit, pressed the Treasury to agree to this. I must also say the museums have not taken it lightly that the Parliamentary authority has not been obtained. We have approached some museums and offered things to them and they have said: "If we take this stuff and transport it to such and such a place, supposing Parliament refuses authority, we will have to send it back. Who is going to pay the transport costs?" And they have really taken it rather seriously. We have ourselves been so embarrassed by this lack of storage space that we have had to say in those circumstances: "If Parliament refuses authority, the Festival Office will certainly have to consider some relief".

562. This may be a hypothetical case; I do not suppose it will happen for a moment, but let us say, as things do often happen in the House, that somebody objected to these gifts being given. Who is going to be paid the cost of bringing them all the way back again?—All we have said to the museums is that we will consider sympathetically any claim they may make because it would have cost us more, really, to store these things and provide security staff. There is the risk of fire, and once the goods have been taken down from the South Bank, put into our store at Langley, re-erected for museums to see, re-stored again while the museums go to their Governors and come back, and so on, a considerable time might have elapsed. We are under very strong pressure to get out of the stores as a matter of fact, and also in a few cases where we have taken the stuff to Langley, having taken it down from the South Bank, we find the deterioration is very considerable. It loses its attraction if it is handled and taken away and put in cases, and so on.

563. So, really, in your opinion it was a very small risk to take, so far as finance was concerned, to let these things go and risk no permission coming from the House and having to bring them back again. It would have cost less to do that than the ultimate expense you would have been put to if you had held it up. That is the whole point?—I think I should say that the Festival Office felt it would have been an uneconomical proposition, and we might even, if the House had refused permission, have found within our restricted budget the money necessary to bring the things back to the store and sell them. (Mr. Milner-Barry.) May I say again, Sir, in case I

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did not make myself quite clear before, that we do fully appreciate the point which you made about this, and that it was only in these very exceptional circumstances that we agreed to it. We would not anticipate Parliamentary authority lightly in a matter of this kind.

Chairman.] Thank you.

Mr. Peter Roberts.

564. I wanted to ask two questions, the first one reverting again to this question of advertisement charges and your theory that if you had not charged them, the loss would have been greater. First of all, was it a question of policy that advertisements should or should not be charged, or money should or should not be made where possible?—(Mr. Campbell.) We were under obligation in the Festival Office to obtain as much revenue as we could, provided, of course, that it was in accordance with the aims of the Festival.

565. Then, who was responsible for drawing up a booklet without any advertisements in it at all?—The first text we received of 160 pages was, indeed, regarded by the people who drew it up as the minimum in which they could tell the story of this Exhibition, and it was from that point onwards that we started with 160 pages.

566. Whose responsibility would that be to draw up a document with 160 pages without any advertisements in?—It was not quite done like that. We decided, first of all, that we would ask the people who were concerned in the Exhibition, the people in charge of the theme of the Exhibition, to describe as simply as they could for visitors coming to that Exhibition the theme of this Exhibition, and they provided text which would have needed 160 pages. We went through that and said to ourselves, in examining it, that this story, brilliant as it was in parts, 160 pages of it, would, we thought, have been a little too much for the public to have taken. At that time we did, indeed, consider—

567. When was "that time", what date are we discussing now?—We are discussing now, early 1950.

568. Then, why was it considered unnecessary to call in one of the many advertising managers or experts who could have assisted you in drawing up an advertisement campaign or selling or leasing space to the people?—We did, in fact, employ agents.

569. I understood that you said here somewhere that that was not done. Is not that right? Did not you say somewhere that at one time there was not any assistance given? I think it came out in the evidence we had before. I am wrong, then, you did have somebody advising you about advertisements?—We had a firm which advised us and sold advertisements.

570. Advised and sold?—Yes.

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571. And got a commission?—Yes.

572. Advised you, sold and got a commission?—Yes, they advised us on the advertisements. They were only one of a number of people who gave us their advice on what the price should be.

573. That leads me to the next question: were there any tenders for advertisements, or was it farmed out by the agent whom you employed?—It was farmed out by the agent whom we employed.

574. Did he choose the people who would give advertisements?—It was announced in the general Press and in the trade Press that there would be 480 pages of advertisement in various publications of the Festival, and people were invited to apply to our agent. So far as the South Bank was concerned it was first come, first served, very largely.

575. First come, first served? You see, we are talking now about these 64 pages, I think it is, in the South Bank book which were only charged at £750, and earlier on this afternoon I rather got the impression that you say you might have met some difficulty in providing advertisements at all, but that is not likely to be so, is it?—Not for the South Bank.

576. In fact, people would have fallen over themselves to get advertisements placed for £750 for the South Bank?—I must say it was not done quite so easily as that. We tried to sell 480 pages of advertisement in all—

577. I am talking of the South Bank?—Yes, there were 64 pages.

578. Was there any question of offering this out to people who would pay the highest price?—No, we laid down the price.

579. That would be normal commercial practice, would not it?—I am told not; I am not experienced in these things, but I am told that one sells space in a newspaper at a certain price and in a catalogue at a certain price.

580. Who were the people who advised you on this matter? Various people advised you on this matter?—Various people advised us on the price.

581. You employed a firm, you said?—We employed a firm to sell, and before we sold they gave us advice as to what the maximum price should be. Sir Gerald Barry, who was, of course, the editor of the "News Chronicle" took advice in Fleet Street and other people gave advice, and the estimates they gave us varied from £500 to £1,000 a page. We chose £750 as the economic price, bearing in mind that we had to sell advertisements quickly.

582. You say you were advised by some firm on this. Which was the firm which advised you?—I am sorry, I am not making this clear. Adprint Ltd. sold the advertisements for us.

583. Adprints? Are they well known advertisement people?—They are one of the few people who were prepared to do the work at all.

Mr. Peter Roberts.] I imagine most people would have been anxious.

Chairman.

584. May I suggest we put it by questions? We are getting into a cross-argument. It is really more convenient that we should put direct questions to the witness. I am sorry to have interrupted, but I thought we were getting a little confused?—May I say, it was not a question of finding somebody to sell 64 pages in the South Bank Guide, it was a question of finding somebody to sell 480 pages of advertisements in a number of publications. As I say, we sold 383 in publications instead of 480. Anyone, I think, could have sold 64 pages of advertisements in the South Bank Guide with a run of 2,000,000 copies. If so, and if we had taken someone to do that only, then we would have had to find some other people to sell the advertisements in the less attractive publications, Kelvin Hall, the Ship, and so on, and in the catalogue where it was not such an attractive proposition: the print orders were not nearly so large, of course. We approached, I think, six firms that were known to people as firms that sold advertisements. We approached one of the biggest groups who refused to look at it at all, and said: "You cannot sell some of this at the price you are asking for it and you cannot in the time sell anything like this number of pages of advertisements". Adprints were willing to do it, one of the few firms willing to do it, and quoted terms which were regarded as reasonable. They were much lower terms than some other firms had offered. They were prepared to get special staff—at least, to allocate special staff to do it—and to make a special job of trying to sell these pages.

Mr. Peter Roberts.

585. Adprints were the lowest tender, so to speak, of the people you asked?—Yes.

586. How many firms do you say you asked?—We asked six big groups—five big groups, plus Adprints.

587. The last point I want to ask about is referring back to the question of the Third Report. There is this suggestion that tenders were not asked for for contracts. What was the reason for the choice of the particular firms for their contracts?—I think this refers to two of the contractors there, obviously the two biggest contracts of all, for the construction of the buildings on the South Bank. We were faced with this position: the Concert Hall was being built by the London County Council and they had a contractor who was working on the Concert Hall. The river wall was being built by the London County Council and

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they had another contractor who was working on the river wall. The two contractors concerned were Costains and Holland, Hannen & Cubitt. We were advised by the London County Council, by the Ministry of Works and by our own people that if we brought in other contractors we would have difficulty in working space. It was a very congested site and it is only those two contracts, which are very large contracts, where we had no competition. In fact, we had competition in practically everything else. We had something like 11,000 contracts placed and apart from such specialised work as designs and so on where you cannot have competition among designers and artists, there were less than 100 where we had no competition.

588. Were any of the big contractors asked to entertain tenders at all, even at the very beginning?—These two big firms, Costains and Holland, Hannen & Cubitts were the only two firms who were approached for this building work.

589. What about the renters? This is opposite page 9 of the Third Report. Various people rented sites from whom rent is due. How were they chosen? In other words, how did you get the people to take up the sites? Were they again tendered for, or how were they chosen?—There was no sale of sites.

590. How did you get your lessees?—There were no lessees in that sense at all. There were concessionaires who sold ice cream and things like that.

591. How were they obtained?—We advertised in the trade Press, and it was made plain—the best tender in each case.

592. How is it some of them have gone into liquidation, as apparently it is suggested?—I am not quite clear what is referred to?

593. This is opposite page 9 of the Third Report, the Treasury Minute on paragraphs 38 to 42. Am I right in thinking that there are no moneys due from people who took concessions?—Yes, there is one firm which is unable to meet its debts at the moment, and there may be an arrangement which will have to be entered into. That is a matter which is under discussion with the Treasury Solicitor. There is another firm, a catering firm, which owes us certain money and has a counterclaim against us. There is one firm in Scotland which has gone into liquidation, but there they have a claim against us which we have rejected. The only two firms that have not paid up the money they owe us are these two, the firm of caterers with whom we expect to make an arrangement, and the other firm with whom we are at present in discussion.

594. So that the amount is not very large, anyway?—One of the amounts is very large indeed. The firm claims that we did, in fact, frustrate them carrying out the contract.

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595. That is the claim against the company. Has anybody gone into liquidation whom you have claims against?—Yes, one firm has, and our claim is about £7,000.

Chairman.

596. About £7,000?—That particular one, yes. The other one has a counterclaim by the firm against us for frustrating their contract, and we are claiming quite a large sum from them as their commission on catering. That one is at present under discussion.

Mr. David Jones.

597. Most of the questions that I wanted to ask have been answered, but I am not quite clear about this conspiracy for admission. I am not quite sure that it could not have been broken up much more easily. I am a bit disturbed when Mr. Campbell says that to shift turnstile operators from one turnstile to another would be to reduce efficiency. Were not the turnstiles all of standard type?—No, they were not all the same. I do not think they were of standard type, as a matter of fact. I am no expert in this, but even if they had been I am told that there is an advantage in keeping a man on a particular turnstile and his getting used to handling it. I do not know whether that is so or not, but it was suggested at an early stage that we should shift them round week by week. We were advised that this would be a mistake that we should keep them for a certain time to get used to the particular turnstile. I do not know whether that is true or not; it was the advice given to the administrators.

598. When you shifted them round, did you shift them round in groups? It seems to me from the fact that four people were operating together and it was possible by combining one with the other to defraud the authorities, as I understand your system it would not be difficult because all the receiver of the tickets had to do was not to pass the tickets into the box but get them back to the place where they were being sold and resell them. It would seem to me that by breaking up those gangs day by day it would have been possible to have avoided that by not keeping the same four people together for more than one day at a time. You could shift the turnstile operators one way and the collectors the other and not keep them together?—They were not moved as a group, they were split up in different places. The supervisor, the cash girl, and so on, were split up. They were not taken from one entrance and put on another. I must say that had we expected or had been, of course, prepared for a conspiracy, I daresay we would have done something else. If we had expected a conspiracy, I think, quite frankly, what we would have done would be to get better paid staff who would not have gone into a conspiracy.

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599. Not expecting, so much as anticipating. If you have any experience of railway ticket collectors you would anticipate something?—The girl in the cash desk is under supervision; that is one stage. The turnstile-man, seeing somebody go to the cash desk, see that the machine clicks, and if it does not and he is an honest man, he reports that. The turnstile-man gets the ticket, and if he is an honest man he glances at the ticket and sees that it is in series, more or less, and then the checker checks the tickets. That does not mean, I think, that we were lax in our supervision. All I think it means is that probably we had not thought that there were going to be gangs of conspirators. It may be that if we had had some experience of railways, as you say, we might have known that conspirators turn up, even in exhibitions. At one time I thought that our checks were taking up too much staff.

Chairman.

600. What you mean, Mr. Campbell, I suppose, is that you ignored the fact of original sin?—No, Sir, we thought the prestige of the Exhibition would keep them in order.

Chairman.] That seems, logically, to have been very unsound.

Mr. Bossom.

601. There were two main contractors, I believe, employed by the London County Council at the South Bank?—Yes.

602. You say you were advised that it would be undesirable to get other contractors on the job?—Yes. I should explain that it was a small site and a congested site where there were two major operations going on. There was the construction of the Concert Hall, which was a £2 million job, the construction of the river wall, which was an urgent job which must be done within a certain time and also the War Office were bringing over the Bailey Bridge. They all needed working space and we were advised that if we brought in still further contractors, with Holland, Hannen & Cubitts already working there and Costains working there and with the soldiers working on the bridge, there would have been trouble. We brought in a third contractor, Kirk & Kirk. That was competitive, of course, and it happened that there was a small corner where the firm could work by themselves. All the other construction affected the working space of contractors already there. Right in the middle of the downstream operation you had the Concert Hall. We were building round about the Concert Hall, and we were told the same contractors must be brought in there. On the downstream site the contractors were working on the river wall and they required working space along the river where we were building or about to build. The advice given to us was that we would be storing up trouble for ourselves

by introducing other contractors. We already had four contractors there—Costains, Holland, Hannen, Kirk & Kirk (who, as I said, got it by competition) and the soldiers building the bridge, and if we had brought in other contractors we should have confusion in working on such a congested site.

603. You know it is the fact that general contractors do not do work themselves, they sub-contract practically everything?—Yes.

604. Did they get competition for their sub-contracts?—Oh, yes.

605. In that case you were getting other contractors on the job anyhow?—Yes, under the supervision of the general contractor.

606. What difference did it make? The general contractor has one shed, that is all he needs to have on a job that size, and the sub-contractors have all the sheds all over the place, and, apparently, you do an unusual procedure. On large undertakings you always get competition. I speak with a certain amount of experience on this subject, and you then invite the general contractors to get their orders and then afterwards they sublet, probably to up to 32 trades which may go on to a big job. Now, it does not matter who it is, the general contractor is the man who gets the competitive figure. Apparently you eliminated that competitive figure by the procedure you followed?—You say the general contractors do not normally do much work. In this case they did a large amount of the work, and 34 per cent. is the figure I am given for the sub-contracts, almost all of which was competitive. The rest was direct work by the general contractors.

607. Have you got any figures on that subject as to what the other remaining 66 per cent. consisted of, because general contractors, Costains and Holland, Hannen & Cubitts, do not do work themselves, they sub-contract it? That is their usual procedure?—I am sorry, I have not any particulars, but I will work them out. A very large part of it was foundation work, concrete work, excavation and so on. I gather that Costain and Holland Hannen & Cubitt were doing this work direct and the information I have is that the sub-contracting they did was 34 per cent. only.

608. That is an unusual proportion on a job of that size. Usually you find even when they are doing their own foundation work and brickwork and that type of thing, it would be probably not more than 30 or 35 per cent. That would be the average, so, in other words, there is this again that it is an unusual procedure. I was not here in the beginning to hear other questions that Members have asked, but it does seem to me quite unusual to handle it in this way?—I am advised, Sir, that that is the position. I must say it never crossed

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my mind to ask anything about this; I am not a technician myself. The information given to me, as I say, is that they did direct work and that 34 per cent. was sub-contracted work and of that 34 per cent. it was all competitive with the exception of some very small amount of money.

609. Who advised you that this was a good procedure? Have you any advice?

Chairman.] I think Mr. Campbell has already told us.

Mr. Bossom.] I apologise if the question has already been asked.

Chairman.

610. I understood you to say that you had taken advice from the London County Council?—Yes.

611. From the Ministry of Works and your own technicians?—Yes. Freeman, Fox & Partners were the supervising engineers who advised us, also our own technicians. There were really four groups.

Mr. Bossom.] Actually, I was an employee of the London County Council when they abandoned that very procedure, and that is some years ago. Thank you very much.

TREASURY MINUTE ON PARAGRAPHS 18-24 and 26 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1951.

TREASURY MINUTE ON PARAGRAPHS 1-19 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1951.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS IV.

VOTE 13.

FESTIVAL OF BRITAIN, 1951.

Lieut.-General Sir CHARLES KING, K.B.E., C.B., Chairman of the Festival Gardens Company Limited, called in and examined.

Chairman.

612. May I start off with some questions of my own? The first question I want to take up is on the Treasury Minute on the Third Report of the Public Accounts Committee, and I want to ask the Treasury a question. I would like to ask, in respect of the last sentence of your Minute, whether you are in a position now to comment further in the light of the information which has come to you since the date of the Minute. That is paragraphs 18 to 24 and 26, the very short note on the Festival Gardens?—(Mr. Milner-Barry.) Yes. There is, I think, quite a lot we could say, but I am not sure on what specific points you would like me to answer.

Chairman.

613. In this Minute you have merely said that, no doubt, this will be considered by the Public Accounts Committee in the future. That is perfectly true, but I just wondered if in the interval there was anything else you thought we ought to know, or if there are any views of the Treasury?—I think, Sir, that probably all the points will arise with our comments on them in the course of the evidence and that, perhaps, might be more convenient. I do not think there are any preliminary observations.

614. May I take you, then, to the Fourth Report, and again I have a number of questions to ask the Treasury. I am not concerned immediately with the Treasury

Minute on paragraphs 9 and 10. This is really on Treasury control. Mr. Milner-Barry, the Board of Festival Gardens Ltd., I believe, included four representatives of the Festival Office?—Yes, including the Director-General of the Festival and the Finance Officer of the Festival Office.

615. Were the responsibilities of those officers to the Festival Office or to the Treasury exactly defined?—Whether the responsibilities of these officers—?

616. To the Festival Office or to the Treasury were exactly defined?—No, I do not think so. I think their responsibilities were the responsibilities of Members of the Board of the Company.

617. Would it be correct to say that they were departmental nominees whom the Treasury would reasonably recognise could provide a safeguard on the expenditure of public funds?—(Mrs. Johnstone.) Yes, they were expected to use their common sense. They were to act primarily as Members of the Board, but also to bear in mind their other capacity.

618. Were these nominees expected to report to the Treasury direct?—(Mr. Milner-Barry.) No. (Mrs. Johnstone.) Not to the Treasury. To the Lord President then the Minister of Works, and subsequently the Lord Privy Seal as Minister responsible for the Festival.

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[Continued.]

619. These nominees had a duty to go to the Minister on matters concerning Festival Gardens?—If there was anything they felt he ought to know.

620. The Public Accounts Committee last year in paragraph 14 of their Fourth Report assumed that if there had been a Treasury representative on the Board of the Company, the Treasury would, at least, have had advance warning of the excess expenditure of the Company. That is the assumption there?—(Mr. Milner-Barry.) Yes.

621. How was it that the Festival Office representatives failed to provide such a warning?—I think, really, the answer, Sir is that the Board as a whole did not fully realise what the position was.

622. Perhaps I could come back to that later then. Was any Member of the Board made specially responsible for watching its financial position?—There was a Finance and General Purposes Committee of the Board and I certainly think it is fair to say that we were in close touch throughout with Mr. Campbell, the Finance Officer of the Festival Office, on all those matters, and he was also, of course a Member of the Board.

623. In Command Paper No. 8277 Mr. Butler severely criticised, in pages 1 and 2 of the Report, the plan and organisation of the Festival Gardens Company. I would like to have any views the Treasury have, or anything they can tell us, about the steps they took to satisfy themselves that the Exchequer could safely make large loans to the Company?—I think, first of all, we have to remember that the idea of setting up a separate company was done as a deliberate act of policy, that the Government should not be too directly concerned in running this particular part of the Festival. So, the idea was to set up an independent company with a strong board which we thought would be the best guarantee that our money would be reasonably looked after. That was the first presumption, and the second assumption was that the loan agreement which was made with the Company would be drawn up in such a way as to give, so far as one could reasonably foresee, adequate control and adequate certainty that over-spending would not take place without the responsible Ministers becoming aware of it.

624. If we take the responsible Ministers I think there have been four of them. We started with the Lord President, then we had the Minister of Works, then we had the Lord Privy Seal, and then later we had the Minister of Works again?—Yes.

625. Were the relations of the company to these Ministers and to the Festival Office and to the Treasury at all clearly defined or did you rely absolutely on the fact that you had what you regarded as a high-

powered Board?—(Mrs. Johnstone.) The relations between the Company and the Minister were defined in the loan agreement.

626. In the loan agreement? Can you say anything on that, Mr. Campbell?—(Mr. Campbell.) Well, Sir, I am not the spokesman for the company but I think I should say in fairness that the company, of course, did communicate direct to the Minister. The company did not communicate with the Festival Office.

626A. Again, Mr. Milner-Barry, the Board was reconstituted early this year and, as I understand it, the position is that when Sir Gerald Barry leaves, if he has not already left, Mr. Campbell will be the only departmental nominee left, is that right?—(Mr. Milner-Barry.) Yes, that is correct.

627. Now, perhaps I can ask Mr. Campbell a few questions. You share the collective responsibility of the directors for the effective supervision of the company in accordance with its articles of association in the ordinary way, but have you any additional duties or responsibilities apart from that?—(Mr. Campbell.) No, I am a little embarrassed on this, Mr. Chairman, because I am not the spokesman for the company. I am answering as a director of the company.

628. May I make myself plain: I am not at the moment concerned with the spokesman of the company, I am at the moment concerned with the Treasury Minute concerning the whole business of Treasury control, and having heard from Mr. Milner-Barry his side of it, I now want to see how this is going to work out in future, since you will be the only Treasury nominee left on the Board of the Company?—(Mr. Milner-Barry.) Not a Treasury nominee, with respect, Sir.

629. Then, correct me. Tell me what is the position?—I suppose, the only civil servant remaining on the Board, but responsible to the Minister of Works, not to the Treasury.

630. Who, in fact, appoints Mr. Campbell?—The Minister of Works appoints him.

631. I think Mr. Campbell would be a departmental nominee, at any rate, if not a Treasury nominee, in the sense of paragraph 9 of your Minute?—Yes, I think that is so.

632. Again, I then come back to Mr. Campbell. If I understood you aright, you said you had no additional duties or responsibilities other than those that a director would have in the ordinary course?—(Mr. Campbell.) No additional duties. I have the responsibility to report to the Minister of Works if the company is doing anything that I feel should be brought to the Minister's attention, but it is as wide as that. And that is an instruction that I have

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received quite recently, since the Board was reconstituted.

633. Are you satisfied that under the present organisation of the Company the information you get as a director regarding the financial side and management of the Company is sufficiently up to date, regular and detailed, to enable you to have knowledge of any tendency which might run counter to Government policy or to the discharge of the loan responsibilities?—Well, Sir, that is rather a difficult question. Sir Charles King and I have recently been discussing the form of information which should come to the Board, and I think Sir Charles agrees with me that some new method of presenting the financial information to the Board is probably desirable.

634. Perhaps I might take that up in a minute. May I take it that you are satisfied that you are in a position to inform yourself regarding the efficiency of the overall system of financial control if you wanted to do so? You are in a position as a director sufficiently to inform yourself really to know, as I say, if things are going wrong or not going in the direction of policy that Ministers require?—This is a little difficult at this particular time. I am, of course, in the Festival Office, aware of a great deal that goes on in the Festival Office and on the finances of the Festival Office, of course, I am briefed week by week. In the Festival Gardens Company I have not the information that I have in the Festival Office, but I have explained to the Minister that if the other members of the Board, who are much more experienced than I am in the running of private companies, are satisfied with the information that is given to the Board, I would feel I should not be more demanding than more experienced members of the Board. I must say that in the Festival Office the information I get is of the kind that one would expect me to have from the Festival Gardens Company. I spend my time in the Festival Office; I appear in the Festival Gardens Company for a couple of hours once every two weeks. But I have expressed the view to the Minister that if other members of the Board are satisfied with the financial information they are getting, I feel it would not be proper for me to say that I am not satisfied with the financial information.

635. Are your duties and responsibilities in relation to the Festival Gardens laid down at all precisely?—Not precisely. I have had a letter from the Minister but it does not lay down duties precisely. It says very little more than that I act as an ordinary Member of the Board with the responsibilities that any Member of the Board would have and that if I am aware of anything I feel should be brought to his attention, it is my duty to bring it to his attention.

636. Is there any reason why that statement should not be made available to us?—I think I should have to consult my Minister on that.

Chairman.] It seems to me, looked at in general terms, that it is significant.

Mr. Benson.

637. May I intervene on that, Sir? Did I understand you to say that, before you gave your answer, you would have to consult your Minister?—Yes.

Mr. Benson.] I am not sure that that constitutional position is correct, Sir. A Minister has no power whatsoever to withhold relevant information from this Committee.

Chairman.] I think you are right, Mr. Benson.

Mr. Benson.] We have had this position out before. I think, Sir, you should press your question.

Chairman.

638. Of course, Mr. Campbell has already quoted, as I gather, from that document which purports to set out his duties. I think, then, we will just leave it that we would like you to put that document in, Mr. Campbell?—Yes, Sir.*

639. Now, Mr. Milner-Barry, in view of what Mr. Campbell has said, are you satisfied that he is really in a position to safeguard the Government policy and the loan responsibilities of the Company to the extent to which he has told us?—(Mr. *Milner-Barry.*) I should find it very difficult to say "Yes" to that, I think, Sir.

640. May I put it this way to you: if a bank puts somebody on to the board of a company because the company owes the bank a lot of money, the bank in the ordinary sense does expect not merely that its nominee shall do the ordinary job of a director, but also to inform the bank precisely what is going on and, indeed, in the ordinary way would report back to the bank if the bank was involved. What I would like to ask you is, whether you would agree that it is really desirable that if there is a departmental nominee, he should occupy some such position and that his relationship to the money-providing body—in this case the Treasury, or the Department—should be made explicit and clear?—I would think it was desirable, yes.

641. Now, Sir Charles, may I ask you a few questions. I am now going to the Appropriation Account, Class IV, Vote 13, and I am referring to paragraphs 46 and 47 of the Comptroller and Auditor General's Report. I want to start at paragraphs 46 and 47. The increase in the estimate from £1,625,000 given to the Committee last year to £2½ million given to the House

* Information supplied: not printed.

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shortly afterwards, was, as you know, investigated by Mr. Butler and his conclusions are set out in this Command Paper. As I have already said, Mr. Butler considered that the basic trouble lay in faulty structure of the company, and he also found, for other reasons, a considerable lack of control by the Board over the company's operation. The Board in their comment disclaim responsibility for the direct structure of the Company, and it looks as though they were not so informed of financial developments as they should have been by their officers and the technical officers. I appreciate, Sir Charles, that you did not join the Board until after the events which were investigated by Mr. Butler but I am sure that the Committee would be very glad to know whether there is anything that you can usefully add to the picture as presented by this document, you having come in after the event and, no doubt, having had to apply your mind a great deal to these events?—(Sir Charles King.) I actually joined the company while Mr. Butler was still investigating and, therefore, I had the benefit of discussions with him and he had discussions with me. I doubt if I can give anything generally useful, but if the Committee have some specific questions, I will do my best to answer them. The investigation, of course, is a very wide subject.

642. May I, then, ask you one or two detailed points? Before the main contract—this is referred to on page 9 of the Command Paper—was given to an outside construction company, were any enquiries made as to their experience and ability to carry out that contract?—Yes.

643. Can you tell me where the enquiries were directed? For example, was the Ministry of Works consulted?—I do not know that.

644. Does Mr. Campbell know?—(Mr. Campbell.) No, the Ministry of Works were not consulted. Enquiry was made by the quantity surveyors into the company.

645. Then, in the same document there is an interim report from Messrs. Peat, Marwick, Mitchell & Co., which is set out on pages 26 to 34 of this document. The accountants then had not been able to satisfy themselves as to whether all the material and labour charged for had been properly used on the contract. Have these accountants' investigations been completed yet?—(Sir Charles King.) The difficulty is, in my opinion, and I said so at the time, that the investigation by Peat, Marwick, Mitchell & Co. was likely to prove somewhat abortive. The investigation required then was very definitely a technical one by quantity surveyors, which I had set in motion even before Messrs. Peat, Marwick started their work. That technical investigation is still being carried on and there

is a very large volume of work before it is completed. Messrs. Peat, Marwick helped with that, and they are still helping when they can reasonably do so.

646. Does it mean, Sir Charles, that Peat, Marwick will in due course produce another report? I see that they call this their first report?—If they feel it necessary, and all information will be placed at their disposal.

647. The actual work that the company's quantity surveyors are carrying out is not yet completed?—That is part of the normal clearing of the contract. They have to investigate the amount of labour and the amount of material used to say that it is reasonable, and that, of course, is a very difficult thing to say after the work is finished.

648. But, in this document, in paragraphs 21, 22 (a) and 25, there are sundry references to the company's quantity surveyors producing a complete measurement of the work done, and so on. Is that the work to which you were referring?—Yes, that is what they are doing now.

649. That is not yet completed?—No, in the latest report they say they hope to finish it by the end of March.

650. Then, in paragraph 48 of the Comptroller and Auditor General's Report there is a short paragraph on the construction contract?—I have it.

651. Has the arbitration been completed?—No.

652. Have you any idea how long it is likely to be before it is?—It would be a very rash statement to make. I can report for the Committee's information how far it has got. I had intended to go to arbitration but I was anticipated by the contractor who applied for arbitration. After some two months he put an amended plea in and a fortnight ago he put in a re-amended plea. We have to reply to that and our reply was called for within three weeks from now and the first hearing will be at some subsequent date to that. The actual hearing, in my experience of arbitrations—which is a certain amount—will be six months, I should think. It is a long time, I am afraid, but there is an awful lot of detail to go into.

653. There are just two other questions which I would like to ask you. First, on paragraph 50, on the financial position of the company, are the audited accounts for the calendar year 1951 available, or when will they be available?—They are not yet finished.

654. Have you any idea when they will be?—We hope, in about a month.

655. The final question really harks back to the series of questions I asked earlier.

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The company is now, and in the future, primarily concerned with the operation of the Gardens instead of their construction. Are you yourself now satisfied that the financial control of the company is adequate to its work?—I consider I am personally responsible for that. I do not contend it is perfect yet, but we hope to have it so in the course of the next month. We have been working very hard on it.

656. Is it possible for you to say anything in general about the future financial prospects of the company?—Last September when I had to put in my proposals, I divided them into two stages. One is the expenditure for running it, the operational expenditure, on which I think we are fairly accurate, and the other side of the book, of course, is revenue, and that is, of course, a guess as to whether it is going to be fine weather or not. Anybody can guess it. I actually based my estimate on half the number attending, and I have been fortified in that figure by some of our concessionaires with their provisional contracts willing to go up to 50 per cent. They are rather more optimistic than I am. Assuming that is so, in the report I said we cannot lose money in the next two years if we keep open. Beyond that I am not prepared to go in actual figures

Chairman.] Thank you very much.

Mr. Peter Roberts.

657. What rate of depreciation are you working on when you say you cannot lose money in the next two years?—The amount of depreciation, and the income tax situation comes into this, was fixed when it was decided to keep the Gardens open for only one year. It was decided no income tax would be chargeable and it is still under consideration by the Board of Inland Revenue.

658. What about writing off the capital cost?—Our claim is that it should be written off over the statutory life of the Gardens. It has not been accepted yet by the Inland Revenue.

659. That is what?—Five years, with a possible re-consideration at two, which makes it difficult for us to estimate.

660. Does it mean that you still have five years depreciation, or two years depreciation?—My statement very clearly said, omitting the final deduction of income tax and depreciation, which we have not got. That is an unknown factor which I did not allow for.

661. Assuming for a moment we accept the five years figure as being possibly the most likely, and then you divide your capital expenditure by 5 and allow that each year, what do you think then?—We could cover it provided they do not charge

us income tax on the profits, but that is the proviso which is still very uncertain.

662. The other point I want to get clear is on the arbitration to which you referred on the position of the contract as it now is after the various letters which passed between the parties, which are set out in Appendix 1 of the documents relating to Festival Gardens Limited?—The arbitration—and I ask your assistance, Sir—is, I am told, *sub judice*, and I do not want to be rash in making any comments.

Chairman.

663. May I explain that anything you say today is unlikely to be available to anybody outside this Committee for some time to come?—The arbitration, then, has two main parts; one is, what is the actual contract and, secondly, what is the financial effect of applying that contract.

Mr. Peter Roberts.

664. You are not accepting the position as set out in this letter, of cost plus?—I am not, no, definitely not.

Chairman.

665. In fact, that is the point at issue?—That is the point.

Mr. Peter Roberts.

666. That is what I wanted to know?—I contend that the claim is absolutely invalid.

Mr. Cuthbert.

667. I only want to clear one thing in my mind. This is on Treasury control. Last year we did raise the question of nominees on an organisation such as this as this paragraph vi on page 5 does tell us, and the answer from the Treasury was that it was their experience that the appointment was of doubtful value. I want to ask Mr. Milner-Barry this: you really have changed your opinion about that. In view of what the Chairman did say in his remarks, you do realise that a nominee from the Treasury has got a specific responsibility to the Minister through the Treasury and that you consider it is of value now?—(Mr. Milner-Barry.) No, Sir, I do not think that was the question which the Chairman put to me. Our views generally about the question of Treasury nominees and Departmental nominees are set out in the Treasury Minute, paragraphs 9 and 10, and they stand. I do not think I have quite got your point.

668. I am not talking about Departmental employees at all, or civil servants, but the nominee who was and is appointed by the Treasury, Mr. Campbell, for instance, but he has not got specific powers at the moment?—No.

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669. The Chairman did point out to you that he has not only the ordinary duties of a director of the organisation, but has, or should have, the specific duty as a nominee from the Treasury to yourselves and then to the Minister?—Yes. May I put it like this: I agree that if there were a Treasury nominee, if it were desirable that there should be one, then he would have to have specific duties of that kind, but that is one of the difficulties about it, I think.

670. Why should not he have these specific duties?—Also, may I explain again that Mr. Campbell is not a Treasury nominee and was not appointed as such. He was appointed by the Minister of Works. We would consider it wrong that where his Department is responsible, a Treasury nominee should be put in with a conflicting responsibility which would be direct to the Treasury. That could simply put us at cross-purposes with the Department which is responsible for the body.

671. What I am getting at, Mr. Chairman, is what I think you had at the back of your mind. We want some link, shall I say, between the organisation and the Treasury to avoid what has happened in the past, the enormous over-spending that is going on. If you had a nominee from the Treasury on the Board of this organisation it would be his specific duty—we will call it that—to keep the Treasury posted as to how the finance is being done and whether it is over-spent or not. That is what we are trying to get at?—On the broad question, the point the Committee is seeking to cover, I need not say we considered this very carefully indeed in the light of what happened in this case and others in connection with the Treasury Minute when we wrote it: we tried to put ourselves into the way of thinking whether, in fact, it would have worked to have had a Treasury nominee in this particular case. It is a frightfully difficult question to answer, but on the whole we do not see any reason to suppose that we should have avoided what actually occurred. We think the causes are quite different. (Sir Charles King.) Mr. Chairman, might I say something on that?

Chairman.

672. Yes?—I would like to say that, whatever Treasury nominee or civil servant with any directive sits on the Board, I should not consider myself relieved in any way of any financial responsibility in any sort of respect.

673. No, I entirely agree, and I am sure you would agree with me that that is the responsibility of anybody who is on a Board of Directors. The only question, really, was whether there is a special function for anyone who represents the interests that are putting up the money, not in relation to the Board, but in relation to his Minister

or the Treasury, as the case may be?—I would like to add that, in relation to the shareholders, who are the Treasury, I consider myself fully responsible financially and I accept that responsibility without any hesitation.

Mr. Cuthbert.] We are talking of the past, and how we could avoid anything like this happening again.

Mr. Bossom.

674. In the light of the experience which has been gained now is there a regular report on the financial situation, say every month, submitted to the Treasury?—To the Board, not to the Treasury by me.

675. Does the Board forward that on to the Treasury or to the Minister responsible?—I do not send it to the Treasury or to the Minister.

676. In other words, you do not think there is any direct information passed month by month to the Minister responsible or to the Treasury of what is actually taking place?—Not direct from the Company Office, no.

677. Would it be desirable, do you think?—The Treasury can have it, there is no question of that.

Chairman.

678. May I just interrupt to make this clear: neither the Treasury nor the Ministry of Works have asked, nor is it their wish, that they should have one?—They have not asked me for it.

Mr. Bossom.

679. In ordinary business you probably would do that, but in this case it has not been asked, so, therefore, it is not being done?—Not by the Company organisation.

Chairman.

680. May I interrupt again and ask Mr. Milner-Barry: as I understand the attitude of the Treasury it is that not merely has it not been asked for, but it is not desirable that it should be asked for?—(Mr. Milner-Barry.) Not, I should have thought, by the Treasury, no.

Chairman.

681. And you are in no position to speak for the Minister of Works?—No.

Mr. Bossom.

682. In other words, the Treasury does not think it is necessary or desirable to have a report at regular intervals as to the situation?—I should have thought in this particular case it was very desirable, yes, that there should be the closest possible relationship between the Board and the Minister of Works. I should have thought that was absolutely essential.

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683. It seems normal, Sir, I should have thought. Now, there are a certain amount of repairs and maintenance being done, it has to be done, of course. I was an architect for a great number of years and I went over to see it, and I would like to know how are those contracts let now; are they let by cost plus?—(Sir Charles King.) No cost plus, all open competition by schedules or fixed prices.

684. I am very glad to hear that. Have you made any estimate of what it will cost to clear the site and turn it back at the end of five years?—No.

685. That will have to be included in the liquidation of indebtedness in five years?—Yes, the original estimate is still maintained, £80,000, I think; that is purely a token figure. It depends entirely on what the L.C.C. agree to take over. They may like to take over these artificial ponds, which will make a very big difference to the cost of demolition, naturally.

686. In other words, it is still in the same position as it was originally, but there is an understanding that within the five years you will liquidate the situation if it carries on for that period?—Yes.

687. You have got a token figure for one very considerable item which you assume to be right, and you cannot estimate what it is exactly because you do not know the L.C.C.'s ideas?—No, it requires a lot of negotiation with the L.C.C. before we even start to cost it.

688. Was any monthly or quarterly report ever submitted while the work was going on in the early stages, Mr. Campbell, do you know that?—(Mr. Campbell.) Yes, Sir. Reports were furnished to the Board and to the Finance Committee. I may say that both the Finance Committee and the Board thought that these reports did show a favourable state of affairs, and as Sir Henry French explained when he was at this Committee last year, of course, it was a great shock to everyone that the reports turned out to be unreasonably optimistic, or something of the sort.

689. Would not it have been a great advantage? We should not have had the surprise that we did have downstairs, that one day we had one report and within about a week there was another very large demand for a further amount of money on a very considerable scale. Would not that have been avoided; we would have been warned in advance if we had had regular reports, if they had been given to someone?—I am not quite clear in what capacity I am speaking now, Festival Office or Festival Gardens, because there is a difference now.

Chairman.] On this particular question, strictly speaking, if an answer is to be given, it does not have to be given by

you, it has to be given by Sir Charles, I think. Although you are a Member of the Board I think we have Sir Charles here to answer specifically for the work of the Festival Gardens Company, although, sometimes, that means asking questions about the period before Sir Charles was actually on the Board. I think it is for you really to put your question to Sir Charles, not to Mr. Campbell.

Mr. Bossom.

690. Having had that surprise that we did have, everybody in the House felt the same way about it, they were surprised when they had this sudden demand for more money. Having had that, do not you think now it is more desirable for the sake of the company that they should themselves see that a report is given every month to the Treasury, so that the Treasury does know what is going on, in order that no more sudden surprises should take place?—(Sir Charles King.) In my opinion, I do not think it is necessary, but if the Treasury want it, of course, they can have it.

Chairman.

691. May I just put a variant of that. It looks as if in the early stages not enough information was coming to the Board, or in not proper form. I understood—perhaps you can confirm—from what you said earlier that you are now satisfied that you have really got this in a state where the Board is in a position to have a proper understanding and to pass a proper judgment?—That is so, yes. The financial control, if I may get on to this, which is rather a hobby-horse of mine, starts much earlier on, and it starts at what we are doing now, and that is a budget. Each Departmental Officer is told how many men he can employ, how much he can pay for them, what he can buy and what he cannot. Once the bill comes in, unless we repudiate the bargain entirely, it is almost an automatic thing. The detail is forwarded and now it will all go to the Board, in the next month, and if any Executive exceeds his budget he is responsible straight away. That will come regularly to the Board and that is what I consider the true financial control to stop excesses happening.

Mr. Bossom.

692. You have no definite, regular liaison between the Board and the Treasury other than as the Treasury request?—I have absolutely nothing to do with the Treasury, in actual fact.

693. We are asking for information, we do not know?—I have none at all. I see the Minister of Works regularly, if he thinks it necessary, and I have a certain

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amount of correspondence with his staff. If he considers this regular course necessary it is all there. It comes to the Board, anyway, and he can have a copy. It is only a matter of typing another copy, and there is nothing in it, but they have not asked for it and I feel it is not necessary because I think I am sufficiently responsible to carry out his desires and wishes.

Mr. Douglas Marshall.

694. I have only one or two questions, because already the Committee has fairly exhaustively dealt with these matters. What is the Board at the present moment; what does it consist of?—Who are they, the actual names?

695. The actual names; I have got down here, of course, some of them who no longer apply?—The Managing Director, Major Joseph, Sir Gerald Barry is on the Board, the two L.C.C. representatives, Mr. Hayward, the Leader of the L.C.C. and Alderman Daines, who is the head of the Finance Committee.

696. He is new?—No, Alderman Daines is not a new Member.

697. It does not mention him?—The two new Members are Mrs. Whitney—her stage name is Adrienne Allen, I think, a very charming and useful Member—and Mr. Pears, a partner of Cooper Brothers. Those are the two new Members, and that is all the Board.

698. I asked that for this reason, that the list I have got here is incorrect, and so that we have it down. I, rather like my colleagues over this question of the nominees of the Treasury, fully understand your view and share the view that anyone carrying out what you are doing feels not only that he is completely responsible but, perhaps, that there is no necessity for further information, but the last Committee did put to the Treasury the view that their nominee should be there, and on the interchange of questions that has come I am still not clear whether the Treasury is against that or not. I am still not clear on that point?—(Mr. Milner-Barry.) May I, first of all, take the general point. On that the views of the Treasury are set out in the Treasury Minute, in paragraphs 9 and 10, and as you will see, and for the reasons which are there set out, on the whole we do not think that the idea of a Treasury or Departmental nominee is necessarily a good thing because it does rather tend to blur the responsibilities. I could go into that at more length, but I rather gathered it is your wish, Sir, that we should not take this as a general question.

Chairman.

699. May I just interpolate there; I think I might say to my colleagues that the general principle is one which we can take up if we wish when we have a special session devoted to Treasury witnesses. I am only concerned today, and I do not think we want to widen it, with the particular case of the Festival and the Festival Gardens?—Yes. May I address myself to that now, Sir. On that I think this is clearly a very exceptional case in that there is a very substantial and main Treasury interest to get back as much of the money which has been advanced as possible and, therefore, this is a case where the grounds for a specific Treasury or Departmental nominee are a great deal stronger than they would be in the more normal case. It has been decided that Mr. Campbell is, as it were, a Departmental nominee rather than the Treasury nominee. Whether there is a great deal of difference in what you call Mr. Campbell, I am not at all sure, because, you see, this is not a normal case in which you have a Department responsible and the Department in turn is responsible to the Treasury; in a sense the Ministry of Works is a residuary legatee, so the relationship of the Treasury is closer than it normally would be. I think the Minister of Works and ourselves in the Treasury have an almost equally close interest in what Mr. Campbell can tell us about the finances of the Company.

Mr. Douglas Marshall.

700. May I enlarge on that for one moment?—Does that help at all?

701. No. I fully realise the position of Mr. Campbell. I realise the question, and I think you have given a very good expression by "residuary legatee"; I think that rather defines it, but you go to great lengths in saying that that is to do with the Minister of Works. Mr. Campbell has already mentioned the Minister, and you have said it is a great deal stronger, I understand?—Yes.

702. But you have not answered the point, does the Treasury think that it would be a good thing to have a nominee or not?—The Treasury does not think it would be a good thing to have a Treasury nominee, and it has decided that.

703. It has decided against that?—Yes.

704. I am sorry, I was not clear on that?—I am very sorry if I have not been clear in my answer.

705. On page 9 of the documents relating to Festival Gardens I did not understand a sentence in the middle of the page about the placing of the contract: "The last three were excluded as they were thought

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[Continued.]

to be heavy builders, and it was decided to send invitations to the first three companies." I realise, Sir Charles, that this is before your time, so may I ask Mr. Milner-Barry? Can Mr. Milner-Barry explain those words?—(Sir Charles King.) I can explain it on a technical matter. "Heavy builders" is, perhaps, a rather untechnical term to use. We might say, heavy engineering building. McAlpine will build a bridge over the Thames, therefore they might have been thought not to be quite suitable for building a fairy pagoda.

706. But they built Grosvenor House as well?—That is what we mean by that. They are more contractors for very heavy work with very heavy plant than they are for the sort of work in Festival Gardens. That is what is meant by that expression. I do not know, as an expression of opinion, whether it was correct or not.

707. Do you think it is correct?—No, I do not.

708. Then, if we may go to page 21 of this same report, there is a point which I did not quite understand. On that page, three-quarters of the way down, at the end of paragraph 9, do you see: "With regard to Mr. Butler's opinion (paragraph 2 of 'Notes to Appendix II') that 'the Company has failed . . .' we feel we must point out that as regards income and expenditure full and proper accounts on lines planned by the auditors have been kept from the beginning". As that does in a way conflict with the Report, which would be correct?—I felt it my duty to change the form considerably so as to present the picture in a clearer state. What I objected to was that in the early stages they mixed up revenue and capital expenditure and it was a little bit difficult to sort it. I have separated them now in what is, perhaps,

ordinary commercial practice. They can, of course, be amalgamated to show the final answer, but they are now kept separate. That is the form which I disagreed with.

709. On page 6 of this document there is a clause 3: "Clause 10 is, and probably always has been, impossible to carry out". I wondered whether any witness could tell us why it was ever inserted if it is impossible to carry out?—Clause 10 reads: "All moneys advanced to the company by the Lord President and the Council under the terms of this Agreement shall be repaid by the Company within the period of five years from the date hereof". Mr. Butler's opinion was that it would not be done.

710. Would it have been a reasonable assumption that it never could have been done from the conception of it?—The original estimates were, perhaps, slightly optimistic. The original estimates thought that could be done, but they were found to be optimistic, as is well known.

711. On page 3 of this same Report I see that it mentions at the top with regard to delays: "In this connection I have noted that there is a general consensus of opinion that certain influences have definitely sought to foment discontent at the site". Has any further information been gathered with regard to that?—We have had certain investigations carried out by the police and other people and, like so many of those things, it is impossible to get any evidence which will stand up in a court of law.

Chairman.] Are there any further questions on this Account? May I take it this Account is approved?

(Agreed.)

Thank you very much, Gentlemen.

The witnesses withdrew.

Adjourned till Tuesday next, at 4 p.m.

TUESDAY, 26TH FEBRUARY, 1952.

Members Present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Hoy.
Mr. David Jones.

Sir John Mellor.
Mr. Peter Roberts.
Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mrs. D. C. L. JOHNSTONE, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 74-77 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir W. ROBERT FRASER, K.C.B., K.B.E., Deputy Chairman and Secretary, The Central Land Board and War Damage Commission, called in and examined.

Chairman.

712. May we start with paragraphs 74-77 of the Treasury Minute on the Fourth Report of the Committee of Public Accounts, 1950-51? I would like to begin by asking the Treasury some questions. Mr. Milner-Barry, the Minute says that you were to issue a circular calling the attention of nationalised industries to their duty of supporting the policy of the Town and Country Planning Act. Have you yet issued the circular?—(Mr. *Milner-Barry*.) It has not actually been issued yet, Sir, but I understand it is very nearly being issued. May I ask Mrs. Johnstone if that is right?

713. Yes, please?—(Mrs. *Johnstone*.) Yes. There were one or two other modifications of the 1948 circular of a technical character which we wanted to issue at the same time to save a little paper, and those have taken a little longer than we expected. The circular is now with the Stationery Office and will be out shortly.

714. Have you ever considered asking Ministers to issue formal instructions on this matter to the Boards of the nationalised industries?—That has been considered, but it is felt that this would not be a matter appropriate for directions. It is a matter of day to day administration of nationalised industries, in which Ministers have said they will not issue directions.

715. Could I then go on to paragraph 2 of the Minute? It is said here that the chief purpose of the Act was to free planning by public authorities from crippling compensation claims, and that this has been fully secured. I see, however, that the other purpose of ensuring that private developers should not have to pay twice for development value, once in the price of the land and again in the development charge, has been described, I believe by the Board itself, as vital. Is it now suggested that it

really is not all that important?—(Sir *Robert Fraser*.) May I answer that?

716. I am really asking Mr. Milner-Barry on this point, but I should be happy, Sir Robert, if when I have heard him, you would make your comments?—(Mrs. *Johnstone*.) I am sorry, I do not think I have followed the question.

717. May I put it again: you here talk about two purposes, when you say: "The chief purpose in providing it was to enable effective land planning by public authorities to proceed unhindered by constant and crippling claims to compensation". This seems to be a change of emphasis, because there is the other purpose of ensuring that private developers should not have to pay twice?—Yes, but the £300 million is part of the cost of planning. I think that always has been its primary purpose.

718. The Board in the first Report, for example, talked about this other purpose as vital. It looks now as though the emphasis in the Treasury Minute is changed, as though the other purpose is now regarded as really the chief purpose, as the word used here is?—Yes.

719. What would you have said about that, Sir Robert?—(Sir *Robert Fraser*.) I should have said that one purpose could still be chief while another purpose could be vital. I think both purposes are vital, and I think the Treasury would agree. (Mrs. *Johnstone*.) Yes. (Sir *Robert Fraser*.) I think, undoubtedly, it is the case that the genesis of the Act was not to enable people to get land cheaply for development, but was to deal with this great bugbear which always had existed in planning, that you could not plan drastically because you created an enormous liability to compensation which the local authorities simply could not bear and at the same time you had no incomings by way of betterment

because the betterment always seemed to disappear when you looked for it. The basis of this Act was to buy up the development value for the State for £300 million and thereby enable local authorities to be able to refuse planning permission without compensation and to acquire land for their own purposes at existing use value. The Board have always thought that one of the most important ways of seeing that the purposes of the Act are carried out is that, in fact, land does not change hands at more than existing use value for development, not only for public development, but for private development. Although you can prevent a public authority from paying more than existing use value you cannot prevent an individual from paying more than existing use value if he wants desperately to go on with his development. If he asks the Government to help him then, of course, there are the powers of compulsory purchase, but as has been elsewhere pointed out there is a big scarcity value at the moment in getting licences and, therefore, quite a lot of people are prepared to pay twice over for development.

720. I would like to come back to this scarcity value point in a moment or two, but perhaps I could ask the Treasury about another point. Do you agree that if the price of land sold for private development continues to include development value, the part of the £300 million to be paid to the sellers of that land for their presumed loss of development value will, in fact, involve double compensation for the loss of the same asset?—(Mrs. *Johnstone*.) Yes, Sir, if that went on indefinitely, certainly.

Sir *John Mellor*

721. But how can we know that really, because until the Treasury scheme is published we do not know really on what basis the compensation is going to be paid?—Yes, that is true. (Sir *Robert Fraser*.) With regard to the Treasury scheme, under present legislation the amount is fixed at £300 million. How much goes to an individual is not known.

722. The apportionment of it and the basis of its application is quite unknown, is not that so?—Not quite unknown, a certain number of people have been promised 100 per cent.

723. Yes, but apart from those priorities, the rest is quite unknown at the present, is it not?—The scheme is unknown, but as you know, a statement has been made in the House today about how much the claims add up to.

Mr. *Hoy*.

724. A statement has been made today?—Either it has been made, or it is about to be made.

725. Or will not be made?—There is a question down and I know what the answer was as approved by the Chancellor of the Exchequer. Whether it has been given orally or whether it will be in Hansard tomorrow morning, I just do not know.

Chairman

726. Perhaps you would tell us now what the position is?—There is no objection from the Treasury point of view, I take it, to my saying that the Board have always felt it their duty to tell Ministers as soon as they had some pretty good idea of what the claims were going to amount to, because all sorts of rumours were flying about; on the other hand, we did not want to give a figure until the assessments had progressed enough for one to be able to give a very good guess. May I now give what the Chancellor was to say this afternoon in the House, that the claims should add up to £345 million to £350 million. Against that, of course you have to take account of the promises of 100 per cent., and it is also stated in the reply that, even if everybody who has been promised or given to understand that he is likely to get 100 per cent. does get 100 per cent., that should not run away with more than £100 million. So you will see if that is so, there will be £245 million to £250 million worth of claims to be settled with £200 million. A simple piece of arithmetic will show that that is 80 per cent. for everybody else if everybody else is dealt with on the same lines, but whether the Treasury will deal with them all on the same lines or not, of course, I cannot say.

Mr. *Peter Roberts*.

727. That is on the basis of claims put in?—On the basis of claims put in, yes. A very large number have been valued, but others, of course, are still to be valued.

Mr. *David Thomas*.

728. If any claims have not been put in, what is the position of the owners of that land; they get nothing at all?—An owner who did not put in a claim gets no compensation, of course. But; then, there was no excuse for not putting in a claim; we had terrific publicity which was so successful that we had 130,000 claims from people who really had not got a claim. In fact, our publicity was over-successful. We had 950,000 claims and 130,000 of those turned out obviously to be non-starters. It is quite true that some people deliberately did not put in claims, but I submit that that is their own lookout.

Mr. *Hoy*.

729. May there have been any of that type included in the kind that have been accepted, that they may not have a claim at all?—Oh, no. 950,000 people claimed in time. 130,000 of those were obviously

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[Continued.]

non-starters; there was no development value at all. That leaves about 820,000 to value. Then, all those 820,000 have to be valued and of those so far valued quite a large number turned out to have no development value.

Mr. Hoy.

730. So that it may be that the sum allowed by the Treasury, even if they fix it at £300 million may be too much?—No, it will not be too much, it looks like being almost enough.

Mr. Peter Roberts.

721. Of the £250 million which you say are claims now outstanding there will be some, when they come to be valued, which will, no doubt, be refused, will they?—No, I am not speaking of claims. The claim may be anything; a man may claim £1 million when he has only a value of £50. What I am speaking of is the claims as valued. The claims are made by the owners of land.

732. I am sorry, the £250 million, the figure which is left after deducting the 100 per cent. people, are claims which have been put in and valued?—And valued.

733. How many claims have been put in and have not yet been valued?—I am sorry, I have not made myself clear. The £345 million figure which I have given is an estimate. It is the guess at what the claims will be valued at when all valuations are complete, all the appeals have been heard, if any, and so on.

734. Yes, thank you?—I could, if you like, tell you the number of claims which have so far been valued.

735. That would be helpful, I think?—I do not want to charge my memory with that, if I may look it up.

736. Just a percentage, I think would be enough?—We have done a sufficiently large percentage to make a reasonable guess as to what the total will be. I have got the draft answer here in full. Mr. Deedes is “to ask Mr. Chancellor of the Exchequer whether the assessment of claims upon the sum of £300 million set aside under the Town and Country Planning Act, 1947, is sufficiently far advanced to enable him to give the House an indication of the probable total of such claims when finally determined, and therefore of the possible scale of payments”. The answer: “Yes, Sir. I am advised that the probable total should be in the region of £345 to £350 million. It seems probable that the so-called ‘near-ripe’ classes of claimants, together with some other groups who have been led to expect preferential treatment, will not absorb more than about £100 million. If this proves to be the case, it would leave about

£200 million available against the remaining claims of from £245 million to £250 million”. The immediate position about claims, as I was saying, is that 950,000 claims were registered, 130,000 were what I may call obvious non-starters, leaving 820,000 to be assessed. Up to the 16th February the Valuation Office on our behalf had completed 755,000 valuations; that is, their own idea of what the figure is before the other side have had a say. They have issued 728,000 statements to the other side and reported 612,000 of them to the Board for determination. The Board have issued formal determinations in 581,000 cases, of which 542,000, almost exactly two thirds of the claims to be assessed, have become final—that is to say, the period for appeal has run out—and about half of the claims so far become final had no development value at all. There have been very few disputes, and up to the 16th February there were only 1,003 appeals, and all but 218 of them have been settled out of Court. There have been ten appeals heard, of which the Board have won eight and drawn two. That, Sir, is the position so far.

Chairman.] Thank you. Is there anything else on this particular point, because we may as well clear it now? It does not really arise here, but let us take any questions which Members have on the statement.

Mr. David Thomas.

737. Mr. Chairman, may I ask about a reply which Sir Robert gave to one of the other honourable Members? What exactly did you mean when you stated that there were claims in which it was found that the land had no development value?—Exactly what I say, Sir. It is a matter of valuation. You may have a field at your farm for which you put in a claim to the Board and say: “At January, 1947, prices that was depreciated in value because I am not allowed to put a house on it”, we will say. If it is never likely that there is going to be a house on that field for the next 50 years it does not have any effect on the present value of that farm and, therefore, there is no development value. That is the position.

738. But if some building were erected on a plot of ground such as you have described now, say, in the next ten years?—Then, there would be a charge.

739. The owner of that land gets nothing?—The owner gets nothing, no, because he had no additional value at January, 1947. Obviously, all the additional value has accrued since the date.

Sir John Mellor.

740. He would have to pay a development charge, would not he?—Undoubtedly, yes, because the value has accrued since the operative date. What you take is the value

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[Continued.]

as at the date of the Act, and I need hardly say that there is all the difference in the world between what somebody is going to give for the chance of a horse winning a race and what he would give for that chance after the race had been run and a particular horse has won. I should suggest it is a pure matter of valuation.

Mr. Peter Roberts.

741. Did I understand that of the 542,000 cases which have been finalised, something like 200,000 had no value?—200,000.

742. Therefore, that 542,000, from the point of view of estimating your total figure, is only applicable to the 300,000 which are left. I should have thought, if one looked at 542,000, putting it with the 820,000, you would say: "Oh, well, that is a very good percentage"; as you say, it is two-thirds, but, in fact, you find nearly half of it is claims of no value at all?—No, we have not been so simple as to do it that way. We have done this on an estimate provided by our staff on every single claim.

743. I see. You have not taken it on the ones you have finished?—No, those have not yet been issued to the public. We were given three years to do this job. The progress it has made, I must say, is due to the tremendous efforts of the Valuation Office of the Inland Revenue, to whom the Board are immensely indebted. You cannot do a simple proportion sum by taking the value of the first 500,000 claims.

744. When you talked about an estimate that is what I thought, possibly, you had done?—No, I was just letting the Committee know what progress had been made into the actual number of claims, but the guess has been made on far wider material than that. Each of the 114 District Valuers has his own ideas of what his claims which have not yet been determined will come to. Of course, there is a very large margin of error in an estimate of this kind, but it is better to know that it is something like £345 million than to have rumours floating about that it is £3,000 million.

Mr. Peter Roberts.] I must say that I am pleasantly surprised.

Chairman.

745. Before what I might call this "hot news" broke, I was, in fact, asking the Treasury on one or two points?—I am sorry, Sir.

746. Not at all, Sir Robert, I thought it was better to get it out of the way. I would like just to go on with the point I was on earlier. I would like to ask Mr. Milner-Barry: unless the Board have got some way of verifying that the prices of land do not include development value, how can you ensure that the purpose of the Acts, for which a heavy price is being paid,

is, in fact, being secured?—(Mr. Milner-Barry.) I wonder if I might ask Mrs. Johnstone to answer that?

747. Certainly?—(Mrs. Johnstone.) That, Sir, as I think we have indicated in the last sentence of paragraph 3, is a problem which needs a lot of study, and which is being studied. As has been announced, the Government is at the present reviewing the whole of the working of the financial provisions of the Acts.

748. Have you made any progress in the study?—I do not think there is anything to be announced, Sir. Ministers are considering it. (Sir Robert Fraser.) I think the last official statement is that of Mr. Macmillan in the House. Should I read that?

749. Yes?—He was asked in December what they were going to do about it, and he said: "The Government are considering whether the Parts of this Act relating to compensation, depreciation of land values and development charges should be modified or altered; but the subject is a complicated one and there is no easy solution. Even if the Government decide that amending legislation should be introduced, it will hardly be possible to do so this Session".

750. Now, I want to ask a few questions about this scarcity value. The Treasury Minute says that scarcity value is not the same thing as development value. It looks as though a new concept has been introduced here and I wonder if it is possible for anybody, either you, Mr. Milner-Barry, or you, Sir Robert, to define "scarcity value"?—I do not know, Sir, that I can define it. I know it is there. It is not a new concept, it has been with us, I think, almost since the first report of the Board; I think we referred to it. The Board found that people were so anxious to get licences that they would give almost the earth for a plot of land. If we had taken the whole additional value, the development charges that we would have had to raise would have surprised the world. The Board felt it would be unconscionable to charge development charges on such amounts and, therefore, they have endeavoured to separate out what is the true development value from what may be called the value of the licence.

751. Yes, I agree that in your first Report you talked about the scarcity value of a licence?—Yes, that is what we meant.

752. I think this is the first occasion on which we have come up against the notion of scarcity value applied to the land. It is not in the Act?—Oh, no.

753. And it seems to be a new concept which, I think, is going to be considerably confusing as we go on. In what sense can we talk of a scarcity value of the land as distinct from the development value, because I have this very much in mind, and I have

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[Continued.]

drawn Mr. Milner-Barry's attention to the fact that it states: "Scarcity value is not the same as development value". I would like to try to clarify that point to see in what sense that statement is to be interpreted?—(Mrs. *Johnstone*.) The Treasury Minute, is not, I think, talking about scarcity value in bare land, it is talking about scarcity value in vacant properties, which is not quite the same thing.

754. Yes, I used the word "land" in a generic sense?—I would say it is quite a common economic phenomenon. My economics are rather rusty, but is not it what happens when elastic demand meets inelastic supply?

755. My difficulty is this, if I look at what "development" means in the Act, I can understand that, because somebody has a licence that, so to speak, can fetch a price and as licences are scarce I can understand that you can talk about the scarcity value, if you like, of a building licence. I do not understand how the notion of development in the Act can be differentiated from the ordinary sense that one would attach to the word "scarcity" in relation to the land or to the property on it?—(Sir *Robert Fraser*.) There is plenty of building land, but there are not plenty of building licences at the moment. Mr. X gets his licence from the local authority. He has been wanting a house for ten or twelve years and he knows that if he buys one he will have to pay far more than if he puts one up, however much he pays for the land. There is a particular plot of land there and for the development value he will pay about £200, but it is worth quite a lot to him to get that particular piece of land in order to exercise his licence.

756. Very well?—I am all against it, I would like to see more powers of compulsory purchase to stop that happening.

757. May I put the point quite concretely to you. How do you, in fact, distinguish scarcity from development value?—I think it is very difficult, Sir, but the Valuation Office have to do it as part of their job. They have been in this business for 43 years and more, and I think it is fairly easy with a plot of land; it does not require a highly skilled valuer to know that the price of an acre of farm land is so much and the price of an acre of housing land is so much, and the difference is the proper development value. It does not follow, if you want to pinpoint your licence to one particular plot, other things being equal, that you will not be prepared to pay for it more than the value. What you are paying for, I submit, is the scarcity value.

Sir *John Mellor*.

758. It is not scarcity value for people selling, it is existing use value because it is no advantage for them to do so?—I think that is a different point.

Chairman.

759. If, Sir Robert, you are saying that we are, in fact, talking about the scarcity value of building licences, then I understand?—That is what I have been talking about.

760. I understood you to say that you cannot define what you mean by scarcity value; all you can say is that you can find the difference in actual cases?—Yes. I think that is a very fair comment.

761. Now, on paragraph 3 of the Treasury Minute, going on with it, I would like to ask whether you can see any end to the difficulties which are created by the shortages which give rise to these scarcity values?—It is rather difficult to say that when the Government have the whole of the financial provisions of this Act under consideration. I have got my own views on it, but I am not sure that they will be very relevant.

762. I think they will be. We should be very interested to know what you have to say on it?—I should have thought the proper remedy was compulsory purchase by the local authorities mainly, and by the Land Board as longstop, and, of course, a great many local authorities are now stepping into the field. I think 19 local authorities at the moment are buying land and peddling it out to the private individual and, obviously, if there was plenty of land at the proper price, as we call it, there would be no chance of the other people selling it at the improper price. It is no good reducing the price of something unless you see that enough is available at that price to stop the grey or black market.

763. Are these considerations being borne in mind, if I may ask the Treasury, in the study that you are making of the operation of the financial provisions of the Act?—(Mrs. *Johnstone*.) Certainly, Sir.

Chairman.] That is all I have got on the Treasury Minute. I think it might be convenient to take up any other questions on the Treasury Minute before we go to the Appropriation Account.

Mr. Benson.

764. Apart from theoretical questions as to whether scarcity value and development value are not an unavoidable factor, which we need not go into, the issue is very largely a matter of definition. The development value really lies in the fact that a particular plot of land is scarce, or it has certain very scarce qualities; it may be scarce because it is in the middle of an important street, it may be scarce because it is adjacent to a town. Scarcity and development value are, surely, the same thing, and I do not see how the Treasury

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[Continued.]

can attempt to erect two different scales of values?—(Sir Robert Fraser.) I think it is rather unfair to father this on to the Treasury, because the Valuation Office and we invented it. The Board were faced with the fact, if I might take a simple illustration, that there may be 100 building plots shrieking to be built on in a particular village, but the local authority can only give 10 licences.

765. The scarcity value of a licence is an entirely different thing from the scarcity value of the plot?—Yes.

766. You say there are 100 plots of land shrieking to be built on, but surely there are not 100 different landowners shrieking that their land should be built on?—No.

767. That is the whole point. The scarcity is an artificial scarcity. The development value is the amount of real scarcity?—I should have thought that the scarcity of the building licences was; if people get a building licence and they have a particular plot in mind, they are willing to give far more for it than the proper development value because of the scarcity value of the licence. I think that is all I can say.

768. I quite agree, the scarcity value of a building licence is something quite clear and definite, but when you attempt to dissociate scarcity value of land and the development value of land, then I find it very difficult?—I would not attempt to separate scarcity value of land from development value of land, and I do not think the Treasury's Minute does that. (Mrs. Johnstone.) Again, if I may, I would make a point as to the distinction between land in that context and vacant properties. There may, for instance, be no development value in a fully built-up house plot, but there may be substantial scarcity value in vacant possession of that house, reflected in key money and such phenomena.

Mr. David Thomas.

769. I have a question to ask Sir Robert concerning the assessments. We were told that a certain number had been valued at 100 per cent. and that it is likely that the owners would get the 100 per cent. for their claims?—(Sir Robert Fraser.) They have been promised 100 per cent. by the previous Government.

770. And the remainder would be paid at approximately 80 per cent. Why is there the difference, the fact that a promise has been made by the Government: "You will probably get 100 per cent.", and then you have the remaining number who will not get 100 per cent. for the reason that there is not the money to pay them?—I hope I am not going to be asked to defend the Act itself and the £300 million. That is no doing of the Board, but assuming £300 million, you cannot get a quart out of a pint pot.

771. No, the question I wish to put is this: why pay some owners 100 per cent. and the remainder 80 per cent. It is nothing to do with the Act, I should think?—That was decided by the Government. The promises were all made while the Bill was going through the House. Am I not right?—(Mrs. Johnstone.) Yes, those are, broadly speaking, the cases which were most ripe for development and, therefore, have most claim to get the full amount. (Sir Robert Fraser.) I think that may be justified on merits, as Mrs. Johnstone says, in those cases which were most ripe, the builder's near-ripe land and the single plots.

772. Amongst the remaining number—you do not wish to indicate it all, I am sure—thousands of those plots are not ripe for development?—Well, they may be ripe.

773. The point that I wish to put is, why make the difference? If you have got a global sum, why not divide it amongst the whole of the claimants? It might come to 90 per cent. or it might come to 60 per cent.?—I do not think that is for me, Sir.

Chairman.

774. I think, Sir Robert, you are saying this was an act of Government policy?—Yes.

Sir John Mellor.

775. In paragraph 3. in the last sentence but one, it states: "The problem is to prevent transactions in development value without thereby preventing all private land transactions of any kind." Did your Department, Sir Robert, really expect that private transactions in land would take place at all freely at existing use value?—Did you say "Did we expect"?

776. Yes?—We were not there. This Act was passed before we were a Board.

777. When you came into being, did you expect that private transactions would take place at existing use value with any freedom?—I think it is possible that they should take place with any freedom, yes, if the scheme went through and if landowners knew they were getting fair compensation; I think they might just deal with the land at existing use value, particularly if they know that if they do not they might be forcibly expropriated by the local authority or the Government.

778. They would not fare worse, would they, because they would only get existing use value if they were expropriated?—Well, millions of transactions in land have always taken place at existing use value. Farms have changed hands at existing use value, houses have changed hands at existing use

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[Continued.]

value. It is only the minority of the transactions that do not take place at existing use value.

779. I thought in your evidence you were recognising that land was very largely frozen because there is no incentive to sell at existing use value?—There is no evidence that land is frozen, the evidence is that people are paying not only development charge, but a lot more as well because the development charge is not, I suppose, high enough to mop up the scarcity value.

780. Is not that because most people were reluctant to part with good land for deteriorating currency?—Well, I do not think I can answer that question. Land sales do take place; you have only to read the advertisements in the newspapers, and so on, to see that land is being sold.

781. Then, perhaps I have misunderstood you. Your view is that private transactions in land are taking place quite freely and that the restriction to existing use value is having very little effect?—No, I am not saying that land is changing hands at existing use value freely, the Board's Reports say it is not. The position is greatly improved since the last Report because, as I say, 19 local authorities are buying at existing use value and peddling it out again. Quite a number of large landowners are, in fact, selling land at existing use value, relying on their claims, I suppose, to recoup themselves, and a certain number of private transactions are taking place at existing use value. If I have a house worth £5,000 which I want to sell, I am not going to keep it and not sell it because I cannot get £7,000 for it, if that is not the proper market price.

782. Do you consider that the market in land is now really based on existing use value or some other price?—Not yet. It has not had time, and the Committee has to remember that there has been a very strong disincentive to landowners to sell for anything like existing use value because they have been told, quite wrongly, of course, that they are going to get a dividend of 1s. 6d. in the £ on the £300 million. That, of course, is not true. If the scheme stands as at present without being altered, the dividend will be at least an average 80 per cent., which is a very different matter. If I was a landowner and I thought I was only going to get 1s. 6d. in the £ on my claim, wild horses would not induce me to sell my land at existing use value unless I was made to, but if I knew I was going to get fair compensation which has already been paid, I should feel quite differently about it. That is only my own opinion, and, as I say, it is mostly irrelevant, because the Government are reconsidering the whole business.

783. Is not there also a certain discouragement due to the assessment of development charge? Is not the assessment rather fortuitous at present? I am not in any way blaming the Valuation Department; they have a very difficult task to do and very little to go on, but is not it unavoidable that their assessment should be haphazard, rather, and is not the knowledge of that a discouragement to development because people cannot form any reliable estimate as to what the development charge is likely to be when assessed?—I should say that, in one or two marginal cases, it is a difficult job to assess. In the average case it is very easy to assess. I should think most skilled outside valuers would know what the charge is going to be before they go and see the District Valuer. Everybody knows what the development value is of an ordinary building plot, everybody knows what the value is of agricultural land, and it does not seem to me to be a very difficult job. There are some cases where it is very difficult, change of use cases and things like that which are more difficult, but after all, there is a skilled valuer on both sides.

784. In many of those cases have there been quite fantastic differences between the first assessment and the ultimate charge as finally fixed?—Undoubtedly, but not fantastic. They are explained by the fact that, first of all, the developer comes to the District Valuer and tells him something about the relevant facts of the case; he gives him a very sketchy account of what he wants to do. The District Valuer on very inadequate information says: "I do not suppose it will be more than so and so." Later on, the man goes back with quite a lot of facts, completely altering the situation.

Mr. Peter Roberts.

785. Just to get my mind clear, existing use value for agricultural land in 1947, we will say, is £20?—Yes.

786. It might now be £30?—Yes.

787. The figure which the landlord sells at is what, the £30 or the £20?—The £30.

788. If he is compulsorily acquired?—Yes, existing use value.

789. I think you said—I have got your words down here—that it was your view that the development charge was not high enough to mop up the development value?—The scarcity value.

790. You also, I thought, said earlier on that you would like further powers; at one time you said you would like to have more powers?—I do not think the Board wants more powers after the House of Lords decision of yesterday because, by five Lords

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[Continued.]

to nil, they have decided we have the powers we want. Last year I was asked a question about this and I had to say our powers were rather vague because they were being challenged by a very important landed interest, but yesterday the House of Lords delivered judgment and, apparently, we have the powers we want.

791. I do not know the case you are referring to, but you are not likely to require any more powers?—I do not think so. I think the House of Lords judgment is as satisfactory as it could be. What I did say was that I thought the local authorities could do far more in the way of getting land at existing use value and selling it to private people.

792. I follow that. Among the powers which you may now have got, there is not a power to increase the development charge to mop up the scarcity value?—No, we do not want that power.

793. That is what I want to know. That would not be an economically proper thing to do?—We announced in our practice notes that we were not going to go for the scarcity value.

794. Then, on the nationalised industries point, on which I understood you to say that there was a memorandum going out to the nationalised industries, can you say whether you have any recent evidence of

nationalised industries selling land at an inflated price?—I have not had any cases recently, no.

795. What do you call recently?—Well, offhand, I cannot remember when the last was. This was raised before the last Public Accounts Committee. We had had cases then.

796. Have you had any since?—I cannot recall any. I would not charge my memory with that. Offhand, I would say there have not been any new cases that have shocked us since the last Meeting.

797. You do not recognise any shocks, anyway, since the last time?—No.

Mr. Hoy.

798. The Treasury Minute dealing with scarcity value finishes by stating: "My Lords can assure the Committee that it is being studied and will continue to be studied with the utmost care." Would you like to say what the result of the studies has been so far and what recommendations these studies have brought forth?—(Mrs. Johnstone.) This has been picked up by the decision of the Government since the Election to review the whole working of the Act, as I said before. This is now merged with the Ministerial review.

799. It means no more than that?—No.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS V.

VOTE 13.

CENTRAL LAND BOARD.

Chairman.

800. May we now turn to the Appropriation Accounts, to paragraphs 87 onwards of the Report of the Comptroller and Auditor General at page xxxi? Sir Robert, the last Public Accounts Committee was told that the whole value of the Board's compulsory purchase powers lay in their being able to prevent the sale of land at more than its existing value. The latest Report of the Board in paragraph 31 does show that high sales are still continuing?—Yes.

801. Do you think that, as apart from the decision in the House of Lords case to which you referred earlier, the trifling exercise of these powers referred to in the Comptroller and Auditor General's Report, that is to say, 17 cases between the 1st July, 1948, and the 31st March, 1951, was doing very much to discourage these sales?—Well, in one way, obviously, it cannot do very much, and the main safeguard should be the action by the local authorities who can do it on a far wider scale much

more quickly than us, but I am fortified in the belief that it is not quite so trifling as may be thought by this, that it was thought worth while by the Fitzwilliam Estates, a very large land-owner, to fight us to the very death on this one compulsory purchase order. They must have thought that it was not so trifling. Therefore, I think it must have a considerable moral effect, otherwise it would not have been worth their while to fight it; they could have let it go.

802. We can see that you have exercised your powers. How many applications have been made to you for the exercise of these powers?—About 1,400.

803. Of which, you have, in fact, taken action in 17 cases between July, 1948, and March, 1951?—So far we have made 32 compulsory purchase orders up to the middle of this month.

804. If you contrast the 32 with the number of applications, would not you agree that the word "trifling" qualifies the

word "exercise"?—Most of the applications were, if I may say so, not in order. A lot of the applications were from people who had no hope of getting a building licence.

805. How many cases survive your sort of screening of them?—Very few.

806. Only the number represented by the number of cases on which you took action?—Yes, they fall by the wayside for many reasons, and mostly because the applicant has no immediate prospect of getting a building licence, also another cause may be that after consulting the local planning authority concerned we are told there is no particular reason why the application should be agreed to, but we have never thought that the thing would be done on a big scale, and before the Board was set up it was always referred to by Ministers as a reserve power.

807. It appears, though, does not it, that you must have anticipated something on a much larger scale than, in fact, happened because in your estimates for the year before last—I am speaking from memory—you put down a figure of £100,000 for this kind of purchase?—Yes, you are quite right.

808. And even the latest figure is, I think, £25,000?—Yes.

809. Then, still on paragraph 87 there is a very big difference between what you paid for the lands compulsorily purchased and what you sold them for, including the development charge?—Yes.

810. The difference, I think, being £671 compared with £5,089?—Yes, that is the difference between existing use value and the value for the particular development concerned.

811. Would you say that we could from those figures—of course, it is a very small amount—form an idea of the general relation between values for existing use and values for development, or are there special circumstances in all these cases?—They are mostly quite small cases of single plots. Very much really depends on the kind of development, because to put up a house, of course, the development charge would be very much less than to put up a cinema.

812. There is another aspect of this problem. You have got, I understand, Treasury authority for appropriating these receipts in aid of your vote instead of paying them into the Exchequer?—Yes.

813. Do you consider that that authority covers the development charge as well as the existing use value?—Yes, because there is not, strictly speaking, a development charge. We sell inclusive of development charge. We do not, in fact, make an assessment of development charge separately. Technically, we do not make an assessment.

814. But, you are aware of the amount of the development charge included in the amount received from the purchaser?—Yes, but I should say that it does not matter to the Board whether this comes in under this Subhead or whether it comes in as revenue. It all goes to the Treasury just the same.

815. If I have understood you, you do not at the moment make a formal determination of the amount?—No.

816. But you could do so if it were necessary because you know the amount of the development charge included in the amount?—It would be rather a pity to do so because you cannot fix the development charge without having a formal negotiation, an assessment and a determination. We do not just assess development charges in an automatic way. We discuss it with the people on the other side and try and get an agreed settlement and we do in 99 cases out of 100. So, there is in fact, no development charge actually assessed. Sometimes, too, we buy the land at existing use value in bulk and then divide it up into plots and sell them up. We have not then got existing use value for each single plot, so we do not, in fact, make an assessment either of the existing use value for those plots or of the development charge.

817. Would there be any practical difficulty about separating the development charge from the existing use price and paying that into the Exchequer?—Offhand, I cannot see any, but I do not see any advantage.

818. Would not it be right that the amount should be paid into the Exchequer to swell the revenue figure for development charges?—It is all revenue, whether out of appropriations in aid or whether it is revenue, is not it? I am rusty in these things, having been out of the Treasury for a great many years.

819. Is not this amount, anyway, due to the Revenue under Section 69 of the Act?—Would you like to ask the Treasury that question?

820. Certainly, I am always glad to ask the Treasury questions. What do you say, Mr. Milner-Barry?—(Mr. Milner-Barry.) Would you mind putting the question again, Sir?

821. What I am really asking is, in the amount that Sir Robert has said could be determined, whether you can separate the development charge from the existing use price, and I am asking, first of all, whether that amount should not be paid into the Exchequer to swell the revenue figure for development charge?—Yes.

822. And, secondly, whether, in fact, Section 69 of the Act does not mean that that should be done?—(Sir Robert Fraser.) Perhaps I may make it plain that there is no development charge as such here. We

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[Continued.]

sell at a rate inclusive of development charge and we do not assess development charge. We could quite easily make an estimate of what development charge would be. We have no objection to that, provided it was clear that it was an estimate, but whether it comes in as revenue or by way of reducing the Land Board's charge on funds, does not seem to me really to matter.

823. By what authority has the Treasury authorised that the proceeds of the Central Land Board's sales of land may be appropriated in aid of their vote?—(Mr. *Milner-Barry*.) I think, in the ordinary way, Sir, by a Treasury Minute under the Public Accounts and Charges Act of 1891. I think it is Section 2 (3), of that Act. (Sir *Robert Fraser*.) All the 1947 Act says is: "Any sums received by the Board in respect of the disposal of any such land shall be paid into the Exchequer". It does not say how they are to be paid in. (Mr. *Milner-Barry*.) We have powers under that Section to lay a minute and appropriate in aid.

824. In this respect the Board are merely collecting revenue in their revenue department, and this part of the sums involved is revenue which is collected. Do you think the Act of 1891 does, in fact, empower you to direct that revenue receipts should be appropriated in aid of votes instead of being paid into the Exchequer?—No, I do not think it does, and that is the reason why we found it, contrary, I think, to the original intention, impossible to appropriate in aid development charges generally, but so far as this particular aspect of it is concerned, I think the answer is, as Sir Robert said, that development charge is not, in fact, assessed. But it is a highly technical point and I would be glad to take it away for further consideration.

825. There is just one other thing which I wanted to ask on this point. This is really to Sir Robert. I see that, in your estimates, the same figure is given for expenditure under Subhead C as is given for appropriations in aid?—(Sir *Robert Fraser*.) Yes.

826. That is, the appropriations in aid derived from the receipts from the disposal of land. As the first excludes and the second includes this development charge, is not it true that once the initial lag is over, on any reasonable estimate receipts should exceed expenditure?—I should have thought so, yes.

827. So that it does really mean that your estimates under one or other head are inaccurate because they really cannot be the same?—I should be the first to admit that they are inaccurate. They have been inaccurate from the very start. We have been groping in very strange country here.

828. I do not mean inaccurate in the sense that you estimate one figure and get another, but in the nature of things would you say that what you get would or would not be the same when you settle down?—No, it cannot. In defence of the broad estimate, may I point out that the reason the broad estimate did not matter so much was because the appropriation in aid balanced the effective subheads so that the demand on the Exchequer was nil; therefore, it did not matter so much, I should say, should the two subheads both be inflated.

829. Yes, that was not the point of my question?—I agree, in the future we may find that the appropriation subhead is much bigger.

830. May I go on to paragraph 88? Can you give any estimate of the total expenditure which will be incurred on provisions towards professional fees?—Yes, with due allowance for mistakes, I should think it should not exceed £5½ million altogether, which is a good deal less than we originally estimated.

831. Do you pay the cost of professional advice if a claim proves futile?—No, we only pay on a proper professional scale according to the amount of effective development value found in the claim. If the claim is futile, no contribution is made.

832. Are you able to satisfy yourselves that the scale charges that you refer to do not exceed the actual charge paid by the claimant?—I think, very often, they are very much less. They were agreed with the professional associations and, of course, a professional man very often does other services more than those required for us.

833. What authority have you got for making these payments at all?—Treasury authority.

834. Under what Act, may I ask the Treasury?—(Mrs. *Johnstone*.) Under the Section of the 1947 Act dealing with administrative expenses of the Central Land Board, Section 3 sub-section (5).

835. Are you absolutely satisfied that the governing Act permits these payments as administrative expenses of the Board?—(Mr. *Milner-Barry*.) Well, Sir, I do not think it has ever been challenged, so far as I know.

836. You cannot say offhand whether you have taken a legal opinion on it?—No, I cannot say offhand whether we have or not.

Mr. *Peter Roberts*.

837. I suppose, apropos of the previous answer, it would be possible for the Board to acquire sufficient land with development charge on it for their own purposes to pay these expenses off?—(Sir *Robert Fraser*.) If I understand the question, no. We should not buy land just for fun.

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[Continued.]

838. I understood you, Sir Robert, to say that your authority was not the 1947 Act, but your authority was the Treasury?—The Treasury, given under the 1947 Act. yes.

Chairman.

839. I would like it looked into?—(Mr. *Milner-Barry.*) I think what Sir Robert says is perfectly true, that we did agree that this should be done on the understanding that it was covered by administrative expenses under the 1947 Act, and had there been any doubt about that, quite clearly, I should have thought, fresh legislation would be necessary. (Sir *Robert Fraser.*) It was done a long time ago. (Sir *Frank Tribe.*) The Ministry of Fuel and Power. Mr. Chairman, took a different line. They felt it necessary to have specific power to pay the cost of those professional people who conduct claims against them and that has made me doubt whether similar expenditure in this case could really be regarded as proper administrative expenses. (Sir *Robert Fraser.*) This Treasury approval was given before the Board started at all. It must have been given back in 1948. (Mrs. *Johnstone.*) In April, 1948. (Sir *Robert Fraser.*) Before we issued our first prospectus to the public. (Sir *Frank Tribe.*) The Ministry of Fuel and Power's action had been taken before then on quite different lines.

840. Perhaps, Mr. Milner-Barry, you would have a look at that for us?—(Mr. *Milner-Barry.*) Certainly, Sir. I do not expect to be able to throw any more light on it, but I certainly will.*

841. May I put one other point to the Treasury? There is a reference in Sir Frank's Report which says that the estimate of expenses due to the Bill in the Financial Memorandum was greatly under-stated and, in fact, as expenses now work out, it is two to three times more than was indicated in the Financial Memorandum. Can the Treasury throw any light on this now, looking back on it?—Yes, Sir, I think the position is that when the Financial Memorandum was drawn up, it was not contemplated that this should be so. During the course of the Bill the Minister indicated that the payment of professional fees would be considered, and the effect of that, when it was approved, was, naturally, to bring administrative charges very much higher than had originally been contemplated. On the other hand, of course, that was covered by the Annual Appropriation Act. It was taken in Votes each year.

Chairman.] Now, may I go on to paragraph 89?

Mr. Hoy.] Before you leave paragraph 88, Mr. Chairman, may I put one point?

Chairman.] We can come back to it.

* Information supplied: not printed.

Mr. Hoy.

842. All I wanted to ask was, in view of the fact that it was stated that this was taken under the Act itself, why do we find in this paragraph that it says: "Payment of these professional charges was not mentioned in the Financial Memorandum to the Town and Country Planning Bill"? Was there a difference on that?—No, I do not think so. I think the explanation is, as I have just given it, that it was not originally contemplated that this should be so, but during the course of the Bill the Minister said that it would, in fact, be considered. When it was considered it was agreed that it came within the statutory powers under the powers for paying administrative expenses and, therefore, it was not thought that there was any need to have fresh legislation. It did, of course, upset the estimate given in the Financial Memorandum very badly, but as against that, the financial memorandum has not, as I understand, any mandatory power, it is an indication of what is expected and at the time it was written it was a genuine indication.

Sir John Mellor.

843. Then, if it was not covered by the Financial Memorandum, was it covered by the money resolution in the Bill?—It was covered annually in votes, yes.

844. No, by the money resolution on which the Bill was founded?—It was, yes.

Chairman.

845. May I then go on to paragraph 89? Does this reference here mean that up to the 31st March, 1951, you had already agreed that charges of £3¼ million roughly, should rank for 100 per cent. grant out of the £300 million, however small might be the dividend to the other claimants?—(Sir *Robert Fraser.*) You are referring to the logging-up cases?

846. Yes, that is right?—Yes, they were agreed to be set off.

847. Then, on paragraph 90, on exemptions, which runs over the page, as you will see, the waiver of charges in cases arising between 13th June and 25th July was, as we know, contrary to the statutory regulations. I imagine you would agree, Sir Robert, that procedure contrary to statute is undesirable, but could you say what the justification was in this case?—This was action by the Minister approved by the Treasury. There were several exemptions, of which the most important are the extension from 1,750 cubic feet to 7,500 cubic feet as a maximum by which a single dwelling house could be enlarged, as an alternative to 10 per cent., the lateral conversion into flats of not more than three adjoining dwelling-houses, if they had been there before July, 1948, the use of not more than 200 square feet of floor space in a

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[Continued.]

house as a shop, carried on by a person living in the house; the use of a house existing before 1st July, 1948, as, for instance, a church hall, home for old people, clinic, hospital, etc., the use of a shop for offices and vice versa, and the Minister decided that the first two exemptions should take effect from the date at which he made his announcement and the others should be left to the regulations, and I understand that was approved by the Treasury at the time as a small piece of extra-statutory action. It is not unusual for action to be taken in advance of legislation or delegated legislation in cases of that kind. I believe there is a very long string of precedents, and the gap between the announcement and the date of approval of the regulations was extremely small. I suppose, if the House had refused to give an affirmative resolution to the exemptions, we should have tried to get the money from these people.

848. But you would agree that, in a general way, this kind of thing is most undesirable?—(Mrs. *Johnstone*.) In this case the consideration which weighed with the Treasury was that, the Minister having announced on the 13th June that those exemptions were to be granted, if the Board had continued to attempt to collect development charge in the short period between that announcement and the regulations, the development would not, in fact, have taken place. It would have been held up. We felt the small amount of money at stake was not worth that result.

849. I see, further, that certain orders and regulations were so provided as to allow reliefs contrary to what the Board had in mind and to particular orders in certain cases. How did this come about?—(Sir *Robert Fraser*.) Well, we were told at the time that it was impossible so to draft the regulations that they could have that effect. Later on, the lawyers gave further consideration to it and decided that next time, if there was a next time, it would be possible to have that effect, if the Minister should make any more exemption regulations, and would want them to have that effect. We do not know, but the point has been noted for future action.

850. Can you say what was the loss resulting?—It was very small. I should think £10,000 would cover it, at a maximum.

851. Then, on paragraph 91, Sir Robert, could you give the Committee any general indication as to the justification for these extra-statutory remissions that are referred to in that paragraph, and also why it has been found expedient to regularise some of them?—Yes, the schedule we sent not only covers extra-statutory remissions, but also some minor losses.

852. I am not really concerned with the class of extra-statutory remission. What

are the general principles?—Some of them, of course, have been since regularised. One is coast protection works under the Coast Protection Act, 1949; they have been regularised now by a statutory instrument of 1950, and improvements to houses carried out under Part II of the Housing Act, 1949, have been regularised, and the provision of piped water to farms by private enterprise has been regularised, changes of use from restaurants to shops, the position of lessees of dock and harbour authorities and railways, and so on. One or two have not been regularised, and those, I take it, you are most interested in. One is the completion and enlargement of houses for agricultural workers; that was a pledge made before the passing of the Act, that so long as houses were occupied by agricultural workers, closely defined, no development charge would be levied. It has not been found possible to draft an instruction which would effectively give that exemption. That is not an exemption, it is a non-collection of charge. Then, there is the temporary use of war damaged sites. There, I think the case for a charge is very highly technical and I should be prepared to argue, myself, that no charge was really due, but I think the lawyers decided that a charge was due. It was obviously unconscionable that it should be collected and, therefore, the Board decided with Treasury approval not to collect it. Then, the Scottish Special Housing Association and the North-Eastern Housing Association are to be treated as local authorities. Those are the kinds of cases. They are all rather small; they are all pretty obvious on merits, they are all rather difficult to draft, but we have rather been hoping all along that the opportunity would come to have an amending Act generally. I think normally with an Act of this kind you would expect an amending Act fairly soon to clean up all sorts of things. On war damage we had, of course, two amending Acts in a couple of years and we managed to clean the thing up very successfully; and then we should have a Consolidation Act, but there never seems to have been an opportunity of amending this Act in an atmosphere of non-controversy.

853. Would it be a good thing actually to have these extra-statutory remissions known publicly?—Oh, it was announced very publicly. They are all known.

854. Finally, I have got just a couple of points on paragraph 92. I see from paragraph 92 that the Board are relying on the goodwill of the planning authorities to provide them with their information. Have you experienced any difficulty in securing the information?—There have not been any difficulties.

855. Does it mean that you get all the information?—We get all the information we require from the local authorities, yes.

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[Continued.]

856. But you do not get it all as a matter of course?—Well, I do not want to say anything against local authorities, but some are not so efficient as all the rest of them are. Some of them have to be reminded.

857. Is there a different system in operation for Scotland?—Yes.

858. Why cannot that system, which I am told is a good one, be applied in England and Wales?—I wish it were. I heartily approve of the system in Scotland where there is a single application form, but the local authorities in England said they did not want it, and there was a discussion with them, and it was agreed to drop the suggestion so far as England was concerned.

859. The final point is that you have issued certain instructions to your Regional Managers to check evasion. Have any conclusions yet been reached as a result of the records kept by Regional Offices to assess the result of these instructions?—First of all, Sir, I would like to say that evasion, I think, is very, very small indeed. I think all the evidences are the other way round, that people are much too cautious, because out of 325,000 applications we have had since we started, almost one-half have proved that they never need have come to us, that they are either obviously exempt or it is quite obvious that there is no charge, because the additional value is either tiny or nil. Therefore, the general impression is that people come to us more than they should, rather than less. I think the general feeling among our Regional Managers is that there is very little evasion, and what there is is picked up by the machinery afterwards. There is very little conscious evasion, some possibly unconscious evasion.

Mr. Hoy.

860. I am attracted by one sentence in paragraph 91 which speaks of these extra-statutory remissions of development charges. Sir Frank goes on to say: "others it has been found difficult or inexpedient to legalise." Does it mean you made illegal payments?—Not payments, these are remissions.

861. Remissions, yes?—The Treasury know more about this than I do, but I think all the Government agencies do find from time to time that there are things which ought to be done which are not strictly covered by statute, but which are obviously within the spirit of the statute. They are put right from time to time; I think the Treasury have their lists of them and get them into Acts as fast as they can, and I think this Committee has always been very lenient unless they think there is anything very serious which ought to be legislated.

862. What did you say prevented you in England from using the Scottish system?—The unwillingness of the English local authorities to do the same thing as the Scots.

863. Could not you take power to do it? Would it be very difficult—might I put it that way—to get the power to do it?—We do not want to take power to do things which local authorities do not want to do. We regard ourselves as partners with them. There was a working party on this before the Board opened its doors to the public. The working party consisted of officers of the Ministry, all the Local Authorities' Associations and ourselves, and they did not want that system in this country. We cannot force it on them.

864. What extra work or expense does it involve? Can you give me an estimate of that?—No, I could not.

865. You have no idea?—No, I do not know.

Chairman.

866. Do you think it would be cheaper?—I do not think it would, no.

Mr. Hoy.

867. It would be just more convenient?—Personally, I think the Scottish system is more tidy, but perhaps I am prejudiced.

Sir John Mellor.

868. In paragraph 91 I am puzzled by one expression. You said some of these were extra-statutory remissions of development charge. Paragraph 91 says: "Some of these were subsequently legalised by regulation or order". Why "regulation or order"? The Section of the Act which provides that remissions may be made in this way would, presumably, say "by regulation" or else it may say "by order," but it would not say by one or the other?—Frankly, Sir, I do not know what "or order" means, but perhaps Sir Frank does. The use classes order, yes, is called an order.

869. Which Section of the Act provides that these remissions may be made?—Oh, there is a provision, of course, for exemptions to be made.

870. Which Section gives powers, and what does it say on the subject?—I am afraid I have not got a list of all these different remissions.

871. Have the Treasury got it? The Treasury were quoting the Act?—I do not know whether Sir Frank can help on this? (Sir Frank Tribe.) You can, I understand, have an exemption regulation or what they call a use classes order, that is, relating to changes in use. (Sir Robert Fraser.) Section 12 contains the use classes order.

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[Continued.]

872. Is there a different procedure, then, where the regulation is used and where the order is used?—(Mrs. *Johnstone*.) Yes, the exemption regulations are made under Section 69, the use classes order under Section 12. (Sir *Robert Fraser*.) It is Section 12 (2) (f): "In the case of buildings or other land which are used for a purpose of any class specified in an order made by the Minister under this Section, the use thereof for any other purpose of the same class". That enables him to push classes together and say that changes in those classes do not attract the charge.

873. That is the order?—That is the order, yes.

874-5. The regulation has to be used in all other cases, is that right?—Section 69 (2) says: "this Part of this Act applies to all operations for the carrying out of which planning permission under Part III of the Act is required, and to all uses of land for the institution or continuance of which such permission is so required: Provided that—(a) this Part of this Act does not (except as hereinafter provided) apply to operations of any description specified in the Third Schedule to this Act or to any use of land so specified; (b) regulations made under this Act with the consent of the Treasury may provide for exempting from the provisions of this Part of this Act operations or uses of any description specified in the regulations".

Sir *John Mellor*.] Thank you very much, that answers the point.

Mr. *Benson*.

876. I was rather intrigued by the word "inexpedient". Why should it be inexpedient to regularise your extra-legal concessions?—I did not write this, but "difficult" means, horribly difficult to draft,

"inexpedient" means impossible to find Parliamentary time.

877. I see, you repudiate all responsibility. Of course, it is Sir Frank's wording?—It is Sir Frank's wording. (Sir *Frank Tribe*.) My impression was that it was the wording used by the Department in replying to one of my queries. (Sir *Robert Fraser*.) I expect that is so.

878. Perhaps it is inexpedient to pursue the matter?—I would like to go further back and say it is probably a stock phrase used by the Departments in various circumstances.

879. There is one other point: are the development charges notionally limited in any way to the global sum of £300 million?—No, I do not think so. In what way do you mean?

880. In that you regard the development charges as the source from which the £300 million comes?—No, the £300 million is, as was explained earlier, intended to do far more than balance the development charge. It also is part of the price that is paid for planning, and refusal of planning permission, and all sorts of things. Moreover, there is no reason why the amount of the development charge, as time goes on, should have any relation to development values existing in January, 1947. I hope it will be very much more.

881. In that case, my other question falls. It was this question of your having in these appropriations taken in your sales of land. So, if the two are not related, it does not matter how you deal with your receipts?—No, it was never intended to be a balancing account.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed*.) Thank you very much, Sir Robert.

The witnesses withdrew.

Adjourned till Thursday, at 4 p.m.

THURSDAY, 28TH FEBRUARY, 1952.

Members Present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Hoy.

Mr. Douglas Marshall.
Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mr. J. J. S. SHAW, an Assistant Secretary, the Treasury, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 33-37, 38-42, 43-45 and 52 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir ARNOLD OVERTON, K.C.B., K.C.M.G., M.C., Permanent Secretary, and Sir ALFRED LE MAITRE, K.B.E., C.B., M.C., Controller of Ground Services, the Ministry of Civil Aviation, called in and examined.

Chairman.

882. I would like to take, first of all, the Treasury Minute dated 29th November, 1951, on the Third Report of the Committee of Public Accounts, paragraphs 33-37, 38-42, 43-45 and paragraph 52. I will start with paragraphs 33-37. May I first address a question to the Treasury: Would you agree that the object in view here is only attained if, in addition to a yearly determination of the grant, adequate recourse is had also to the statutory provisions for revision in the event of error in the assumptions on which it has been based, whether this points to an increase or to a decrease?—(Mr. *Milner-Barry*.) Yes, I think I would, Sir. I would only say on that that it is not obligatory to revise the grant; it is, I think, expressed that the Minister may revise the grant.

883. You would agree that it was the clear intention, though, at the time of the passing of the Act, that this procedure should be followed?—Oh, certainly, in the appropriate circumstances, yes.

884. Can you tell me what grants have been approved for 1951-52?—It is £4.25 million for B.O.A.C. (Sir *Arnold Overton*.) The original determination of the grant for B.O.A.C. for the current year is £4.25 million and for B.E.A., £900,000.

885. Were these grants determined before or after the increased rates for air mail of which we heard?—Before. (Mr. *Milner-Barry*.) Before, yes.

886. Will the determinations be revised?—(Sir *Arnold Overton*.) They may be.

887. Would you regard this as a change of material circumstances or a change of material assumption?—As a matter of fact, in this particular case of the air mail rates

which were recently revised, it was explained to B.O.A.C. when the grant was originally determined that any increase of those rates would be taken into account when the question of reviewing the grant came up.

888. Then, may I go to the Treasury Minute on paragraphs 38-42. I gather that the Air Ministry Works Department could not make the assessments. I would like to ask why were not alternative arrangements made in view of the obvious difficulties, legal and practical, that were bound to arise if the Air Ministry Works Department could not make the assessments? Why could not somebody else have been asked to make them?—The Air Ministry Works Department were our agents for all this work at the time. This is in the early post-war years, and I do not think it would have been practicable at that time to have got anybody else to act as agents in the particular field covered by these things which, after all, are in the main the aerodromes, and so on, with which the Air Ministry were familiar in wartime.

889. Did you consider making alternative arrangements?—Well, it was before my day. I think not.

890. Then, on paragraph 2 of the same Minute, Sir Arnold, have assessments now been made and agreements affected for all existing tenancies?—Apart from those points here the thing is practically settled.

891. Does that include tenancies for Ministry employees and other Government officials?—Yes, Sir, they have all been assessed. I think there are some arrears in course of collection still, but they have all been assessed and are in process.

892. You have made satisfactory arrangements for the payment of arrears in all cases?—In all cases of officials, yes.

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M.C., and Sir ALFRED LE MAITRE, K.B.E., C.B., M.C.

[Continued.]

893. Has the basis of charge for central heating been determined in the agreements effected with tenancies as to their liabilities for central heating and other domestic services?—That has been generally settled, not in full detail in every case, I think.

894. What are the cases which are referred to as not causing anxiety? You see the sentence: "Apart from certain items which do not cause any anxiety"?—Those are the two Corporations and the particular case of a foreign air line.

895. You think they are safe; you have no doubt about them?—No, there is no doubt about them.

896. Can you tell me what amounts for rents and services have been written off as irrecoverable since 1946?—I am afraid I have not got that figure, Sir.

897. Perhaps you could let us have it?—Yes.*

898. Can you give any estimate of the probable loss in the rent roll caused by the fact that the negotiations for agreements for rentals have been prejudiced by the tenants being in possession without agreements?—Well, I think it is really in this Minute. The £10,000 represents the element which we feel we may not get back fully; in fact, we may only get back a small part of it, but for the rest, it has all been cleared up satisfactorily.

899. The point I am really making there, Sir Arnold, is this: would you agree that the final rent roll anyhow will be lower than it would have been because you have had to negotiate with people who were in possession?—No, I do not think so.

900. And who have been in possession not paying any rent at all in some cases?—I do not think so, Sir, no. The procedure is that the rental is first of all assessed by our agents in the Air Ministry, what they think is a proper rental to ask, and then it has to be agreed with the tenants and, whether the assessment takes place before or after occupation, there is a process of negotiation which goes on and according to my information it has worked out about as well for those who were in possession already as for the new tenants.

901. On paragraph 4 of the Minute, still on rents receivable, can you give us an assurance that since the Public Accounts Committee reported on this matter no fresh tenancy or service has been allowed at all without a firm and binding agreement on terms?—Yes.

Mr. Benson.

902. I see that the grant to B.O.A.C. last year was fixed in December for 1950-51?—Yes.

903. And by the middle of February they had advised you that the outturn was likely to be better than was anticipated?—Yes.

904. You say they have already been fixed for this year?—Yes.

905. Have you had any further advice as to the probable outturn as you had last year, in view of the fact that air mail rates have increased?—Yes, we have had information from them in regard to the results up to the end of December and, in fact, they have published those results, which are very good indeed.

906. With regard to rents receivable, what percentage of the unagreed rents were house rents and what percentage were commercial?—It is a very small percentage. I may have the figure.

907. Something like 5 per cent?—I think much less than that.

Mr. Douglas Marshall.

908. I have just one or two questions. Taking paragraphs 38-42, at the end of paragraph 39 you see: "Meanwhile occupation was allowed without agreement on the rents to be paid." Would not it have been possible to have had some form of agreement with some idea as to the rent, or was it absolutely impossible to do so?—My own view is that something should have been done. These were arrangements directly after the war when everything was in a tremendous mix-up, while the wartime arrangements were giving place to peacetime, and the Air Ministry agents who worked for us were very busy indeed doing a whole lot more other urgent jobs, freeing factory space and things of that kind, so these comparatively small things got left over. That is the reason for it.

909. You feel yourselves that they should have been done?—Yes.

910. Going on to paragraph 40, for anyone studying this as we do here, it does seem rather strange that some tenants had left without paying any rent. In principle that must be unusual?—Yes.

911. Do we know how many tenants had left without paying any rent? I do not mean how much is owed in arrears, but how many tenants left without paying any rent at all?—A few small charter operators who folded up, or something of that kind, but it did not amount to anything at all substantial.

912. It really came to this, that up to a point capital was advanced, if it had been in terms of capital goods, whether or not the company concerned did or did not make a success of it, and if they did not make a success of it and folded up, they had not lost anything?—Well, that was only one element in the expenditure of these people.

* Information supplied: not printed.

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[Continued.]

913. In reply to a question, I think, by the Chairman, on paragraph 41, I think you used these words: "Generally settled but not in full detail" and I did not quite understand what you meant by that?—That was on the heating charges?

914. About the heating charges, you said, generally settled but not in full detail. I cannot quite see that. If you have a charge you have a charge, but how does one generally settle but not in full detail?—The point of it is that the charge for heating is calculated on a formula depending on the amount of space, and the amount of space has to be calculated out before the actual bill can be rendered.

915. We might merely be in the same position that we have been in before, then? If, let us say, something else collapses, still no bill will, in fact have been tendered, and would not the situation arise that we would be in exactly the same position as we were before?—For the future, anyway, all existing tenants now receiving these services have completed a form of agreement to cover current, space heating and similar services. So, it is all right for the future. It is a question of settling up the arrears.

916. So, the future is all right?—Yes.

917. The last point I have on this part is on paragraph 45. I notice, in the Report, the Committee say: "They assume that the Ministry will still be able to produce periodical estimates of the relation between the receipts from landing fees and the total cost of the services provided". They assume; can we now be sure of that assumption?—Yes.

Mr. Bossom.

918. The normal landlord when a tenant departs, pursues him and collects any rent that has not been paid?—Yes.

919. Has any effort been made to pursue the people who have left without paying?—Yes.

920. Has any success been achieved?—Yes, some success.

921. What proportion of the amount; was it in one case or in 20 cases? Can you give us an approximate idea?—All these figures are very small indeed.

922. What do you call small? Give us some idea; I am ignorant on the subject?—The rent roll is of the order of £400,000 a year and the total of these questionable

debts which are really at risk is about £10,000, so that is about 1 per cent. of the total rent roll which is at risk.

923. £10,000 is not quite 1 per cent. of £400,000, but that is neither here nor there?—It is, over a period of years. The rent roll is about £400,000 a year, and this £10,000 of outstandings which is in jeopardy is for rents going back for two, three, or even more years.

924. Now you have written them off, I suppose, as bad debts?—No, we have not written them all off. We have written some off and I have promised the Chairman to say how much that figure was.

925. How are any continuing tenants getting on? Are they going to pay or are they going to walk away without any responsibility?—Now they sign a form undertaking to pay a rent assessed in advance until the proper rent has been agreed.

926. But are these various people who take the space investigated to see if they are capable of paying or do you expect them to earn the money first before they do pay you? What is the business arrangement which you entered into with them?—It is like any other business arrangement, that they pay quarterly in advance, or whatever it is; it may be monthly or quarterly in advance.

927. Surely, in any ordinary business, if you are letting to an unknown person, would not you investigate yourself and see if he is responsible?—Yes.

928. You do investigate now?—Yes.

929. So you are now quite assured that you are safe for the future?—Not safe, people go broke sometimes, do not they?

930. Reasonably safe, as far as it goes?—Reasonably safe, yes.

931. I am not trying to split words with you, but the situation which obviously did result from the war now is being readjusted into common sense, businesslike arrangements?—I think I can say that it now has been cleaned up for the present and the future, but there are some small debts outstanding from the past.

932. You said earlier on that there were certain items that did not cause anxiety?—Yes.

933. What are the items that do cause anxiety?—Well, they are the sort of case, mainly, where a small company has gone broke, or cleared out.

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M.C., and Sir ALFRED LE MAITRE, K.B.E., C.B., M.C.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 16.

MINISTRY OF CIVIL AVIATION.

Chairman.

934. May we now turn to the Civil Appropriation Accounts, paragraphs 118-128 of the Comptroller and Auditor General's Report? This is on page xli. I have some questions on paragraph 119. What were the reasons for the successive revisions of B.O.A.C. estimates from January to August, 1950, and for the delay in determination of the grant until December, 1950?—Broadly speaking, the deployment of B.O.A.C.'s fleet was being altered a great deal during that time and when they put the first estimate and programme to my Department in January, 1950, it was a very provisional sort of programme. Indeed, if I may say so now, since then we have agreed that so much before the beginning of the year it is impracticable for these Corporations to submit anything like a firm programme and we have arranged in future that they shall make their first submission in March instead of in January. That first submission in January was of a very provisional kind and it was not until May that we got anything like a firm basis on the deployment of their fleet, and the money they expected to earn and their costs, and so on. When we examined that, on receiving it, we were not at all happy about one rather important element in their plans, and that was relating to their services to South America. We thought that they were being over-optimistic about the revenue which they could earn, and we asked them to think again. We took the view that it was better to ask them to think again before awarding them a grant rather than to award them a grant and then say that they must try and make reductions afterwards. We thought that was the better way of doing it. In order to make that review, B.O.A.C. did set up a special Committee in their own organisation and they produced the alternative proposals which cut back substantially the fleet they were using to South America and arranged some alternative employment for it, and they submitted all that to us in August. That is the history of the thing.

935. Then did the Ministry get any further information as to B.O.A.C.'s current results between August and December when you determined the grant?—When we got the revised programme in August we examined it and submitted it to the Treasury at the end of October, and certainly in that period we did not get any new information about their detailed results.

936. Did you get any more in the next period before the 8th February when you

presented the supplementary estimate?—The first time we heard from them officially about that was in February, as is reported here, I think, when they told us for the calendar year their deficit, they calculated, was only slightly over £5 million and they hoped they might do better than the £6 million for the financial year.

937. Was it only pure coincidence that they told you four days after you put in the estimate?—Pure coincidence.

938. I have a suspicious mind, you must understand, in the nature of things?—As you know, Sir, when Departments apply for supplementary estimates they are put in to the Treasury a good long time beforehand, and the fact that this was published in February means, in fact, that we applied for it, I think, about December.

939. Could I press you on some of the detail? What steps did the Ministry take to satisfy themselves that the amount by which the loss fell short of £6 million, namely, some £1½ million, was saved as a result of the Corporation's efforts and was not due to any changes in material assumptions on which the £6 million was based?—I am not sure that that is quite the way we looked at it. The first point, I think, is that any revision of the grant, whether upwards or downwards, is a matter within the Minister's discretion; the statute says that the grant may be revised in the light of alterations in material assumptions, and it is, therefore, almost a matter of policy, one might say, as to whether it should be revised or not in a given set of circumstances. In this case, of course, the actual result of B.O.A.C. for the year was not known until well into May or June. All we did know between February, when B.O.A.C. wrote to us, and the end of the financial year was that B.O.A.C. were continuing to do a good deal better than had been expected and I should explain that nearly the whole of this improvement in results took place after the first half of the financial year. The figures for the first half of the financial year were pretty close to the original estimate.

940. When you were estimating all this, did the material assumptions which you made include a large increase in air mail revenue, which is referred to here?—The material assumptions were not defined when the original grant was made. This increase in air mail, which is referred to here, is pretty much in line with the increase in the rates of their traffic for the year. I

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[Continued.]

think the figure is nearer a quarter than a third, actually.

941. Was it in any way due to the Corporation's efforts, or was it just fortuitous?—No. Are you talking about air mail in particular or the traffic generally?

942. I am talking about air mail revenue in particular at the moment?—I should explain that about two-thirds of the air mail originates in the United Kingdom and one-third originates overseas and certainly that one-third is dependent a good deal on B.O.A.C.'s own efforts as to how they adjust their schedules and all the rest of it.

943. May I go back, because I am not wholly clear yet about this business of Estimates? I understood you to say you did not define any of the material assumptions in estimating the grant. What I should like to ask you is, from your point of view, what is a change in the material assumption?—I think that is a question that really wants looking at case by case as the circumstances arise, rather than in general.

944. If you, in fact, do not define your material assumptions when you are making the Estimates, you have already prevented or made impossible any revision at a later date owing to a change in material assumptions have not you?—No.

945. Then, just explain to me why not?—When the grant is determined it is determined subject to the possibility of revision in the light of a change in material assumptions. That is explained in the letter determining the grant, but the letter does not go on to explain in detail how that should be interpreted.

946. I should like to ask your opinion on this. Is not it, in fact, desirable that if you make a grant on certain assumptions you should say what those assumptions are and not leave the assumptions entirely in the air?—I think it might be very embarrassing if one defined in advance the assumptions which would be taken account of when a change was to be made.

947. Unless something like this is done, all you are doing is saying, in effect, to the Corporations: "Whatever you lose we will make up"?—No.

948. Unless you go through the drill that is provided for in the statute, that is the position that you will be getting into, is not it?—One of the difficulties, of course, in this particular case is that, in fact, B.O.A.C. had accumulated a deficit of £4½ million over the previous years and on previous occasions this Committee had expressed considerable disquiet about that accumulated deficiency, which was a millstone round the Corporation's neck both from the capital and from the interest point of view. The fact, therefore, that B.O.A.C. were able to get results considerably better than had been estimated

for this year made it possible to reduce that accumulated deficit and that, of course, was one of the reasons which the Minister and the Treasury took into account in considering whether or not to revise the grant.

949. When you are considering revising a grant do you consider it both ways? Do you think of the statutory provisions as covering revision of the basis of grant in circumstances where you would reduce the grant?—Oh, yes, both ways, reduced or increased.

950. One other question on this paragraph 119: what is the particular virtue in creating a reserve from the surplus while a large accumulated deficiency remains on the balance sheet of B.O.A.C.?—That reserve was earmarked for that particular purpose because it was felt at that time that a part of B.O.A.C.'s fleet would be unlikely to last the full period of their amortisation and it was therefore wise to create that reserve earmarked for that purpose. It is, of course, always possible, with the agreement of the Minister and the Treasury, for that reserve to be later used for some other purpose.

951. But, at the moment, it is purely fictitious. You cannot have a reserve if you have a deficiency at this time?—Quite.

952. And in ordinary commercial practice, you would agree, it is doubtful if it would be permitted?—It was recommended by the commercial auditors, the chartered accountants who audited the accounts.

953. We are in agreement that, in fact, what has happened is that a reserve has been created, but since there is a big deficiency it is not a real reserve at all?—No, in fact it reduces the accumulated deficiency.

954. Now, a general question on paragraphs 118 to 120 taken together. On the general question of Exchequer grants, I wonder if you are in any position to give the Committee any idea as to when you think grants will cease to be required by each of the Corporations?—I think there is quite a prospect that B.O.A.C. may be able to do without a grant in the coming year and I hope that, having once done without it, they will be able to continue without it. I do not want to go too far now because, obviously, the position is still fairly open. As regards B.E.A., we had hoped that they would be getting to the break-even position within the next year or two, but there has been some deterioration in their position in this current year for various reasons, and I should not like to hazard a guess now as to when they might be able to eliminate the deficit.

955. Now, I come to paragraph 121, landing fees. I see that in the accounts for 1950-51 landing fees constituted only

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[Continued.]

1.3 per cent. of B.O.A.C.'s operating expenditure and 3.9 per cent. of B.E.A.C.'s. Has there been any further consideration of the advisability of increasing the fees, and if so, with what result?—An announcement was made only a few days ago that a passenger service charge would be introduced at the beginning of May.

956. May I just interrupt; that is somewhat different from the normal landing fee, is not it?—Yes.

957. It is really a poll tax?—It is not a tax, it is a charge for services rendered.

958. It is a charge per head, that is what I mean? It is not a charge because an aircraft lands, it is a charge on every passenger who gets out of an aircraft?—If I may, I would just say this: we did consider very carefully, assuming that revenue had to be found, whether to increase the existing landing fees or to leave them where they were and deal with the matter in the way in which we have dealt with it, and for various reasons we came to the conclusion that the passenger service charge was a better and less onerous way of raising the necessary revenue than would have been a straight increase in the landing fees.

959. Could you tell us how much you are likely to make on it?—About £200,000 a year.

960. Why do you lose money on London Airport?—Well, it is a very expensive job to run a place like London Airport. It is not purely the commercial end of the business, there is a lot of work to be done in keeping the place in repair, which is very costly, and then, of course, quite apart from that, and rather outside these accounts, there is all the technical work which has to be done, very specialised forms of aid to aircraft in the air to give them landing directions, and all the rest of it.

961. You do not cover a very big proportion of your operating expenditure, do you? The loss is pretty considerable?—It depends what figures you take into account, really, but we reckon that the operating loss has been about £2½ million in each of the last three years, and that is not taking account of the air traffic control or of interest on capital, but charging depreciation, which is quite a substantial figure. As I say, operating loss we reckon to be about £2½ million and that figure represents about two-thirds of the gross cost of the items I have mentioned, so that the revenue is about one-third of the gross operating cost. At London Airport it is rather more.

962. The loss does seem to me to be heavy. It is not universal, is it, for airports to lose money?—Well, it is, except for one or two airports in the United States.

963. I saw an article some time ago in the "Economist" which seems to suggest that some of the American aerodromes were, in fact, paying their way?—I think a few of them are paying their way, but where they do it is after they have been given grants of 50 per cent. from federal funds to their capital development and, also, about 50 per cent. of their revenue does not come from aircraft but from all sorts of miscellaneous things like tennis courts and bowling greens and that sort of thing which we cannot do here while the capital investment position, at any rate, is like it is now.

964. I will just take paragraphs 122, 123 and 124 which are all on the Flying Unit before we take questions from Members of the Committee. On paragraph 122, what are the main duties of the Unit at present?—The main duties are flight checks of these radio aids on the aerodromes and along the airways, testing of candidates for commercial pilots' licences and for the instrument rating, communication flying and occasional work on control procedures, ground control approach, training school, and finally refresher flying by some of the technical staff in the Ministry.

965. If you take the figures in paragraphs 123 and 124 it does seem to point to a very low average user and a very high cost per flying hour?—I do not think it is possible to compare the hours flown on the sort of jobs I have just mentioned with commercial flying. If you get candidates being tested, for example, it is up and down, up and down, just very short flights, and the same applies with checking the radio aids, it is just going up, doing the check and returning.

966. Is it really necessary to maintain two aircraft which were only used for 44 and 29 hours in a year respectively?—No, I agree, they are very old aircraft which were usually out of commission as we could not get spares. The fact is that we had an old, job-lot fleet and we have been trying to get it rejuvenated.

967. If you take paragraph 123, this aircraft which had to be given up after flying only 75 hours, surely it should have been known before it was taken over that the engines were obsolete and spares hard to get, should not it? Is not that the kind of thing an expert could reasonably be expected to know?—In fact I am told that no payment was made for that aircraft at all, we took it on trial, it was unsatisfactory and we pushed it off again without paying for it.

968. You were not paid for running it, I suppose?—No.

Chairman.] I think it would save trouble later on if I take questions from Members up to this point. Have Members any questions up to paragraph 124?

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[Continued.]

Mr. Hoy.

969. May I ask if the rise in air mails is in any way due to an increase in charges?—Not in this year under review, 1950-51. The increase in charges was agreed upon last summer and was then dated back to January, 1951, but, in fact, it was not included in these accounts, even for January to March, because the new agreements on mails was not made until after these accounts were closed.

970. So, you would expect to do rather better, even, on the following year's accounts than this year?—Yes.

971. Regarding B.E.A., what is the greatest drawback with regard to getting them to break even with their accounts? Is it, in fact, due to uneconomic services which B.E.A. are compelled to operate?—Yes, partly. I think the main factor is that they are losing money on most of their internal services in this Country. They are not far from breaking even on the external services, but even there the position has deteriorated slightly because their costs have been going up quite substantially, including wages and petrol and everything, and they have had to use the same aircraft which are rather on the small side, so that the cost of running these smaller aircraft is getting rather too high. They have new aircraft on order and we hope that as these new and bigger aircraft come into use, that will improve things.

972. Now, the loss on airports. How many airports are there outside our own country that have this passenger charge which you propose to inflict on passengers?—I do not know offhand exactly how many, but there are quite a number, including the Channel Islands, starting near home, and Idlewild, New York, further away; in Switzerland they do, I know. They are spread about the place.

973. One or two, not many?—A number.

974. Do not you think that passengers will regard this as an awful nuisance if they have got to pay 5s. to step out of the plane on to some airports which are not very good, if I may say so?—That is not what they will do. We are imposing the charge on the air lines.

975. And they will add it to the passenger ticket, is that right?—It is up to the air line to decide whether to collect it retail from the passenger or whether to include it in the fare structure, and I imagine that as soon as they have time they will include it in the fare structure.

976. As regards these losses, who are, in fact, the chief culprits?—Which losses?

977. The airport losses which you are trying to recover from the passengers?—The aerodrome really consists of three different parts, there is the runway and all

to do with that, there are the hangars, and there is the passenger area. The passenger area, particularly in places like London Airport, is very expensive to maintain. People go there, they have hot water and all the rest of it, all sorts of services which they very naturally expect, and it does come very expensive. The root question is how long one should charge the air traffic, in whatever form one charges it, so very much less than the services on the ground cost; that is the root question. The ultimate object, I think, generally agreed, is that in the long run these ground services ought to become self-supporting. It is a matter of taking steps in that direction as opportunity arises.

978. Apart from charging the passengers, what steps have you taken to meet this very heavy deficit?—On the expenditure side we are constantly reviewing the costs of running things. We have been reducing lately the scale of ground facilities which will be put in on certain aerodromes. We have kept the staffs down and, indeed, slightly reduced them, although the traffic movements are going up from year to year. I am referring to the people doing an operative job in the aerodrome, and generally we do try to reduce our expenses as much as we possibly can. That is a continuing process, of course.

Mr. Douglas Marshall.

979. I have one question that I particularly would like to ask, Mr. Chairman. If it should be outside the scope of this, I hope you will stop me. Sir Arnold, dealing with London Airport, the loss was round about £2½ million, I think you said?—Oh, no.

980. That is what puzzled me. This loss on aerodromes is £3 million to £3½ million. You did quote the figure of £2½ million, did not you?—The figure of £2½ million I quoted was the net cost of all the Government-controlled aerodromes in this country. That is the operating expenditure less the revenue.

981. The loss when it is calculated on that basis, you said, did not take into account the interest on the capital?—Yes.

982. Is there any reason why it does not take that into account?—That is on that particular figure. There is another calculation which does take into account the interest on the capital.

983. You can take it whichever way you like?—Yes.

984. You gave one answer which I was not clear about. If you take London Airport, for example, as to the loss which may be attached to that, you said that it is made up of three things, the aerodrome, the hangars and the passenger area?—Yes.

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[Continued.]

985. Let us take a particular machine. Supposing the "Hermes" is flying to a certain spot and she goes out, but she has trouble and there is a delay of 5, 6, 7 or maybe 24 hours, whatever it is, does the charge for that delay come back in any way at all upon the aerodrome?—No.

986. It only shows in the B.O.A.C. accounts?—Yes.

987. But is that any form of expenses, or nothing whatsoever, so far as the aerodrome is concerned?—It is nothing to do with the aerodrome, no.

988. So, they do not find any further imposition of cost upon them because of any delays which may occur within the fleet of B.O.A.C.?—No.

989. It does not mean that you have to have extra housing room or anything extra?—Of course, at the aerodrome we, in planning and fixing the passenger building arrangements, the facilities for passengers, have to take into account the fact that aircraft are delayed sometimes and, therefore, the facilities must be big enough and of sufficient general use to take account of those passengers who will be delayed. That is the only reaction.

990. I would like to be clear in my own mind upon this point: when one has travelled a lot in these aircraft, and I have done so lately, one would have thought that by virtue of that delay and having, let us say, to use extra men, and so forth, continually to start it all over again, there would be extra overtime and extra charges which would actually come upon the aerodrome. That would not be the case?—No, a big aerodrome like London Airport is open all round the clock, you see, and the people are there working on the aerodrome.

991. It is watch and watch, and it does not make any difference however much any aircraft is delayed so far as London Airport is concerned?—No, except indirectly, as I have explained. By reason of the fact that there are these delays which occur, it does mean that the facilities we provide are bigger than they would be if there were not these delays, but all the cost of the actual delay falls on the operator.

992. It falls on the operating side. You mentioned, I think, that although you would not like to tie yourself, you are moderately happy with regard to the immediate future of B.O.A.C. You were not so happy with the future of B.E.A.?—On the financial side, yes.

993. Do you consider that the very great difference that one now observes if one flies in different forms of aircraft in the facilities which are available with B.E.A. and with B.O.A.C., or, rather, not available with them, but which are available in

other lines, has led to any deterioration at all with B.E.A.?—I am not quite sure what your question is.

994. I mean that the kind of small creature comforts in other aircraft are very much greater than when you fly in our own planes?—I do not know that everybody would agree with you on that, particularly as regards B.O.A.C., because a great many people think that B.O.A.C. is much the best line to fly by, and the same applies to B.E.A. But, of course, B.E.A., as I have explained, have had difficulty in getting their new aircraft and so they are more dependent than they hoped to be on the older aircraft.

Mr. Douglas Marshall.] I imagine that is a matter of opinion. I have heard the reverse expressed.

Mr. David Thomas.

995. About the estimates which the Airways Corporation have to submit when they intend making application for a grant, as has been the case all along, I believe you told the Committee that they now have to submit them in March instead of in January?—Yes.

996. What really is the purpose of that, in view of the delay which took place in 1950 when they submitted their estimates in January and the grants were not made until December?—What I tried to explain was that the estimate submitted in January was really useless, not through any fault of B.O.A.C., but because it is much too early then for them to be able to crystallise their plans. We therefore got off, so to speak, to a false start. We got these figures in in January and when we looked at them we came to the conclusion that they ought to be worked over again, and the first effective estimate did not come in until May. We are hoping now, by putting off the original date, to get a pretty good estimate in March comparable to that which in this particular year we got in May.

997. But if their accounts go, say, from January to December in each year, all companies certainly make their estimates some months before the following year?—Yes.

998. As I see it, you are giving an opportunity, perhaps, for them to delay making their estimates because I do not think it can be argued that from January to March there might be some changes?—Oh, yes.

999. And those changes would alter the grant, because you might have no change from January to March and then a change in May. Inasmuch as they have got the right to get their estimates revised, why not insist on getting them to submit them in January?—The background to all this sort of business is that it is a very new

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industry which is moving forward very rapidly and changes and so on are constantly made in the services which they operate both as the revenue prospects alter on the particular routes and as their various new aircraft which are coming forward quickly can best be used. Particularly at this time the deployment of their fleet was very much in a state of flux, and that is the reason why a figure submitted so early as January of how they think their aircraft will be working from April onwards has not proved of much use. It is out of date before it comes into operation.

Mr. Benson.

1000. Again on this subject of estimates, B.O.A.C. seem singularly unfortunate so far as accuracy is concerned. The estimates were made in January, revised in May and again in August?—Yes.

1001. On that August revision, and presumably, I suppose, with still further information available, the grant was determined in December at the sum of £5 million, that is, with up to two-thirds of the year gone. Then, in February, they announced that there would be a saving of nearly a million pounds on that?—That there had been, in the twelve months.

1002. Yes, the determination in December was obviously very inaccurate if, within three months, a saving could have been made without it being noticed. The out-turn of the year shows another over-estimate of some £600,000. I take it the financial year is the national year?—Ending March, yes.

1003. So, there have been a number of bites and in the event even the estimate which was made two-thirds of the way through the year was 30 per cent. wrong. It was £1½ million wrong on £6 million, that is, it was one-third out on the actual expenditure, and in addition to that there was another £1 million on capital account which apparently had not been taken into consideration?—That would not be taken into consideration.

1004. At any rate, it is rather a large error, surely, particularly when B.E.A., whose determination was made two months earlier, in October, were extremely accurate. I do not know whether you can compare the two, but one was extremely accurate and the other was extremely inaccurate. Is there any reason for this inaccuracy?—I should like, if I may to explain that it is extremely difficult, and, of course, this wish of the Public Accounts Committee that the determination should be made early in the financial year does not make our problem any easier from that point of view. I think it must be borne in mind that B.O.A.C.'s total turnover—that is the money they get in and the money they spend—amounts altogether to about

£70 million a year. It was not as much as that in this year, it may have been £50 million or £60 million, but what we are trying to do is to see how close we can get to the difference between two figures which together add up, as I say, to something in the order of £70 million. If I may go over the points which you raised, I explained why it was not until August that we got an estimate and programme from B.O.A.C. on which—

1005. I am not so much worried about that as about the December, February and March figures?—Yes. We got the final estimate from B.O.A.C. in August and we examined it, and at the end of October we made a recommendation to the Treasury that the grant should be determined at £6 million. At that time we thought B.O.A.C. would be doing extremely well if, in fact, they would be able to work through without a loss. The Treasury agreed the figure of £6 million in December. I should explain then that B.O.A.C.'s improvement in traffic did not really begin to operate until the second half of the year, September and October, and we probably got to know a little about that in about December, about the time the grant was determined after consultation with the Treasury, but it might then have been just a flash in the pan and it was not until we heard from B.O.A.C. in February that it became pretty clear that B.O.A.C. were likely to beat the target.

1006. There was, then, a complete change in the atmosphere and a continuing change, in the second half of the year?—That is really what it amounted to.

Chairman.

1007. May I just ask this before you leave that point; if you had known on the 8th February what you knew on the 12th February would you have been likely to go forward with the supplementary estimate for £1 million in the light of the vastly improved position of the Corporation? Would not you have been more likely to have revised the grant in the light of the change in the material assumptions?—We could, of course, have made that provision subsequently, and, indeed, we did consider that and we came to the conclusion that it was best not to revise the grant and reduce it for several reasons: one was that we felt that the great part of this increase had been largely due to B.O.A.C.'s efforts to attract traffic, and another was that we took into account this accumulated loss of previous years in considering a revision of the grant, though not, of course, in determining the original grant, and, thirdly, we felt that it would be very discouraging to the B.O.A.C. staff if, when they had done so well, the fruits of their efforts were snatched away from them at the last moment. After all, it should be borne in mind that when B.O.A.C. or B.E.A. make

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profits, those profits in one form or another inure to the taxpayer.

Chairman.] I am sorry, Mr. Benson, I interrupted you.

Mr. Benson.

1008. With reference to what you said about South America, the Ministry of Civil Aviation considered the assessments put before them by B.O.A.C. as to the possibilities of South American traffic and revised them considerably?—We asked B.O.A.C. to think again, yes.

1009. Is not that rather disturbing, that you should be more accurate than they? I do not know whether you look at it from that point of view, but is not it rather disturbing that B.O.A.C., who are handling the traffic the whole time and who, presumably, should know a great deal more about their potentialities than you do, should have proved to have been wrong and you right?—Well, I do not know, people near the subject-matter are not always quite so exact at judging these sorts of things.

1010. How frequently do you find it necessary to tell B.O.A.C. to think again?—In general, I should say that in the early days we did it quite a lot. I do not say that we were always right or that they were always wrong, but as they have been getting more and more on their feet financially, so the occasions for doing this are falling away.

1011. Now, with regard to paragraph 122, you seem to have had a weird collection of operational aircraft there?—Yes.

1012. I cannot quite understand what use it would be to give instruction in flying, and so forth, on obsolete and old-fashioned craft. One would, presumably, think that instructional flying should be on the current types?—The main work is not actually giving instruction, it is testing the candidates for commercial licences, and so on.

1013. But even that, one would presume, would be better carried out on current types of craft than on obsolete craft, would not one?—It would be better. The trouble really here was that until lately it has not been possible to get the aircraft suitable for the various jobs which had to be done.

1014. You mentioned testing candidates; is that B.O.A.C. officers, or for private flying licences, or what?—No, it is commercial licences. They have to pass certain exams, both written and in the air for commercial licences.

Chairman.

1015. May I now resume at paragraph 125, on maintenance bases and so on. Could you tell me what the reasons were for B.O.A.C. altering its original view and leaving the Ministry to finance their

hangars?—I do not think we do know in detail what their reasons are. The original idea had been that the Ministry would finance these and then it was only subsequently that we suggested to them that it would be better that they and also the B.E.A. should finance the building side of the job. B.E.A. agreed to that on condition that they also had the actual charge of the building. B.O.A.C. at first were inclined to agree and then they preferred to take a lease.

1016. Can you shed any light on the attitude of mind of B.E.A. who obviously were not content to leave the arrangement for carrying out the work and the control of the job to your agents?—They thought they could do it more quickly themselves, I think. We had already designed the building for them and placed the contract but, of course, it is true that the more agents you have mixed up in the thing, the more danger there is of things getting delayed.

1017. Have you found any trouble by reason of the fact that you have had different organisations engaged on this constructional work? We are often told in evidence that it is desirable to extend contracts to avoid having a number of different organisations on the job?—I think in this particular case we have not. When we agreed that B.E.A. should do the building, we did stipulate that there should be a sort of weekly conference on the spot of their people with ours who are engaged on other work, to see that there was no undue poaching of labour, and that kind of thing.

1018. Can you tell me the reasons for the increase in the cost of the B.O.A.C. hangars?—It is partly owing to rises in materials and wages and partly due to B.O.A.C. wanting the hangar altered and improved. The original idea was that there should be two blocks of these big hangars and now the second block has gone into the far distance, or into the middle distance, anyway, and so they wanted to make improvements in the first block.

1019. Is there any connection at all between their desire for something better and the fact that they have now handed over the financial responsibility to you?—Well, they have to pay for it in the long run.

1020. Yes, but what does the long run mean; when is it?—It means the term during which the building is existing.

1021. I will come back to that in a moment. What I was really thinking was that there was a greater incentive to economy in their requirements if the Corporation was financing its own building, and it looked as if the Corporation were making demands when they were no longer bearing that responsibility which they had

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not, so to speak, in mind when they were going to take responsibility themselves?—I am not sure that that is a very sound argument, because if B.O.A.C. bear the cost of the building they will have to raise money to pay for it. They will not pay it out of their current resources, and being Government guaranteed they can raise money on about the same sort of terms that they would get under a Government lease of this kind.

1022. It does rather depend, does not it, on the terms that are agreed between you?—Yes, certainly.

1023. Can you tell me what the latest estimates are for all the work to be done for B.O.A.C. and for B.E.A.C. at London Airport?—I am afraid I have not got the B.E.A. figures because we are not in close touch with that now, but for B.O.A.C. the actual figures are £2.35 million—that is the latest estimate of the cost of the building—plus £400,000 for ancillary services, and both those exclude the charge for departmental expenses.

1024. I turn now to paragraph 126. Who owns this aerodrome at Filton?—The Ministry of Supply.

1025. The actual legal ownership is vested in them?—Yes, the Ministry of Supply.

1026. Who are the other users?—The other users are the Air Ministry, who use it quite a lot, and the Bristol Aeroplane Co., who have their works on the site.

1027. What was the reason for the delay from 1948 to December, 1950, in assembling details, and the failure by November, 1951, to obtain recovery of the Ministry's operational costs?—First of all, we had to put a staff in there to do the job which had to be done. It took a little time to find out what job had to be done and how much staff it would require and, therefore, how much it would cost. The next problem was to get agreed the proportion of user by the various interests. We had a good deal of discussion with the Air Ministry who were the main other user besides B.O.A.C. and it was not until August, 1951, that they agreed that they were fifty-fifty users with B.O.A.C. and should pay half the cost. We still have not got any money from the Bristol Aeroplane Co. who say they do not want our help at all, they can look after their own aircraft, and so it looks as if the cost will be shared equally between the Air Ministry and B.O.A.C. Indeed, that has been agreed.

1028. Does this mean, then, that you will recover your expenditure. Will you recover in the end all that has really been charged to your Ministry's votes?—Yes, as regards the Air Ministry, of course, it is a matter of departmental arrangement and we may

not get—in fact, I do not think we are getting—a cash transfer; it is adjusted through the vote in the usual way. As regards B.O.A.C., we have got a payment of the amount due from then up till March, 1951.

1029. Then, we come to paragraphs 127 and 128 on the absence of firm and binding agreements. What was the extent of the agreement, on general principles, arrived at before the B.E.A.C. site was handed over to them and expenditure incurred in the B.O.A.C. hangars and the ancillary work for both of the Corporations?—Prior to the contract being let, B.O.A.C. gave an undertaking in writing to meet in full the capital cost of the building and ancillary services, including departmental expenses of 10 per cent. failing agreement of a lower rate. I should explain that B.O.A.C. have held throughout that 10 per cent. is too high a charge for these departmental expenses and been urging that the charge should be lower. As regards B.E.A., they have agreed in writing to accept the normal provisions of a ground lease and also to recoup the Air Ministry for the work undertaken by that Department.

1030. Does that mean that the actual terms of the ground lease to B.E.A.C. have been agreed?—No, they have not.

1031. Why is that?—There are a number of points; for one thing, the whole of the ground on which this hangar is being built does not yet belong to us.

1032. Who does it belong to?—I am not quite sure who it does belong to. We are in process of acquiring it and we shall have it very shortly, but until we have all this land in our own possession we cannot sign a formal lease.

1033. I do not understand that. I do not see why you cannot agree the terms of the second lease?—To agree the terms, yes.

1034. If you are saying you are not sure that you are going to get the land, then I can see a difficulty?—We are sure we can get it, but until we have actually got it we cannot sign.

1035. If you are sure you can get the title to the land, I still do not understand why you cannot settle the agreement on the terms of the rent for the B.E.A.C. lease?—It is a big problem and we have been negotiating constantly both with B.O.A.C. and with B.E.A. on trying to work out the term of a standard sort of lease which would be very comparable with a lease of this particular hangar, but it does raise some very big questions of policy on both sides, both on the Corporation's side and on the Government side, and it has not yet been finalised. I do not myself see that there is any particular reason to press for an early settlement, at least, until

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the premises are going to be used for the job for which they are designed. That should happen in the spring of this year for B.E.A. and we certainly intend to use our best endeavours to get the lease agreed and signed before that use of the building starts.

1036. Turning to the B.O.A.C. buildings, have you settled the period of years that you are going to apply, for which the rent is going to be charged, the amortisation payments and so on?—No, it has not been settled yet. We have been discussing the term of years with them but it has not been settled.

1037. Have you any idea what it is likely to be? Is it 10, 15, 20, 60 or what order?—We have told them that we are prepared that the period should be something not exceeding 50 years.

1038. What are the ancillary works referred to in paragraph 125?—That is heating, lighting, putting in the ducts and so on, the apron for the aircraft to stand on outside, and things of that kind.

1039. The details of those have been agreed, have they, with the Corporation so that you and they know what things are to be charged for in these ancillary services?—Yes.

1040. Have the charges of the Ministry's agents, the Works Department of the Air Ministry, been agreed?—No.

1041. Would not it be as well to get that agreed?—We have been very anxious to get it agreed, but it has not been possible so far. It raises rather wider issues, I think, affecting other Departments besides the Air Ministry.

1042. Regarding the B.E.A.C. hangar, before the B.E.A.C. took over had agreement been reached on the Air Ministry's charge in respect of that?—That has been settled, yes.

1043. Can you tell us what was agreed?—I cannot because in this particular the Air Ministry are acting not as our agents, but on their own behalf. I am referring now to the end of the first sub-paragraph of paragraph 128; I know it has been settled, but as it is none of our business in the Ministry of Civil Aviation, I have not asked what the actual figure is.

1044. I want to ask one or two questions on the actual accounts on pages 372 to 376. First of all, on page 374 I would like to ask, in view of the recurring heavy surpluses on this vote which, in the five years up to 1950-51 have amounted to 30 per cent., 13 per cent., 10 per cent., 6 per cent. and 18 per cent., respectively of the provision, are you satisfied that your estimating is sufficiently realistic, or how do you account for this pretty high range of

difference?—I am never satisfied, but if you look at the subheads you will see that a great part of it falls under two headings, namely, F and G, and there were special reasons in both those cases.

1045. On page 376 there is a note to Subhead F. Can you explain this item of £39,596?—Yes. Broadly speaking, that relates to certain scarce materials which were ordered because they were very scarce, in case a number of S.R.45 flying boats or Brabazon aircraft were to be built for civil operation. The sum of money is very small compared with the value of those aircraft and the order was given in order to avoid delay which probably would have occurred otherwise in these scarce materials.

1046. Can the Committee take it, then, that this will be the total amount chargeable to your vote in respect of the types of aircraft you have mentioned?—Yes.

1047. I want to look at the note to Subhead P. There is an item there of £92,500. Who paid the other half that is referred to?—The Air Ministry paid the other half.

1048. Are there any further liabilities of compensation to passengers?—Yes.

1049. Still outstanding?—Yes.

1050. How far is the Ministry liable for compensation in the case of accidents to aircraft when they are flying under the control of officers of the Department?—I think it is largely a legal question on which I should not like to be very precise, but as we are more and more assuming control over aircraft flying about instead of leaving them to their own devices, so, clearly, we become more and more at risk in case of collision.

1051. I would like to get some notion of the magnitude. For example, what percentage of a year's landing fees on all your aerodromes would the total compensation paid by the United Kingdom in this particular case represent? You paid one-half, but if you take the total cost, approximately what does it mean in terms of air landing fees?—Well, it would be a very substantial proportion; it might be one-third or something of that kind, I should think. This sort of accident does not occur often.

1052. You do not think, though, that the risk is great enough for you to provide for it in some way?—I do not think you would want to go to the insurance market. That would not be a good plan, but it is one of the elements of cost, so to speak, which you ought to take into account in thinking of the revenue you can get from landing fees and so on.

Chairman.] That is all I have to ask. Have Members any questions?

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[Continued.]

Mr. Douglas Marshall.

1053. I have got rather a number, Mr. Chairman. Reverting to this question of the hangars and the land, I was not quite clear upon that point. Am I to understand that at the moment these hangars are, in fact, being built on land not yet acquired?—Well, it is nearly all acquired, but there is a strip in the middle of one of the hangars which has not been finally acquired.

1054. Does that strip belong to a private individual?—Yes.

1055. Then, presumably, as the work is in a state of either becoming completed or partly completed, whoever is going to arbitrate on this case, it would be a reasonable thing to suppose that the owner will get a very fair price indeed for it, as you must indeed have it?—The land was, of course, requisitioned; it is held on requisition, and it is being acquired under the acquisition statute.

Chairman.

1056. Under the acquisition clauses in your own Act?—There are acquisition clauses in our own Act which tie up with the general powers of acquisition.

Mr. Douglas Marshall.

1057. Under these circumstances what is, in fact, causing the delay?—Of acquiring this particular bit of land?

1058. Yes?—It is a very lengthy process, actually, to acquire land and I could not say on this particular patch, I am afraid I have not got the details here.

1059. The last point arising out of that that I was going to ask you is a purely general point. You mentioned that these expenses were being incurred in order that these hangars should be altered and improved. I think those were the words you actually used—"altered and improved"?—Yes.

1060. There was an interchange between you and our Chairman over the question of how that payment was going to be made, and as far as B.O.A.C. finance it, or whoever financed it, one way or other it is a payment by way of capital expenditure in some fashion?—Yes.

1061. How does it work as to whether or not improvement is a necessity? Everything that we have ever known could be improved; when does it become a necessity or when is it just an improvement?—I may have misled you when I said "improved". I did not mean that it existed there and was being altered. The work is still in a fairly early stage and it is the designs and drawings which are altered and improved to some extent before the actual work is done. It is not a matter of re-doing any work.

1062. It is the actual design that is being improved, what you might call the prototype, if there is such a thing?—(Sir Frank Tribe.) It is, as I understand, in part to provide additional items such as summer cooling, air conditioning, speech broadcasting, improved lighting and that kind of thing.

1063. I have nothing further on these paragraphs, but I would like to ask a question on the Account on page 373. I see, under Subhead M, "Catering Services", that there is a small sum over and above the amount granted. The point that I was going to ask on that is this: I assume that within those catering services come the canteen facilities. Is that correct?—(Sir Arnold Overton.) No, this is public catering.

1064. The canteen facilities do not come within that?—Not the ordinary canteen facilities. I should explain that this is a gross figure of receipts from catering for the public against which there is an appropriation in aid.

1065. Why, then, does the note to Subhead M say: "Offset by number of staff canteens being less than provided for"?—I suspect that "staff canteens" is the wrong phrase. What happened, actually, was that at the beginning of the year we ran three of these restaurants and we gave up two of them during the year and only one was being continued at the end of the year. That is, where we do catering ourselves.

1066. The question I wanted to ask you, Sir Arnold, falls to the ground if that note is incorrect. I am basing it on that?—Perhaps I may ask about that?

Mr. Hoy.] Could we get a note on it, Mr. Chairman?

Chairman.

1067. Perhaps you will let us have an explanation of that, Sir Arnold?—Yes, I am sorry I cannot at the moment.*

Mr. Douglas Marshall.

1068. You rather surprised me by saying this was not the case, and my object was to try to splinter it, as to whether there was a profit from the public catering, and whether or not any loss was incurred within the canteens. That was the object of my question. Now, on page 375 there was just a point that I wanted you to explain, if you would, because I did not understand it. The statement in paragraph III says: "Claims abandoned: against a Dominion Government for devaluation 'profit' occasioned by an overpayment on an airport operating account. £21,000". That does not mean anything to me?—It is not very clear, perhaps. What happened was this, that up till a date in

* See Questions 1084-9.

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[Continued.]

1948, I think it was, this Government was responsible for the aerodrome at Gander in Newfoundland. When Newfoundland became part of the Dominion of Canada we handed over our responsibility in the aerodrome there to the Government of Canada. It also happened that while we were responsible for financing the aerodrome the estimates we got of likely expenditure, and so on, exceeded what actually was the net cost. The result was that we had sent money to the agent in London of the Newfoundland Government some time in 1949, I think, which was found after the moment when devaluation occurred to exceed the amount of money due. So, when we obtained the excess back we asked for it in dollars and not in pounds, but we only got it in pounds.

1069. Why?—I do not know.

1070. Did we press the question of dollar exchange?—We pressed it up to a point, as far as we could in the Department, and got no satisfaction from the agent for Newfoundland, so we consulted the Treasury about it at that stage and they thought it better not to press the claim. (Mr. Milner-Barry.) Yes, that is perfectly correct.

1071. Would you now turn to page 376; I have only two points there. Under Sub-head H there is a payment of £66,943 "in respect of a share of nugatory expenditure on the development of an overseas airport". Which airport was that?—(Sir Arnold Overton.) That is Changi at Singapore.

1072. When actually that was done, had anybody previously carried out any form of "look-see" into the development of that area? Had there been previous experience as to whether or not part of that land would or would not be fashioned into an airport?—The Air Ministry were responsible for this aerodrome and we only came in on the paying side, and I think any questions about the arrangements ought to be addressed to the Air Ministry.

Mr. Hoy.

1073. I think we went into that pretty fully—I think Sir Frank will agree—during the last session?—(Sir Frank Tribe.) Yes, last year's Committee did examine it very fully and reported fairly fully on it, too. (Mr. Milner-Barry.) It does arise on the Treasury Minute if the Committee wish to pursue it.

Mr. Douglas Marshall.

1074. It is an interesting point and I would like to follow. Although there is expenditure by one Department, it may be there is no responsibility in that Department?—(Sir Arnold Overton.) The Air Ministry were the major paying Department. They paid more than we did.

1075. The very last point I have today is that the Chairman asked with regard to the question of £92,000 under Subhead P, and you said, I think, that it would be unwise to insure. I imagined that your remark was addressed to the insurance world external to the Department, but is there no hypothetical fund within the Department taking the risk, and setting aside a premium internally to deal with that risk?—No, that is not the way Government Accounts usually are managed; I think that is the answer. One could set up an internal insurance fund and reserve such amounts to it, but it is not usually done, I think.

1076. In other words, never at any given moment is any account taken, even hypothetically or notionally, of the reasonable risk which you do in fact run?—I did not quite follow that question?

1077. Normally speaking, if you have a certain liability, you show it in some fashion or other?—Yes.

1078. You may take the case of a pension fund which is notional and hypothetical?—Yes.

1079. But you show it as a liability?—Yes.

1080. In the same way there is no reason why you should not have a liability when you are dealing with something which is crucial in its application to aircraft. The question of risk is not only there, but it is very apparent and, unfortunately, it will happen from time to time. Why should not there be a notional fund showing some relation yearly between the risk and what you are operating because, as it seems to me, if that was not in fact the case, the risk of both the shipping world and the world of the air is so large that when you make a profit at any time it would be quite wrong ever to suggest that there could be a profit if that was not in fact done?

Chairman.] May I suggest, Mr. Marshall, that this is really not a matter for argument?

Mr. Douglas Marshall.] No, Sir, I was only asking whether it was done from that point of view. I thought the answer was that no Government Department did, and I was surprised at that.

Chairman.

1081. I understood Sir Arnold to say that Government funds did not cover risks of that kind in the way of allocating specific sums to it, but they meet them as they arise?—That I understand to be the general practice, and that is the practice in this case.

Mr. Hoy.

1082. Perhaps the Treasury would say "Yes" or "No"?—(Mr. Milner-Barry.)

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M.C., and Sir ALFRED LE MAITRE, K.B.E., C.B., M.C.

[Continued.]

What Sir Arnold has said is broadly perfectly true. There are exceptions, but that is the rule.

Mr. Douglas Marshall.

1083. There are exceptions?—I think there have been one or two cases where, on the basis of previous experience where the experience is known and the risk can be reasonably assessed, it has been done differently

1084. Then, may I ask the Treasury this last question: In the case of such a thing as an air line, where that risk is always there, would the Treasury think that that is the type of matter that should be considered as a definite liability and always a liability within the Corporations concerned?—I think it has been considered, but I think the view so far, at any rate, has been that no sufficient evidence has been accumulated to enable any estimate to be performed. (Mr. Shaw.) If I might just say one word on that, this did arise two or three years ago in relation to the Ministry of Civil Aviation's Vote. A sum of this description is a very unusual happening. I do not think that in past years it has been necessary to make provision for more than, perhaps, £500 or £1,000. Therefore, we in the Treasury would not want the Ministry to put each year into its Vote £100,000 or £200,000 to cover something which may happen some year, but certainly will not happen very frequently. (Sir Arnold Overton.) Before you leave this, may I just add a word about the staff canteens question. to get that clear?

Chairman.

1085. Yes?—May I ask Sir Alfred Le Maitre to explain it?

1086. Certainly?—(Sir Alfred Le Maitre.) I think I have it right: in the middle of the year the Staff Canteen Committee at Cardiff took over the management of what had hitherto been a restaurant run

for passengers, because it was not paying. It was just lumped in with the staff canteen, and that made a very slight difference to the amount of "for and against" which we had to put in this balanced figure.

1087. So, it really does not include the accounts in respect of the staff canteen after it became a staff canteen?—Between November and April, I think that is right. If it is really important we can get it.

Mr. Douglas Marshall.

1088. It does not matter to me as I understand, indeed, it does not include staff canteens?—It is nothing whatever to do with staff canteens.

1089. If it does not include staff canteens, it does not matter?—The only thing about it is that in one of the three places where the Ministry of Supply catered for us (and that is why there is this large figure of outgoings and incomings), the staff canteen took over the management in the middle of the year. Ordinary aerodrome restaurants, of course, come under a totally different part of the organisation. If you will look at Subhead Z you will find an item "concessions," including what we get out of the contractors who cater at airports—but at three aerodromes the Ministry of Supply did it for us on a cost basis and at one of those three the management changed in the middle of the year and the staff canteen took it over. I think that is really the answer to that last question.

Mr. Douglas Marshall.] Thank you very much.

Chairman.] Has any Member anything to ask on the New Works Statement, paragraph 1 (c) on the Agenda? Then, may I take it that this Ministry of Civil Aviation Account is approved?—(Agreed.) Thank you very much, Gentlemen.

Sir Arnold Overton and Sir Alfred Le Maitre withdrew.

CLASS I.

VOTE 1.

HOUSE OF LORDS.

VOTE 2.

HOUSE OF COMMONS.

VOTE 3.

REGISTRATION OF ELECTORS.

VOTE 5.

PRIVY COUNCIL OFFICE.

VOTE 6.

PRIVY SEAL OFFICE.

VOTE 7.

CHARITY COMMISSION.

VOTE 8.

CIVIL SERVICE COMMISSION.

VOTE 10.

GOVERNMENT ACTUARY.

VOTE 11.

GOVERNMENT CHEMIST.

VOTE 12.

GOVERNMENT HOSPITALITY.

VOTE 13.

THE MINT

On these Accounts no questions were asked.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51, Vol. II.

THE MINT.

On this Account no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS I.

VOTE 14.

NATIONAL DEBT OFFICE.

On this Account no questions were asked.

IRISH LAND PURCHASE FUND ACCOUNTS, 1950-51.

On these Accounts no questions were asked.

SINKING FUNDS ACCOUNT, 1950-51.

On this Account no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS I.

VOTE 15.

NATIONAL SAVINGS COMMITTEE.

VOTE 16.

OVERLAPPING INCOME TAX PAYMENTS.

VOTE 18.

PUBLIC WORKS LOAN COMMISSION.

VOTE 19.

REPAYMENTS TO THE LOCAL LOANS FUND.

VOTE 20.

ROYAL COMMISSIONS, &c.

VOTE 21.

SECRET SERVICE.

VOTE 22.

TITHE REDEMPTION COMMISSION.

On these Accounts no questions were asked.

TITHE ACT, 1936, ACCOUNTS, 1950-51.

On these Accounts no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS I.

VOTE 23.

SILVER.

VOTE 24.

AMERICAN AID COUNTERPART FUND.

On these Accounts no questions were asked.

The Witnesses withdrew.

Adjourned till Tuesday next, at 4 p.m.

TUESDAY, 4TH MARCH, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. Peter Roberts.
Mr. David Thomas.
Mr. West.

SIR FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

TREASURY MINUTE ON PARAGRAPHS 46-48 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Mr. E. BARNARD, C.B., C.B.E., D.S.O., Deputy Secretary, and Mr. S. H. SMITH, Finance and Accounts Officer, the Department of Scientific and Industrial Research, called in and examined.

Chairman.

1090. May we start with the Treasury Minute on the Third Report of the Committee of Public Accounts of last year, paragraphs 46-48? Mr. Milner-Barry, the Treasury Minute says that it is the intention that ultimately the pro rata grant should disappear and only a fixed grant be left. Has this stage yet been reached for any Research Association?—(Mr. Milner-Barry.) I think not, Sir, no.

1091. When it is reached, would the fixed grant be reviewed in the light of the financial position of the industry?—Yes, Sir, it would.

1092. In paragraph 3 of your Minute do you mean that you find industries so reluctant to undertake co-operative research that you have to tempt them with grants?—I think that is really, perhaps, more a question for Mr. Barnard.

1093. Can you answer that, Mr. Barnard?—(Mr. Barnard.) No, Sir, I do not think one would put it in that way. There is no doubt that the encouragement of the Government grant has led to industry putting up very much larger sums than, I think, would otherwise have been the case.

1094. Do you, as a matter of fact, give grants to highly prosperous industries?—Yes. There are 40 odd of these research associations altogether and they cover a range of industries whose prosperity varies, naturally. There is, for instance, a grant to the Motor Research Association.

1095. It looks from this Minute as if what suits the big firm does not suit the small one; I am looking at paragraph 2 of the Minute?—Yes.

1096. Who decides what type of research shall be undertaken if there is this contribution?—That is decided, Sir, by the council of the research association. These are autonomous bodies, they elect their own councils, and the council itself no doubt would have scientific committees or programme committees, or whatever particular structure each particular association chose for itself, and that body would, subject to the general views of the members in general meeting, decide the programme.

1097. Does your Department ever lay down any conditions in respect of grants, or intervene?—Well, we are represented on the councils of the research associations and I think this is very relevant. Before the war there were many fewer research associations and it was easy to get directly in touch with them. With the growth in the number that is not so easy, and we have instituted a system of visitors which is working remarkably well after the experience of a year or two. For each research association we have arranged two visitors, one of whom is a scientist and one of whom is an industrialist, and these two visitors spend some days each year in the research association going into the whole of its affairs, its finance, its programme and all the rest of it, and they make reports to us. When the research association applies for a renewal of grant these visitors attend the meeting of the committee of our Council that deals with them. Moreover, the other Departments who are concerned are also represented, that is to say, Departments such as the Ministry of Supply or the Ministry of Fuel and Power or the Ministry of Food.

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Mr. E. BARNARD, C.B., C.B.E., D.S.O., and
Mr. S. H. SMITH.

[Continued.]

Mr. Douglas Marshall.

1098. I have got a question, Mr. Chairman, on paragraph 48, on page 11. I do not quite understand this. That paragraph says: "Moreover, they may result in grants from public funds for research directly benefiting industries well able to meet the cost from their own resources". What comment is there on that particular sentence?—I think, in our mind, we have to distinguish between what an industry could do and what an industry is willing to do. That is a very real distinction. You, Sir, spoke of the difference between the interests of the big firm and of the little firm. There are a good many factors which come into this situation.

1099. May I put one of the factors that might perhaps come into it? Supposing you had a small new company with, practically, no funds, but vested in that company a patent worthy of further development by research, might it not be possible for a grant, or something of that sort, from public funds to be given to that company, whereas, in fact, it would be a method whereby a large company would be obtaining a grant which they could well be able to afford to meet themselves?—I am afraid I have not altogether understood your question. These grants are made not to individual companies. I think, if a company in those circumstances had a valuable patent which it was not able to develop, its proper course would be to have resort to the Research and Development Corporation.

1100. The answer that you have given me has cleared my own mind, because in reading this I was, perhaps, unaware of the fact that you have now mentioned, that these grants do not apply to companies?—Oh, no.

1101. They only apply to private individuals?—No, these grants are made to research associations. They are companies in the legal sense of the term, but they are companies not trading for profit. There is a legal technicality.

1102. Yes, I see?—The various firms in the industry subscribe to them and they undertake co-operative research on behalf of the whole industry and the member firms.

1103. We are dealing here only with these associations?—Only with these, yes.

Mr. Peter Roberts.

1104. The previous Committee gave their opinion reasonably definitely at the beginning of paragraph 48, and the Treasury, in their Minute, if I have followed Mr. Milner-Barry's reply, say they are keeping this question of the pro rata grant, which appears at the bottom of your paragraph 3, under review. Does that mean, really, that the

Treasury do not agree with the Committee's findings in paragraph 48?—(Mr. Milner-Barry.) Yes, I think that is the position, really, that we do not accept what the Committee have said and we have tried to bring out our own point of view in the reply.

1105. Then, I would like to ask Mr. Barnard: the majority of the associations with which you deal, of course, draw their money from industry by means of a levy, do not they?—(Mr. Barnard.) Or an agreed subscription, yes.

1106. That is the point I want to bring out. Is it by levy or is it by way of subscription?—There are levies, certainly, in one or two cases. I am afraid I am not fully familiar with this, but mostly I think they are subscriptions on an agreed basis, agreed amongst themselves.

1107. It is not a levy based on turnover? May I take a specific case: for instance, what is done in the case of steel research?—That, I think, is a voluntary subscription. It will, of course, have some basis agreed amongst the members, whether it is on turnover or number of employees, or whatever it may be.

1108. Is it really not a fact that the subscription is drawn up on some general principle so that they can easily find out how much they have got to pay?—Oh, yes, I think so.

1109. Rather than it being left to a company who say: "We are going to give £5,000" while another company says: "We are going to give £100"?—It is, as you say, on some agreed basis. (Mr. Smith.) But there is also provision for voluntary contributions.

1110. What is the proportion, would you say, of voluntary contributions as opposed to what I call the levied subscription? Is it 10 per cent. or 50 per cent.?—(Mr. Barnard.) The voluntary contribution would be something over and above the agreed contribution.

1111. Something very small?—(Mr. Smith.) Not necessarily, no. I cannot give you the figures; we have not got the figures in the Department, but we can get them.

1112. Do you think that industry tend to look upon this—I am now talking about the subscription levy as opposed to the voluntary contribution—rather as an imposition from which they, in point of fact, do not get very much result?—(Mr. Barnard.) May we distinguish between a case where there is a levy which has got force behind it, that is to say, which rests on a statutory basis, I think it would be, and a subscription which in a sense is voluntary because a firm may or may not as it pleases be a member of a research association, but the subscription is based on some agreement

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Mr. E. BARNARD, C.B., C.B.E., D.S.O., and
Mr. S. H. SMITH.

[Continued.]

among all the firms in the research association. I think one wants to distinguish between those.

1113. If we take the statutory levy, what would be the answer to my question then as to whether the industries on whom the levy was made felt that they were receiving value for their money?—I think that 70 per cent. of the firms have to agree before a statutory levy can be imposed, which does seem to suggest that, at any rate, the bulk of the firms in the industry accept it as a valuable thing.

1114. I am really asking from your experience. Do you find that they happily subscribe, or unhappily?—I am sorry Sir Ben Lockspeiser is not here; he is in Australia attending the Commonwealth Conference. Research associations are his particular interest and I am afraid I have very

little direct experience. From the experience I have had of one or two of them I should have said that the vast majority of the firms regards the subscription as a desirable thing for which they get value. That is my personal experience.

Mr. David Jones.

1115. These associations, I suppose, are open to every member of the trade to join?—Oh, yes.

1116. Nobody is excluded?—No; within the United Kingdom, that is, of course.

Mr. Cuthbert.

1117. There is no question of differing between a firm who may provide only a small amount of subscription and a larger firm which subscribes a bigger sum? They all get equality as far as obtaining information is concerned?—Oh, certainly, yes.

CIVIL APPROPRIATION ACCOUNTS, 1950-51

CLASS VI.

VOTE 18.

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

Chairman.

1118. May we go now to the Civil Appropriation Accounts, paragraph 129 of the Comptroller and Auditor General's Report? This is on page xlv. Mr. Barnard, can you tell me what the two associations are which are referred to here?—The Rayon Research Association and the British Internal Combustion Engine Research Association.

1119. Would you consider these two industries prosperous ones?—It is a little difficult to say at the moment. The rayon industry, if one may judge from what one sees in the daily papers, is suffering, like other textile industries, from some falling off in trade. The internal combustion engine industry, I suppose, must be regarded as prosperous.

1120. Were the accumulated reserves very much in excess of one year's normal expenditure?—I have got the actual figures for rayon here, Sir, if I may just turn them up. (Mr. Smith.) At the end of 1950-51 the excess of current assets over current liabilities of the Internal Combustion Engine Research Association was £133,000, and expenditure in that year was £56,000.

1121. That is a reserve of something like two-and-a-half years' expenditure?—Two-and-a-half years, yes.

1122. What is the position with rayon?—In the case of rayon the excess was £515,000 and expenditure in that year was £144,000, but I would point out that of that £515,000 there were commitments for capital expenditure of about £400,000.

1123. Have any other grant-aided associations comparable reserves?—(Mr. Barnard.) No, Sir, I think not. I have had a list of them made. The average over the whole field is a matter of seven months. There is a considerable variation. I have here figures for 38 research associations. Twelve of them had reserves amounting to expenditure of a year or more, 11 of them between six months and a year, and 15 of them between nothing and six months.

1124. Are you committed to a fixed level of grant for five years even if the money is not being spent by the research association?—Yes, Sir, the arrangement is for five years, and provided the industry raises the money, we pay the grant in accordance with the arrangement.

1125. Why should the research association have the money before it needs it, or before it can use it?—I think, Sir, that in a great many cases here, associations have very small reserves, that is, very small sums of money which they are not requiring for their current expenditure. We certainly strongly recommend research associations to have at least a year's funds in reserve as a precaution against hard times. I think it has an important effect on the stability of the association's work. I think it is a considerable reassurance to the staff of a research association to feel that there is this kind of reserve behind them, and also it enables the research association, when occasion arises, to meet capital expenditure.

1126. Would you take that view when you get as much as two-and-a-half years' normal expenditure in reserve?—Not unless

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[Continued.]

there were special circumstances, Sir, certainly not. In the case of a research association that is young and developing, this sort of thing may happen. The firms who constitute the research association have agreed to subscribe this money and, certainly, over the last few years it has been difficult for research associations starting to spend money as fast as they and we should like. Building is difficult, equipment is difficult, recruiting staff is difficult, and there have been cases where money has accumulated, but as things ease off, that situation clears itself up.

1127. In the final sub-paragraph you see: "The ratio of Government grant to industrial contributions had been substantially reduced". Does this mean that you are paying less in total grant?—No, Sir, but it does mean that industry is putting up a great deal more money, and I think it is relevant to remember that we have been and still are in a period of considerable expansion—financial expansion, at any rate—of these research associations as well as an increase in number, and with costs rising in the way they have done over the last few years it has been very necessary. I have just taken out some figures for the last five research associations who have come up for renewal of grant and at the minimum position, whereas under the old terms they earned together £1 of grant for every £2 they subscribed, under the new arrangements they are earning less than £2 for every £5 they subscribe, and in the case of one of them, for instance, it only earns £50,000 against a contribution of £220,000, that is, over £4 per £1 of grant.

1128. I have one or two points on the Accounts themselves, on page 378. I would like to ask the Treasury: I understand that a former Public Accounts Committee, or more than one former Public Accounts Committee, raised the question of the statutory authority for the expenditure of this Department, and that the Treasury then replied that the first opportunity would be taken to introduce legislation to cover it. Could you tell me what the position is?—(Mr. Milner-Barry.) Yes, Sir. As I told the Committee last year, we had given this pledge that the first convenient opportunity would be taken to introduce legislation, and there had not then been a convenient opportunity. I am afraid, so far as that is concerned, there is not any change in the position, but I understand, and I think Mr. Barnard may be able to say a little more on this, that preparatory work has all the same been going on in the Department with a view to introducing legislation and fulfilling our promise.

1129. Have you anything to add to that, Mr. Barnard?—(Mr. Barnard.) Yes, I am afraid things have been rather delayed by

the re-orientation of our programme in relation to re-armament, economy and so on, but we have the first document in draft. It is awaiting Sir Ben Lockspeiser's return from Australia. It is what is called a policy paper; that is ready.

1130. Now, a question on Subhead B. How much of this Subhead is in the form of grants to universities?—Altogether, the expenditure is just over £600,000. If you would like me to divide that up, I will be glad to do so. Roughly speaking, in round figures, £250,000 of it is in what we call maintenance allowances to students who have just taken their degrees to enable them to stay on and serve what I may describe as an apprenticeship to research. We think, and I think it is the general opinion, both in industry and in the Universities, that it is worth while to keep in the order of 350 to 400 students a year from going straight from their university degrees to a job. They are men who are picked by their professors, by their universities, and it gives them an opportunity of staying at the university for two or three years and serving a real apprenticeship there before they go out to earn their living. Then, a very small sum, somewhere between £5,000 and £10,000, is spent in taking men who have passed that stage, and it is a very small handful of picked men, half a dozen, who really look like being real winners, and giving them the opportunity of staying on for another two or three years just to develop their own particular bents and powers in the expectation that they will become leaders of research, and I may say that we have been very glad from time to time to be able to recruit to our own staff men who have been through that course. Then, something of the order of £75,000 to £100,000 is spent in grants to professors and others for their own research, for equipment, additional staff, and so on, which the university cannot provide in the normal way. Then, finally, there is something of the order of £300,000 to £350,000 which is spent on these expensive modern big pieces of equipment for nuclear physics research. I may say that all this is done in the strictest collaboration with the University Grants Committee.

1131. Could I just ask, on that last point, a question of the Treasury: the Treasury have recently announced the university grants for the next quinquennium. Do they include the grant you have hitherto been making in this field of nuclear physics?—No, Sir. That was a matter for discussion between ourselves and the University Grants Committee and others concerned some while ago, and while it is the usual practice to expect the universities themselves with the help of the University Grants Committee, when the new quinquennium begins, to take over the responsibility for this kind of work, it was agreed

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[Continued.]

that the position was not sufficiently stable yet in this nuclear physics field for that transfer to take place.

1132. Did not Sir Ben Lockspeiser rather lead us to expect last year that the Universities Grants Committee would take this over?—That was the expectation, but he held a conference back in the summer with all concerned and reached complete agreement.

1133. You said last year that you would consider breaking up this Subhead in future Accounts. Are you going to do that?—I think, perhaps, Sir, that is really rather a matter for the Treasury than for us.

1134. Mr. Milner-Barry, last year's Committee were told that you were considering breaking up the omnibus Subhead B in future Accounts. What is the position on that?—(Mr. Milner-Barry.) I am extremely sorry, Sir, I cannot recall that point.

1135. Sir Frank, can you help us?—(Sir Frank Tribe.) I think last year's Committee felt that Subhead B, which amounts to £2 million out of a total expenditure of £5 million, was in itself rather a large Subhead and inquired whether, following the example in relation to other votes, the Department could split that up so as to show the main heads, such as those which the Witness has already described to us. It means doing it in Estimates, of course, as well as in the Accounts. The answer last year was pretty categorical, I think. It was a question by the Chairman: "Would you be prepared to consider for another year"—doing this break-up—(A) "Certainly we can do that." That is question 3990, Sir. (Mr. Barnard.) In the printed Estimates that £2 million that Sir Frank has just spoken of is broken up into three parts. To students and other persons and bodies engaged in scientific research, that is, the university research I have just spoken of, £700,000; annual grants to research associations, £1 million; and non-recurring grants to research associations £200,000, so the £2 million is broken up to that extent. (Sir Frank Tribe.) I think that will probably meet the views expressed by last year's Committee. Of course, the House have not yet had before them the Estimates for 1952-53.

1136. I think you were also going to consider amplifying the Estimates and Accounts to show briefly the research establishments. That is under the other items here?—(Mr. Milner-Barry.) I think we had correspondence on that, Sir, last session and we were absolved by your predecessor from doing that because we explained that it would involve a great expansion of the form of the Estimates. It was in connection with that that I put in a Paper recently which showed the break-up in the Appropriation Account corresponding to the

Appendix to the Estimates which gives the expenditure station by station.

Chairman.] I think the best thing to do would be to circulate that Paper.* Are there any question on the Account?

Mr. West.

1137. Mr. Chairman, as a new Member of the Committee, I hope I may be forgiven if I ask a question which has already been dealt with. I gather that legislation is contemplated for the authorisation of these payments. If that is so, can the Committee be told under what authority the payments are being made at present, and under what authority they were made in the past?—(Mr. Barnard.) The annual Estimates based originally on an Order in Council.

1138. That is sufficient authorisation for it. What is the need for the legislation? What purpose is the legislation to serve?—I hesitate to answer that question because it is a matter for the Committee rather than for me.

1139. I gather that you have already put it in train?—At the request of the Committee, yes.

1140. I gather that as you have already given consideration to it and some part of the legislation, at any rate, has been formulated, you have some object to serve in the legislation which has been prepared. What is that object?—To meet the Committee's wishes, Sir.

1141. I understand that there has been some variation in the ratio of Government grants?—To the research associations, do you mean?

1142. Yes?—Yes.

1143. Is that due in any way to a change of attitude of the constituent firms to co-operative research?—Yes, I think so, undoubtedly. As I say, this has been a period of expansion of the research associations since the war, expansion undoubtedly because of their realisation of the need to do more research if British industry is to maintain its position in a competitive world.

1144. I gather, then that the firms will be making their contribution, and will the Government grant be correspondingly reduced?—Yes. I gave some figures just now to show that there will be considerably less grant, though not in total. The proportion will be less.

Chairman.

1145. The proportion will be smaller, but the total amount may be greater, if I understood your evidence?—Yes, at the moment it is about the same.

* Not printed.

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[Continued.]

Mr. Peter Roberts.] There is one point I would like to ask, if I am in order, Mr. Chairman, and that is with regard to the Subhead: "Geological Survey of Great Britain and Museum of Practical Geology", on page 379. It arises from the Agenda, I think, Mr. Chairman?

Chairman.] Yes, I think so.

Mr. Peter Roberts.

1146. The question I want to ask is this: there is a geological survey which has been carried out by the Ministry of Housing and Local Government. Is that tied up with this, or is that separate?—No, I think the Ministry of Housing and Local Government has a staff of its own, a relatively small staff, I think, which does this sort of thing, but this is the Geological Survey of Great Britain. I have forgotten when it was brought into existence, but it was in the 1800's, I think, and it is responsible for the main geological survey of the country.

1147. Is it actively progressing? Has it got information?—Yes, and it will supply a great deal of information, for instance, to the Ministry mentioned, and to, say, the National Coal Board on coalfields and on underground water.

1148. In other words, if the Ministry were to apply to the Geological Survey for information, you would be only too glad to supply it?—Oh, we do, undoubtedly.

1149. Although this may not be quite within your responsibility, can you say why the Housing and Local Government Ministry have to have their own geological survey?—No doubt they have to work up the data they get from the Geological Survey for their own particular purposes. I am not familiar with them, but I should say that must be the case.

1150. The Geological Survey obtain their information from the people on the land?—Yes.

1151. Do you approve of the principle of the Ministry of Housing and Local Government sending other people to the same land to get the same information?—Well, I cannot answer that. I am not aware that that is the fact.

Chairman.] I think that is a question which would more properly be addressed to the Departments when we have them before us.

Mr. Peter Roberts.

1152. Yes. I was wondering whether there was an overlap? That is the object of my question: you do not think there is an overlap of work?—No, I do not for a moment think there is.

Mr. Bossom.

1153. I notice there is a surplus. The grant was more than the expenditure in 1951 by approximately £823,000. In the previous years was there an excess in the same way?—There has been since the war, generally speaking, I think for this reason, that year after year the recruitment of staff has been most disappointing and fallen below even the most cautious estimates one made at Estimates time. At the same time, it has been extremely difficult to get equipment delivered and there have been difficulties of that kind.

1154. Do you keep an account of how much that surplus has amounted to by now?—I could not say offhand what it has amounted to cumulatively over the years.

1155. How much in amount, is it several millions?—Of course, it is surrendered every year.

1156. I am sure it is. What I want to get at is, what becomes of that surplus?—We surrender it.

1157. You turn it back?—Oh yes, of course.

1158. I did not know whether you were allowing it to accumulate in some fund so that you might use it in the future?—(Sir Frank Tribe.) I have to satisfy myself every year that these surpluses are paid back into the Exchequer, and I will not pass next year's Accounts until I have seen that that has been done.

Mr. Bossom.] Thank you very much.

Mr. Douglas Marshall.

1159. I have only two questions, Mr. Chairman, one leading out of the question regarding the Geological Survey. You mentioned that it is helpful to the National Coal Board, and others?—Yes.

1160. Does it cover the metalliferous mining industry?—Yes, it covers the whole country and pays particular attention to those parts of the country which are of economic significance, such as coal and metalliferous mining.

1161. It covers that only from time to time. As you know, there have been certain questions raised as to the lack of cover in that direction?—I am afraid I am not aware of that. Certainly, it does cover that insofar as it maps the geology of the whole country and, certainly, has done, I know, during the war, for instance, so far as iron ore in this country is concerned. I think I am right in saying that.

1162. I do not really know whether the second question is a fair question to put to you, but, no doubt, you will tell me if it is not. In answer to the Chairman's question

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[Continued.]

you have stated the amount of reserve that is held by these associations?—Yes.

1163. And you have given the reasons as to why you think that it is necessary that they should hold such a reserve?—Yes.

1164. These associations, presumably, are primarily for scientific and industrial research. Now, who advises the associations themselves as to the reserves they hold, as to the best way to hold those reserves?—They are autonomous bodies and I suppose they have a good many business men on their councils and they have auditors who, no doubt, would give them any advice they may seek. (Mr. Smith.) We have ourselves given advice on occasion.

1165. In other words, although the grants may be very large, the Treasury gives no advice as to how those reserves should, in fact, be held? The reason I am asking you these questions is that if the high reserves are, in fact, held, and they might have followed the financial policy in the last few years, they might find these reserves depleted by 50 per cent. at the present moment. I am interested to know, as the grants are being granted publicly, as to who looks after the financing of these reserves?

Chairman.] I do not think you need feel bound, Mr. Marshall, to give reasons for the questions you are asking.

Mr. Douglas Marshall.

1166. I thought it might be simpler so as to get the reasons behind my question?—(Mr. Barnard.) As I say, these are autonomous bodies. It is, I suppose, their own responsibility as such, but we are in close touch with them, and their accounts and so on are inspected annually by our own finance branch.

1167. Would it be proper for me to put this direct question to you, as you have already given certain advice and you are responsible up to a point for seeing what is happening about it all, over the course of years from 1947 until today, what losses, if any, have, in fact, been made in the capital of those reserves?—I just could not answer that question offhand.

1168. Would it be possible to have those figures?—Yes, I suppose we could ask the associations for them.

1169. I would like them, if it is a proper request?—(Mr. Smith.) It depends what you mean by "losses." I am not quite clear what sort of figures you require. We can tell you what their reserves were in 1947, we can tell you how they were held, and we can tell you what they are now and how they are held, but I do not quite know how we can tell you from those

figures what their losses are. They will be held in War Loan and things like that, not in speculative shares.

Mr. Douglas Marshall.] Are they in long-dated securities, are they in short-dated securities, are they 2½ per cent., or what is the position, and what loss, if any, has occurred? That can be seen in any ordinary form of balance sheet.

Mr. Peter Roberts.] Is not really the position this, the amount of money invested at investment cost and what the present value is?

Chairman.

1170. We are really asking a Department for information about bodies which are completely free and autonomous, and which only derive a small part of their resources from the State. Is that right, Mr. Barnard?—(Mr. Barnard.) Oh, yes, Sir.

1171. So you could provide us with a list of reserves over a period of time?—Yes, we certainly could.

1172. Could you do what my two colleagues have asked for? Are you in any position to provide a list of the securities held over a period of time with the changes in value of those securities? That is what they are asking you?—I am afraid I could not say. We will do so if we can. (Mr. Smith.) I think we will have to ask the research associations to provide us with that information. I doubt whether it would all be shown in their balance sheets.

Mr. Douglas Marshall.] I do not know what my colleagues feel about this, Mr. Chairman, but I feel, in view of the very large sums involved—

Chairman.] We need not argue this matter now. We can talk about it later amongst ourselves, but I would ask my colleagues to put questions to the witnesses now.

Mr. Douglas Marshall.] I was addressing a question to you, Mr. Chairman, as to whether it was proper to ask for it.

Chairman.

1173. I think that is a matter we can discuss, not in present circumstances?—(Mr. Smith.) Would you like the total holding?

1174. If there is anything else you can profitably say on this, perhaps you would mention it now?—There is nothing, I think, that I can usefully add.

Mr. Cuthbert.

1175. May I just ask, for the purpose of simplifying matters, have you ever had to sell any of this War Loan in which you have funds invested?—We have not, no. Are you asking about the research associations?

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[Continued.]

1176. Yes, have they?—They probably have, yes, because from time to time they embark on building schemes, for example, and it is necessary for them to sell their investments.

Mr. Douglas Marshall.

1177. I have only one last question leading out of that, Mr. Chairman, because I am a little confused in asking this question as well: is it equally proper to ask whether or not the Comptroller and Auditor General enquires into this matter at all?—(Sir Frank Tribe.) No, not into the reserves of the associations because they are not subject to my audit. My attention has been drawn rather to the question of the ratio between the Government grant and the reserves of these associations which have been accumulating. For instance, in addition to the two already mentioned in my Report, I find that the British Shipbuilding Research Association has been getting an annual grant from this Department of over £70,000, whereas its reserves were £290,000. Previous Committees have devoted considerable attention to the question of how far it is right to ask Parliament year by year to make grants from voted moneys to bodies which have considerable accumulated reserves, because the result is, as previous Committees have found, that these grants are used to increase their capital investments and are not needed for any current requirements. It is from that angle that I have approached this, rather than from examining how they use their reserves when they have got them.

Mr. Benson.] I should like, Mr. Chairman, to raise a point of order. What power have we to investigate the internal affairs of entirely autonomous bodies? We are not set up for that purpose; our purpose is to investigate Government expenditure, and once the grant has been made according to all the necessary and proper regulations, it is not for us to investigate how that grant is expended. I do not think we have any power to do so.

Chairman.] Mr. Benson, I suggested a moment or two ago that this was a matter we could discuss later as a Committee. I think we should leave it until we have had an opportunity of talking it over.

Mr. David Thomas.

1178. Referring to paragraph 129 of the Comptroller and Auditor General's Report, I see in the second sentence it states: "The latest accounts of some associations show substantial balances, held in investment and cash, which have apparently been accumulated owing to delays in carrying out the research programmes for which grants were approved." In view of the fact that some of these research associations are not using the money as they get it for specific research purposes, am I right in assuming

that when they do start spending that money, they do not spend it for the specific purpose for which the money was granted in the first place? We are told, of course, that they are accumulating funds, in effect. It seems to me that some of these associations do not want the money at all?—(Mr. Barnard.) There is very little accumulation really. I have a list of them here, to which I referred earlier. In most cases the accumulation is not very large. I certainly do not think it would be true or reasonable to say that, although a research association in its very early days, before it really gets going, does and in fact should, in our view, accumulate funds which it will require to get well started—I do not think one could possibly say that it would not then, when it came to use these accumulated funds, be using them for the purpose for which the grant was made, because the grant was made for the specific purpose of enabling that body to build up its laboratories and embark on a research programme of value to the industry.

1179. What I had in mind was this, that when the grant was first given to them it was for specific researches. There is a delay in setting up their plant, and so on, and it is quite possible that those researches then need not be probed into for the reason that some other research association has had the information which they intended having in the first place?—I do not think it would be quite accurate, if I may say so, really to suggest that a Government grant is made in terms of a number of detailed and specific investigations. It will be made for the general purpose of a programme of research, but a programme of research is usually a thing which is going to cover a good many years. It may be modified from year to year, of course, as circumstances change, but the body of the programme will probably remain valid for some years.

1180. Assume for a moment that a new research association is set up and contributions are made to that association by industrialists?—Yes.

1181. There is nothing preventing that new association from making application for a grant?—No.

1182. They get a grant this year, they get a grant next year and in the following year, and probably not a penny of that money has been used, and I see in the last sentence but one of this Report, relating to one of the associations: "The initial rate of expansion had been slower than expected but work had now been begun on capital development to be financed partly out of accumulated savings from past grants." If they had started on their job in the first place, I wonder whether they would require so much of a grant, but having accumulated their grants, then they might embark upon a bigger programme

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than they originally intended? There is nothing preventing any association, if it can get a grant, from doing so and looking ahead three or four years and, when that time comes, saying: "We have accumulated a certain sum of money; we will embark on a more ambitious programme than we originally intended"?—I think the answer there is that we are very closely in touch with these people all the time and we should very soon become aware of that. I think, perhaps, it is fair to say that so long as they embark on a more ambitious programme, in so far as it meant that the industry was going to subscribe more money to get a larger programme going, on the whole we should be inclined to welcome it.

1183. There is nothing preventing them, if that is so, from getting on with their ambitious programme and making application for a grant for it, instead of setting themselves up, getting grants every year and not using the money until such time as they decide?—Oh, well, I think it is fair to say that all these research associations use their money at the earliest possible opportunity. They are as anxious to get going as we are to see them get going, but it is common experience that it takes a couple of years to get a body of this kind going. It has got to appoint a director, it has got to acquire laboratories, to acquire staff and so on. It is a thing that cannot be done except over a period of a year or two.

1184. Following on that, there is the question of these investments. Once they have received the grant from the Treasury they can, without any question at all, in view of what my colleague has said, that they have autonomous powers, invest that grant according to the advice which they receive from their advisers, and they might lose the money. There is no guarantee at all, according to what I have heard this afternoon, that the Treasury tell them: "No, you cannot invest in this particular investment, you can only invest in certain securities", but if they have the powers that we have been told this afternoon they have, they can do as they like with the money?—(Mr. Smith.) I think, in the memorandum of the associations, their powers in relation to investment are laid down. There are certain things only that they can invest in. (Mr. Milner-Barry.) I do not know at all, in fact, what they do, but I would expect that the commonsense thing to do, as they would be wanting the money in the course of a year or two, would be to invest it only in the shortest term securities and bills. That would be the commonsense thing to do, and that is what I would expect them to do, and I should hope they do it.

Mr. Douglas Marshall.] The commonsense thing, yes.

Mr. Benson.

1185. I notice that your estimate for Subhead C 1-4 is about 13 or 14 per cent. out, and I gathered from what you said to another Member that you had been in the habit of over-estimating your research work on the grounds, apparently, that each year you were disappointed in what you could start. This Committee does not look with any favour on over-estimating any more than it does on under-estimating?—(Mr. Barnard.) That, Sir, is true. This is a matter I have a good deal to do with myself, and year by year we have taken the best advice we could obtain, for instance, the Civil Service Commission, and so on, as to the rate at which we could expect to recruit staff, and however much I have insisted on estimates being pruned when they reach me, it nevertheless has turned out year by year, as the situation has got worse, that we have not been able to recruit even from our point of view the inadequate amount of staff we have provided for.

1186. Is your staff mainly scientific, engaged in this research work?—Oh, yes.

1187. Mainly scientific?—Scientific and technical.

1188. You have a shortfall there?—The demand is much bigger than the supply. That is why we have doubled the population of the universities since the war.

Mr. Douglas Marshall.

1189. Just before we pass from it there is one last question I would like to ask. Normally, if one is trying to gauge whether something is being efficiently administered and economically run, there is a charge for capital, whether it is notional or whether it is, in fact, actual?—Yes.

1190. That is to say, the capital that is granted costs something and registers somewhere, but in this case as the amounts granted are far in excess of the amounts used not only is the capital obtained, but the investment on that capital, is not that so? In other words, if I could exaggerate the point to my question, if you had a large enough sum you would after a number of years, if you had not expended it, be able to run your entire association on the investment of that capital?—I think the real answer to your question would be this, that very few of these research associations have reserves that are of any real magnitude. As I think I said, 15 of them have reserves which only amount from nothing to six months' expenditure. It does not amount to very much.

Mr. Bossom.

1191. On this document which we have just had passed to us I see the statement: "Building £363,000, Departmental Expenses,

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[Continued.]

£63,000." Is that handled separately from the Building Research Station, or is this the Building Research Station?—This is the Building Research Station. It is not building in the physical sense. It is the Building Research Station.

1192. This is all we give to the Building Research Station?—Yes.

1193. The results of it are supposed to be circulated through the Ministry of

Works?—Oh, yes, we publish quite a lot of information ourselves, of course, in technical journals and architectural journals and so on.

Mr. *Bosson*.] That is the point I wanted to get clear; thank you very much.

Chairman.] Are there any further questions on the Account? May I take it that this Account is approved? (*Agreed*.)

Mr. Barnard and Mr. Smith withdrew.

Mrs. D. C. L. JOHNSTONE called in and examined.

CLASS VII.

VOTE 10.

CENTRAL OFFICE OF INFORMATION.

Sir ROBERT FRASER, O.B.E., Director-General, Central Office of Information, called in and examined.

Chairman

1194. Sir Robert, will you turn to the Comptroller and Auditor General's Report, paragraphs 138-140, and the Accounts, on pages 437 to 439? First of all, on the paragraphs in the Comptroller and Auditor General's Report—this seems to be mainly about cars—why do you need Ministry of Supply cars in addition to your own?—(Sir *Robert Fraser*.) We inherited from the Ministry of Information our own supply of cars which we have been gradually trying to reduce, switching over a rising proportion of our car business, as it were, to the Ministry of Supply Central Service. We have not, that is to say, enough cars to do all our own work and, in any case, we have been trying to follow a policy of switching to the common service.

1195. Your own cars are not cars plus chauffeur-drivers, are they? It is a pool of cars?—No, Sir, our own cars are all driven by our own officials.

1196. Are all your car requirements met either from the Ministry of Supply pool or from your own pool?—Yes.

1197. That is to say that you have no system of officers being allowed to use their own cars on official business?—Yes, there is a system, but we do not really make very much use of it. I see that about 2 or 3 per cent. of our car business was done that way, but no more.

1198. That is, on a mileage basis?—That is on a mileage basis.

1199. Do you pay allowances in these circumstances for journeys between home and the office?—I am sorry, I do not know the certain answer to that. I do not think we do, but I would not be sure.

1200. The car has got to be brought from home if it is going to be used. I was just wondering what you did in those circumstances?—Ordinarily, I should have thought that the journey from home to the office would rank as an official journey. (Sir *Frank Tribe*.) Might I say that I understand it ranks for an allowance, but not at quite such a high rate of allowance as when the car is being used on purely official business.

1201. Is that the general arrangement in the service?—I believe it is.

1202. I do not mean in this Department only, but generally?—I believe that is the general arrangement. That is only provided that the car, having been used from home to the office, is also during the day used for official purposes, so that the journey during the day attracts two different rates of allowance, a higher rate while it is actually used on official business, and a lower rate while it is going from the home to the office and back.

1203. Sir Robert, about what proportion of the help which you get from the Ministry of Supply Service represents the use of motor-cycles?—(Sir *Robert Fraser*.) Thirty per cent.

1204. What are they used for?—By the News Distribution Service, that is to say,

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[Continued.]

by the office which takes responsibility for the distribution of Press statements issued by the Ministerial Departments, the distribution of Press releases.

1205. Are they used only when alternative forms of transport are not available?—No, all Departmental Press statements are, in fact, delivered by the Despatch Rider Service.

1206. I wonder if you could answer this, Mr. Milner-Barry: 550 miles a month seems very little for that. Do you happen to know what is the average use of cars in other Departments' pools or in the Ministry of Supply Service?—(Mr. Milner-Barry.) No, I am afraid I do not, I am sorry.

1207. Do you happen to know, Sir Frank?—(Sir Frank Tribe.) I have seen correspondence in which it is stated that the Treasury generally regard the minimum use of a car as 200 miles a week, or, say, about 900 miles a month.

1208. If that is so I wonder, Sir Robert, on what grounds you claim that your Ministry is justified in having a complement of cars considerably in excess of that general average? What are the special circumstances?—(Sir Robert Fraser.) First of all, I think the figure of mileage that can reasonably be expected from a car applies to cars in the Ministry of Supply pool. I think it would be found that in a relatively small pool, such as the one operated by the Central Office, the mileage of the cars is, in fact, below the average of the Ministry of Supply mileage. I would expect that to be so. The other factor, perhaps, is that we were without doubt carrying during the period of this examination a number of cars out of which we could not get a very good service because they were so extremely old, and that would affect one of the factors—that piece of arithmetic. In fact, in 1950 and 1951, which I think was the period of this examination, we had no less than 30 of our cars, which was a third of the whole, condemned as unfit for any further service by the Ministry of Supply.

1209. If that is so, why ever did you keep them?—There was a continuous process going on during these years by which we were handing over cars to the Ministry of Supply all the time. Throughout the last three or four years the mileage run by our own cars has been falling and falling, and as it has been falling we have been passing cars over to the Ministry of Supply and having them withdrawn from service because they were not of any further use.

1210. The second sentence of paragraph 139 of the Report says: "At least one"—that is, one car—"in each region had to be held always ready for the use of

servicing engineers in case of a breakdown of a mobile film van." How often, on an average, does a film van break down?—Either the van itself or the projector, that is. One or the other will give a great deal of trouble, but I am afraid I could not say how frequently they break down.

1211. Could not you use hired cars for such emergency occasions rather than immobilise a pool car?—Yes, I suppose we could. I do not know whether that, in fact, would be permissible.

1212. Is this a service which has been axed under the latest cuts?—The mobile projection service, yes.

1213. Then, dealing with paragraph i40, can you assure us that proper records are now kept regarding use of all the cars?—Yes, I think I can give that assurance. At any rate, all the necessary instructions have been issued and we are now watching the log books with so much care that directly they seem to be insufficient in the information they give, the additional information is, in fact, called for

1214. How did it come about that officers were ever allowed to regard cars as allocated to them for their sole official use in contravention of the standing regulations of the subject?—In contravention also of the standing regulations from their own Department, of which they were themselves in possession. I suppose that anybody who runs a car pool of this kind would admit that he has to struggle against two tendencies all the time: the first is the tendency for officers to come to regard cars as there for their own personal use.

1215. For their individual use?—For their individual use. They come so to regard them, I suppose, because it is obviously not only a convenience for them to feel that they have a car always there, but they may well feel that it helps them to do their work efficiently. It is a tendency which sets in almost inevitably and has to be corrected by central control. It might be a tendency in their own personal interests and against the efficiency of the service as a whole, and perhaps it is.

1216. I note that the Comptroller and Auditor General reports that records of user omitted details necessary for a proper check on user, and that you have, in fact, called for further information in these records. It does, however, say that the records of user have been closely scrutinised and checked and generally the control was adequate. Why did not this close scrutiny reveal the shortcomings in the records which the Comptroller and Auditor General found, which prevented him from satisfying himself that the regulations were observed?—I think in part this really is a matter of

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[Continued.]

degree. If I may give a simple example, I think one of the entries which the Comptroller and Auditor General quite rightly regarded as totally inadequate was "In and around Sheffield" as the description of the use of a car on one day or half day. When we looked into this particular case it was found that the car was, in fact, being used by one of our own senior officers who was going around the town in company with officers of the Town Hall inspecting various alternative sites for a Colonial Office Exhibition for the showing of which in that town the Town Hall officials and the Central Office were going to be jointly responsible. There is no doubt, I think, that the car was being perfectly properly used on that day and that that entry was quite inadequate to enable us to be sure that it was being properly used. What we have now done is to issue quite explicit instructions that the starting point and the ending point of every separate journey are to be entered and that stopping stages are also to be entered as well.

1217. Has your latest scrutiny led to the need to issue instructions about the use of vehicles, or anything of that kind?—Not, I think, later than the ones to which the Comptroller and Auditor General refers in these paragraphs. They were, of course, in essence a repetition of instructions that had been issued previously.

1218. What I am asking is this: have you, having made this scrutiny, concluded, for example, that you ought to issue instructions that more journeys should be made by public transport or special types of vehicles?—Yes, we have.

1219. I would like to ask the Treasury a question on this. Was the complement of cars in use by the Central Office from time to time approved by the Treasury?—(Mr. Milner-Barry.) It was, yes.

1220. Did you have on each occasion information as to the average use of the cars in that pool?—(Mrs. Johnstone.) Broadly speaking, I think so, Sir. We knew that the average use was less than the use that we usually regard as the minimum economical use.

1221. Did you then think that there were too many cars in that pool?—There has been a fairly continuous correspondence between the Central Office and ourselves, but we had to recognise the difficulty that Sir Robert has mentioned, that many of the cars were old and could not be expected to reach the normal figure.

1222. Are you satisfied now that there are not too many?—I think we shall have to look at the matter again in the light of the reduced functions of the Central Office.

1223. Are you satisfied now that there is proper control over the fleet of cars?—Yes.

Mr. David Thomas.

1224. On paragraph 140 I see that cars "may be used for journeys between home and office only on exceptional occasions". I do not know whether I understood correctly when the Auditor General mentioned that there were two rates of payment, or scales of payments, one from home to the office and another scale of payment from the office on the business of the officer?—(Sir Frank Tribe.) That is when the officer uses his own car.

1225. I see. Would I be right in saying that the officers generally use the Ministry's cars from home to the office?—(Sir Robert Fraser.) Only in exceptional cases.

Chairman.

1226. That is the general rule, is not it?—(Mrs. Johnstone.) Yes.

Mr. Bossom.

1227. Could I ask one question further to the one which has just been asked. If people use their own cars and are given a certain allowance when doing so, are the other individuals in the Department given a certain allowance if they come by bus or train?—(Sir Robert Fraser.) I should not have thought so.

1228. The one comes by car and he is given a certain allowance for that. Now, if the man at the next desk comes by bus or train, does he get an allowance if it is otherwise a parallel case?—No, I should not have thought so. We are speaking about officers using their own private cars?

1229. Yes?—I take it an allowance would only be paid for the journey between home and office if the car was to be used for official purposes during the course of that working day.

1230. Is that just?—The officer might then say: "I am, in fact, using my own car when I would be justified in asking for one of the departmental cars."

1231. Yes, but it does not seem quite just if the one man uses his own car to come to the office and gets paid for it and the other who comes by bus or train does not get paid for it. It is a small amount, undoubtedly, but there seems to be a matter of injustice somewhere?—I take it the payment would be calculated simply to cover the expenses of bringing the car to the office and no more than that.

1232. But you have enough cars in the pool to use official cars where it is essential?—Yes, I would have said so.

1233. Then, it is not really necessary for him to bring his own car?—I am afraid I am not even sure that in the regions where we have not been over short of cars, this system has been allowed at all. I would not, I am afraid, be certain of that.

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[Continued.]

1234. I think it would be worth while looking into; would not you agree?—Yes, certainly.

Mr. David Jones.

1235. I gather that there are 13 separate points at which these cars are stationed, that is, the ten regions and the other three that you mentioned, so that the 90 cars would be, on the average, seven at each concentration point, a proportion of which would be very old?—Yes.

1236. So that the average of 550 miles a month by comparison with the Auditor General's 800 or 900 with a highly concentrated fleet of modern cars would not be too bad. You have 13 separate units, 13 separate points with seven cars at a point. A high proportion of the cars is fairly old, so that the average mileage would of necessity be less than that suggested by the Auditor General?—Well, I would hope it would be so.

1237. The point I am trying to make is that your 550 miles, having regard to the circumstances of this fleet of cars at 13 separate points, would compare favourably with the 800 miles which the Comptroller and Auditor General suggested was a fair average?—Well, I would not know whether it would compare favourably, but certainly it is a factor that would influence this figure in the case of our cars, I should have thought.

Mr. David Jones.] I should have thought so. That is the only point I have, thank you.

Chairman.

1238. May we now turn to the Accounts themselves on page 437? Could you tell us a little about Subhead K, Sir Robert? Could you tell us about the machinery for these social surveys?—How they are set in motion and what authority is required?

1239. Yes, who initiates them? Do you, or do you wait to be acted by some other Department?—No, the Central Office itself initiates no such surveys whatever. It simply provides a social survey as a service in response to a request from one of the Ministerial Departments.

1240. How much of this do you do yourself? Is any cost of social surveys borne by Subheads A or B?—Yes, the actual Subhead expenditure, I see, was nearly £69,000, and the total expenditure on social surveys fully costed was about £125,000.

1241. What part of the expenditure on social surveys is covered by the Subhead? What does this £68,000 odd represent? What does that cover?—The main item of expenditure would be fees paid to the interviewers themselves.

1242. Whom you would recruit specially for this purpose, or would you deal with any research agency?—Whom we would recruit specially for this.

1243. You never, so to speak, farm the job out?—Occasionally; it is not the general practice.

1244. Would you then look at Subhead L. Does this Subhead include any publicity for the Treasury?—No, it does not.

1245. So that the Treasury Information Service, in fact, do for the Treasury what the Central Office does for other Departments?—I am very sorry; I thought you were speaking about Subhead L.

1246. Yes, I am?—No, there is no expenditure incurred against Subhead L for the Treasury, but there would, of course, be on other subheads.

1247. Is the Treasury Information Service covered at all in these Accounts?—Yes.

1248. The cost of it is?—The costs of that part of this work which is conducted for them by and through the Central Office and the expenses of which, of course, are met from the Central Office Vote; and in that respect the Information Division of the Central Office is, of course, in exactly the same position as the Information Division of any one of the other Ministerial Departments. That is to say, it will have certain expenses which will be met from the vote of the Ministerial Department of which it is part, and certain expenditure will be incurred by the Central Office on its behalf.

1249. If you take a thing like the monthly publication which goes the round in industry, is that borne on your Vote or on the Treasury Vote?—The staff salaries are borne on the Treasury Vote, the cost of paper and printing are borne on the Vote of the Stationery Office, and it may be that certain costs in providing charts or diagrams for it are carried on the Vote of the Central Office, but the Central Office contribution to the total cost of that particular bulletin would be very small indeed—fractional.

1250. Mr. Milner-Barry, is the Treasury official view that there is no overlap between these two services? Are you satisfied that there is no overlap?—(Mr. Milner-Barry.) I do not think there is, Sir. I think we are satisfied on that.

1251. Finally, turning to page 439, I was interested to see that a project for a film on the international balance of payments was begun in October, 1949, by the Treasury and was abandoned owing to changed economic conditions. What was the real reason for stopping this?—(Sir Robert Fraser.) Changed economic conditions; the film really was designed

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[Continued.]

as an attempt to explain the dollar deficit of the sterling area which existed in an acute form in 1949, the time when it was first thought a good idea to have the film. In the winter of 1949-50, of course, the dollar deficit of the sterling area started to diminish and in the year 1950 the sterling area was, in fact, in dollar surplus. It therefore did not seem any longer such a good idea to make a film on the dollar deficit, and it was abandoned.

1252. It might have come in useful now if you had made it?—(Mr. *Milner-Barry*.) Possibly it was a bit prematurely abandoned!

Mr. *Bossom*.

1253. Could you tell me which of the other Departments have their own staff to handle similar duties to those that you handle through the Central Office of Information. Does the Admiralty, the War Office, the Air Ministry, the Ministry of Works, or any of those people?—(Sir *Robert Fraser*.) I think there is, perhaps, just a short list of Departments which still do continue to execute work for themselves which, in the case of other Departments, is undertaken by the Central Office. The example, perhaps, known to everybody, of course, is the National Savings Committee and the Scottish National Savings Committee, both of which ever since 1939 have continued to do the whole of their own publicity work. It has also been thought in the past that there were special reasons for a number of other Departments doing some of their own work. This list has been shortened, and the area of work done outside the Central Agency has been progressively restricted. There was, of course, one other outstanding case, the Ministry of Food, which also since 1939 had done almost all its own publicity work, making virtually no use of the Central Office Services at all, but it is now, as we say, a contractor-in. About a year ago the Ministry of Food came into line with all the other Departments and has made full use of the Central Office service and has disbanded that part of its own staff which was doing the sort of work that the Central Office does.

1254. From that, then, would you say that you could handle it and save them having to do it themselves, or would it be better for you to abandon doing the work for those Departments and let them do it all themselves, instead of having two Departments doing the one thing?—Well, it has been generally thought that there are economies in collecting and concentrating this particular kind of work in the hands of a central agency, and I think, in general, during the last few years the tendency, as I said, has been towards expanding the area of the Central Agency in its own field. On the other hand, in the case, at any rate, of the National

Savings Committee, I think it is perhaps doubtful whether an instruction to the National Savings Committee to place the whole of its work through the Central Agency would yield any great benefit. The two National Savings Committees have always been rather in a special case because, of course, they are not so much administrative departments as small publicity departments in their own right. They are publicity organisations, unlike the Ministerial Departments which are, of course, administrative organisations with small publicity sections attached to them.

1255. The Ministry of Health and the Ministry of Transport, as well as the Ministry of Food, do a lot of this themselves, do not they?—I do not think either the Ministry of Transport or the Ministry of Health do.

1256. Is not the Safety Campaign conducted by the Ministry of Transport?—It is in part conducted by the Ministry of Transport and by the Central Office, but in part directly by the Royal Society for the Prevention of Accidents out of a grant drawn, I think, from the Road Fund. I think the Ministry of Transport, though, itself does not engage in the Road Safety Campaign, in that kind of work which the Central Office would normally expect to undertake for the Department.

1257. With your expert knowledge, would you think there is any duplication due to this system being carried on as it is being carried on now?—I think there is very little.

Mr. *Douglas Marshall*.

1258. I have only two questions, one leading from a question which you, Mr. Chairman, asked with regard to this change of policy in 1949. I think I got it clear from you that you said you started this film in 1949 in order to show the dollar deficit, and then, owing to the question of devaluation, there became a dollar surplus and therefore it was not worth continuing. The only thing I did not get quite clear in my mind was as to how long it takes to produce a film?—It varies, of course, enormously, but the broad answer is that it is much longer than one would think. From the first idea to the completed show copy of the average sort of film that the Central Office makes might be a year, nine months to a year, I should have thought. Many take longer, others a great deal shorter, of course.

1259. So, one has to be very careful if one is choosing something very topical and up to the moment?—Yes.

1260. The second question I have is a very general question on page 437. Taking Subheads A and B, it would appear to me that, if you take the total expenditure on

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[Continued.]

salaries and the total expenditure on travelling and incidental expenses, the proportion of one to the other appears to be rather large in comparison with other figures that one may have studied. Would there be any reason for that, or do not you consider it, in fact, to be large?—That is to say, that Subhead B is rather high in relation to Subhead A?

1261. Subhead B is rather high in relation to Subhead A, yes?—There is one considerable special factor which might, perhaps, explain it. Included in the expenses charged against that Subhead is the freight on all the oversea material which the Central Office produces in London for the three oversea departments and which it sends abroad for them. It is a very considerable figure.

1262. It is not just human freight, it is dead freight as well?—Yes, it is live and dead freight.

[Mr. Douglas Marshall.] Thank you very much. Then, it is an impossible comparison with other figures of a similar nature.

Mr. David Thomas.

1263. On page 437, under Subhead K, a question was raised by the Chairman concerning social surveys, and I do not know whether I understood you rightly. I may have been wrong, but I thought you said that you do not conduct any social surveys in your Department?—I must have been mistaken. What I tried to say was that the Central Office do not initiate any surveys but only undertake such surveys as are requested by one of the Ministerial Departments.

1264. The cost of those surveys, then, is borne by your Department?—They are carried out by the Social Survey of the Central Office of Information and the full cost of them is carried on the Vote of the Central Office.

1265. If that is so, as I have no doubt it is, having regard to your reply, is it not most unfair, then, for the Central Office of Information to carry the burden of other Departments in connection with these surveys? If you do work for other Ministries, they should bear the expense themselves and not place it on your shoulders?—Well, of course, the general basis of the work of the Central Office is that it does carry out at its own expense as an allied service such work as is requested by the Ministerial Departments and which the Central Office accepts, and expenditure on which the Treasury authorises. It is the general financial basis on which not only the social surveys of the Central Office, but all its other activities, are carried out.

Mr. Benson.

1266. As the surveys are initiated by other Departments and your grant and your expenditure differ by less than .1 per cent.,

does that mean that it was an extraordinary piece of luck, or that when you spent your grant you said: "We have done all the surveys we can"?—No, it does not mean the latter. I think this is a combination of judgment and fluke.

1267. Under "Details of Receipts" there is the item "Recovery of costs of a survey, £2,500". Was that survey done for a Government Department, or was it done for somebody else? You will find that on page 438?—I think it was probably done for another Government Department. A very small proportion of the work of the Central Office, of course, is carried out not on an allied service basis, but on an agency basis for Departments. I beg your pardon, this was a recovery from the London School of Economics.

1268. When you say that a small proportion is carried out on an agency basis and not as an allied service, what is the principle on which you divide the two? Apparently in other cases it was an allied service, not an agency service?—There are, I think, only about three or four important cases where the Central Office work is conducted on an agency basis, and the common factor which they all seem to have is that there is, for one reason or another, a special cause for close accounting. These cases are the expenditure on road safety publicity for the Road Fund, which has its own separate statutory existence, National Insurance, where the National Insurance Fund has, as it were, its own separate statutory existence, the British Industries Fair publicity for the Board of Trade, where the special factor is that a high proportion of the Board of Trade's own expenditure is recoverable and the fourth and last is the British Council, which is, of course, a grant-aided body and where, therefore, there is again this need for a close relation between expenditure and the grant in aid.

Mr. Bossom.

1269. I notice, at the bottom of page 437, under "Explanation of the Causes of Variation between Expenditure and Grant" that in every case, right the way down, they are all savings or reductions. Does that indicate that next year there will be a very much more extensive reduction than there has been here? Is this a tendency, or is it just an accident this year?—No, I do not think it is an accident this year. During the last three or four years there has been a very persistent drive towards economy and restriction and lower expenditure through the whole field of information, and if one looks at the successive estimates and successive actual expenditures of the Central Office since about 1948 one finds that it goes down in a series of steps. There is an estimate and an actual expenditure which is lower still, an estimate lower than the actual expenditure and an actual expenditure

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[Continued.]

lower still, and so on down by a series of steps. That which might at first sight look like a failure of close accounting is not, I think, really so. It is the figures responding, as it were, to this constant downward pressure in information expenditure. The same tendency will be revealed in this year's accounts though, perhaps, not so markedly, but we are still going down by successive steps.

1270. In other words, it is a trend?—Yes.

1271. The surplus is £530,644; that is the amount to be surrendered?—Yes.

1272. Do you keep to the same estimates, approximately, every year, or do you keep on reducing them every time?—No, they have gone down by a series of stages during the last three or four years. I would not be sure without looking the figure up, but I think the estimate for the year which precedes this was £4 million. It was actually fractionally under £4 million.

Mr. Douglas Marshall.

1273. May I ask the Comptroller and Auditor General whether he thinks Subhead B on page 437, which we were looking at, should be splintered, considering that you have got freight charges within that sum, or whether he thinks, really, that would only be an addition that is not necessary?—(Sir Frank Tribe.) It would be more usual, I think, to confine Subhead B to travelling of persons and to charge freight charges to another Subhead.

Mr. Cuthbert.

1274. Would we be right in saying, following up what my colleague has been asking, that your policy and expenditure is really rather guided by some figure given you by the Treasury, that you have to cut, shall we say, 20 per cent., from last year's estimate? If you had that this year, for instance, next year will you be expected to cut your expenditure by 10 per cent. or 20

per cent., or whatever it may be? Have you had anything like that?—Yes, I think the final estimate as presented, really, is the resultant of a number of different factors working together, one of which, of course, will often be an indication by Ministers themselves of the total sum of money that they think it is reasonable to provide for information as a whole. But, I think it is only one of the factors.

Mr. David Thomas.

1275. Much of the work of the Central Office of Information, then, is work that has been done by other Ministries. If it were possible to collect the whole of that work and set it under the Central Office of Information, do you think it would be more beneficial, as far as the whole of the Departments of the Government are concerned, relating to information? If your field is being reduced year after year, the end of it will be the closing of the Central Office of Information, and the point that appears in my mind now is that information will be required by all Departments afterwards, and I should imagine that the cost then will be ever so much more than the cost of a specific Central Office of Information for all Departments?—Well, Sir, I was saying that I do not really think there is a very large amount of work which it would be proper for the Central Office to carry out that it is not, in fact, carrying out at the moment, though there may, of course, be a little. I find it a little difficult to answer a general inquiry about the economies that one might think would follow from the existence of a Central Agency in the field of information and publicity.

1276. It might not be a fair question to put to you?—I think it is a fair question to put to me, but a difficult question for me to reply to.

Chairman.] Has any Member of the Committee any further questions on the Account? May I take it that this Account is approved? (*Agreed.*) Thank you very much, Sir Robert.

Sir Robert Fraser withdrew.

CLASS II.

VOTE 5.

INTERNATIONAL REFUGEE ORGANISATION.

VOTE 6.

COMMONWEALTH RELATIONS OFFICE.

VOTE 7.

COMMONWEALTH SERVICES.

VOTE 8.

OVERSEA SETTLEMENT.

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[Continued.]

VOTE 9.

COLONIAL OFFICE.

VOTE 10.

COLONIAL AND MIDDLE EASTERN SERVICES.

VOTE 11.

WEST AFRICAN PRODUCE BOARD.

VOTE 12.

DEVELOPMENT AND WELFARE (COLONIES, &c.).

VOTE 13.

DEVELOPMENT AND WELFARE (SOUTH AFRICAN
HIGH COMMISSION TERRITORIES).*On these Accounts no questions were asked.**The Witnesses withdrew.**Adjourned till Thursday at 4 p.m.*

THURSDAY, 6TH MARCH, 1952.

Members Present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.

Mr. Bossom.

Mr. Douglas Marshall

Mr. Peter Roberts.

Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mr. J. G. OWEN, an Assistant Secretary, the Treasury, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS V.

VOTE 1.

MINISTRY OF HEALTH.

Mr. J. M. K. HAWTON, C.B., Secretary, the Ministry of Health, and Sir THOMAS SHEEPHANKS, K.C.B., K.B.E., Secretary, the Ministry of Housing and Local Government, called in and examined.

Chairman.

1277. May we start by taking the Civil Appropriation Accounts, paragraph 51 of the Comptroller and Auditor General's Report, and the relevant pages, pages 242-248 of the Account of the Ministry of Health, Class V, Vote 1? Afterwards, I should like to take together the Treasury Minute of the 29th November on Emergency Housing and paragraphs 71-78 of the Comptroller and Auditor General's Report. For the benefit of the Members of the Committee,

that means that I propose to take first item 1 (a) and then to take items 1 (b) and (c) together. Before we start questioning on the Account, perhaps I might be sure that I have got the position clear: I gather that the Accounts for Votes 1, 3 and 4, which are signed by you, Mr. Hawton, for 1950-51, become mainly the responsibility of you, Sir Thomas, from the 30th January, 1951?—(Sir Thomas Sheepshanks.) For the most part, yes.

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Mr. J. M. K. HAWTON, C.B., and
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[Continued.]

Chairman.

1278. The first question I would like to ask is: did the later change of name of the Ministry of Housing and Local Government involve any further transfer of functions?—No, none whatever.

1279. Mr. Hawton, in the middle of page 247 of the Appropriation Accounts there is a reference to a voluntary hospital not transferred to the Minister and an outstanding amount of loan. Could you tell me when this loan is likely to be repaid?—(Mr. *Hawton*.) It is being repaid by instalments. I will try and find out the exact position on that. I am sorry I have not got the particulars on that at the moment.

1280. It is being repaid?—Yes, it is being repaid. It was a grant made at the time when it was thought that the hospital was coming into the National Health Service, and when it was discovered that it was not coming in, it had to be treated as a loan and, as a matter of convenience, was to be repaid in instalments instead of in one sum. I will give the Committee, of course, the full particulars, if they want them.

1281. Perhaps you will just tell us what the circumstances are?—Certainly.

Chairman.] I think we might get this paragraph 51 out of the way before we go on to the rest. Have Members any questions on that paragraph?

Mr. Douglas Marshall.] On paragraph 51 only, Mr. Chairman? You are not dealing with anything else?

Chairman.] I am also dealing with pages 242-248, Class V, Vote 1, item 1 (a) on our Agenda.

Mr. Douglas Marshall.

1282. I have a number of questions to ask on pages 242-248, but I am wondering, one of the questions being on page 247 which you, Mr. Chairman, have already asked, whether the answer is not already there. The question which you have asked is one that I was going to ask?—(Mr. *Hawton*.) I can, if you please, amplify that now. I have the reference now: the repayment is in five years.

1283. Which hospital is this?—It is the hospital of St. John and St. Elizabeth, Grove Road, N.W.

1284. On page 243 I see that the salaries are given and the grant is given and there is also the question of the part-time regional medical and dental staff. The question I wanted to ask was as to whether any moneys could, in fact, be saved? Is there any advantage in somebody, who may be fully attached to a hospital as part of the medical staff, being on part time, because the expenses are then allowed and, therefore, the

total remuneration to that particular doctor is, in fact, greater than if he is full-time employed?—Perhaps I should explain that these are not hospital doctors; these are doctors called in part-time to do examinations of people referred by the Ministry of National Insurance to ascertain whether their sickness claims are proper ones. They are merely part-time because we have a nucleus of full-time people to do the work, and if there is more work at any given moment, we call in part-timers to supplement it. The point about the part-time hospital man arises, I think, on the Class V Vote 2 Account of the National Health Service.

Mr. Douglas Marshall.] Are we studying that now, Mr. Chairman?

Chairman.

1285. No?—That point is a familiar one and is a very big point in the Health Service, but they are not covered by this Vote.

Mr. Douglas Marshall.

1286. They are not covered by this Vote?—No, this is purely the referee service and does not come under the National Health Service.

Chairman.] I should explain, perhaps, Mr. Marshall, that we shall be taking Class V, Vote 2, in due course, when we shall be taking the National Health Service.

Mr. Douglas Marshall.] But not at this moment?

Chairman.] No.*Mr. Douglas Marshall.*

1287. May we look at Subhead D on that page, "Incidental expenses", grant £30,000, expenditure £25,429. What exactly does "Incidental expenses" mean?—It covers a whole variety of minor expenses. Examples are expenses on cleaning at outlying provincial offices, some law charges, costs of advertising vacant posts, reimbursing the Civil Service Commission for the cost of examinations, and really incidental things of that kind, a great variety of them.

1288. Then, under Subhead F.1, "Grants under the Rural Water Supplies Acts, 1934", there are two points that I wanted to ask you about. One may or may not be in order, and the Chairman will correct me if I am not in order. In the estimate of the grant, is there any reason why the grant was as low as it was, and, secondly, as the expenditure was, in fact, higher—again, really, it comes to the same point—why was the grant so low or why was the expenditure higher?—(Sir *Thomas Sheepshanks*.) I think that, Sir, is for me to answer. The position there is that it is extraordinarily difficult to make a forecast of how quickly

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[Continued.]

the local authorities will come along with their proposals and how quickly they will be able to get on with them and how far and to what extent they will be able to get the necessary labour and material. The answer here really is that under this head the local authorities did, in fact, succeed in getting ahead faster than on the best estimate that could be formed at the time we thought they would be able to.

1289. Then, directly underneath, Subhead F.2, the reverse seems to have happened because there is a complaint of slowness?—Yes. It was slower than we estimated and I think, to some extent, that was due to the fact that sewerage follows on water supply, and having got their hands pretty full with the first job of installing the water supplies, the sewerage came later and, broadly, they preferred, and I think quite rightly, to apply their energies first to the installation of rural water supplies and to follow it up with the necessary rural schemes for sewage disposal.

1290. I wonder if I might just pause a little on that. A colleague of mine said the other day, quite rightly, that we as a Public Accounts Committee were just as interested in an expenditure that was lower than the estimate as we were in one that was over. Is not that really a contradiction in terms? As you have already tied the rural water supply up with the question of the sewerage, if, in fact, the rural water supply has been accelerated, why should sewerage be slower?

Chairman.

1291. Is not the position, Sir Thomas, that in the one case you were referring to these services in general and in this particular case you are talking about services in development areas where, if I understood you aright, you were saying there were special circumstances?—Yes, I beg your pardon, that is so. Sub-head F.2 is "Grants and Loans". These are not rural water supplies; they are the schemes in the development areas, and they did come along more slowly than we had expected.

Mr. Douglas Marshall.

1292. Therefore, there is really no relation there between one and the other?—No, I am sorry, not in this case.

1293. Under Subhead F.3, "Grants under the Coast Protection Act, 1949", would it be possible to give the Committee an idea as to the particular areas in which this expenditure has been incurred?—I could give you a note on that. I have not got the detail.

1294. You do not know, for instance, how much was spent in Cornwall?—Not
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offhand, no. I can put in a note quite easily on that.*

1295. On page 244 I see under Subhead G.3 the expenditure with regard to the ex-members of the Polish Forces and their dependants. Is there any contribution under the services rendered now by these Poles or not?—(Mr. Hawton.) Any contribution by whom?

1296. At the present moment there is a grant, and there is expenditure in excess of the grant. Is there any counterbalancing feature there or none at all? Is there no revenue coming in?—No, I think there is none there. So far as the Ministry of Health is concerned, this is in respect of two hospitals; and the medical services in hostels for which there is no payment by the Poles. The hostels themselves are run by the National Assistance Board and what their arrangements are I do not know, but so far as this sum is concerned, there is no income from the Poles.

1297. There is no income at all?—No.

1298. A little lower down, under Sub-head H.1, I see: "Special Grants to Certain Local Authorities". I wonder if one could have an explanation as to what that means?—(Sir Thomas Sheephanks.) This really goes back to the authorities who got very badly bombed during the war, with the result that they had a very severe loss of rateable value. It was the old Ministry of Health at that time, and during the war they made advances which were subject to repayment. After that, there still being authorities whose population had not returned and who, therefore, were very severely hit financially, the grants were made to those authorities who were most severely hit, and I think in this particular year that represents 13 of the authorities, partly London boroughs and partly some of the other big places, who were so severely bombed during the war that they not only lost rateable value but they lost population as well.

1299. Arising out of that answer and fully understanding the spirit in which those grants are made, what determines actually the authority that can, in fact, obtain that grant? As you have mentioned the number 13—I think that is the figure you gave—presumably it cannot cover the number of boroughs and cities that were extremely badly blitzed during the war because it far exceeds that figure?—That is so. Very roughly it is those authorities who lost such a large proportion either of their population or of their rateable value that their resources really were too low. For example, you would have Birmingham and Manchester who got heavily bombed,

* Information supplied; not printed.

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[Continued.]

but had still adequate resources to maintain their services, Bermondsey, West Ham, Hull and Plymouth, places who had, out of all proportion to the rest of the country, lost their financial resources from bombing, and therefore they had not the rate income they needed to maintain their services.

1300. You have mentioned three authorities out of the 13. Would it be possible actually to mention the others?—I have got them. I can either get them out or give them to you, whichever you wish?

1301. I would rather like to hear them, if I may, Mr. Chairman?—Bermondsey, Bethnal Green, Finsbury, Poplar, Shoreditch, Southwark, Stepney, Canterbury, Kingston-upon-Hull, Plymouth, Portsmouth, Southampton and West Ham.

Mr. David Thomas.

1302. Swansea is not included at all, then?—No.

1303. That is a place that was very badly bombed?—They had it up to 1947-48.

1304. Is there any reason why they should not get it for 1949 and 1950?—Their resources recovered to a greater proportionate extent than those places I have mentioned. Their population had come back, their rateable value per head of population was not as low as in the other cases.

Mr. Peter Roberts.

1305. Were these grants at the discretion of the Minister?—Yes.

1306. Returning to page 243, Subhead F.1, in respect of water supplies and sewerage, what powers has the Ministry got to check extravagance in water

schemes?—These grants are, in fact, discretionary. They are assessed in each case on an examination of the cost of the work, the charges proposed to be imposed and the burden of the scheme, and so forth, so I think the answer is that these are purely discretionary grants which are arrived at in each case on an examination of the facts.

1307. By the Ministry officials as opposed to the local authorities?—That is right.

Mr. Benson.

1308. Might I just ask a question on Subhead H.3, "Residential hostels etc.". How much longer are these residential hostels likely to continue?—As far as I know there is no limit to them. That is true of the London hostels.

1309. What about these homes for repatriates? They are included?—(Mr. Hawton.) Those are being wound up as fast as possible. In England there were two principal places and one small transit one. One of the two principal ones has already been wound up now, the other remaining principal one is being converted, we hope this year, into a slightly different footing which will make it a little more economical to the Exchequer and will be wound up as soon as the work runs out. It is a diminishing service, rapidly diminishing.

1310. The work, you mean?—I am talking now of the civil repatriates, not the London hostels, which is another point.

1311. Are those London hostels for civil servants?—(Sir Thomas Sheepshanks.) Roughly speaking, yes.

1312. So, they fall into the category, homes for repatriates and civil servants?—Yes.

TREASURY MINUTE ON PARAGRAPHS 49-53 OF THE FOURTH REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS V.

VOTE 3.

HOUSING, ENGLAND AND WALES.

Chairman.

1313. May we turn now to the Treasury Minute of the 29th November on paragraphs 49-53 of this Committee's Fourth Report on Emergency Housing, paragraphs 71-78 of the Comptroller and Auditor General's Report on the Civil Appropriation Accounts and the Accounts themselves, pages 257 to 263? Mr. Hawton, who was the actual accounting officer for this Vote in post during the year 1950-51?—Sir William Douglas, throughout the year.

1314. You signed the Account?—Yes, the position is this, really, that the split of the Department occurred at the same time as Sir William Douglas's retirement. Because the Ministry of Health on the split continued in one half, the Ministry of Health Officer had to be responsible for the Accounts for three months.

1315. On the issues raised in the Treasury Minute I imagine that you, Sir Thomas, since you gave evidence at last year's Committee, are the person of whom we ought

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[Continued.]

to ask our questions on this occasion?—
(Sir Thomas Sheephanks.) I am afraid so.

1316. Have you begun your discussions with local authorities on emergency housing?—Only to this extent, Sir, that on one particular issue of the L.C.C. rest centres we have had a Working Party that have reported, and the Minister has sent that report to the L.C.C. and the Metropolitan Authorities, but he has also opened up the whole issue of requisitioned premises throughout the country by sending a circular to local authorities pointing out that a term has got to be put to this, asking them to nominate representatives on a Working Party to cover requisitioned premises generally, and giving them warning of his statement so that they can begin to think about it and take such action as is open to them in advance of any report from the Working Party. That process in fact started—so far as the rest centres are concerned—when the then Minister saw the London Authorities last July.

1317. Has anything been done about the assessments to rates?—No, Sir, that is a point that we are hoping to open up in discussions with the authorities, but I do not think we have really got a very good wicket to bat on because I think, if we try to suggest that they should hand over some of the rates they collect to us, they would undoubtedly say that that would be against the law and that the District Auditor would come down on them if they did it. I only hope that in the process of the discussions we might be able to raise the matter as part of the general issue, but if it is taken on its own, as I say, I think that the legal position is very much against us.

1318. On the more limited point, then, the one you have been dealing with, what about the actual statutory notice of assessment of rates. Who gets these statutory notices of assessment?—Well, of course, the position has altered since the last Accounts were under review by the Committee because you remember, Sir, that the primary duty of assessment of property to rates has now passed to the Valuation Department of the Inland Revenue. Since February, 1950, it is no longer with the local authority to make a reassessment of a hereditament, it is now for the Valuation Department of the Inland Revenue.

1319. Yes, I am aware of that, but it still is relevant to ask to whom does the statutory notice of reassessment go?—The authority who is in occupation and, as I take it the local authority is acting as the agent of the Crown, it would go to them. It certainly does not come to us.

1320. May I put it quite specifically: have any appeals against rates been made
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in respect of property held in this way?—No, I think not, Sir; I am sure not.

1321. How many properties have been released from requisition so far?—I find that in September, 1948 there were 97,293 properties held. In September, 1951 there were 86,745. In fact, the number has come down since then, but I cannot work out the exact figures. The only other figure I have got is that in the nine months to the 31st December last 2,815 properties were released.

1322. Were any of those properties acquired by local authorities, do you know?—I do not know.

1323. Has the release of these requisitioned properties involved much reinstatement payment to owners?—I do not know that I have got details. I think, in some cases, undoubtedly, a fair sum would have been payable under the Compensation (Defence) Act.

1324. Could you let us know? I appreciate you may not have it now, but I would be glad if you would put in a note giving such information as you have on the scale of these reinstatement payments?—Yes, I will indeed.*

1325. The total deficiency falling on the Exchequer in the last five years, I see from paragraph 71 of the Comptroller and Auditor General's Report, approached some £50 million. Do you expect to be able to reduce this rate of deficiency in the near future?—It is reducing fairly heavily every year and it is rather difficult to relate the figures in the Appropriation Accounts to the figures in the quarterly returns we get from local authorities, because the figures in the Appropriation Accounts include payments for past years. But, I have a note, according to the quarterly returns, which shows the income and expenditure during the year. In 1948-49 the net expenditure was just over £9 million. In 1949-50 it was just over £8 million and in 1950-51 it was £7,200,000. So, it is coming down all the time.

1326. May I ask you one or two questions of detail on paragraphs 72 and 73 of the Comptroller and Auditor General's Report? Which was the borough with the cost of £56, and which had £197?—I am not sure that I know which is which of those, but I can tell you the six expensive ones that the Comptroller and Auditor General was referring to: Kensington, Westminster, Paddington, Chelsea, Holborn and Marylebone.

* *Note by witness:* The average amount is about £100 for each property, though the amounts vary considerably for individual properties.

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[Continued.]

1327. Those are the six with net costs exceeding £100?—(Sir *Frank Tribe*.) Perhaps I may answer your first question, which relates to my Report, Sir. Poplar was the cheap one and Marylebone the expensive one.

1328. What sort of investigation did you make of the high cost?—(Sir *Thomas Sheepshanks*.) In these particular cases there had been reasonably frequent discussions with the officers of these particular boroughs, principally, of course, on repairs, miscellaneous and administration expenses, because the bulk of the money here, as you will appreciate, really, Sir, is on the compensation rent and rates and from their very nature, being in the middle of London, the compensation rents are high; for example, in these six the compensation rent and rates is £111 as against £60 for the average of England and Wales.

1329. What is the reason for such high administration costs as £19 and £14, as compared with an average of £8?—It is quite a number of things, Sir. The first, and elementary one, is if they have to take extra office accommodation for this work it is very expensive. There are, of course, relatively a large number of properties under requisition in these boroughs and it means, therefore, a good deal of extra expense in rent collection and so forth, and to some extent, also, there is a good deal of work in surveys of places as they become empty in case they wanted to propose, as they did some years ago, requisition of places that become empty. You also do get the point that it is in these central boroughs in particular that you get the large buildings, blocks of flats and so forth, where you have central heating and you have got to have men to look after the boilers and that sort of thing.

1330. When you have examined these high costs, have you been able to secure any economies?—In some cases, yes. What we have tried to do in the most expensive cases is to go to the local authority and say: "This particular block is putting a burden on us which is altogether disproportionate. You really ought to get rid of it". Naturally, you cannot turn the people out at once, and the authorities have said: "You must give us time and we will try our best". That is a long process, and in one case the final result you may have seen in the papers in the last few days. A good number of the tenants had been got out, but the remainder said: "We do not like the alternative accommodation we have been offered and we are not going".

1331. What check have you to ensure that the local authorities' own administrative costs are not loaded on to this service, and thus on to the Exchequer?—We have

found a number of cases, and unless you want the names, I would rather not give them. We have found half a dozen cases where we thought on examination that they were putting on us a disproportionate amount of the costs, some of which they ought to have borne. I have a note of one case where they claimed £9,000 and we thought £3,700 was the proper amount, and another case where they charged £760 and we said £190 was right. We have found a certain number; we do our best to keep an eye on them, and, as I say, in a certain number of cases we do say they are putting too much on us.

1332. May I now turn to paragraphs 74 to 78? You mentioned earlier, Sir Thomas, the question of these rest centres. Would you tell us something of the sorts of places they are and in what circumstances families are accommodated in them?—These go back to the old rest centres of wartime days where people who were bombed out were supposed to be accommodated for a very short time, until other accommodation should be found, and the problem in London was so acute that, in London alone—it does not apply anywhere else—these rest centres have continued, and you do find in some cases people who have been evicted, in other cases somebody who comes to London to work and brings his family with him in a spirit of cheerful optimism, and finds there is nowhere to go, and you do find cases where the man goes to the police and says: "I have simply got nowhere to go", and they direct him to these rest centres.

1333. Do you distinguish between the rest centre and the halfway house?—Yes, I think, the best way to put it is this, that for that type of person they start in the rest centre and then the halfway house, as the name implies, is halfway between the rest centre and being found a proper house.

1334. Can you account at all for the extraordinarily high net cost of accommodation in the rest centres? £523 seems so extraordinary as to require some explanation?—Well, indeed it is, Sir. It was largely for that reason that the Minister last July sent for the L.C.C. and the Metropolitan Authorities and said: "This must stop". It is, of course, a peculiarly difficult bit of administration; they are provided with board and the L.C.C. do maintain these places and, frankly, it is very difficult to get anybody else to do it.

1335. Why, for example, are children charged at such extraordinarily low rates, in some cases less, even, than the family allowance? What is the reason for it?—Those rates were fixed some time ago and this was before my time, but I

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[Continued.]

think they tried to increase the rate on one occasion and, in effect, found a very difficult situation arose. They were faced with very nearly a strike and a good deal of trouble.

1336. Have the claims in respect of all these things been passed by the District Auditor?—Yes.

1337. Without comment or with comment?—I do not know of any comment. I do not recall any.

1338. In the last sentence of paragraph 77 the Report says you could not yourselves review the charges, but have you any way of seeing that, broadly, reasonable charges are in fact made?—Of course, "could not", as you appreciate, does not mean that no statutory authority exists. It is partly due, if you take all the requisitioned properties, to the size of the problem so far as these particular ones are concerned. It is a peculiarly difficult piece of administration, and it was for that reason that the late Minister said that the right thing to do is to bring this service to an end, it should not be on our Vote, and it is something for which we ought not to have responsibility any longer than we have got to have it. Since then, quite frankly, Sir, we have been concentrating rather on trying to bring the thing to an end than to perpetuate it by increasing the charges.

1339. Are fresh occupants being admitted to the rest centres and the halfway houses?—Up to a little time ago I suspect they were. I think, in the transmission of that report of the Working Party to the authorities which I have mentioned, they were told in terms that they should be kept to the minimum.

1340. Then in the last sentence of paragraph 78 there is a question which the Comptroller and Auditor General had asked. Can you give the answer to that?—I think the answer to that, Sir, is that up to 1948 it was covered by an Order made under the Poor Law Act of 1930. When that ceased it, frankly, did depend on Treasury approval and the authority of the Annual Appropriation Act. Of course, one has been hoping that this service will come to an end as soon as may be.

1341. Do you mean, Sir Thomas, that you are claiming that you have the authority of the Annual Appropriation Act?—Strictly, at the moment, since the Vote of the Ministry was altered, I think it is doubtful, but we have been in touch with the Treasury on this and they have agreed that the ambit of the Housing Vote should be amended and the 1952-53 Estimates have been prepared accordingly.

1342. Amended in what sense?—I will give you the words, if I may: "Estimate of 12963

the amount required in the year ending 31st March, 1953, for grants and other payments in respect of the provision and improvement of housing accommodation and of services in relation to emergency housing in England and Wales."

1343. Mr. Milner-Barry, do you think now that that puts the matter in order and that we shall stop what has apparently been happening, misappropriation of the Vote?—(Mr. Milner-Barry.) I think that does, yes, Sir.

1344. That is the Treasury view, that it now puts it in order?—That is the Treasury view, yes. (Sir Frank Tribe.) I might say that the Poor Law Act of 1930, to which the witness has referred, only, I think, gave sanction to local authorities to run this kind of thing. I do not think it sanctioned expenditure thereon by the Ministry. On the latter point, I think it is for the Committee to decide whether, on a vote which is termed the Housing Vote, services in relation to emergency housing would normally be regarded by Parliament as relating to the provision of food.

1345. Is there anything further you would like to say, Sir Thomas?—(Sir Thomas Sheepshanks.) No, only to repeat, Sir, that I hope very much that this particular thing is nearing the end of its run.

1346. Finally, is not all this expenditure on rest centres and halfway houses relieving local authorities of their obligations in Part III of the National Assistance Act, 1948?—I do not think so, Sir, because as far as I can gather, there is a gap in the National Assistance Act, because the duty of local authorities under that Act is to provide—I think the exact words are—"temporary accommodation for persons who are in urgent need thereof, being need arising in circumstances which could not reasonably have been foreseen." Well, you can argue, and I think undoubtedly, the Welfare Authority does argue, that a man who comes with his family to London for work and finds himself without a house ought to have foreseen it and, therefore, they are under no statutory obligation under the Assistance Act to provide for that type of person.

1347. Then, Sir Thomas, whose responsibility is it to provide what at the time of the passing of the Act we talked of as the residual services?—I think the answer is that there is a gap in the statutory provision on the subject. One can say, I suppose, and I think the L.C.C. undoubtedly would say: "This is not our function as a welfare authority." I think I would like to reply: "Well, then, it is your function as a housing authority and you ought to discharge it under the Housing Acts and not at our expense by way of requisitioned rest centres."

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[Continued.]

Mr. Benson.

1348. Returning to paragraph 73, you said you were not very anxious to disclose the names of the boroughs who had been trying to charge more than they were entitled to. Is there any particular reason why you do not want to disclose their names?—No, I do not think so.

1349. Is there any reason why they should not be disclosed?—I think not, if you ask for them.

1350. I think I will?—Walthamstow, the City of London, Wareham and Purbeck Rural District Council, Waltham Holy Cross Rural District and Ongar Rural District. Those are the five of which I have a note; there may be others.

1351. With regard to paragraph 75, what is the average length of stay of these families in the rest centres? Presumably, to begin with, they are supposed to keep people not longer than 48 hours?—That was the wartime idea. There are some rather astonishing figures here; 32 families have been in for over two years, 51 have been in from 18 months to two years, 33 have been in from 15 to 18 months, 57 from 12 months to 15 months, 66 from 9 months to 18 months, 96 from 6 months to 9 months, 103 from 3 months to 6 months, and about 132 under 3 months.

1352. We are subsidising these families to the tune of £10 a week?—For the year under review, yes.

1353. When you say you hope that it will come to an end soon, what does "soon" mean?—What we said in transmitting that Working Party's Report to the L.C.C. and to the Metropolitan Authorities was, I think: "The aim should be to close rest centres as such within 12 months".

1354. How do they propose to close them? Gradually to eliminate the families, or to find accommodation for them all at once and close them down?—The first point we wanted to get home was that, just because they were in the rest centre, it should not be regarded as no longer being the concern of the Housing Authority to find them proper housing, and what we were hoping was to get them from the rest centres into the halfway houses and then from the halfway houses either into other requisitioned premises or into permanent houses, and as they can clear so many people out of each rest centre, to be able to double up, and so bring them all to an end.

1355. Do you know, since these figures were published, whether they have actually reduced the number of families?—No, I think they have not, but the action on this really only started when the Minister took this up with the L.C.C. and the Metropolitan Authorities. He started it last July.

Chairman.

1356. Could we see a copy, Sir Thomas, of this Working Party Report that you have talked of?—Yes.*

Mr. Benson.

1357. It is now eight months?—I think the working party did not report until about Christmas.

1358. Have you any reason to assume that the L.C.C. will show any expedition in the matter having regard to the fact that you are carrying this burden for them?—I hope they will, because the late Minister told them in a very forthright manner that this must come to an end, but I must go this far with you, that in other cases where we have said: "These premises are really too expensive, you must find other accommodation," of course we have got to admit, the local authorities are in a very difficult position, but it has taken always a great deal longer than we thought before they did succeed in getting alternative accommodation in those other places.

1359. I do not know what the allocation of houses to London is, but it must be very large, and 500 families, or whatever it is, could easily be absorbed. Is there no possibility of your saying to the L.C.C. that on and after a certain date you will not be responsible for them?—Well, I must say, I thought we should probably have to.

Chairman.] May I just interpose here because I am not sure that we have got the thing straight. The figures you gave were figures for rest centres?

Mr. Benson.

1360. Yes, I am talking about rest centres?—Yes.

Chairman.

1361. In the case of the rest centres, have we got complete families in the ordinary sense?—There are whole families in there, yes.

1362. Including the man?—Yes.

1363. Complete families?—Yes.

Chairman.] I just wanted to be sure of that.

Mr. Benson.

1364. Surely, when we are subsidising these families to the tune of £523 per family per year, is not it desirable that notification should be given to the L.C.C. as soon as possible that on a given date, say, 12 months hence, you will cease to be responsible?—Yes, I think it is. We have said in sending that Working Party's Report to them that the aim should be to close the rest centres as such within 12 months, but I certainly would not dissent from the

* Information supplied; not printed.

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[Continued.]

proposition that at the appropriate moment we should go further and say: "You really must not ask us to make provision in a further year".

Mr. David Thomas.

1365. In paragraph 75, again referring to these 522 families, the report states that the net cost, after credit for the payments by residents, amounted to £523 for each family?—Yes.

1366. Would it be possible for you to say what the gross cost of maintaining the family was?—Yes, £688.

1367. How many persons, then, are there, on an average, in a family?—I think an average family is four, two adults and two children.

Mr. Douglas Marshall.

1368. I have got rather a lot of questions, Mr. Chairman; perhaps the Committee will forgive me. Could we, first of all, take the Report of the Committee of Public Accounts, paragraph 50? I notice the sentence at the end of that paragraph: "The total cost of the second scheme, originally estimated at £17,356 is now put at over £40,000". As a pure question of estimating, that appears to be very much out? Is there any reason for that?—I am sorry, I have not found this.

1369. I am looking at the Fourth Report from the Committee of Public Accounts, paragraph 50. You will notice: "The total cost of the second scheme, originally estimated at £17,350 is now put at over £40,000"?—This is last year's Report?

1370. Certainly, the Report of the Committee of Public Accounts?—Yes.

1371. As an estimate it appears to be so fantastically out that I wondered whether there was any explanation for it?—I thought I gave that a year ago, but I have had no warning of this and, frankly, I am not equipped to deal with the Accounts for the year 1949-50.

Chairman.] This is the Report of last year's Committee of Public Accounts?

Mr. Douglas Marshall.] It is the Report, but no explanation is given for that, and I thought some explanation might be given?

Chairman.] I think, Mr. Marshall, the correct people to bring before us would be last year's Public Accounts Committee.

Mr. Douglas Marshall.] We are studying that Report under Item 1 (b) on the Agenda, Mr. Chairman, are not we?

Chairman.] What we are studying is the Treasury Minute on this Report of the Public Accounts Committee.

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Mr. Douglas Marshall.

1372. Thank you. The other question I wanted to ask under that heading was this: I notice that here again under these different headings there appears to be no provision for the amortisation of capital?—Once again, I have not quite got the point.

1373. It happens to be in the Public Accounts Committee Report again, but it applies just as much now as it did then?—I think the answer, probably, if I have understood you aright, is that it is charged to the Vote in the ordinary way. We meet it out of our Vote, and it is not capital to that extent. The capital expenditure is met out of our Annual Vote, if I have understood the point you are after.

1374. I wonder whether you have. I am dealing with this question of where conversions have been made, not under minimum rentals, but under what you might consider as coming into the luxury rental within the Government, and then when the total costs are taken as to the loss made, still no provision is made for the amortisation of the capital of the purchase of that particular unit. Is that the same method that applies at the present moment?—In so far as works which you might regard as of a capital nature are incurred, I think the answer is that we meet them out of revenue, out of our Annual Vote. They are not borrowed.

1375. I am very sorry, I cannot have put my question clearly. The point that I want to put is: when one looks at something to see whether it shows a profit or a loss, capital in itself must be taken into account, both the cost of the capital and the amortisation of the building that is purchased?

Chairman.] We are not talking about buildings being purchased at all now, are we?—No, they are requisitioned, they are not purchased.

Mr. Douglas Marshall.

1376. They are not purchased at all?—No.

1377. Therefore, in the question of the requisitioning full account is taken of putting them back to the exact same condition as they were in when they were requisitioned? All account is taken of that in the loss?—No, that only arises when you come to derequisition.

Mr. Peter Roberts.

1378. Could I help on this? Your point is that if a very expensive cooking range, an item of a capital nature, costing, we will say, £2,000, is put into a big hostel, do you write that cooking range off over a period of years, or is it a revenue charge in the first year?—It is a revenue charge.

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[Continued.]

Mr. Douglas Marshall.

1379. Yes, I am quite clear upon this point, and I think it is an important point for the Committee because, after all, these matters are still going on. Where a requisition has taken place and the building has been converted into a number of flats, and a number of those flats actually bear a rent which comes within the luxury rent level, then a sum is calculated for the Ministry as to whether a profit or a loss is made out of that building. If that building on derequisitioning has to have a certain amount put right upon the derequisition, is that capital amount taken into consideration when the loss is made during the annual period of that rental?—No, it would be dealt with in the year of account. If we come to derequisition a building and have to pay compensation to the owner which, very broadly, is the difference between its value at the time it was taken and its value at the time it is derequisitioned, that amount would be a revenue charge and that would be met out of our Vote during the year in which it occurs.

1380. I see. Now, I think you will completely agree with me on the point I was trying to get at, that the loss which is apparent on this particular transaction is, of course, less than the actual loss?—It does not necessarily follow. I should think it probably would be, but it is, after all, conceivable that if you have converted an old unsatisfactory building and have spent quite a lot of money on it, when you come to derequisition there might be cases—I am not quoting because I cannot, but there might be—where, in fact, the value of those premises has, if anything, been increased so that there would not necessarily be any further loss. It might happen.

1381. May I ask this last question on this point before I go on to others? You say you cannot quote a case; would it be fair to say that there are cases where a further loss has, in fact, happened, when the derequisition has come about and payments have got to be made? It is unlikely that it would be the reverse way about?—I should think, undoubtedly, but, on the other hand, you can set off against that, at any rate, that we have avoided further continuing annual losses thereafter. In other words, the process of bringing this expensive service to an end may mean that in any one year when you are in process of bringing it to an end it is going to cost more money on our Vote, but it does mean that in future years the annual losses will no longer be there.

1382. Yes, having brought it to an end, it is satisfactory, I see that?—But we may have to pay for bringing it to an end.

1383. Now, I want to deal first of all with paragraph 72 of the Report on the Appropriation Account?—Yes.

1384. In that paragraph I see, again dealing with these requisitioned properties in 1949 and 1950, excluding adaptation costs, that the cost was £90. Presumably these actual figures primarily apply to the boroughs of our land? It is not splintered down, but presumably it applies mainly to the boroughs?—Yes, and above all to the Metropolitan Area. I think I gave you earlier a figure of something like 85,000 properties under requisition. I think 56,000 of them are in the London Area. This is two-thirds a Greater London problem.

1385. So, it would be fair to say, Sir Thomas, when one is looking at these things, that if you take it that that is the saving to the family in the borough that has in fact resided in these requisitioned properties, the saving to that particular family is, of course, more than that actual cost because it is a sum written down whereby the persons residing there have not got the infliction of taxation, which they would have if they had to pay an economic rent for the accommodation?—It is quite true that very few of them are paying an economic rent.

1386. It might well be in these particular cases that someone who was, let us say, at a moderately high rate of taxation would, in fact, be receiving this subsidy which in itself is a subsidy in kind, which somebody at a lower rate of taxation through taxation has to pay for?—It could happen. I rather hope it does not, I must say.

1387. But it could happen? Still on paragraph 72, there was a question asked just now by one of my colleagues with regard to the City of London, and you said at that time that the City was one of the rather costly administrations, I think was the phrase?—I do not think so.

1388. Was not that in answer to a question on paragraph 72?—No, I think that was mentioned as one of the cases where we thought that the amount of the cost of administration they wished to charge to this service was rather more than it should have been.

1389. May we go on, then, to paragraph 75? I just want to clear my mind on this one point of the cost being £523 per family. I know we have had a lot of questions on it already, but in gauging these families what actually happens? I am rather without information as to how a family elects to use this particular facility, even after what you have said. It seems rather strange that you can use the facility which gives you the sum of £10 a week free of tax?—It is not a very agreeable form of life. They are requisitioned premises with no great comfort. There is communal feeding, communal sleeping to some extent, and I do not think anybody would go there from choice.

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[Continued.]

1390. In fact, it costs more to live uncomfortably than to live comfortably?—Well, it does not cost them more.

1391. No, but it costs more to the country? The last point I wanted to make was this: in paragraph 78, which has already been referred to by our Chairman, dealing with the question of the authority for the expenditure on food which is free, I am still not clear about that. I understood that this is what you said, Sir Thomas, that the Treasury was approached and they agreed upon this matter and here I seek guidance, because I do not know. Does not that still need Parliamentary approval? Can the Treasury agree with something that Parliament has not agreed to?—(Mr. Milner-Barry) I am sorry if I did not make myself clear in reply to the Chairman. Of course, extending the ambit of the Vote cannot possibly do anything to regularise technical misappropriations that have occurred in the past. I was referring to the future.

1392. In other words, this may be technically incorrect, and that no authority may, in fact, have been in existence from Parliament to allow this to happen?—I believe that to be the position, technically. It is covered by the Annual Appropriation Act, but if it is not within the ambit of the Vote, I suppose that, technically, it is out of order. I am not sure, but I should think that is the position.

Mr. Douglas Marshall.] I really would like to pursue this question, if you do not mind, Mr. Chairman, because although you have referred to the fact that we were discussing a question which arose in the last Public Accounts Committee, it was suggested there, as far as I remember from reading it through, that legal advice was being sought, and it is a long time ago.

Chairman.

1393. May I say, I did not say we were not discussing this question, I myself asked what was the answer to the question which the Comptroller and Auditor General had put in his Report and, perhaps, Mr. Milner-Barry will confirm this? As I understood him, he was in agreement that there had been a misappropriation in the past, but he said that he thought the new arrangement would put this in order, and it was upon that that Sir Frank Tribe had something to say which I have no doubt we noted?—(Mr. Milner-Barry.) Yes, that is the position.

Mr. Douglas Marshall.

1394. That is the position, that there is no question that in the past this matter has actually been dealt with without Parliamentary authority?—(Sir Thomas Sheepshanks.) I would just venture to raise a point on that. I think that the really

doubtful area is that which, in my own view, is narrowed down to 1950-51 because that was the first time that the Public Accounts Committee insisted on a separate Housing Vote and I think I should be disposed to argue that up to this we were as correct as we shall be next year, but 1950-51 is doubtful.

1395. Mr. Chairman, I do not want to pass from that because whatever we say here will, no doubt, again be quoted in future years, and I would like the Comptroller and Auditor General to comment upon this point. I understood him to say that he was doubtful—I do not think he went any further—as to whether the question of free food was, in fact, within that orbit unless Parliament had given that sanction. Now, Sir Thomas is suggesting that if it had not been for this division, and again referring to the future years, it might well be within that orbit, and I think one should be clear on that point?—(Sir Frank Tribe.) Perhaps I could explain it. First of all, as regards Sir Thomas Sheepshanks's view that authority existed in the Health Acts for the provision of food at these centres up to March, 1950, I should like to know whether legal opinion has been taken on that, because it appears to me on the face of it rather doubtful whether under the general Ministry of Health powers there was authority to do this. However, so far as 1950-51 and 1951-52 are concerned, I take it that it is agreed that neither was there any permanent statutory authority nor does the Appropriation Act cover it, because this provision of food is outside the ambit of the Vote. So far as the future is concerned, that is, after the 1st April next, the Ministry have, apparently, with Treasury Agreement, sought to get Parliamentary sanction for providing food at these rest centres by means of adding some words to Part I of the Housing Vote. Those are the words which Sir Thomas Sheepshanks read out, and I took them down. They are: "Housing and services in relation to emergency housing". Apparently, the view of the Ministry and of the Treasury is that the provision of food is a service in relation to emergency housing. All I ventured to say was that I think it is for Parliament to decide whether that is so. It will not come before this Committee, presumably, for, I suppose, two years, but if I take the view that the provision of food is, in spite of the addition of those words, outside the proper ambit of the Housing Vote, I should report upon it, and it will be considered by this Committee in two years' time.

Mr. Douglas Marshall.] Thank you very much.

Mr. David Thomas.

1396. Are we to understand, then, that any family placed in these homes is pro-

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vided with food without any payment being made by that family for that food?—(Sir *Thomas Sheepshanks*.) Oh, no, they make payments, 4s. for an adult per day, 1s. for the first child and 9d. for the second. (Sir *Frank Tribe*.) And 6d. for others.

Mr. *Peter Roberts*.

1397. Further to that point, could I ask Mr. Milner-Barry whether he is satisfied with what Sir Frank has just said? Are you prepared to rely on rather a doubtful interpretation of a statute for two years and then possibly have the thing queried again? Is it your feeling that that is a satisfactory solution to the problem?—(Mr. *Milner-Barry*.) Well, I think it is very much for the Committee to say in the light of what Sir Frank has said. I do not think I would care to pursue it in argument at this moment.*

Mr. *Bossom*.

1398. Could we be quite conclusive about this? Has it been regularised yet, or is there any measure before the House of Commons to regularise it, or are we still going on in the same rather uncertain way?—(Sir *Thomas Sheepshanks*.) I think the position is that it is only now possible to regularise it, as far as I am concerned, for the 1952-53 Estimates by having words which we thought would meet the case.

1399. Words do not provide money. How is it that money is being spent without the authorisation of Parliament? Who is the supervisor who sees that the Parliamentary Regulations or Laws are carried out, who has allowed this to be spent without calling attention to it? Is not that a fair question, Mr. Chairman?

Chairman.] I am not sure that it is.

Mr. *Bossom*.] Could we have a definite answer, then, Mr. Chairman, as to whether that condition still prevails?

Chairman.

1400. There seems to be no doubt at all that these Accounts have been brought forward in various votes. The doubt is whether this has conformed to the Appropriation Acts. That is right, Sir Frank?—(Sir *Frank Tribe*.) Yes.

1401. It appears, at any rate from what the Treasury witness says, and from what Sir Frank Tribe has said that in the Accounts that we have under review there has been a technical misappropriation?—(Sir *Thomas Sheepshanks*.) Yes.

Mr. *Bossom*.] Can you call it technical that money has been spent which has not been authorised?

Chairman.] It is technical in the sense that it does not fall precisely within the terms of the Appropriation Act. It does not mean it is a misappropriation in the

sense that somebody has been doing something and concealing it from the House.

Mr. *Bossom*.] Oh, no, I am not trying to make out that somebody has done something wrong.

Chairman.

1402. As far as I am aware it is no part of our business, at any rate, and perhaps Mr. Milner-Barry will tell us, because as far as I know there is no way by which these technical misappropriations are to be dealt with in respect of the past?—(Mr. *Milner-Barry*.) No.

1403. Your answer has been directed to what you propose to do in respect of the future?—Yes, that is so.

Mr. *Bossom*.

1404. You are getting back to the very question I asked: has it yet been regularised, is there a measure before the House to regularise it?—I think it is for the Committee to say. I suppose, in theory, they might disallow the payments and surcharge the Accounting Officer, but I should hope they would not take as grave a view as that. (Sir *Frank Tribe*.) It will be regularised* at the end of these proceedings if the Chairman says: "Is the Account approved?" and the Members here say "Yes."

Mr. *Bossom*.

1405. That does not regularise it? Our sitting round these tables does not make it law?—From the point of view of Parliamentary control, the passing of an Account by the Public Accounts Committee set up by Parliament for the purpose of examining the accounts has, I think, always been taken as regularising* the expenditure on behalf of Parliament.

1406. In other words, we get the real result once we approve the Accounts, and then we can get a definite answer as to whether it is regular or not regular, and we cannot get it otherwise?—This Committee, I understand, has power to recommend that a certain portion of the Account should be disallowed.

Mr. *David Thomas*.

1407. Who, then, would have to pay any deficiency?—The Accounting Officer, I think. The Treasury would decide in the first place. The Report would go to the Treasury and the Treasury would decide

* *Note by Comptroller and Auditor General*: The word "regularise" was used in a special sense to indicate that no further action on the expenditure in 1950-51 would be called for if the Public Accounts Committee did not see fit to recommend disallowance; it was not intended to imply that the expenditure would thus be legalised.

* Appendix 4.

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whether in the circumstances the Accounting Officer should bear any part of the deficiency or, indeed, the whole of it, or whether Ministers would deem it to be of such a nature that the Accounting Officer should not be held personally responsible. In the latter case they would then promote measures whereby Parliament would authorise it in the next year's Votes.

Mr. *Bossom*.] That is the point.

Chairman.

1408. May I suggest that we really are taking this too far at the moment in the presence of witnesses? We really ought to be asking questions, and I am afraid I am responsible for starting to argue it out. Before we leave the point may I be absolutely sure that the view of the Treasury and the view of the Ministry of Housing and Local Government is that in respect of the next Accounts they will have found a form of words which will make this technically within the Appropriation Act? That is the view of the Treasury and the Ministry?—(Mr. *Milner-Barry*.) That is the view of the Treasury, of course subject to the criticisms of Sir Frank Tribe.

1409. The Comptroller and Auditor General says: "I am not absolutely sure of that; I shall have to consider that when these particular Accounts come before me." Have I got that right?—(Sir *Frank Tribe*.) Yes.

Mr. *Douglas Marshall*.

1410. I am sorry, Mr. Chairman, but this was only the first of my questions. I have still got two more. On page 260 of the Civil Appropriation Accounts under Sub-head D.3, I notice the grant of £5,000 with regard to finding residential accommodation for the aged and infirm, and the expenditure, which is less than the actual grant, and after we have gone through pages, and I think my colleagues will agree, with rather astronomical figures, that seems rather a small figure? Is there any reason for that?—(Mr. *Hawton*.) I think, unexpectedly, this is for me. I did not quite follow the exact question?

Chairman.

1411. I think Mr. Marshall's question is on Subhead D.3. He was asking, is not this a very small item?—That is simply because it is a new service which has not yet got into its stride. It is the Exchequer grant towards the provision by local authorities under the Assistance Act of accommodation for old people. There are various reasons, including the usual shortages of materials, why there has not been a great deal done yet.

Mr. *Douglas Marshall*.

1412. There is every reason to believe that that figure will be very much larger in future?—There will not be a very rapid

increase in that while the present shortage of building materials and labour goes on.

1413. The last thing which interested me, about which I would like to ask a question, was on page 263. I see a sum of £1,057 to the debit of the National Account is due to the death of an occupier by electrocution, due to defective wiring. Was that award made by the Courts, or was that an award made outside the Courts? It seems so extremely small in comparison with the normal awards of to-day?—(Sir *Thomas Sheepshanks*.) I do not know. I think we shall have to give you a note about that.*

Mr. *Douglas Marshall*.] Thank you very much. It is very, very small in comparison with the normal awards for negligence under the common law today.

Mr. *Bossom*.

1414. Sir Thomas, would you tell me about how many families are still being cared for under this general provision? That is, the total, not only on London but in the country?—Yes, I think at September, 1951 there were 86,000 properties, and there were about 129,000 families.

1415. You said that you hope that this will end very soon. What efforts are you making, or are being made, to end it, or how are they doing it? Are you expecting them to go into new council houses or to go into other houses occupied by other people?—I think you are taking me a bit too far. I was talking of the rest centres, and I said that we hoped to bring them to a close within a year and that we were also raising the matter with all the provincial authorities, saying a term must be put to this, but I would not care to prophesy. When you come to think of it, you have got 56,000 of these houses in the Greater London Area and I am bound to face the fact that it must take some years. I just do not know how long it will take, but you cannot bring that to an end with a stroke of the pen. I am afraid that must take some time.

1416. You made a statement, and I was wondering how you are going to accomplish it. I know there are over 3 million people with their names on waiting lists today, and you are not suddenly going to put this large number into other habitations? I was wondering how you are going to do it?—You have got to do various things, and I think one of the first things is to remind local authorities that these people are not

* *Note by witness*: The settlement of the claim was, with Treasury approval, negotiated between the Solicitor to the Ministry of Health and the solicitors acting on behalf of the deceased's husband, and was duly approved by the High Court of Justice on 29th January, 1951.

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off their hands altogether, there still are many of them for whom they have got to make proper provision, and some proportion of them, undoubtedly, have got to be provided for by permanent houses in the ordinary way. In other cases they will be able to release the houses; it may be that the licensees may be willing to buy them or the owner might be willing to accept the licensees as tenants. It is those various alternatives that we want to go into with this joint working party of the local authorities.

1417. Is there anywhere a definition, because I have never seen it, where "service" includes "food"? This is just as a matter of interest?—I do not know of one.

1418. I have never come across it in my life. I do not know if there is such a thing. I wonder if the Treasury can tell us, have they any information on that point, if in any Governmental Department the word "service" includes "food"?—It is "services", it is not "service". It is in the plural.

1419. It is the same thing?—(Mr. Milner-Barry.) I am sorry, I cannot answer that.

1420. In other words, there is this nebulous situation to be straightened out?—Yes.

Mr. Peter Roberts.

1421. I now am, I think, reasonably clear on the position. One starts talking about halfway house and rest centres, and then one seems to go on to particularise about rest centres, and there is not very much information about the halfway houses. Are they still continuing, or have they been absorbed into the rest centres?—(Sir Thomas Sheepshanks.) Oh, no, they are different. They are, in effect, large houses in which each family is provided, perhaps, with one, two or more rooms according to their needs, but there are communal facilities for cooking, washing, and so forth.

1422. Do the figures which we have for these rest centres apply more or less in the same proportion to the halfway houses, or are they economically run?—I think the Comptroller and Auditor General had something to say about that. They are, in fact, much more economically run. The Comptroller and Auditor General has mentioned that in paragraph 76, where he shows a figure of £166 for each family, but that includes a pretty high figure for conversion work of a capital nature.

1423. I see. The second question I do not expect you will be able to answer

now, but I think it will be useful for the record: could you give us the longest tenancy that there has been in one of these rest centres?—I think I did give the longest.

1424. You gave 32 families who had been there over two years, I think. That might mean that one was over four or five?—I see. I will try and find out.*

1425. I think it would be interesting to know what the longest tenancy is? One other point which I noted was in paragraph 77, in the penultimate sentence, "The Ministry said they could not themselves review charges". I understood from an earlier answer that you gave that "could not" meant "administratively difficult"?—Yes.

1426. You have the power to review charges?—Yes.

1427. Why would it be administratively difficult?—They vary so enormously. One has done what one could in particular cases but, you see, these houses are very scattered all over the place.

1428. There is no sanction which you could impose upon a local authority which you subsequently thought was being extravagant?—We can pull them up.

1429. By writing them a note? There is nothing which hurts more than that?—I do not know whether you have got in mind in this case something like the District Auditor's power of surcharge, but that does not arise there because they are acting as our agents.

1430. There is no directive which you can give them which they must obey, to reduce the charges?—You can tell them that they have got to do this, that, or the other, but to give them precise directions is very difficult. In quite a number of cases we have had informal discussion, and I have a case in mind where we have said: "The loss last year is too big. Either you must reduce the loss, if you can by putting up the rents, or if you cannot do that you have got to make other provision and release that particular building", and it is the latter, in fact, which happened.

1431. That is effective?—Yes, only it takes time.

* Note by witness: I understand that the longest period is two and three-quarter years.

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[Continued.]

VOTE 4.

EXCHEQUER CONTRIBUTION TO LOCAL REVENUES, ENGLAND
AND WALES.

VOTE 17.

EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, SCOTLAND

Sir CHARLES CUNNINGHAM, K.B.E., C.B., C.V.O., Secretary, the Scottish Home Department,
called in and examined.

Chairman.

1432. May we now turn to the Comptroller and Auditor General's Report, paragraph 79, dealing with Exchequer Contributions to Local Revenues, England and Wales and Exchequer Contributions to Local Revenues, Scotland? Mr. Hawton, I see that you signed the Vote 4 Account and I imagine that your position is just the same on this as it was on the Vote 3

Account?—(Mr. *Hawton.*) Yes, I think so, Sir.

1433. Really, everything that arises on this Vote is something that Sir Thomas will answer for us?—I think so. (Sir *Thomas Sheepshanks.*) Or the Witness from the Scottish Home Department.

1434. Yes, or Sir Charles. In that case, Mr. Hawton, I do not think there is any need for you to stay?—(Mr. *Hawton.*) Thank you, Sir.

Mr. Hawton withdrew.

Chairman.

1435. Perhaps, Sir Thomas and Sir Charles, you would deal with questions which are appropriate to either of you as they are asked. Why does it take so long to determine final grants, and how many revisions of grant do you expect to have to make?—(Sir *Thomas Sheepshanks.*) I think the first years really have been peculiarly difficult, and for four reasons: to get them finally determined you have got to ascertain precisely four main things. The first is population, the second is rateable value, the third is the product of a penny rate and the last is the expenditure of a year. On population we were advised that that has to include Members of the Services, and it was some considerable time before we were able to induce the Ministry of Defence to release the figures. We had to go without them, and then recalculate when we got them. Next, rateable value and product of a penny rate. Again, in the early years they were much affected because, as you will remember, all the electricity and transport hereditaments ceased to become rateable by the Local Government Act, 1948, but in many of those properties one did not know whether they were included in that derating or not. That took a long time, until a whole series of appeals had been determined. The expenditure of a year has got to include an account not only of the expenditure of the County Council, but of all the county districts, and if you get one dilatory district council it holds the process up. Those were the teething troubles and that has

been the main difficulty, and one hopes that with those things out of the way one ought to get final determination within about 18 months of the close of the year, but not much quicker because you cannot do anything until a District Auditor has closed his Accounts.

1436. On paragraphs 80 to 83, has the District Auditor power to disallow expenditure which he regards as extravagant but not necessarily a luxury?—Put shortly like that, Sir, no, but you may remember—it is a long time ago—the well-known case of the Poplar surcharge, where, as far as I remember, the purpose of the expenditure was manifestly legal and necessary as it was for the payment of wages, but the then District Auditor took the view there that the actual wages they were paying were so excessive as to be unreasonable and, therefore, unlawful, and he disallowed them.

1437. Would the District Auditor call your attention, in the Report that I understand he makes to you on claims to equalisation grants, to cases of extravagance?—Yes, I should expect he would.

1438. What is your position, Sir Charles, in Scotland, on the question of Appointed Auditors?—(Sir *Charles Cunningham.*) The Appointed Auditors can by interim report to the Secretary of State call attention to a payment which is contrary to law. As in England, the extravagance would have to be of an order which made the payment illegal before it could be the subject of a formal report. We would, however, I

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[Continued.]

think, certainly hear from the Auditor in any case in which the local authority was being extravagant, short of that point.

1439. Sir Thomas, do you regard your statutory power to propose a reduction of grant to Parliament as so extreme a measure as to be unlikely to be much of a safeguard against extravagance?—(Sir Thomas Sheepshanks.) It is so difficult to define what extravagance is. People would take very different views, but that is such an extreme power that I think the Minister would have to feel that it was a peculiarly glaring and gross case before he did apply those powers to reduce a grant. It is, I suggest, like all default powers, a reserve power; it is not very easy to use and you have got to have a very, very strong case.

1440. On the first sub-paragraph of paragraph 83, can you explain to the Committee why you decided to allow for equalisation grant expenditure which was disallowed for specific grants?—Yes, I think the answer there is that we do now keep close touch with the Ministry of Education. There were two types of cases: there was one where it was disallowed from the main education grant because the particular item was the subject of a direct grant from the Ministry itself. It was simply a straight case of avoiding duplication. The other type of case was an actual one where items of expenditure on school meals in excess of the approved cost per meal had been disallowed because, you will remember, Sir, the grant for that is a unit grant. In these particular cases the Ministry of Education said that although the amount the education authorities had spent was in excess of the unit grant, in the circumstances it was not unreasonable. I take it that if there was a case of that sort where expenditure on food or milk at schools was, in the view of the Ministry of Education, grossly unreasonable or sufficiently unreasonable, either we should find it out from them or, I suppose, later from the District Auditor. These cases were discussed with the Ministry of Education, who advised us that, in their view, these amounts, although not eligible for grant, were not in themselves unreasonable.

1441. Is the position the same in Scotland, Sir Charles?—(Sir Charles Cunningham.) Yes. In Scotland the Scottish Education Department, like the Home Department, is responsible to one Minister, and we therefore work in very close touch with them. We are satisfied that none of the sums which has been disallowed for the purpose of the Scottish education grant has been disallowed on the ground of extravagance.

1442. Sir Thomas, is there nothing to prevent a local authority from obtaining

equalisation grant, for example, on excessive housing deficits?—(Sir Thomas Sheepshanks.) You mean, Sir, by charging such a low rent—

1443. If a local authority decides to make quite a large contribution from the rate fund to the rent fund?—In theory, it could be so. In fact, we had a look at some accounts for 1949-50, and the answer really does not run that way at all. There is no principle behind it whatever. If I can just give you two or three figures, out of twelve county boroughs which were receiving equalisation grant at a rate of 20 per cent. or over, people you would regard as big receivers, only three made fairly large contributions out of the rate to the deficiency of the Housing Revenue Account. There were eight big receivers who did not make any additional rate contribution beyond the statutory one. Then there were 48 county boroughs who did make additional contribution from the rates to the Housing Revenue Account, but 18 of them did not receive equalisation grant at all and they included four who made very big contributions. In other words, there is no principle running through the authorities we have looked at. It does not in the least hang on the amount of equalisation grant they get.

1444. The specific grants which depend upon rateable value are intended, I take it, to give more to the poorer authority? If the resources provided by equalisation grants are not taken into account, is there not then a double compensation to the poorer authority?—The main one of all is the education grant.

1445. Yes, that is what I had in mind?—That education grant, Mr. Chairman, was an integral part of the settlement of the 1948 Act. They were worked out together.

1446. Does the Treasury agree with that view?—(Mr. Owen.) Certainly, Mr. Chairman, that is the case.

1447. The last sentence of paragraph 84 says that the Ministry of Housing and Local Government and the Scottish Home Department take account of equalisation grant in determining certain grants. Why only for certain grants?—(Sir Thomas Sheepshanks.) As far as we are concerned, these are the discretionary grants, and even there it is very limited. For example, our rural water supply grants, of course, are to District Councils, so it does not arise there, but if you get a County Council carrying out works of coast protection, it is a discretionary grant, and in assessing a grant in a case like that it would be our practice to take account of what they got from us under the equalisation grant.

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Sir THOMAS SHEEPHANKS, K.C.B., K.B.E., and
Sir CHARLES CUNNINGHAM, K.B.E., C.B., C.V.O.

[Continued.]

1448. Would you agree, Sir Thomas, in principle that in calculating the rating resources for all grants, the rateable value of the assessed property in the area should be increased by the rateable value which is, in effect, added by the equalisation grant?—I am sorry, I have not quite followed that?

1449. I am really asking you, in view of what you have just said, whether you would agree in principle that in calculating rating resources for all these specific grants, and so on, you should increase the rateable value of the assessed area by the amount which is, in effect, added by the Exchequer standing in as a ratepayer through the Exchequer grant?—I should have thought that would have been extraordinarily difficult.

1450. You would not expect it as a general principle?—(Sir Charles Cunningham.) I think that would be going rather far, if I may suggest it. It would, for example, collide with the settlement that was made in the case of educational grant. But I think it is entirely reasonable where we are paying discretionary grants like those for coast protection or under the Physical Training and Recreation Act, that we should take account of the assistance the area is getting from equalisation grant.

1451. Is not it reasonable that if the Exchequer is, in fact, a ratepayer in that area, the amount of the rate fund that is involved in that should be taken into account if you are making specific grants? You are trying to find out what the resources of the authority are. Is not it right to take into account those resources which come from the fact that the Exchequer is, for all practical purposes, a ratepayer?—It is right, I would suggest, in the case of a discretionary grant, to take account of the assistance that the local authority is getting from equalisation grant. I should hesitate to go so far as to treat the rateable value as, in effect, the sum of the actual and the credited rateable values. It would have very wide consequences, for instance, in allocating expenditure as between one authority and another, where a similar principle would have to be applied.

1452. May I ask one or two questions on paragraphs 85 and 86? Is there any

likelihood of the new Valuation Lists being completed by April, 1953, Sir Thomas?—(Sir Thomas Sheepshanks.) I am afraid none whatever, Sir. My impression was that there was a question down, but I am not certain whether or not it has been answered today.

1453. It does not really matter whether it has been answered or not?—There is no getting over it, we shall have to have legislation to postpone the coming into force of the new valuation list because it just cannot be done. The Inland Revenue cannot do it in time.

1454. From the evidence you have got so far is there, do you think, widespread lack of uniformity?—One has got the general impression but I do not think one has got any proof. It was always the common belief in the Department all my life.

1455. If you are not able to get your new valuation lists in force, are you going to put off indefinitely investigation into the working of the grant system?—No, that is the other thing an answer is being given on either today or tomorrow. If I may anticipate it, the Minister is saying that in view of this postponement of the revaluation we are going to start investigation of the working of this grant straight away.

1456. This applies to Scotland as well, does it?—(Sir Charles Cunningham.) No, the question of revaluation does not arise in Scotland. We have annual valuations there.

1457. You will review the working of the system?—Yes. the review in Scotland will proceed concurrently with the review in England.

1458. Is there a possibility that you can do something as an interim measure? Can you make some interim adjustment or interim assessments for Councils whose standards show a difference?—That is one of the things I think we shall have to look at.

Chairman.] May I take it that the Vote 4 and Vote 17 Accounts are approved? *(Agreed.)*

Sir Thomas Sheepshanks and Mr. Owen withdrew.

6 March, 1952.] Sir CHARLES CUNNINGHAM, K.B.E., C.B., C.V.O.

[Continued.]

CLASS I.

VOTE 26.

SCOTTISH HOME DEPARTMENT.

LEGAL AID (SCOTLAND) ACT, 1949, ACCOUNT, 1950-51.

Chairman.

1459. Would Members now turn to the Civil Appropriation Accounts, pages 55 to 57, the Scottish Home Department, and to the White Paper on legal aid in Scotland. How many legal aid certificates were granted during the period, and how many refused, Sir Charles?—(Sir Charles Cunningham.) The number granted was 1,044. The number of completed applications* dealt with was 1,130. Of these, 47 were refused and 39 abandoned. The number of applicants whose applications were not completed is not available, but it is known to be very large indeed. The Law Society's estimate, I think, is that about four out of every five applicants for legal aid fail either because they do not satisfy the test of means or because, more often, they do not have a probable cause.

1460. Is there any evidence of any abuse or attempted abuse of the scheme, do you think?—None whatever. The real safeguard, I think, under the Scottish system is that the question whether or not a prospective litigant has a probable cause is a very stiff one, and no case proceeds in Scotland until the available evidence has been very thoroughly sifted. The result is that, while the number of cases actually reaching court is small, they are, for the most part, cases where the justification for some action is strong.

1461. I see from paragraph 4 of the Report of the Comptroller and Auditor General that the Fund is making a 25-year loan to the Law Society to provide premises. Is this a proper use of the Legal Aid Fund?—In the circumstances we feel that it is a proper use of the Fund. The reason for that arrangement is that the Law Society of Scotland was formed at almost the same time as the system of legal aid was introduced. Accordingly, it had no funds of its own and it was thought to be a reasonable arrangement that the Treasury should advance the money required on the understanding that it should be repaid over a period of 25 years. The

* *Note by Witness:* A completed application is one which has been submitted to the Legal Aid Committee by the applicant's solicitor with all the relevant documents required to enable the Committee to determine whether there is a probable cause of action.

repayment will, of course, cover both capital and interest.

1462. I see that 50 per cent. of the assisted persons made no contributions towards costs. Has the local committee of the Law Society any discretion in the matter of contributions, or is all tied up?—The position is that the maximum contribution which can be asked for from an applicant for legal aid is settled by the National Assistance Board. In theory, the local committee settles the actual provision within that limit, but the Law Society have been told, and they are proceeding on this basis, that they must within that limit fix a contribution at the estimated cost of the action or the maximum, whichever is the lower.

1463. If a person gets damages, is he required to pay the full actual costs if the damages amount to enough?—Oh, yes, the cost, in so far as it is not recovered from his own contribution, is recovered out of the damages.

Chairman.] Have any Members any questions on these Accounts?

Mr. David Thomas.] In an action taken in a Court if a certain amount of damages are paid to the applicant, then, the losing side pays costs?

Chairman.

1464. That is what I have just asked?—Yes, if costs are awarded then, of course, it is the duty of the Law Society to recover them. If damages are awarded, then, if the actual expenditure in which the Law Society has been involved is still not completely met, the balance is recovered out of the damages.

Mr. Douglas Marshall.

1465. I have only one question to ask. I see from paragraph 5 of the Report that 68 per cent. of the proceedings under Legal Aid Certificates are actions between husband and wife. What is the average cost now of divorce proceedings under this measure?—The Law Society have made an arrangement, with the agreement of the Department, which has now been given effect to by an Act of Sederunt of the Court of Session. Under it, if only one solicitor, that is to say, an Edinburgh solicitor, is employed, the normal cost is £35. If two solicitors are employed, that is to say, an Edinburgh solicitor and a Provincial solicitor, the cost

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[Continued.]

will be £45. There are, of course, exceptional cases in which, for special reasons, the costs are higher than that, but these are specially taxed. The normal figures are £35 where one solicitor is engaged and £45 where two are engaged.

1466. There is a point arising out of your answer which I had not thought of before: you have mentioned an Edinburgh solicitor. Is there any difference between an Edinburgh solicitor and a solicitor from, say, Glasgow?—All divorce actions are taken in the Court of Session in Edinburgh and only an Edinburgh solicitor can act there.

Mr. Peter Roberts.

1467. In answer to the question whether there was any evidence of abuse you replied: "None whatever". In England I understand that there is evidence of abuse of this similar scheme. Is the reason for

that, assuming that that statement is correct, anything to do with the Scottish system being different from the English system?—I would not like to speak for England, but I think that the Law Society of Scotland would say that the real difference between the two countries is that the test of *probabilis causa* in Scotland which has to be satisfied before a Legal Aid Certificate is granted is much stiffer than the English test of having a reasonable ground for litigating.

1468. I think it is suggested that sometimes people who have got money have been granted legal aid. Is that not so in Scotland?—We have no evidence of that at all, and as the National Assistance Board assess the means in each case I should think that would be a very unlikely thing.

Chairman.] May I take it that these two Accounts are approved? (*Agreed.*)

Sir Charles Cunningham withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS III.

VOTE 1.

HOME OFFICE.

VOTE 2.

HOME OFFICE (CIVIL DEFENCE SERVICES).

VOTE 3.

POLICE, ENGLAND AND WALES.

VOTE 4.

PRISONS, ENGLAND AND WALES.

VOTE 5.

CHILD CARE, ENGLAND AND WALES.

VOTE 6.

FIRE SERVICES, ENGLAND AND WALES.

VOTE 9.

LAND REGISTRY.

VOTE 10.

PUBLIC TRUSTEE.

VOTE 11.

LAW CHARGES.

VOTE 12.

MISCELLANEOUS LEGAL EXPENSES.

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[Continued.]

VOTE 13.

SCOTTISH HOME DEPARTMENT (CIVIL DEFENCE SERVICES).

VOTE 14.

POLICE, SCOTLAND.

VOTE 15.

PRISONS, SCOTLAND.

VOTE 16.

APPROVED SCHOOLS, SCOTLAND.

VOTE 17.

FIRE SERVICES, SCOTLAND.

VOTE 18.

SCOTTISH LAND COURT.

VOTE 19.

LAW CHARGES AND COURTS OF LAW, SCOTLAND.

VOTE 20.

DEPARTMENT OF THE REGISTERS, SCOTLAND.

VOTE 21.

SUPREME COURT OF JUDICATURE, &c., NORTHERN IRELAND.

On these Accounts no questions were asked.

SUPREME COURT OF JUDICATURE, NORTHERN IRELAND.

LAND PURCHASE ACCOUNT, 1950-51.

On this Account no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS III.

VOTE 22.

IRISH LAND PURCHASE SERVICES.

On this Account no questions were asked.

The witnesses withdrew.

Adjourned till Thursday next, at 4 p.m.

THURSDAY, 13TH MARCH, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.

Mr. David Jones.
Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

TREASURY MINUTE ON PARAGRAPHS 27-32 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 1.

BOARD OF TRADE.

U.K.-DOMINION WOOL DISPOSALS, LIMITED, ACCOUNTS TO 30TH JUNE, 1950.

Sir FRANK LEE, K.C.B., C.M.G., Permanent Secretary, Board of Trade, called in and further examined.

Sir HENRY S. GREGORY, K.C.M.G., C.B., a Second Secretary, Board of Trade, called in and examined.

Chairman.

1469. Would you turn, please, to the Treasury Minute of the 29th November, 1951, on paragraphs 27 to 32 of the Third Report of the Committee of Public Accounts and to paragraph 93 of the Comptroller and Auditor General's Report on the Civil Appropriation Accounts? Sir Frank, I see from paragraph 7 of the Treasury Minute that the £32½ million paid to the Exchequer in July, 1951, represented almost the whole of the United Kingdom share of the available surplus?—(Sir Frank Lee.) Yes.

1470. Have you any recent figures of the United Kingdom share and the total amount received?—Yes, since the payment of that sum of £32½ million a further sum of £2 million has been paid over and there is left something under £1 million which will come to us ultimately. Including the war-time divisible profits, the total United Kingdom share of profit will be £99,230,225, and we have received £98,500,000.

Mr. Benson.

1471. Is there any prospect of the organisation continuing?—No, there were proposals, as you probably will be aware, but they were rejected by a referendum of Australian Wool Growers.

Chairman.

1472. May we now take the Civil Appropriation Accounts, paragraphs 94-107 of the Comptroller and Auditor General's Report? I will take those paragraphs together,

leaving the actual pages of the Account to be taken as a second round. First, then, Sir Frank, on British Overseas Cottons, Limited. Is the scale of the Company's activities referred to in paragraph 94 still sufficient to justify the retention for working capital of the £50,000 advanced in 1941?—Yes, I think so, Sir. It is true that their operations are on a diminishing scale, but, nevertheless, in the year of account their sales amounted to £½ million.

1473. Have the profits referred to in paragraph 95, or any part of them, yet been paid over?—Yes, Sir, the profit of £274,414 which is referred to in paragraph 95 is now being paid over.

1474. Has any decision yet been taken as to the future of this Company?—No, it is still under consideration.

1475. I will go on, then, to paragraph 96, "Outstanding Grant to the Empire Cotton Growing Corporation". What was the purpose of this grant?—This was a share which came to the United Kingdom from profits of a Joint Anglo-Egyptian Cotton Commission which was set up at the end of the war of 1914-1918 to acquire and dispose of the Egyptian cotton crop, and this grant of nearly £1 million was made by the Government of that day to this Corporation.

1476. Do you consider that the retention by the Corporation of the whole of the grant is necessary for this purpose?—We have, of course, no direct responsibility for the operations of the Corporation. I do know from my previous Government service

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Sir FRANK LEE, K.C.B., C.M.G., and
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[Continued.]

that it has done most valuable work in extending the cultivation of cotton in the Colonial Empire which is, of course, particularly important at this time with our desire to minimise our dependence on dollar cotton. It is supported by grants from the Cotton Board at the rate of £32,000 a year, but I have not seen the Corporation's Accounts and can pass no judgment on their present financial position.

1477. You have the right to demand repayment. How did you come to have that right?—I think, if I may say so, that is very much a technical right. As I understand it, the original conditions which were operative when the grant was made in 1921 did prescribe, among other things, that the grant could be repaid if, for any reason, the levies out of which the cotton industry helped to sustain the Corporation ceased to be on a voluntary basis. Actually, that voluntary levy was, very early on, in 1923, under the Cotton Industry Act, replaced by a compulsory levy, and, therefore, really from that date, technically, the advance could have been reclaimed. The matter was looked into, as I understand, by the Treasury and the Board of Trade in consultation in 1938, when it was definitely decided that what I have called a technical condition should not be invoked, and the grant should be left there so long as a levy on cotton was made to sustain the Corporation, and as I have explained, that particular condition still obtains in that the Cotton Board is maintained out of that levy.

1478. Does that mean that you really cannot foresee the time when you wish this amount to be repaid?—Certainly, I cannot foresee it. I regard this, frankly, as a capital endowment of the Corporation made out of funds which, more or less, fortuitously accrued to His Majesty's Government at the end of the 1914-18 war.

1479. Mr. Milner-Barry, would you care to comment on that? How does the Treasury regard this? The Board has the right to the payment, it is not put in the Accounts as an outstanding loan, but how do you view it in the Treasury? Do you share Sir Frank's view that this is really an endowment?—(Mr. Milner-Barry.) Yes, Sir, I think we should share it. My predecessors have twice considered whether or not it should be noted in the Appropriation Accounts as an outstanding loan and on both occasions they decided that, in their view, it did not qualify because it was such a peculiar kind of loan.

1480. It is, in fact, a loan in the sense that, technically, there is the right to claim repayment?—Yes.

1481. But, in your view, it is, in fact, an endowment?—Yes, Sir, that is so, but on the technical point of whether or it should be recorded in the Appropriation

Accounts, I certainly would not have any strong views about it.

1482. If it is really an endowment, would not it be better to treat it as such rather than to have it down as though it were something which might one day be repaid?—I should think, perhaps, it might; we will certainly look into it. (Sir Frank Lee.) I should feel that was correct, we should consider that.

1483. Now, may we turn to paragraphs 97 and 98, which deal with the British Industries Fair. Who were your advisers, Sir Frank, on the long term timber supply prospects, and what advice did they give you?—You will appreciate that they gave me personally no advice because I was not there, but it was the Timber Control who advised the Board of Trade that, in their judgment, the longer term timber supply position would make it prudent to enter into these fairly long term commitments. At first the Board of Trade thought in terms of a three-year understanding, and then, after consultation with the Treasury, it was decided to enter into a five-year agreement in the belief that it would be wise to do so in order to secure better terms.

1484. Why was it decided to accept the price without inspection of the firm's accounts? Did the Board consider a contract subject to costing?—This was, as I understand it, the only type of composition flooring available at the time and, therefore, I think competitive tenders could not be secured. Consideration was given, therefore, to the question of examining the contractor's books, but I understand that very little production had taken place at that time on which any accurate assessment of cost could be based. An architectural adviser was consulted, who considered that the price charged, in so far as he could judge of it, was reasonable, and with Treasury agreement it was decided that inspection of the books would not be of material help and, therefore, that was not done.

1485. When did the Board first realise that the minimum of 300,000 square feet might be excessive, and, secondly, on what date had that figure been fixed?—The figure was fixed on the basis of the original advice from the Control that, given the shortage of timber and flooring which they apprehended, it was reasonable to give a guarantee of 300,000 square feet, which compares with, I think, something of the order of between 500,000 and 600,000 square feet of space altogether taken up by stands. After the 1948 Fair it was found that the Board had to pay under this guarantee for 58,100 square feet of flooring which was not used, and it was at that point that the Board recognised that the original terms ought to be revised.

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Sir HENRY S. GREGORY, K.C.M.G., C.B.

[Continued.]

1486. In the light of your experience of the 1948 Fair could not you have secured a reduction of the guaranteed area in the revised contract that was made in September, 1948?—Attempt was made to do that in negotiation, but the contractor resolutely refused to agree to a reduction in the area of 300,000 square feet. He was prepared to give, and did give, a concession in the hire charge from the original 3s. 10d. per square foot to 2s. 10d. for the 1949 Fair, and the application of that rate to the Fairs covered by the balance of the contract, but he was not prepared to give any concession in respect of the guaranteed area.

1487. I see, Sir Frank, that in 1950 more exhibitors obtained their flooring from other contractors. Do you happen to know how your charge compared with the prices asked by these contractors?—In 1950 when we terminated the contract we knew that we had a favourable offer of wooden flooring at 1s. 0d. a square foot, which compared with the revised figure of 2s. 10d. in the contract subject to a reduction to 2s. 0d. a square foot for the first 25,000 square feet unused under the guarantee; in other words,

there was a very sharp difference between that particular offer and the charge under the contract, but whether other exhibitors were able to hire their flooring at that price of 1s. 0d., I would not know.

1488. Did you examine the contractor's books before agreeing to the compensation figure of £23,750?—There was a certain investigation of his cost, but there was nothing in the nature of an exhaustive examination of his books. It was, frankly, a hard bargain.

1489. Do you regard it as a fair and reasonable figure?—Having regard to the commitments which the Board had entered into and the experience of 1948-49 and the very favourable offer to which I have just referred which we were unable to take up, I do.

1490. Can you tell me what was the total amount paid for compensation and for flooring not used under the arrangements referred to in these paragraphs?—We paid £10,486 in respect of the 1948 Fair, £6,391 for the 1949 Fair and £8,479 for the 1950 Fair.

1491. That is for flooring not used?—That is for the flooring not used.

Mr. GORDON RUSSELL, C.B.E., M.C., R.D.I., Director, the Council of Industrial Design, called in and examined.

Chairman.

1492. May we turn to paragraphs 99 to 101 of the Comptroller and Auditor General's Report, dealing with the Council of Industrial Design? I see from paragraph 100 that earlier Public Accounts Committees have been told that industrial contribution to the work of the Council would come very largely through the Design Centres. Do you think that industry will ever make a direct contribution to the Council?—I should regard it as doubtful. Frankly, our own view is that for the Board of Trade to bring pressure in an attempt to secure outside contributions from industry might well be prejudicial to the proper working of this Council which, in our judgment, ought to have an independent status, vis-à-vis industry, so that it can be in the best possible position to improve industrial design standards.

1493. Do you anticipate that the Council will ever have a substantial income other than from Government grants?—No, it does get at the moment an income from the sale of its publications and, to some extent, from payment for its services.

1494. To what extent do you get payment for services? What kind of payment for what sort of services?—I am bound to tell you that in the year of account it got no payment for services. It got £13,000 for the sale of its publications and, apart

from sundry receipts of £320 from various Festival of Britain things, that, I think, was all.

1495. Since then, have services been provided for industry on a payment basis?—May Mr. Russell answer that?

1496. Yes?—(Mr. Russell.) Yes, Sir, the publication figures which have been given are accurate. There are also contributions coming in the sense that a good many firms have undertaken to carry out particular work for us. At the present moment we have at the Ideal Home Exhibition for the Ministry of Housing three houses which have been furnished by and at the cost of the retail trade, the Council paying the fees of the designers, who superintend the work to our instructions. We are getting an increasing amount of that kind of work in industry.

1497. It does not, in fact, come into account at all?—It does not come into the accounts at all, not in any way.

1498. Except in the sense that the payments do?—We estimated that that contribution from outside would be certainly something in the nature of £10,000 in the year, and the contribution received for payments for the Council's magazine and so forth would be somewhere about £14,000.

1499. You have got three Design Centres. Are you satisfied with three after seven years' work? Is there any early prospect

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[Continued.]

of any more?—No, Sir, we are not satisfied with three. We always felt that the writing of Design Centres as No. 1 in our terms of reference was, in fact, a mistake, that you cannot get Design Centres set up by individual industries until you have got a good deal of general interest in the industries concerned, and when they are set up, unless you have at least a dozen firms who are prepared to support them, it is a very difficult thing to keep them going and give any service to that industry. Therefore, we have made it our policy to break up the ground before we attempt to set up further Design Centres.

1500. Do you take into account when you are considering grants to these Centres the financial capacity of the industry concerned to pay for its own design and improvement?—Yes, we do, Sir.

1501. If you take the gold, silver and jewellery Centre, do you consider that the existence of a balance of nearly £4,000 at the 30th September, 1950, shows that the Board's grants were too much?—(Sir Frank Lee.) I feel that it is impossible for the people who run these bodies to plan their operations on a rigid twelve-month basis, and while I would not want to suggest that we should allow them to build up substantial reserves, it would be appropriate that they should work to a programme which necessarily extends beyond rigid periods of twelve months, so it is not unreasonable that they should carry forward a balance of this kind.

1502. I will go on to the British Standards Institution, paragraphs 102 and 103. What is the nature or the extent of the expansion of work which has resulted in the increase in the Government's contribution up to its present figure of £90,000?—I think the short answer is that, broadly, given the greater activities of engineering, the great extension of the engineering industries which has taken place during and since the war and the investigation by two Committees, the so-called Lemon Committee which is referred to in paragraph 102, and the Cunliffe Committee which is referred to in paragraph 103 of the Report, the scope of the Institution's work has very greatly extended with the primary object of getting a greater degree of standardisation through industry, co-ordination in some respects with the engineering industries in the United States and in Canada, and in work in the consumer goods field.

1503. What sources of income are there apart from Government contributions, bonuses and subscriptions?—It has two main sources, one is subscriptions and the second is the sale of its specifications.

1504. Do you consider that Government assistance will be needed permanently?—Yes.

1505. What were the financial recommendations of the Committee which reported in February of last year?—That a substantial increase should be secured in subscriptions from industry and the Government grants should be on a *pari passu* basis with those increased rates, subject to some special arrangements in the interim period for two years.

1506. I notice that the 1951-52 contribution is described as a grant in aid. Why did you go over to this grant in aid basis?—Because it was considered reasonable and, indeed, it was recommended by the Cunliffe Committee to which I have referred, that the Institution should be allowed to build up a reserve.

1507. Why? For what purpose?—I think, again, to enable it to plan its commitments ahead and to give it, perhaps, a certain cushion if there were vicissitudes in industrial subscriptions, when it might be very difficult for it to retrench without great detriment to its operations.

1508. Now I turn to paragraph 104. What were the essential supplies referred to here?—This was wood-pulp.

1509. What were the circumstances in which advance payments were considered necessary?—Such advances had been made when the Paper Control was in full operation and, indeed, they were a feature of pre-war imports from Finland. Representations were made by the Finnish Cellulose Union, which is the selling body or consortium in Finland, that we were losing valuable supplies of wood pulp which were scarce because the operators in Finland could not finance the necessary logging and other operations prior to shipment, and it was therefore decided, particularly on the advice of the British agents of the Finnish Cellulose Union, a very reputable firm named Price & Pierce, that these arrangements for advances should be made.

1510. You do not mean, do you, Sir Frank, that before the war these advance payments came from the Exchequer?—No, it was a feature of private trade.

1511. Could not the trade have financed their own purchases?—No, I think for two reasons: the first was the magnitude of the sums involved, and the second was the apprehension of political risks in Finland.

1512. Why was secrecy so essential?—I think that this was regarded, and I think properly regarded, as a commercial transaction as part of a normal pre-financing arrangement which traders would do, and that it was not desired to give our competitors, who were trying to get wood-

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[Continued.]

pulp which was scarce, advance intimation of these special arrangements which we were making.

1513. In the ordinary way you would agree that it would be proper to have a Supplementary Estimate in a case like this?—I think it must depend on whether this is regarded as a special trading operation or not.

1514. Does not it really mean that you have, in effect, diverted receipts payable to the Exchequer into another channel?—Oh, no, I think not. This is a trading operation. We made advances to the Union against goods.

1515. Yes, but may I interrupt? It is not a trading operation which you conducted, it is a trading operation conducted by the private trader and you have only come in in the sense that you have made an advance payment to the Finnish traders, or whoever the people were?—I am sorry, Sir, I was confused by your previous reference to a diversion of receipts. I accept the argument that we were, if you like, acting as a merchant banker might in respect of transactions in which we were not the principal, although we did, in fact, in order to protect our advances, formally take property in the wood-pulp between its shipment from Finland and its resale to merchants here.

1516. Are you continuing these arrangements for wood-pulp supplies?—These are matters which now, fortunately, perhaps, are the responsibility of the Ministry of Materials, but I understand that they are.

1517. Therefore, do you know whether they are continuing to use the trading sub-head for this purpose?—As far as I know, they are.

1518. Have you anything to say about that, Mr. Milner-Barry?—(Mr. Milner-Barry.) Yes, Sir, they are

1519. Now, may we turn to paragraphs 105 to 107 of the Report, dealing with the Torquay Conference? Sir Frank, were the Treasury consulted before the President's invitation was issued in view of the implied expenditure of public funds?—(Sir Frank Lee.) No, I think at an early stage the Treasury were told about certain features of the expenditure which would be involved, but I think were not formally consulted before the President's invitation was issued.

1520. Why was no estimate of the cost prepared until early in 1950 and then only one covering a small aspect of the matter?—I am afraid the truth is, Sir, that from an administrative point of view it must be confessed that this was a rather deplorable story of failure to adduce a firm estimate of cost on an adequate basis and to recognise the financial implications of arrangements into which people had entered.

1521. How did it come about that the Board's own Finance Division did not know anything about this until June, 1950? Could you tell us what arrangements existed at that time to ensure that financial commitments were not entered into without the knowledge of the Board's Finance Division?—I think the fact that the Board's Finance Division were not aware of the full impact of these arrangements for so long was another manifestation of the unhappy record to which I have referred. It has been a standing instruction in the Board of Trade that commitments involving financial outlay should not be entered into without prior reference to the Finance Division. There was a failure to conform to those instructions in the early days of this affair.

1522. What was the origin of the £3 figure? Did this arise in any way from consultation with the Ministry of Works?—No, Sir, there was an investigation made in Torquay by the Conference Department of the Foreign Office in consultation with the British Travel & Holidays Association and this estimate of £3 as the long-term cost of the hotel rooms which might be converted into offices emerged from that investigation.

1523. How was it that there was no reference to the £3 commitment at the meeting with the Treasury in June, 1950?—I think it was sheer inadvertence.

1524. What charges were eliminated when you reduced your demands to the £4 15s. figure?—Certain terminal costs, if I may use that word, that is, the cost of actually converting the rooms into offices and of turning the rooms back into hotel bedrooms again.

1525. Can you now give us the final figures which the Treasury asked for?—Yes, the gross expenditure was £73,988. Of that a sum of £25,058 was recoverable from delegations, leaving a net expenditure of £48,930. The approximate amount arising from the lack of co-ordination and other errors which is tentatively put down in paragraph 107 as £16,225 has been the subject of a good deal of consideration and must, I think, in the nature of things, be hypothetical because it really involves consideration of what the position might have been had there been full knowledge and full financial control from the beginning, but in as realistic an attempt as possible to assess the position in retrospect, the Treasury and we have agreed that £8,000 is a reasonable estimate of the amount that would have passed had the errors not been committed.

1526. Are you now satisfied, Sir Frank, that financial control is as well established and definite in the Board as in other Departments? You recollect the reference

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[Continued.]

in the Fourth Report of the Public Accounts Committee of last year and the Treasury Minute on it?—I suppose we can never be satisfied. I can only say, speaking as Accounting Officer and with a full sense of my responsibility in that rank, that we shall do everything possible to ensure that there is adequate financial control. On hearing of this case I myself sent a circular to all Members of the Board of Trade staff of the rank of Principal and above emphasising as crisply as I could the need for financial control and adequate consultation with the Finance Division and saying that any failure to carry that out would be regarded as a serious dereliction of duty.

1527. What is the rank of your Principal Finance Officer?—He sits by my side: he is a Second Secretary.

1528. May I be clear about this: Sir Frank, are we referring to the head of your Finance Division?—No, I have a Finance Division head who is of Assistant Secretary status, Mr. Campling, but the Principal Finance Officer of the Board of Trade is Sir Henry Gregory, who is a Second Secretary.

1529. Is Sir Henry's appointment the one which the Prime Minister has approved, or is it Mr. Campling's appointment that the Prime Minister has approved?—Sir Henry Gregory's.

Mr. Cuthbert.

1530. I have only one, Mr. Chairman. In paragraph 96, referring to this grant to the Empire Cotton Growing Corporation I would like just to ask this: the Board had a certain right, had acquired that right, really, to demand repayment. We have heard from Sir Frank, and it has been confirmed by the Treasury, that they do not wish to exercise that right. Could we have, perhaps, a reason why you think that, Sir Frank? You acquired the right in the first case and now you say you will not exercise it?—The right was inherent in the conditions which applied to the original payment over of the grant. Perhaps I could read the conditions: "If the Liverpool Cotton Association or the Manchester Cotton Association fail to invoice the levy to spinners or fail to pay it to the Corporation; if for any reason the levy were not made on all cotton invoiced to the owners of at least 90 per cent. of the spindles operating in the United Kingdom; if the Corporation's charter were revoked; if the objects for which the Corporation was established should have substantially ceased to exist; if the Corporation fail to keep or perform any of the provisions of the agreement". I think the only breach of those conditions, if, indeed, "breach" is the correct word, is the purely formal one that the levy has ceased to be a voluntary

levy and has since 1923 been a compulsory levy. Frankly, I regard that as being an exceedingly narrow technical ground on which to reclaim the payment of a sum of money which since 1921 has been in the hands of this Corporation which is doing admirable work and which, presumably, would be completely crippled if the Government endeavoured to call back this loan.

Mr. Bossom.

1531. Is it usual to make a complete estimate before you have a Conference like the Torquay Conference?—Apparently we have had very little experience, and certainly I have had none, of organising a Conference like the Torquay Conference, but I would certainly feel that at an early stage an estimate should have been prepared of what the probable cost to the Government would have been of a Conference like the Torquay Conference. Perhaps I may just go on for one sentence to say that, in assessing that cost, one would have to have regard to the other imponderable factors which may be weighed on the other side, the prestige, the importance from the negotiating point of view of having a Conference here, and, of course, the indirect receipts.

1532. It is indicated here in the Reports that certain amounts are going to be recoverable. Have they been recovered?—Yes. Something over £25,000 has been recovered from foreign delegations out of the total expenditure of £74,000.

1533. You expected £55,000 to be recovered?—Yes, originally.

1534. What has happened to the rest?—For the reasons I think I have explained earlier, owing to the erroneous statements which were made at the beginning to delegations, they refused to pay the higher scale of charges which would have had to have been levied to secure the £55,000 and it was felt that there was no alternative but to acquiesce in that refusal.*

1535. In other words, that would have been written off?—I think, formally, those accounts have not been written off yet. There has been a notation on the account.

1536. What happens to it now?—I think the short answer is that that money has been spent and we have not got it back. Instead of a net expenditure of the order of £23,000, there has been a net expenditure of the order of £48,000.

Note by Witness: £55,000 was an early 1950 estimate of the cost of providing office rooms and ancillary services for the visiting Delegations. The actual cost was £41,098 of which, as stated in answer to Question 1525, £25,058 was recoverable.

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[Continued.]

1537. That is not a large amount in relation to the great amounts you handle, but who made these erroneous statements, some of your own people or some of the visitors from overseas?—Oh, no, I think we must acquit the visitors of anything but obstinacy when confronted with a larger bill. It was partly the Foreign Office and partly my own people who were responsible.

1538. It really comes down to the fact that the unfortunate small loss—it is not a big loss considering the amount you usually handle—was due to poor estimating originally?—It was due to poor estimating, inaccurate and, as it proved, irresponsible statements made about what the cost would be to delegates.

1539. Who made the irresponsible statements?—The statements were made by us. Whether it was the Foreign Office or the Board of Trade I forget at the moment and perhaps it is immaterial, because we must take responsibility for them. They were made to the Secretariat which was organising the Conference. That Secretariat then sent notices round to foreign delegations which contained over-optimistic statements about the amounts which those delegations would be called upon to pay for particular accommodation.

Mr. Bossom.] Thank you.

Mr. David Thomas.

1540. I would like to ask one or two questions on paragraphs 97 and 98. What do you think would be the effect on the British Industries Fair if the Board of Trade told all intending exhibitors that they should supply their own flooring, having regard to the experience when that contract was cancelled for 1951 and 1952, I think it was?—I think the only answer I can make to that is that one must take oneself back to the state of affairs as regards timber supplies in 1947, when there was a position of shortage and there was this authoritative advice from the Timber Control that it would be difficult for exhibitors to get hold of supplies of timber for their own stands and that for the Board of Trade to enter into a long-term contract for hiring substitute flooring would be a sound and prudent arrangement.

1541. So, in connection with any future British Industries Fair, would I be right in saying that it would be better for the Board to allow all exhibitors, after you had entered into a contract, to make arrangements for their own flooring?—I should sincerely hope in the circumstances of this abnormal contract that that will not recur. What happens in more normal circumstances today is that exhibitors are perfectly free to produce their own flooring if they want to do it, and then, of course, the charge for space is adjusted if they themselves produce flooring and, indeed, produce their own

stand. On the other hand, not all exhibitors want to do that. Others are anxious to hire stands, including flooring, from the Board of Trade.

1542. It is easier for some, perhaps, but in view of your experience here, would not it be better in future to tell all intending exhibitors: "You must provide your own flooring", and if you do not you are going to lose a good deal of money again as was lost on this contract?—I do not think there is risk of another arrangement like this having to be entered into again. On your general point I would only say this, that I should be sorry if we were obliged to put what might appear to some exhibitors to be an obstacle in their way of exhibiting at the Fair, particularly as this year, for instance, there has been some difficulty in getting enough exhibitors to take space.

1543. When it was known after the 1948 Fair that 400,000 square feet was not required and similarly again after the 1949 Fair, how was it that the contract was subsequently arranged at a threat, perhaps, of the contractor, that he would not accept any contract unless you put the 300,000 square feet in again, when it was known fairly clearly to all concerned that nothing like 300,000 square feet would be used? In fact, the Board might have reduced that figure by 60,000 square feet, taking an average of the three years, and perhaps would have had a better price if other firms had been asked to submit tenders, but it appears to me that there was only one firm which was in the running?—I think the short answer is that a contract is a contract and we were committed, rightly or wrongly, for this five year period. Short of breaching the contract and being prosecuted for damages, we could only get revised terms by negotiation. The Board did seek to negotiate such revised terms but, as I understand, the contractor refused altogether to agree to a reduction in regard to space. He did agree to a reduced price of 2s. 10d. I can only assume that if the Board had insisted in negotiation on a reduction of, say, 240,000 square feet, the contractor would have either held us to this original price of 3s. 10d. or, indeed, might have insisted on a higher price.

1544. Something like that actually happened, because he did not fulfil the contract and you had to pay compensation to him because you cut the contract by a year or two?—Well, there was no default on his part. He at all times was ready to fulfil the contract and did fulfil it.

1545. You revised the contract when the Board of Trade found that they could get flooring at a cheaper rate?—Certainly.

1546. And you had to pay him compensation then on the basis of that 300,000

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[Continued.]

square feet of flooring when it was known several years previously that nothing like 300,000 square feet had been used? I notice it says in the Report, in the second part of paragraph 97: "At the end of this Fair the contractor offered a lower price from 1949, in return for an immediate extension of the contract to 1952, and as the Board were advised that the timber shortage was likely to continue they agreed, with Treasury concurrence, to this proposal. Under the revised contract the guaranteed area of 300,000 square feet for each Fair was unchanged, and the Board had to pay £6,391 for 48,000 square feet of flooring unused in 1949 and £8,479 for 70,000 square feet in 1950"—I think I can only repeat that one must have regard to the fact that the Board originally entered into a contract which committed them to paying 3s. 10d. a square foot for the 1948, 1949 and 1950 Fairs with this arrangement for a guaranteed space of 300,000 square feet. It is perfectly true that there was an option arrangement which, I think, is irrelevant here, whereby that could be extended to 1951-52, in which event the 1950 price would have been modified, but the point is that had the contractor held us to those terms and simply said: "No, I will not renegotiate this contract at all, you entered into it and you stick to it", we should have paid the full price of 3s. 10d. for each of those three years and should have had to pay under the guarantee, as we did.

1547. Just one final question. Does the contractor recover the material after the British Industries Fair?—It is a hiring contract; it is his material which we hire.

1548. After all this money has been expended, the Government has had nothing at all out of it?—On the contrary, we, of course, charge the exhibitors for the cost to the Government of hiring this flooring or other flooring which is reflected, and one would hope fully recovered, in the charge which we make to exhibitors.

Mr. Benson.

1549. The compensation in 1950 was £23,700, which is equivalent to 1s. 6d. a square foot. Supposing you had broken your contract, the contractor could only have sued you for loss of profits, could not he?—Well, he might have sued us for non-fulfilment.

1550. It all boils down to damages? I do not know my law, but he could not claim more than the actual loss sustained, could he?—I think he might really have claimed performance and made us carry the contract out.

1551. Reverting to paragraph 96, the Empire Cotton Growing Corporation and the grant of £1 million, have they got any funds? Could you claim it back in actual

fact?—I have no information about the size of their reserves, but I should very much doubt whether they are anything like £900,000 to £1 million.

1552. Now, the Council of Industrial Design. Does industry make any use of it? It does not seem to subscribe much to it. Does it make any use of it?—Well, I think Mr. Russell would be in a better position than I to answer that, but I should have thought that it did make full use and that that, indeed, was manifest from the journal "Design" which is published by the Council.

1553. What is the machinery of use? Does a particular firm ask for suggestions, or what? How does the Council of Industrial Design function?—(Mr. Russell.) The Council is divided up into two divisions, the Industrial Division which makes the approach to industry and the Information Division which runs the magazine and makes all the approaches to the retail trade, to educational bodies, and so on. In the case of manufacturers who are interested in improving standards of design, the Council does not actually design anything, it has a record of designers from which a designer could be recommended to a firm to carry out a particular piece of work, and the officers of the Council are available to consult the firm on design policy, of which we have considerable experience not only here but in other countries as well. In the case of certain industries such as silver and jewellery and rayon, there are Design Centres set up which are dealing with the particular trade and with which we are in very close contact.

1554. When you say you approach industry, just exactly, what does that mean?—We have a great many different ways of approaching; for instance, a fortnight ago we went down to Stoke-on-Trent to address the Pottery Federation and met a number of Members of the Federation and discussed the problem as far as the export trade in pottery is affected by design standards, particularly the improving standards of design in America. I think I would say that our approach to industry would vary very much as between one industry and another. Not many industries are as highly localised as pottery.

1555. Now, the British Standards Institution. Sir Frank, here again, is the function of the Institution scientific research, propaganda or direct pressure on industry to adopt particular standards?—(Sir Frank Lee.) I think the answer is that the Institution primarily regards itself as the enlightened instrument whereby industry will itself agree upon standards of national application. It works through a very great number of technical Committees drawn

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from industry on working out these standards and then seeks to get them accepted by industry, and freely accepted by industry, before they are actually registered.

1556. In effect, it is a propaganda body?—No, I think that would be a misconception. I think it is primarily a scientific body, a nucleus, a clearing house where these standards are worked out so that they can be practicable and acceptable by industry.

1557. Now, on the Torquay Conference, is the original estimate of £2,500 for the net charges on public funds comparable with the £49,000 that it actually did cost?—No, the £2,500 was an estimate, I fear a gravely erroneous estimate, for the provision of free committee rooms and Secretariat offices.

1558. The Comptroller and Auditor General's Report refers to a Committee representing interested Departments. How many Departments were interested outside yourselves and the Foreign Office?—The Ministry of Works, the Post Office and the Ministry of Supply, for the provision of transport, and the Treasury as the guardian of us all.

1559. Were the Treasury involved in this?—(Mr. Milner-Barry.) Not in the early stages. (Sir Frank Lee.) The Treasury were not involved until a later stage when, realising that things were going wrong, they fulfilled their characteristic function of endeavouring to pull them together.

1560. Presumably, representatives of these various Departments entered into commitments which involved expenditure. How comes it that they did not get into touch with any Finance Departments anywhere? Do Inter-Departmental Committees enter into commitments without some financial check?—I think there was no question of any standing Departmental Committee here which itself entered into commitments. There were *ad hoc* meetings of representatives mainly to concert the necessary arrangements. The commitments were entered into almost wholly by individuals within Departments primarily in the Board of Trade. I have already explained that there was a deplorable failure to consult Finance Division.

Mr. Bossom.

1561. In the last twelve minutes three different Members of the Committee have asked questions, and in each case there has been an explanation: "There was an erroneous estimate". Is that the regular thing? Do you find it always the case that you have erroneous estimates, or is that exceptional?—We seek to minimise them, and if I may say so, having regard to the scale of the Board's operations in the

year of account, these three I have dealt with are, I suggest, relatively minor and were related to matters where correct estimation is, perhaps, difficult.

1562. Do you call in experts to advise you when you are making these estimates, if you are in difficulty, or do you do it within your own staff?—It depends entirely, of course, on the nature of the service for which we are making an estimate, but if we feel an expert can help us, we should gladly avail ourselves of his assistance. As I have already explained, in the British Industries Fair case we did depend on the advice of the Timber Control and on our own architect, who can be regarded as experts, who shared in the erroneous judgments which took place. In the case of the Torquay Conference, the original estimate was framed in consultation with the Travel and Holidays Association, although I would not want at all to suggest that they have any share in the responsibility for what went on.

1563. In other words, it is not exceptional to have erroneous estimates like this?—Oh, it is exceptional and it is not frequent.

1564. You do not get them very accurate?—It entirely depends, as I say, on the nature of the service. Some things are capable of much closer estimation than are others, but, broadly speaking, we try to estimate as carefully as possible.

1565. Quite obviously, you try to do your best, that goes without saying?—Thank you. Perhaps I might just say, on the Torquay matter, that the original estimate of £3 was not, in the event, so much falsified as might appear at first sight, because the difficulty was that that did not fully take into account the terminal and other charges which would have to be incurred. As an expression of rent alone it was fairly accurate. I think the emergent figure was £3 15s. 0d. I think, perhaps, I ought to say that not so much in any extenuation of the Board of Trade, but to defend Torquay hotel keepers.

Chairman.

1566. I would like to ask a few further questions before I part with this. A moment or two ago I was asking about your Principal Finance Officer. I wonder if you or Sir Henry would tell us, Sir, Frank, what his other duties are?—In the Board?

1567. Your have told me you have a head of the Finance Division, Mr. Campling, who is an Assistant Secretary. You have said that Sir Henry Gregory is the Principal Finance Officer?—Yes.

1568. Would you tell me what are his other duties? Perhaps he himself will tell us what his other duties are in the Board,

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and what part of his time is taken by being Principal Finance Officer?—(Sir *Henry Gregory*.) I have, additionally to the immediate responsibility for the Finance Division, a group of other Departments for which I alone am responsible, each of them, of course, being under a head. These Departments are the Patent Office, Insurance and Companies Department, the Distribution of Industry and Regional Division and the Administration of Enemy Property Department.

1569. Can you give any estimate of how much time you spend as Principal Finance

Officer?—I really should find it very, very difficult to do so.

1570. Could you tell me whether in the ordinary way of business the kind of thing that was involved in the Torquay Conference would be dealt with by you?—I think there is very little doubt that had the Torquay Conference been on the right rails from the start, I should have had full knowledge of what was going on. That is not to say I should have been supervising it from day to day, but that I should have known precisely what was in hand, in fact, I should expect to, in any service of that kind.

Mr. Gordon Russell withdrew.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51 Vol. II.

FOREWORD AND ACCOUNTS OF THE BOARD OF TRADE (BRITISH INDUSTRIES FAIR).

FOREWORD AND ACCOUNTS OF THE BOARD OF TRADE (RAW MATERIALS DEPARTMENT).

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 1.

BOARD OF TRADE (continued).

WAR RISKS (COMMODITIES) INSURANCE FUND.

Chairman.

1571. May we now turn to pages 308 to 319 of the Civil Appropriation Accounts, Class VI, Vote 1, the Board of Trade, to page 320, War Risks (Commodities) Insurance Fund and to the Trading Accounts and Balance Sheets, 1950-51, Vol. II? I will start with pages 308 to 320 and then go on to the Trading Accounts. First, Sir Frank, I see from page 43 of the Supplementary Estimates that in February, 1951, you secured Parliamentary authority to appropriate in aid of your Vote receipts from the sales of materials in the process of turning over stocks held in strategic reserve. What I want to ask you is this: was the whole of this figure which is on page 317, £1,604,760, so derived, or was any part of it due to a depletion of stocks?—(Sir *Frank Lee*.) No, Sir, I think, apart from some quite minor sales of one material, the bulk of this expenditure was in respect of a true turnover of stock.

1572. What was the result involved in the sale of that material?—I have not got that figure immediately available. I may be able to have it looked up. (Sir *Frank Tribe*.) Perhaps I could help you, Sir. My information is that it was £799,817.

1573. I assume that is the right figure. That is not a minor figure in comparison with an appropriation in aid item of £1,600,000, is it?—(Sir *Frank Lee*.) I am sorry, I misled the Committee.

1574. Mr. Milner-Barry, do not you take the general view that the proceeds of sale of surplus strategic materials should go straight to the Exchequer?—I understand, if I may interrupt, Sir, that that is now the procedure but it was not applied in this instance. This was the first instance, but it is now the procedure. (Mr. *Milner-Barry*.) Yes, I think in future the proceeds will go into the Exchequer.

1575. Do you give authority for the exceptional treatment of these receipts?—(Sir *Frank Lee*.) No, I think this was done on our own responsibility.

1576. I see. So, Mr. Milner-Barry, you confirm that you did not give authority?—(Mr. *Milner-Barry*.) Yes, Sir.

1577. Now I go to page 318. About half-way down that page you see: "Amounts charged to Subhead J.1". The first item there is "Cases covered individually by Treasury sanction:—extra-contractual payments to overseas suppliers of softwoods who in view of rapidly rising prices refused

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to re-negotiate contracts". Could you tell me, Sir Frank, what this phrase "refused to re-negotiate contracts" means?—(Sir Frank Lee.) I noticed that phrase myself and at once questioned it, and I am told that this is an error in the wording of the note, and that it should really be "Refused to implement contracts". This was a case in which you had contracts at fixed prices and overseas suppliers simply refused to honour those contracts, and as we could not afford to have the softwoods sold away from us we had to concede higher prices.

1578. So that the re-negotiation of these contracts covered an increase in prices for the unexpired portion of the existing contracts as well as a bonus or additional payment on deliveries already made?—As I understand, it covered a re-negotiation of price in respect of deliveries still to come under the contract.

1579. But not deliveries already made?—But not, I think, any retrospective payment for deliveries which had already been made at the contract price.*

1580. Have you made any further payment since the 31st March, 1951?—No.*

1581. On page 319 dealing with loans, what is the position as to the payment of interest on the loan to British Handcrafts Export?—There has been no payment of interest on that loan.

1582. What are the prospects of repayment?—Frankly, I think the prospects of repayment of that loan in full are very poor.

1583. Can you tell us anything about the Palestine Potash Company and what that item of £25,000 means?—Yes, that was a loan which was entered into by the Ministry of Supply during the war with the Palestine Potash Company to develop potash supplies and it has still got, I think, two years of its term to run.

1584. What is happening about the company now, do you know? Is it in operation and is there any chance that we shall get the £25,000?—I understand that the company is in negotiation with the Government of Israel with a view to the possible formation of a new company to operate the deposits.

1585. Would that be a company which would involve British capital, do you know?—No, I suspect it will involve Israeli Government capital.

* *Correction by witness:* Certain additional payments were made in respect of timber already delivered when the contracts were re-negotiated, in order to secure further quantities. Certain *ex gratia* payments were made in 1951-52 by the Ministry of Materials in respect of deliveries under these contracts.

1586. May I now turn to the Trading Accounts, page 107. I see that the non-recoverable contribution for overseas publicity was £105,702 for the 1950 Fair. Do you think the results justified this heavy expenditure?—Yes, I think that the evidence that we have of the greatly increased interest of overseas buyers attending the Fair (the figures as a matter of interest have risen to just under 20,000 from a pre-war average of about 5,000) and such evidence as there is of actual orders which follow the Fair, does justify this special expenditure.

1587. What are the contributions for 1951 and 1952?—In 1951 there was a contribution of £75,000 and I think it is of the same order in 1952.

1588. May we go back to the Comptroller and Auditor General's Report on page v, at the beginning of Volume II of the Trading Accounts? Taking paragraphs 4 and 5, on "Audit," do you anticipate that you will be able in future to submit your Trading Accounts to the Comptroller and Auditor General on or before the 31st August with your examination then completed?—I think it is really a matter for the Ministry of Materials, but I understand that it is their objective which they hope to fulfil.

1589. Perhaps it is not fair to ask you, but so far as you know is it expected that, in future, questions of adjustments and so on which are referred to here in paragraph 4 will have been settled and, if necessary, adjustments made before the Accounts are submitted?—I am not fully informed on that, but I understand that that is the intention. There may be, no doubt, some difficulty of approximation inevitable if you put in Accounts at that date.

1590. Again, perhaps it is not fair to ask you, but so far as you know, do you think the difficulties which arose on the 1948-49 Fertilisers Account will not re-occur?—They will not, I am sure.

1591. Would you now look at paragraph 6, which deals with the Directorate of Home Flax Production? What were the deficiencies in records to which the examiners refer?—This was, I think, primarily a question of the valuation of wartime factories and other buildings which were put up in a great hurry during the war in various places in the country. There were 17 factories in all, some of which were operated directly, some of which were operated by independent processers, and the valuations attached to them were in the war expressed as simple block amounts, so much for a factory, and no attempt was made to break them down into various components, plant, equipment, buildings, and so on.

1592. What reply was sent to the question mentioned at the end of paragraph 6,

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[Continued.]

still on the Home Flax Production?—The reply was that the fixed assets shown in the balance sheet for this Directorate as at the 31st July, 1950, were valued at the original cost of the assets to the Directorate, or the notional cost on transfer of the assets as these were received, as some of these were, on transfer from another Government Department without cash adjustment, but depreciation had been charged at rates applicable to each type of asset and disposals had been deducted at cost less depreciation. That was the broad sense of the reply.

Mr. David Thomas.

1593. Again on the British Industries Fair, page 107 of the Trading Accounts and Balance Sheets, I notice that from 1935 to 1938 a profit was made, then the losses commenced in 1939, and in 1947, as compared with previous Fairs there is a colossal loss of £84,000. Can any explanation be given as to why the figure is so high?—I think the broad answer is that this was a very deliberate effort to get the Fair going again after an interruption of five or six years of war, and to start it off big and bold because of the essential importance of trying to expand our overseas sales, particularly in the dollar area.

1594. In 1949 the loss is now down to approximately £2,000. Do you believe that the future Fairs will turn out a profit as they did from 1935 to 1938?—I can give no guarantee that they will and, indeed, while we endeavour, of course, to secure that there is a profit, I really should be misleading the Committee if I gave any guarantee that we would. (Sir Frank Tribe.) In 1950 the loss was £19,186, as explained higher up. (Sir Frank Lee.) Yes.

1595. On page 318 of the Appropriation Accounts under paragraph 2 there is an item: "Ex gratia payment for storage of building boards after termination of a contract." How long were the boards in this storage place after the termination of a contract that necessitated a sum of £5,000 being paid for storage rooms?—In 1946 the Ministry of Supply entered into an agreement with the firm in question to store and distribute these Government imports and they were to be remunerated at an agreed rate of £2 a ton on the basis that there was to be a minimum remuneration at the rate of £75,000 a year. We endeavoured to amend that agreement in 1949, particularly to get rid of this minimum payment provision. The company would not agree and we decided that the agreement should be terminated and it was, at the beginning of 1950. The company subsequently claimed that they were entitled to remuneration on the boards which remained in stock at the given rate of £2 a ton at the date of termination. They claimed £43,000 on that basis. Our legal advisers

advised that that claim was probably not legally sustainable, but they also advised us to avoid going to arbitration, which the company could and would have claimed on that, and advised us to make an offer, which we did, on the basis of an *ex gratia* payment of £5,000, which was accepted.

1596. Just one more question and I have finished. On page 318, again under paragraph 2, you see: "Ex gratia payments to householders whose property and effects were lost or damaged as a result of fire at a pit wood store." Did the Department make any enquiries as to whether these properties were insured against fire, and if so, was consideration taken of any amounts which householders received under their fire insurance policies?—I cannot give you, I am afraid, without some investigation a definite answer to that. All I can say is that I know from my personal experience of dealing with such things that it is standard practice in Departments to take into account any payments which people who have suffered loss like this may receive by way of fire insurance.

Mr. Bossom.

1597. I have only one very minor question. In that same item "Extra-contractual payments", did you have an up and down clause in your contracts to justify that £585,926 that you have at the beginning, or was it just a settlement anyhow afterwards?—Oh, no, because if you had an up and down clause it would not have been an extra-contractual payment. Had their costs risen they could have claimed some additional payment as of right under the contract. This was quite specifically a payment outside the terms of the contract made because they refused to honour the contract.

1598. In other words, it was really a contractual amount you had to pay anyhow because you had an up and down clause, and that is why they refused to implement their contract?—I am sorry, I must have misled you. I was endeavouring to say quite the contrary, there was no up and down clause in the contract and, therefore, when they refused to supply at the original contract prices and it was considered that we must have the supplies, there was no option but to negotiate the payment which was outside the terms of the contract.

Mr. David Jones.

1599. Regarding the 1950 British Industries Fair Account, page 107 of the Trading Accounts and Balance Sheets, the loss of £19,000 was additional to the £105,000 which you paid for publicity purposes, I take it?—Yes, that is so.

1600. At what point do you suggest the value of this is going to reach saturation

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[Continued.]

point, if it is going up year by year?—As I have explained, the grant from public funds for expenditure on publicity was reduced to £75,000 in 1951 and again this year, which, of course, would more than offset a loss of £19,000. I do not think I can give you a considered answer to a question with regard to the hypothetical point of loss at which I could regard the value of the Fair as being nullified, except to repeat that it would be my endeavour to keep the losses as small as possible.

1601. Would you look further down on page 107: "Included in the accounts under Rent is a sum of £2,325 representing the proportionate charge to this Fair of a payment made to Earls Court, Ltd. to ensure

the continued use of the building for British Industries Fair purposes". Could we be told something more about that?—I think that is part of the sort of inherent arrangements in connection with the Fair that a portion of the rent is paid for that building.

1602. I wondered if it was a sort of advance rent?—Yes, I think you are right, it really is part of a payment which is made to ensure that these particular exhibition buildings are and will remain available for the use of the British Industries Fair in future years.

Chairman.] Are there any further questions on these Accounts? May I take it that the Accounts are approved? *(Agreed.)*

TREASURY MINUTE ON PARAGRAPHS 78-80 AND 102-104 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 2.

SERVICES IN DEVELOPMENT AREAS.

Statement of Expenditure (including Loans) in respect of which a return to the Exchequer may be anticipated, to 31st March, 1951.

Chairman.

1603. May we now turn to the Treasury Minute on the Fourth Report of the Committee of Public Accounts, paragraphs 78 to 80 and 102 to 104? We will take at the same time, since they are on the same subject, the Civil Appropriation Accounts, pages 321 and 322. May we start, then, with paragraphs 78 to 80 on the question of removal of development areas from the Schedule? Have you yet decided whether any amending legislation is required for dealing with the situation which arises if an area is removed from the Schedule of Development Areas?—*(Sir Frank Lee.)* We have not formed an absolute conclusion, but I think there is no doubt that if de-scheduling of an area did take place we should need some amendment of legislation in order to enable us to do certain necessary things with Government-owned assets in that particular area.

1604. Going on to the Treasury Minute on paragraphs 102 to 104 of the Report of the Public Accounts Committee, is there any difference in the tests that are applied in respect of a project for a development area as compared with a project for a new town?—Of course, the new towns have been established primarily to take industry out of London. The development areas are being accorded special treatment to diversify industry and increase the opportunities of employment in those areas. I think that, particularly in present circumstances, the broad criteria are the same, that is, that you want to move industry

from a congested area, particularly as regards labour, to one less congested, but there is this important difference that, broadly speaking, there is a pool of labour available in development areas of people who may be unemployed, and for whom it is very desirable to secure some employment, whereas in the new towns there is not such a pool. Therefore, in practice, industries which move to new towns are those that can take their labour with them, pick themselves up, lock, stock and barrel and move, say, from London to Hemel Hempstead or Basildon.

1605. I do not think that quite answers my point. In the Treasury Minute there is a reference to industrial development being affected by the restrictions on buildings for civil purposes. Then there is a reference later on which implies that the industrial undertakings that can get through those restrictions or who are qualified to obtain exemption from those restrictions, are not easy to find for the new towns. My question is this: are the restrictions on building for civil purposes any different in respect of the new towns and the development areas?—No, there is no essential difference in that respect.

1606. The Treasury Minute could read to imply the contrary?—Yes, indeed, I noticed that myself.

1607. I now leave the Treasury Minute and turn to the Civil Appropriation Accounts, pages 321 to 322. The Public Accounts Committee were told in 1951 that

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[Continued.]

efforts were being made to produce accounts which would indicate the true cost of development provided in development areas. What progress has been made in this matter?—We have done an enormous amount of what I would call, if I may, preliminary reconnaissance work on that difficult field in consultation with the estates companies and, frankly, we find it an extremely difficult exercise for a variety of reasons. Here we are not dealing as I was, for instance, with the Ministry of Food, with direct trading by a Department. We are dealing with companies who have to carry out their own statutory obligations under the Companies Act as well as produce their accounts for us, who own property themselves in these areas as well as administer Board of Trade properties, and there is a whole host of difficult questions in connection with the valuation of assets, particularly those taken over from other Departments like the Ministry of Supply, the Ordnance Factories at the end of the war, and difficulties about audit arrangements, particularly in regard to the time schedule laid down for trading accounts. However, those are the difficulties with which we are contending and we are hopeful that we shall have an account available in respect of 1950-51 but, frankly, that will not be an account which will be fit for official submission to the Comptroller and Auditor General, and in any case will be too late, of course, for publication in the Trading Accounts. In other words, we shall regard that account as essentially a rehearsal which is going to provide a basis from which we shall hope to produce a proper trading account in respect of 1951-52 although I must warn the Committee that whether we shall be able to keep the date line of the 31st August is somewhat doubtful.

1608. Pending the production of a full set of accounts like that, could you supply us with figures which would show the relative costs of building in the various development areas?—I see no reason why we should not prepare such figures and communicate them to the Committee.*

1609. For building and rents; they could be on a square foot basis, do you think?—Rents, as you know, are now based on district valuers' valuations, subject to a special abatement for the first five years, but we can give you further details on that.

1610. It would be interesting, I think, to see how it works out. If one could have the current costs of building per square foot—by "current" I mean over the last year or so—and if one could also have the figures of rents, it would be very interesting to put them together, if you could supply them. The third thing, if you could do it, would be to let us have an indication of administrative costs in relation to some

unit of administration?—Would you let us attempt to give you information under all three heads?

1611. Pending this complete report, I would be interested, and I am sure my colleagues would, in something which gave us some comparative material, even if we cannot have the whole story?—We will certainly give you whatever material we can. As to the deductions that one should make from the material, we may have to put some reservations in, as you appreciate.

1612. If we found it difficult to draw deductions, Sir Frank, perhaps we could have the pleasure of your company again in June to discuss it with you?—May we look at that? I am a bit worried about the degree of standardisation, if I may say so, which you are asking for. We could give you certain costs for certain places which, of course, would vary according to physical circumstances, and I am not sure that that is quite the same thing as you have in mind. Perhaps, when I have the Minutes, we may consider it and do the best we can.

1613. You were good enough to put in a duplicated paper "Statement of expenditure (including loans)" which we have in front of us. I would like to ask you in what way is the Scottish Special Housing Association Limited a Government-sponsored organisation to a greater degree than the North Eastern Housing Association Limited? If you will look at Note (B) that is a considerable explanation of the Scottish Special Housing Association Limited, and our attention is drawn to the fact that its Council of Management is appointed by the Secretary of State for Scotland, and that it includes the Queen's and Lord Treasurer's Remembrancer, and it is implied that this is in some way more of a Government-sponsored organisation than is the North Eastern Housing Association. I want to know in what sense that is so, are not they both Government-sponsored organisations?—I think that the degree of supervision that is exercised by the paternal Scottish Office over this particular Association—its Council of Management, as you will see, is appointed by the Secretary of State and includes these eminent gentlemen—does differentiate it to some extent from the North Eastern Housing Association which certainly is not as closely supervised by us.

1614. Who appoints the Board of the North Eastern Housing Association? What is its composition?—I understand they appoint their own directors, but I will have to confirm that, if I may.

1615. You mean, it is a self-appointed oligarchy?—I think the only honest answer is that I do not know, and I would be grateful if you would let me put a note in on this.*

* Information supplied; not printed.

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[Continued.]

1616. Perhaps you would let us know about it, and would you at the same time let us know whether in the light of whatever the answer is you think it justifies you having taken no legal security from the Scottish Association?—Yes.

1617. Do you happen to know how much it would cost, anyhow, to execute a legal security. Again, this note seems to suggest it would be frightfully costly?—I imagine it would not be frightfully costly, but this is, I understand, a fairly long standing and, I should have thought, laudable desire to effect economy.

1618. Yes, but it does say: "No useful purpose would be served by incurring the heavy legal costs". We would be interested to know what the costs would be and upon whom they would fall?—I will get information on this point, Sir.*

Mr. David Thomas.

1619. On page 321 of the Appropriation Accounts relating to development areas the expenditure on housing for key workers was £287,446. Would you please say how many houses were erected for that sum?—Up to the 31st March, 1951, the programme was for 375 houses, of which 313 had been completed, 27 were under construction and 35 had not yet been started. That is, I think, for the executive key workers. For the non-managerial key workers there is a scheme for, I think, 100 houses, particularly at Wrexham.

Chairman.

1620. But the non-managerial key workers' houses will be built by the local authorities and not be chargeable to your Vote, is that right?—Except at Wrexham.

1621. Are the 100 all at Wrexham?—Yes.

Mr. David Thomas.

1622. As to the loans to Trading or Industrial Estate Companies, the expenditure on which was £467,237, could you say what proportion of that sum was loaned to the Wales and Monmouthshire Industrial Estates Limited? You will find this on page 321 of the Appropriation Accounts. Subhead B?—Yes, £194,132.

1623. Just one question relating to that Industrial Estates Company. Have you got access to the whole of their accounts and also to the whole accounts of other trading estates companies in the development areas?—Oh, yes.

1624. It would be possible, then, of course, in view of your answer, to give us the accounts relating to South Wales. I, personally, would like to see them if at all possible, because, probably, Mr. Chairman, you might be investigating still further the

expenditure that these estates incurred?—I would just like to check that there is no difficulty, legal or otherwise, but my desire would be to say, certainly, we would be prepared to let the Committee, if they so wish, see all the accounts of these trading estates companies.

1625. I was told unofficially, Mr. Chairman, that we have no rights at all to investigate the accounts of these Industrial Estates Companies and at the same time the Government is expending terrific sums in this way?—I know of no impediment which would stop the Comptroller and Auditor General having, or indeed, investigating, those accounts should he wish to do so or should it be the desire of the Committee that he should do so.

Chairman.

1626. Have you anything to say about that, Sir Frank?—(Sir Frank Tribe.) I happen to know something about the origin of these companies, Mr. Chairman, because I was Secretary to the Special Areas Commissioner who originally financed them. They were then entirely financed by grants from public money and still are, I believe. Their accounts are audited by professional auditors but in the conditions of grant which we made originally and which, so far as I know, are still operative, there is a condition in the grant agreement that their accounts should be open to examination by the Comptroller and Auditor General. (Sir Frank Lee.) Yes, I am sure that that still obtains.

1627. I think, then, Sir Frank, if you can, it would be a good thing if, when you are able to do so, you would let us have the accounts that are enumerated here. If we are going to have one, we may as well have the lot?—Do you wish to have them for the year of account, or do you wish to start now?

1628. I think what Mr. Thomas would like would be the last account that is available, unless there is a new one coming up viously does?—Yes, certainly.*

1629. If it is a matter of waiting a month or two it does not matter, but if it is a matter of waiting until next autumn, it obviously does?—Yes, certainly.

Mr. Bossom.

1630. I would like to ask one question on the Treasury Minute on paragraph 103, on page 28, which says: "Already commitments of over £200 million have been incurred in the building of New Towns and Your Committee are apprehensive lest the success of the towns" and so on, and it indicates that there is some real uncertainty as to what may happen. How much of that £200 million has already been spent?—I do not think I can answer that, because I do

* Information supplied; not printed.

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SIR FRANK LEE, K.C.B., C.M.G., and
SIR HENRY S. GREGORY, K.C.M.G., C.B.

[Continued.]

not think this is a service for which the Board of Trade are responsible and I am afraid I have no details of that particular expenditure.

1631. Then, may we turn to page 322 of the Appropriation Accounts, "Receipts payable to the Exchequer. Interest on Loans, Repayment of Loans, £200,000", and about £294,000 odd realised. Including capital receipts, the total of the estimate was £1,150,000 and the amount realised £1,639,000-odd, in other words, about £1,700,000. There seems such a great discrepancy between your estimates and the amount realised? It was all to the good in one way, but it seems such a big error. In commercial activities we never have quite such a variation as this, up or down. How do you account for those variations?—I think, broadly, that as regards the capital receipts, these are due in part to sales of land or other physical assets, buildings, and so on, in these areas, and in practice, that varies very sharply from year to year according to circumstances, whether you have purchasers or not, whether you have assets which are disposed of or not, and in practice that is naturally difficult to estimate at all accurately.

1632. The only reason I raised the point is that we always look upon your Department as having had such vast experience that they should be pretty accurate in their estimates. There seems to be a certain variety as to the accuracy?—I am very grateful for this tribute, but I must say that this is a field essentially of estate management, of owning £100 million worth of physical assets in various parts of the country, and the questions of how much of those may be disposed of in a given period of time, and other almost fortuitous receipts that may be received in respect of those assets are, frankly, in the nature of things very difficult to estimate accurately.

Mr. *Bossom*.] I must admit to some surprise.

Mr. *David Jones*.

1633. Just one question, Mr. Chairman. I am not sure whether I ought not to

declare an interest in development areas, first of all, but in the note to Subhead F, "Housing for Key Workers" I see you say that the saving was partly due to some reduction in the programme. Is there any particular reason why you had to reduce the programme of houses?—I think, as far as I know, that was simply due to a changed estimate or demand on the part of the industrialists who told us that they required less houses than they had originally thought.

1634. Frankly, I am a bit surprised at that in view of the demand that they are making on local authorities in the development areas to provide houses. I am a bit surprised to hear you say the industrialists reduced their demand for specialist houses in view of their pressure on local authorities to provide them with houses in the main or in part for Executives?—Of course, the demands which the industrialists and others make on local authorities are, no doubt, for all workers. As you appreciate, this field of expenditure is deliberately limited to key workers and it is our experience that industrialists do change their estimates of either the number of key workers they are going to have or the number of houses they want us to supply under these schemes.

Mr. *David Jones*.] I am thinking particularly of key workers and executives now and not the ordinary worker.

Chairman.

1635. May I just interrupt? Are not the words "key worker" here a little misleading? More correctly should not the word really be "managerial"?—Yes, these are managers, technicians, scientists, and that sort of person.

Mr. *David Jones*.] Those are the people I am thinking of. Pressure has been emphasised on local authorities in two development areas that I am acquainted with for the provision of houses by local authorities.

Chairman.] Are there any further questions on this Account? May I take it that the Account is approved? (*Agreed*.)

TREASURY MINUTE ON PARAGRAPHS 20-29 AND 116-118 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

CINEMATOGRAPH FILM PRODUCTION (SPECIAL LOANS) ACT ACCOUNTS, 1950-51.

NATIONAL FILM FINANCE CORPORATION, ANNUAL REPORT AND ACCOUNTS, 1950-51.

Mr. R. J. STOPFORD, C.M.G., Chairman, National Film Finance Corporation, called in and examined.

Chairman.

1636. May we turn now to the Treasury Minute on the Fourth Report, paragraphs 20-29 and 116-118 and to the White Paper, Cinematograph Film Production (Special Loan) Act, Accounts, 1950-51? First of

all, may we look at paragraph 7 of the Treasury Minute, on the National Film Finance Corporation. Have advances to the Corporation since this question arose been restricted to immediate needs?—(*Sir Frank Lee*.) Yes.

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Sir FRANK LEE, K.C.B., C.M.G.,

[Continued.]

Sir HENRY S. GREGORY, K.C.M.G., C.B., and Mr. R. J. STOPFORD, C.M.G.

1637. Have there been any increases in the rate of interest charged on advances to the Corporation?—Yes. It has been advanced again to 3 per cent. since November last.

1638. Was the Corporation given advance warning?—No.

1639. Now, turning to the Treasury Minute on paragraphs 116-118, was the loan of £3 million to British Lion repaid on the due date, the 1st October, 1951?—Perhaps you would allow the Chairman of the Corporation, Mr. Stopford, to answer that?

Chairman.

1640. Yes?—(Mr. Stopford.) No, Sir, it was due on the 1st October, which was the same date as the date of maturity of a loan by another creditor which was referred to in our Report. We had hoped that some repayment, at least, would have been possible then, but British Lion did not find it possible to make any repayment at that time and we have extended the loan without any fixed date for repayment at the

moment while the subject is under consideration. The other loan has been similarly extended on the same terms and we have, therefore, preserved our priority.

1641. That is the other creditor?—The other creditor, yes.

1642. Can you say whether the Corporation anticipate a large loss on this loan?—Provision is made in our Accounts; I do not think there is any more to add than that.

1643. Can you tell me who was the Finance Director who was appointed to serve on the Board of this Company?—It is a chartered accountant, Mr. Moeller.

1644. And he, in a sense, is your watchdog?—Well, we keep very close contact with him. He is responsible to the Board of the Company and we keep close contact with him.

Chairman.] Are there any questions on the Accounts? May I take it that the Accounts are approved? (*Agreed.*) Thank you, Gentlemen.

Sir Frank Lee, Sir Henry Gregory and Mr. R. J. Stopford withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS IV.

VOTE 2.

BRITISH MUSEUM.

VOTE 3.

BRITISH MUSEUM (NATURAL HISTORY).

VOTE 4.

IMPERIAL WAR MUSEUM.

VOTE 5.

LONDON MUSEUM.

VOTE 6.

NATIONAL GALLERY.

VOTE 7.

NATIONAL MARITIME MUSEUM.

VOTE 8.

NATIONAL PORTRAIT GALLERY.

VOTE 9.

WALLACE COLLECTION.

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H 2

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[Continued.]

VOTE 12.

BROADCASTING.

VOTE 14.

PUBLIC EDUCATION, SCOTLAND.

VOTE 15.

NATIONAL GALLERIES, SCOTLAND.

VOTE 16.

NATIONAL LIBRARY, SCOTLAND.

*On these Accounts no questions were asked.**The witnesses withdrew.**Adjourned till Tuesday next at 4 p.m.*

TUESDAY, 18TH MARCH, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Mr. Hoy.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. Scott.
Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mr. P. S. ROSS, a Principal, the Treasury, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS V.

VOTE 8.

MINISTRY OF NATIONAL INSURANCE.

Sir GEOFFREY S. KING, K.B.E., C.B., M.C., Permanent Secretary, the Ministry of National Insurance, called in and examined.

Chairman.] May we turn to the Civil Appropriation Accounts, 1950-51, to Class V, Vote 8, Ministry of National Insurance, pages 274-277? Are there any questions from Members?

Mr. Douglas Marshall.

1645. I have only one point, Mr. Chairman. I will quite understand if it cannot be answered, but on the subject of the Family Allowances, Subhead K on page 275, are the families on the increase or the decrease, or are they static at the present moment?—(Sir Geoffrey King.) The number of allowances is still going up.

1646. Have you any idea of the percentage increase that is taking place?—I do not think I have got that in the form of

a percentage. I have got the actual numbers.

1647. If you have not, I quite understand?—The latest figure I have got here is at the 30th November, 1951. The number of families was 3,091,000 and the number of children, 4,800,000. They had started in September, 1949, with about 2,900,000 families and about 4,600,000 children. It is an interesting demographic question, it has to do with the birth rate about 13 years ago, because what is now happening is that there are a lot more second children suddenly coming along. It is very difficult to estimate exactly, but the general trend is up.

Mr. Douglas Marshall.] Thank you very much.

18 March, 1952.] Sir GEOFFREY S. KING, K.B.E., C.B., M.C.

[Continued.]

ACCOUNTS OF THE NATIONAL INSURANCE FUND, THE NATIONAL INSURANCE (RESERVE) FUND, THE INDUSTRIAL INJURIES FUND AND THE NATIONAL INSURANCE (EXISTING PENSIONERS) FUND, 1950-51.

National Insurance Funds: Securities held by the National Debt Commissioners at 31st March, 1951, as Investments for Moneys, forming part of (a) the "National Insurance Fund" and (b) the "National Insurance (Reserve) Fund".

Industrial Injuries Fund: Securities held by the National Debt Commissioners at 31st March, 1951, as Investments for Moneys, forming part of the Industrial Injuries Fund.

National Insurance (Existing Pensioners) Fund: Securities held by the National Debt Commissioners at 31st March, 1951, as Investments for Moneys forming part of the National Insurance (Existing Pensioners) Fund.

Chairman.

1648. Would Members now, please, turn to the White Paper Accounts, the National Insurance Fund, the National Insurance (Reserve) Fund, the Industrial Injuries Fund and the National Insurance (Existing Pensioners) Fund, 1950-51. May I start, Sir Geoffrey, with the Comptroller and Auditor General's Report, paragraph 2, which you will find on page iii. Have similar arrangements to these Civil Service sickness benefit arrangements been made for any other public servants such as local authority staffs or employees of the Nationalised Boards, or any other group of persons of that kind?—(Sir Geoffrey King.) No, Sir.

1649. Do you happen to know whether employees in general receive sick benefit without their normal pay being abated?—I could not answer that, in general terms. The sick pay schemes of which we are aware vary considerably. There are some where their normal pay is abated, there are some where it is not, but I would say that the probability is that, in general, it is abated.

1650. How do you satisfy yourselves that Civil Servants honour their undertaking not to draw sickness benefit?—I am not sure, Sir, that it is for us to satisfy ourselves on that. It is the Paying Department who ought to satisfy themselves on that point. All I am concerned with, I think, on behalf of the Fund, is to pay a claim when it comes in.

1651. Perhaps, Mr. Milner-Barry, you would enlighten us on that?—(Mr. Milner-Barry.) Yes, Sir. We have to take two separate cases according to whether one is dealing with unestablished staff or established staff, and so far as the unestablished staff is concerned, the arrangements are these: the Department informs the Ministry that the man is absent sick; it has got to do this because the Ministry must record a contribution credit for the period of sickness on the man's contribution card. Then, if the man claims benefit, he has to do it through the Ministry who can then tie up the two separate facts, first, that the man is claiming benefit and,

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secondly, that he is a civil servant on sick leave with full pay, and then the Ministry reports the matter to the Department. Actually, between July, 1948, and the 31st March, 1950, there were some 79 cases which were detected in this way and recovery was effected in 67 of them. It was established that the great majority, or most of the claims, anyway, were due to a genuine mistake and in the remainder of the cases the Departments took disciplinary action. That is so far as the unestablished staff are concerned. With the established staff the arrangements have to be different because established staff do not have contribution cards. Payments are made in bulk by the Departments and so it was not possible to apply the same technique. Originally our view was that you could not devise a scheme which would not involve administrative costs out of all proportion to the probable amount you were going to save when you took into account the normal high standards which one expects to find in the Service, and what was done was to devise a system of random checks whereby details of a sample of Civil Servants on sick leave with pay were sent by each Department to the Ministry, who checked whether any of them were claiming benefit. As it happened 34 cases altogether, I think, were detected between 1st April, 1949, and 31st December, 1951, and again suitable disciplinary action was taken. We are not altogether satisfied with these arrangements and we are now thinking about a revised scheme which would provide 100 per cent. check on all Civil Servants and we are hoping to introduce that this year. What is proposed is to adopt a bulk scheme for all Civil Servants who sign the undertaking instead of, as at present, only the established staff whether or no they have signed it, and the cards of all these Civil Servants will then be suitably marked by the Ministry who will be able to pick up any cases of such people who claim benefit. So, by and large, the answer, I think, is that we are quite satisfied with our arrangements on the unestablished side and on the established side we are not entirely satisfied with the present arrangements, and we are intending to and

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[Continued.]

hoping to improve on them and make them watertight this year. I ought to say that of the cases with the established Civil Servants as with the unestablished ones, the great majority of them, I think, were due to mistake and not to deliberate attempt at fraud.

1652. Sir Geoffrey, what do you estimate is the saving to the Fund from this arrangement for Civil Servants?—(Sir *Geoffrey King*.) The latest figure I have got, Sir, is based on a 10 per cent. sample from the Government Actuary, and it is about £1½ million a year.

1653. In the present state of the Fund does not it appear that these arrangements involve the Exchequer from the purely budgetary point of view in an annual loss of this sum?—I am not sure, Sir, whether as Accounting Officer of the Fund I necessarily share that view. I think it is for the Treasury to say whether they would prefer to do it some other way.

1654. Have you considered at any time provision to cover all this by a lump sum adjustment?—For this particular Civil Service point?

1655. Yes?—I think it has been contemplated that the review would take that into account. I think the answer is probably to be found in the last few words of paragraph 2 of the Comptroller and Auditor General's Report: "The effect on the Funds would in any case be taken into account in the quinquennial valuations."

1656. Then, turning to paragraph 4 of the Comptroller and Auditor General's Report, why is this matter still unsettled?—I am glad to be able to report, Sir, that it has been settled. I have had a letter from the Treasury in which they say they have decided to leave the charge where it is.

1657. But if the Ministry of Labour is, in fact, performing a service for your Ministry without reimbursement, then when you put in your Accounts, as you do, items which you describe as the whole cost of administration, you are not really being strictly correct, are you?—Is not it a debatable point, Sir, whether this is part of the duty of administering the Act? Placing is not a function which is part of the functions of my Department.

1658. I thought that that, at any rate, was not in dispute earlier on? Are you saying that you had never agreed that the Ministry of National Insurance should make the payment?—The Ministry of National Insurance, so far as I know, have never made a payment.

1659. I know you have not made a payment. What I am really asking is whether it was not, in fact, your view that a payment should be made?—We have, I think, consistently taken the view that the decision

in 1946 was right, that the character of the placing work has changed and that it is not so closely related to the unemployment benefit administration as it used to be, and there was a reasonable ground for leaving it with the Ministry of Labour, but it may be that my predecessor may have expressed a slightly different view. I am afraid I was not aware of it, Sir.

1660. But you are not, are you, contending that it was the intention of Parliament that the arrangement that we had in the old days relating to the Employment Exchanges should be terminated on the passing of the new Act? I thought it was generally accepted that this was just sheer inadvertence?—As to the intention at the time, Sir, no, I am not contending that it was deliberate in the sense that it was a thought-out policy, but as I understand the view which the Treasury have taken, and there are people here who know how that view has been formed, it is that on balance it would be better to leave it where it is for reasons which, I think, they could supply if you chose to ask them.

1661. Is this decision the result of the inter-departmental discussion?—Yes, Sir, the Ministry of Labour and ourselves had discussed, first of all, and then when we were unable to reach agreement we both put in a statement of our views to the Treasury and I think they acted on that and came to a decision which they communicated to us and, presumably, to the Ministry of Labour.

1662. When you say you were unable to reach agreement, what does that mean?—On what I may call our preliminary point; they thought we ought to pay for it and we thought we should not pay for it, that is all.

1663. You did not in the course of these discussions talk about actual figures?—I think possibly figures were discussed, yes. If the verdict had gone the other way there was still a pretty wide margin between what the Ministry of Labour thought was a reasonable figure and what we did.

1664. Would you care to say anything about this, Mr. Milner-Barry?—(Mr. *Milner-Barry*.) Yes, Sir. I think that when the Public Accounts Committee last summer was discussing this we gave the Committee to understand that we thought that a compromise arrangement could be worked out between the Departments. I think, perhaps, Sir, that is the background of your questions, and I ought to explain that we have been further into that with both Departments and we found, as the Witness has just said, that, in fact, there was a very wide margin between them. On the one hand the Ministry of National Insurance maintained that no payment should be made, but even if some payment should be

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made, there was still a big gap between the two sides. We have devoted a great deal of thought and discussion to this matter over the past year. I ought to make it plain that we accept what has been said, that it was not the original intention of Parliament that no adjustment should be made—in fact, a contribution always used to be made in the old days—but we have also agreed that there are differences now in the circumstances. One of them, for instance, is the Employment and Training Act of 1948, and that laid on the Minister of Labour the duty of promoting employment in accordance with the requirements of the community, and so it is reflected in the new post-war policy of registering and placing men in employment as an incident of general economic planning rather than as simply an incident of unemployment insurance. Then, recently, of course, there has been the new Notification of Vacancies Order which requires employers to fill many vacancies only through Employment Exchanges in order to assist the defence and export programmes. So, I think the upshot of that was that it was really going to be extraordinarily difficult to determine on any logical ground the size of any contribution from the Fund towards the cost of registration and placing and any determination which was made would be bound to be arbitrary, and I should think might very well have become the subject of an annual disagreement and dispute between Departments, with the Treasury as umpire. I think, beyond that, there would have had to be legislation in order to achieve this object of a contribution. You would have had to amend both the National Insurance Act, 1946, and the Employment and Training Act, 1948, and certainly at the present time the Parliamentary programme is so congested that there is not really any prospect, or any early prospect, anyhow, of finding time for legislation on this matter. So, the reasons for which the Treasury has come to the decision to make no change are really reasons of practical administrative considerations rather than theoretical ones because we do admit that although there are pretty strong arguments on both sides, there certainly is a very good case on accounting grounds for having a contribution made, or some sort of contribution, anyhow.

1665. Thank you. Would you look at paragraph 5, Sir Geoffrey, on Northern Ireland. Could you describe shortly the arrangements that you have about Northern Ireland?—(Sir Geoffrey King.) The arrangements with Northern Ireland are based on a section of the Act—Section 63 if anyone wishes to refer to it—which provides that if Northern Ireland were to set up a system of National Insurance similar to our own, which, of course, they have done, a joint authority should be constituted which, in

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practice, consists of the two Ministers, the Minister of Northern Ireland and my own Minister, with myself as Permanent Secretary and others of the respective Departments as deputies, whose duty it is to keep a general oversight on the way in which a reciprocal arrangement between the two countries, which was entered into with the consent of the Treasury, is working. The essence of the arrangement, I would say, is that acting on the advice of the joint financial advisers, who are the Government Actuary, my Accountant General and the corresponding officers of the appropriate Ministry in Northern Ireland, from time to time a sort of balance is struck of how the two Funds are operating, and then a transfer one way or other would be made. The basis on which a transfer is made is the relationship between the insured population of the two countries and the incidence of claims. I think, Sir, it would be fair to say that the object and effect of the agreement is to bring these two parallel schemes into as nearly as possible the same kind of situation as it would be if it had, in fact, been one scheme, and the money simply flowed out where it was needed.

1666. Does Northern Ireland maintain the same level of contributions and benefits?—They have the same contributions and benefits.

1667. What is the relative incidence of unemployment and sickness in the two countries?—I am afraid I have not the Northern Ireland figures at the moment. I do not know that I ought to go on record with this, but I was, in fact, told by somebody coming from Northern Ireland recently that unemployment was reaching 10 per cent. I do not know whether you would allow me to confirm that before it goes on to the record?

1668. You can let us know. The real point is that if there is a difference in the incidence, you bring that into account?—Oh, certainly, Sir.

1669. Would you think there was any substance behind what, I think, has been alleged, that the English contributor is subsidising the Northern Ireland contributor?—I hate the word “subsidising” used in that way, because you might, I should have thought, just as well have said that the insured contributor in Brighton is subsidising someone in Liverpool.

1670. You might, yes, certainly. It is in that sense that the term is being used?—In that sense there is no doubt, I think, that we are putting more into the Northern Ireland Fund than they are putting into ours, naturally.

1671. May we turn on to the Explanatory Note on page 1, paragraph 3. What are the methods of collecting contributions other than by the sale of adhesive stamps?—They are the sale of stamps at Post

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[Continued.]

Offices, the schedule method, under which any employer approved by us—that means, we have to be fairly certain that it is a reputable firm having at least 1,000 employees—can pay contributions in cash on schedules instead of putting stamps on individual cards. There are the impressed stamping arrangements under which any employer who likes can make use of a machine of a type which we have approved and again, instead of buying stamps at a Post Office, he uses this to impress the cards, and we collect the money periodically. There is the high value stamping under which any employer with 50 or more regular employees can affix stamps yearly, half yearly or quarterly at his choice, subject to certain conditions, which include the making of deposits. Then, there is the rather special arrangement about Her Majesty's Forces, but I think that hardly falls within the scope of your question.

1672. How much do you collect by these means other than by stamps?—In the year of account I can give you these figures; I think, probably, round figures would be good enough: £341 million from the sales at the Post Offices, nearly £19½ million by impressed stamping, £7¾ million roughly by high value stamping and from schedule payments, just over £6 million.

1673. What is the cheapest method of collection?—Do you mean to us?

1674. Yes?—That is very difficult. I think, myself, some of it does depend so much on the size of the undertaking in the sense that if you have a very large undertaking which is prepared to do it by schedules, I should think in gross, probably, that is cheaper, because you do not have to have the stamps printed, and so on. But, I think the only fair answer I can give you is that it does really depend so much on circumstances. We encourage the other systems. Of course, if I would like to answer you very shortly, I would say that stamps were cheaper for us, but that does not mean it is cheaper for the country as a whole because there are other things involved in it.

1675. Under the scheme for impressed stamping, how do you ensure that the meters are not tampered with?—The meters of the machines?

1676. Yes?—The machines are, first of all, made to a design which has been very carefully worked out with our experts to see that they cannot, really, be tampered with at all, and they are inspected at regular intervals.

1677. Have you ever found any fraud?—No, we have not. I should add that there is a definite seal on the effective clock or cyclometer, whatever you like to call it.

1678. Are you satisfied that there are no counterfeit stamps in use?—I am never satisfied of that, Sir. Now and again we come across frauds. I do not recollect

having heard of any in the last six months. There was one rather big round-up not so very long ago. I do not think one could say definitely that there are not. I do not know whether the Committee would be interested in this: my adviser has drawn my attention to the fact that on page 195 of our last annual Report we did give an account of an incident in 1949 when there was something rather spectacular; it was really more an alarm than anything else because in the end we examined 4 million cards and 2,527 bore forged stamps. I do not think there is anything very serious there, Sir.

1679. Turning to another point on page 5, on the actual Account, item 7, which is on Benefits; on the figure for retirement pensions, I was interested to see that there was just a slight decline in the current year as compared with the previous year. Why is this, since one had been led to expect from the Government Actuary and other people that more persons were going to become eligible for pensions every year?—The first explanation is that owing to the calendar the previous year had one extra pay day which accounts for £2½ million of it. There are other explanations.

1680. Would you look at item 10? How is this grant for training expenses assessed?—This is a thing which has been discussed with the Treasury periodically, apparently, and at the present time it is based on an agreement reached in 1944, before my Ministry was set up. It was decided to stabilise the grant at a certain figure and payment of the amount has been made at that rate ever since.

1681. So that, although it is reviewed, it is not reviewed in the light of the actual cost of training?—No, Sir.

1682. Mr. Milner-Barry, would not it be a good thing to do that?—(Mr. Milner-Barry.) We are looking at it, but it has not been reviewed in the light of the actual cost of training.

1683. Would not it be a good thing to look at this grant in the light of actual costs, instead of continuing to use this figure which was put down in 1944?—I think, very likely, it would, Sir. I should like to look into that.

1684. Then, there is a footnote about irrecoverable payments. There is a big increase in the sickness benefit compared with the previous year. Was there a real increase in overpayments, or is the change due to some differences in accounting methods, or anything of that sort?—(Sir Geoffrey King.) I am sure that some of it is certainly due to the fact that the audit was rather switched on to the sickness benefit payments and to a considerable extent, therefore, these are things which have come to light. Whether some of it is due to more overpayments, I do not know; it is very hard to say.

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1685. Do the overpayments that are put down here cover all the recorded losses?—Yes.

1686. All of them?—The whole of the recorded losses are in there, all the irrecoverable losses. (Sir *Frank Tribe*.) I had understood they excluded some, such as those under 10s. (Sir *Geoffrey King*.) May I withdraw that? I am sorry, I was wrong. There is an additional £5,000 in respect of cases not exceeding 10s. I apologise to the Committee.

1687. If you have the figure, Sir *Geoffrey*, would not it be as well to put it down? If you in fact get it there is no particular reason for putting down a figure that is short of the total amount?—We will in future, Sir. I am afraid I was caught by that.

1688. Then, in the Industrial Injuries Fund which is on page 15, item 7, the administration expenses seem to have leapt up in a period when expenditure on benefits increased by only about £2 million. The administration expenses went up to £2,695,303 from £1,936,100?—Yes.

1689. Why did administration costs go up so much more in proportion?—The real clue to that, I think, Sir, is to be found in the fact that the disablement benefit nearly doubled. In this Industrial Injuries Scheme quite the most expensive part of it is the administration of disablement benefit which is essentially a scheme where you have to have Medical Boards, you have Medical Appeal Tribunals, and the cost of those is out of all proportion to the cost of administering the injury benefit which is, really, in effect, a species of sickness benefit paid in certain cases. Of course, there is the general rise which is due to the salary and general costs.

1690. In the year in question the amount paid out in injury benefit went down?—Yes, naturally I cannot account for that. I suppose, for some reason or other, there were fewer accidents. That is all I can say about that.

1691. One general question I would like to ask you about the actual state of your Funds: is it really necessary to wait nine months before anything can be made public about your securities? There is a considerable time lag between the actual statements that were put out of market value and all that. It was suggested by the Crick Committee that it would be desirable to put out interim statements as used to be done, I think, in the old Unemployment Fund?—You are on the Existing Pensioners Fund, are you, or on the General Fund?

1692. I am really talking about it generally. It is a perfectly general question. You have Funds here which are very substantial and to which the Crick Committee drew attention, and I was just wondering whether you had considered putting out

something earlier or even interim statements?—I am certainly prepared to consider that, Sir.

Sir John Mellor.

1693. Just on that point, the National Debt Commissioners get out their statement, do not they, in June, which is a statement up to the end of the preceding March, whereas your statement does not appear until December?—(Sir *Frank Tribe*.) I am afraid that, though this White Paper was ordered by the House of Commons to be printed on the 3rd December, I did not sign the Report until the 16th January, and I do not suppose it was available to them until February. (Sir *Geoffrey King*.) Yes, I see that our dates are September and August, the date when we signed our Accounts and sent them in. (Sir *Frank Tribe*.) I suppose I must take some responsibility for this, because these Accounts have to be audited and examined before they can be published. The Crick Committee had something quite different in mind.

Chairman.

1694. You could, of course, get something out a good deal earlier because, as Sir *John Mellor* has pointed out, the National Debt Commissioners' statement is available in June?—(Sir *Geoffrey King*.) I am not quite sure whether the Committee would want an unaudited set of Accounts to be published. I am afraid I had not quite followed the point, but I see now that our Accounts are mostly signed in September and one was signed in August.

1695. I think the best thing to do would be for you and/or the Treasury to let us have your considered view on the relevant Section—I think it is Section 146—of the Crick Committee Report, if you would? That is really what I wanted to know?—I will certainly look into it. (Mr. *Milner-Barry*.) Perhaps I might just say on that that I know that that particular recommendation of the Crick Committee was considered at the time the Government statement on the Crick Committee recommendations was made, and it was decided that, for various reasons, it would not be a good thing to publish quarterly statements, but beyond that I am afraid I cannot help you at the moment.

1696. There is one other thing, Mr. *Milner-Barry*, on this National Debt Commissioners' Statement. Do you really think there is any advantage in publishing the so-called Accounts of the National Debt Commissioners when the same figures are published later, on, of course, in the Ministry's White Paper Accounts, but more concretely? The figures that are given in the National Debt Commissioner's Statements are only the nominal amounts of the securities held and there is a list

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there, not even added up, although I suppose that they need not be added up?—Yes. I would like to look into that point, if I may. I think the reason appears to be a statutory one, that under the National Insurance Act, 1946, the National Debt Commissioners are under an obligation to present to Parliament annually an account of the securities in which moneys forming part of the National Insurance Fund are for the time being invested.

1697. That seems a very good reason for continuing it, but should not it then be in the more usual form showing cost price and market value and then it would be of some use?—Yes. May we look at that?

Chairman.] Yes.

Mr. Hoy.

1698. Just a small point regarding the disciplinary action taken against people who contravene these benefits. What do you mean by "disciplinary action", Mr. Milner-Barry? Do you mean they were sacked?—I happen to know one case in which, I think, somebody was, but normally it would be by way of severe reprimand or stoppage of increments or something of that kind.

1699. Do you mean, if it were proved that these people took these moneys under false pretences?—Well, I do not know, without notice. One would consider every case on its merits, as I have said. In the one case I happen to know, that was done. The man was dismissed.

1700. The number of cases was very few?—Yes, but I think I did explain that the number of cases in which there was evil intent was extremely small. Most cases were due to a mistake or a misunderstanding of one kind or another.

1701. On page 5, dealing with irrecoverable overpayments, was there a similar record kept of recoverable overpayments? Is that shown anywhere, Sir Geoffrey?—*(Sir Geoffrey King.)* No, we have not kept that, I am afraid.

1702. You have not got it at all? Would it amount to anything very large?—When you are dealing with figures like I am, "very large" is apt to have rather a different meaning from "very large" in the eyes of the Public Accounts Committee, but I would not expect it to be considerable.

1703. I think you under-estimate your own intelligence in this matter, if I may say so. Even the man who is drawing two guineas a week of National Insurance might find it a fairly decent sum, and I am sure when you are making up your accounts you would, too. Would you like to say whether it amounted to £1 million or £2 million, or less?—People who were paid and then it was recovered from them?

1704. Yes?—I should be extremely surprised if it is anything like that figure.

1705. That is just what I am asking, if it was that?—I should be very surprised.

Mr. Cuthbert.

1706. There is only one point and I am not sure, Mr. Chairman, if I am in order here or not, but I think we did bring it up at one previous Public Accounts Committee on this point where you are asking for information as to the actual cost price today and the difference between the nominal price and the cost price of the investments that all this money is in. I think I raised the point once before; we, I think, as a Committee are a little nervous about the enormous difference in value of the funds at the time when they were invested and what they may be today in terms of market value, and I wonder whether it would not be a good thing for money invested in this way to be invested in Treasury Bonds or something like that, where the capital is always safe and not subject to these enormous fluctuations that one does get. I do not know whether that has been thought of by the Treasury? We did ask them once before in a previous Public Accounts Committee, for this reason, that if you strike a bad time and want to sell your funds quickly, if you had to sell out what you had, you or the National Debt Commissioners would lose a lot of money. We are always told it would be a loss on paper, but if a bad time came along and you had to call on your funds very quickly you would lose a tremendous lot of money. I think the main idea of investments today is to look towards putting it all into funds whereby the capital is not in jeopardy at all, such as Treasury Bonds, or even on deposit in the banks. We know you lose interest on that, but you are saved from capital loss. That is the only point?—Do you wish me to answer that?

1707. I wondered if it had been thought of at all, because we are faced at the moment with an enormous loss if you had to sell out all these funds quickly?—Certainly, you would have an enormous loss if you sold out, I agree with that, but are you suggesting that the policy of investment should be changed?

1708. Yes, that is exactly it?—Then, may I suggest that that question should really be directed to the National Debt Commissioners?

Mr. Cuthbert.] I did not know whether it was quite in order, but I wanted Sir Geoffrey's view on the subject.

Chairman.

1709. In other words, the policy of investment is settled by the National Debt Commissioners and not by your Department?—The selection of investments, yes.

Sir John Mellor.

1710. May I, on that point, put what I think I put last year, or the year before, that under the Act the responsibility for

the management of the Fund is vested in the Minister? We did have a good deal of discussion then, and I do not think, probably, you would want time taken up re-arguing that now, but I only just wanted to remind you, if I might, Sir Geoffrey, that that point has been taken, and for my part I still believe that the responsibility for the investment is vested by statute in the Minister and not in the National Debt Commissioners?—As you have made that point, may I be allowed to refer the Committee to the other Section—

Mr. *Hoy*.] On a point of order, Mr. Chairman, before this goes any further, may I raise this point? This created a great deal of trouble, as I think Sir John will remember, in the Committee when it was last raised, and as a matter of fact, the Committee cleared this room until we reached a decision on this matter. I want to know just how far this Committee can go along these lines and deal with investments which are the responsibility of the National Debt Commissioners?

Chairman.] I do not think Sir John was going on with that point, as I understood it. What I should ask is that we should not discuss the matter, we should confine ourselves to asking questions of the witnesses, and if there is to be any discussion, we can have that in due course when we are sitting alone.

Sir *John Mellor*.] Certainly. I only did not want it to be thought for a moment by Sir Geoffrey that the Committee necessarily accepted the view which he had expressed.

Mr. *Cuthbert*.] I was, perhaps, responsible for bringing this hare up. I only did it in order to find out if the Departments plus the Treasury had thought that one out since the last time it was raised. My question was, what their view was?

Mr. *Douglas Marshall*.

1711. Would Sir John forgive me if I ask a question, because it is on this subject and I do not want to raise it again. May I ask you, because I do not know this, do the National Debt Commissioners in fact come before this Committee?—(Sir *Frank Tribe*.) The National Debt Office have a Vote and this Committee can in any year they wish take that Vote with witness. This particular year they decided at their Meeting in January, I think it was, to take that Account without witness.

Mr. *Douglas Marshall*.] If this Committee so desire, they could do so?

Chairman.] The answer is "Yes".

Mr. *Douglas Marshall*.] Thank you very much, Sir.

Sir *John Mellor*.

1712. I want to ask you, Sir Geoffrey, taking page 6 of the Accounts, the National Insurance Fund, you do not seem to hold

any cash? Looking at Statement II, there seems to be a minus quantity. I see from Statement III that you have near-cash in Ways and Means Advances and Treasury Bills amounting to something in the order £20 million which is only about 4 per cent. of the assets of the National Insurance Fund. Can you tell me why you have no cash and only £20 million of near-cash?—Of course, we rely primarily on the contributions which come into the Exchequer each week to pay benefits.

1713. Yes, but this is the statement of balances at the 31st March, 1951?—Yes.

1714. When, in fact, your cash was a minus quantity, although you had near-cash in the sense of Ways and Means Advances and Treasury bills of about £20 million?—Where do you get the minus quantity, if I may ask?

1715. If you look at Statement II you will see: "Held by the National Debt Commissioners (see Statement III), £479½ million". Is that right?—Yes.

1716. Then, if you look at the total, the total balance is slightly less than that and I think, if you look at the cash due from various sources, you will see a certain amount less certain other items which, in fact, when added together result in a minus quantity?—The actual cash held by the Paymaster General on our account was £156.756. That is in the Second Statement.

1717. Yes?—Then these things which are deducted are really in the nature of liabilities, deposits by employers, than actual things we shall ever have to pay out, because as the stamps fall due so they work off.

1718. Yes, but it is correct to say that at the 31st March your cash was a minus quantity, is not that right?—I am sorry, I am afraid I still get back to the fact that the Paymaster General had £156,000 actual cash. We had certain liabilities.

1719. Following down, you have: "Less deposits by employers, £1,875,779"?—Quite, they were held by us and we should have had to repay them if we had been called upon. If I may ask for information, are you suggesting we ought to hold cash equivalent to that?

1720. Taking cash and advances together, you have got £20 million in near-cash but that only amounts to 4 per cent. of the total assets of the National Insurance Fund? I am not talking of the Reserve Fund, I am talking of the National Insurance Fund?—Yes.

1721. The total assets of the National Insurance Fund are £479½ million, that is right?—Yes, that is Statement III.

1722. Yes. Of that £20 million only is in near-cash?—In near-cash, yes.

1723. And all the rest is in securities?—Yes, quite.

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1724. Of varying maturities, so you have only 4 per cent. of the assets of the National Insurance Fund in cash or near cash?—I will take your arithmetic.

1725. Is not that near enough? One of the risks this Fund has to bear is unemployment, is not it?—Yes.

1726. You cannot calculate with any great accuracy when the Fund may be required to bear an appreciable cost of unemployment?—Quite.

1727. You have only got £20 million available at short notice?—You have roughly £10 million a week coming in in cash.

1728. But over and above that you have only got in the Fund £20 million available at short notice?—That is correct. There would have to be a lot of unemployment before we ran out of the £10 million a week, even.

1729. Could you give me an idea of the figure of employment which would absorb the £10 million a week?—It depends, of course, on the type of cases they are, whether they have got dependents or what. I know we had a letter from the Actuary recently which said that even if there were something like 25 per cent. unemployment for six months, we should only use up something like £200 million of our Fund.

1730. Yes, that is a lot more?—It is six months and it is coming in at the rate of £10 million a week.

1731. £200 million would be nearly half of the National Insurance Fund?—Yes, but I am trying to point out that we get in £10 million a week.

1732. Yes. What I am asking you is, without drawing on the Fund, what figure of unemployment could be supported out of the weekly receipts?—What are you asking me to assume about sickness? I am not fencing, I want to know?

1733. Certainly. Assuming other factors remain constant, what would be the figure of unemployment benefit which would mop up the weekly income?—The best calculation I can give for that quickly is this, that 5 per cent. unemployment would be at the rate of about £68 million a year which is just over £1½ million or £1½ million a week against the income of £10 million that we get in.

1734. At that rate of unemployment how long would your £20 million readily available from the Fund last? That would soon be spent, would it not?—We have not begun to eat very much into our £10 million a week income yet. The figure which I gave you, which is admittedly a quick calculation, is that if we had 5 per cent. unemployment we should spend £1½ million a week on unemployment benefit. We are getting £10 million a week in, so

we have a pretty good margin there before we start running into our £20 million in liquid assets at all.

Mr. Benson.

1735. You are almost £3 million a week in surplus?—If you are pressing me about the available cash, I would remind you that the first item in the investment falls in in 1953, so we have got a very good £71 million coming along there.

Sir John Mellor.

1736. Yes, but you will appreciate that it would be quite impossible in the present state of the gilt-edged market to realise these securities quickly in large quantity?—Yes, quite, I know, but this is something which will fall in next year.

1737. Yes, in 1953. Perhaps I might just, for the purposes of discussion, accept what you said about the National Debt Commissioners being responsible for the selection of investments, but I do not think you would disagree with this, that your Ministry is responsible for ensuring that the investment policy is such as to match your assets with your liabilities?—Certainly, yes.

1738. Do you take the advice of the Government Actuary upon that point?—Yes.

1739. Has the Government Actuary expressed himself satisfied that you are sufficiently liquid?—Yes.

Mr. Douglas Marshall.

1740. I would like to be clear on one point, Mr. Chairman, which has just been raised. Sir Geoffrey, in answer to Sir John just now you said that you are responsible with the guidance of the Actuary that your investment policy matches your liability? That, surely, under these circumstances covers the entire investment policy, because liability is not only immediate, it is also future?—I would like to expand that. It was rather shorthand, perhaps, but I think Sir John understood what I meant. It is a selection as between short and long and the relative spacing out of the dates when they will fall in.

1741. That is what I thought you mean, but I wanted to be clear on the point myself?—Yes, that is what I did mean.

Mr. Douglas Marshall.] I have nothing further, Mr. Chairman, other than that I would like to raise one point when the witness has retired with regard to this matter of the Debt Commissioners.

Chairman.] Yes.

Mr. David Thomas.

1742. On the question of this investment of surpluses in the Fund, when the Debt Commissioners purchase investments they

are in Government Stock, mostly, and might have been bought in this particular case at a very high price. I suppose they would take into consideration the low price of the stocks today and they might decide to invest at the low price today thereby gaining over a period of years, provided prosperity returns, as we all hope?—I prefer not to express an opinion.

1743. It cuts both ways?—Yes.

1744. You might be looking now at present prices if you realised the investments, but if the Debt Commissioners decided they would invest more in Government $2\frac{1}{2}$ per cent. or 3 per cent. at a low price, later on they would certainly realise much more money as a result of that policy?—Might I say that I hope so, because I do not think it is for me to express an opinion on that.

1745. There is another point on the National Insurance Fund Account relating to irrecoverable overpayments. I notice that the sickness benefit cases involved amounted to 26,521 and the unemployment benefit involved 4,089 cases. Is there any explanation as to why proportionately the sickness benefit overpayments were very much more than unemployment?—I do not think there is any other explanation than that, if you look at the top of the same page, you will see that we paid £68,500,000 in sickness benefit and £17 million in unemployment benefit. That is to say, the number of claims related to the amount we paid.

1746. It would not work out in that way, would it? If you multiply the £17 million of unemployment benefit it would come to £68 million. Multiplying the unemployment benefit cases in the same way, they would come to 16,000, roughly, as against 26,000 for sickness?—There was the point I explained to the Chairman, that during recent months we have rather concentrated our audit on sickness benefit and that has thrown up a lot more cases. I do not mean just recently, I am talking about these Accounts, of course.

Mr. Benson.

1747. On page 1, Civil Servants do not draw sickness benefits under the insurance scheme. Are they entitled to draw retirement pension without any reduction from their Service pension?—I think I am right, and I would rather like the Treasury to check this, but I believe the answer is that existing Civil Servants when the Scheme came into force will, when they retire, be able to draw both, but there came a point when new entrants ceased to have that privilege and will draw their Civil Service pension less the retirement pension paid by us, but exactly where the dividing line is, I am not quite sure. (Mr. Ross.) Just before the introduction of the Scheme, July, 1948.

1748. Why is a Civil Servant to that extent damnified? He pays like everybody else?—If I may answer that, he pays no less than the insured population at large, and the arrangement was reached after consultation with staff interests who no doubt took this point, that this was a universal scheme covering the insured population as a whole and that they did not in any way seek preferential treatment for new Civil Servants under it*.

1749. Thank you. With regard to the load this throws upon the Departments, you say it cannot be settled by a lump sum annually without legislation, but it would take into consideration the quinquennial valuation? If you cannot do it annually why can you do it quinquennially?—(Sir Geoffrey King.) Without legislation we cannot do it annually because we have no power to pay out, to alter the amount of the Exchequer contribution at any point without legislation, but I think the idea is that the quinquennial valuation will certainly result in legislation and this point will be looked at, with what result I do not know at the moment.

1750. At the quinquennial valuation you will get legislation?—Yes, we are bound to have other changes which will involve legislation.

1751. Now, with regard to Northern Ireland, they set up a scheme of their own. When was that?—At the same time as our own.

1752. Has that led to a duplication of administrative costs?—I should not have said the slightest duplication. Administratively, the two things are entirely separate. We have no function in Northern Ireland and Northern Ireland do not function over here.

1753. They both have to have an Actuarial Staff, and both have to have a Head Office Staff?—Yes.

1754. In that respect you cannot have two schemes running as cheaply as one large scheme, surely?—No, but I think I should be treading on rather dangerous ground if I suggested that we ought to run anything in Northern Ireland.

1755. Yes, except that you did say you thought we made a heavy contribution to Northern Ireland?—Yes.

1756. Which is increased by the fact that they have duplicated the machine?—I suppose that is so, to some extent, I should have thought to a very small extent, because their Headquarters Staff, I happen to know, is a very small one.

* Note by Witness: This was the position at first; subsequently a claim was made, but it was rejected by the Government and has not been pressed.

18 March, 1952.] Sir GEOFFREY S. KING, K.B.E., C.B., M.C.

[Continued.]

1757. Now, with regard to schedule stamping of cards, I understood schedule stamping to mean that the employer pays large sums at a time instead of buying individual stamps?—Yes.

1758. How do the stamps get on to the cards in the case of that employee?—They do not get on to the cards if the employee remains in the employ during the whole of

the currency of the card, but arrangements are made, if an employee under that scheme leaves, to have his card put in order. I do not say it is necessarily stamped, it may be franked in some way.

Chairman.] Are there any further questions on the Accounts? May I take it that the Accounts are approved? (*Agreed.*) Thank you, Sir Geoffrey.

Sir Geoffrey King and Mr. Ross withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS I.

VOTE 9.

EXCHEQUER AND AUDIT DEPARTMENT.

Sir FRANK TRIBE, K.C.B., K.B.E., examined.

Chairman.

1759. Sir Frank, we would be interested to know a little more about your activities. You are called the Comptroller and Auditor General. Is that your full designation?—No, Sir, my full designation is the Comptroller General of the Receipt and Issue of Her Majesty's Exchequer and the Auditor General of Public Accounts. Those two titles were combined in one in the 1866 Act.

1760. What do your Comptroller functions cover? How many of your staff are engaged on those?—The Comptroller functions derive from the old title of Auditor of the Exchequer, which went back to 1314, I believe. As Comptroller it is my duty on behalf of Parliament to see two things, first of all, that the Government does not draw out of the Exchequer more money than Parliament has agreed it should and, secondly, that it does not draw it for objects other than those which Parliament has approved. It is quite a small branch of my Department, actually; I have only two men on whole time on it, but every evening round about 4 o'clock I get a demand from the Treasury asking for the supply of credit to carry on the Queen's Government the following day. That demand is examined by those two people and by about 6 o'clock I send authority to the Bank of England in the form of a credit which is issued the following day.

1761. How does your staff compare now in size with its pre-war size?—Pre-war, that is to say, in 1939, there was in the Department a total staff of just over 400. At the beginning of this year it was 516, but I am under orders to reduce that to 506 by the end of June of this year.

1762. Has there been any expansion of work since before the war?—Oh, yes. Since before the war there has been a vast expan-

sion of work. Broadly speaking, pre-war the totals of expenditure and revenue were about £1,100 million a year and now the comparable figure is roughly £5,000 million. Of course, that is more than the Budget figures because the estimates include certain net subheads whereas I have to audit gross. The biggest example is the Ministry of Food, which has a gross expenditure of over £1,500 million a year, but it is its net expenditure which appears in the estimate. The amount of expenditure subject to audit has increased roughly by five times since before the war.

1763. Is the work growing now, or is it slackening?—As compared with what it was in, say, 1945, perhaps you have something like that in mind, it has been growing pretty steadily even since then. I have taken on about 76 new audits since then and lost about 27, so there is a net increase of nearly 50 accounts in the last six years.

1764. You said just now you had got to reduce your staff under the general cuts to 406, was it?—506, yes.

1765. By what date?—That is by the end of June.

1766. I think we would be interested if you would describe to us briefly the way in which your office is organised?—Yes.

Mr. Hoy.

1767. Before Sir Frank gives that, could he be more specific on one point. When he says he has got to cut his staff, is it a general cut or does it mean that certain people have got to go?—No, a general cut. As I think is well known, it applies to the whole Civil Service. The Treasury have issued instructions that staffs all round should be cut and my instructions from the Treasury were to cut my staff by another 10 as from the beginning of the year to the end of June.

18 March, 1952.]

Sir FRANK TRIBE, K.C.B., K.B.E.

[Continued.]

1768. That is, any 10?—They leave it to me to decide what 10, yes.

Mr. Benson.

1769. On that point, Sir Frank, you have certain duties laid on you by Parliament, the prime function of which is to watch the Government and Government expenditure?—Yes.

1770. Supposing you find that you are seriously hampered by this cut, what remedy have you? To report to Parliament direct that the Government is obstructing you?—Yes.

1771. I hope you will do it?—That is, as far as I know, the only remedy.

Chairman.

1772. I was asking, Sir Frank, if you would just say briefly how your office is organised?—Yes. Of the total of 500-odd about 400 are in the audit grades, that is, mainly, trained, experienced auditors, and the other 100 are clerks and typists and messengers. The Department is divided up into nine divisions, each under a Director of Audit. One division deals with accounts and establishment matters, the other eight take between them the audit of the different accounts which are allotted so that approximately the same volume of work falls on each one. Above the Directors I have a Secretary and a Deputy Secretary. So far as possible we plant out the auditors in the departments which are audited and they are so placed in all the large departments, conducting a current audit of expenditure. When I say "current" I mean anything up to the last four or six weeks. It is not merely a question of going in and examining an account 18 months after it is over. In all the large departments I have this staff actually employed day to day in the departments carrying out a current audit there. Each Director is responsible to me for the correctness of the accounts which are entrusted to his care and on the Director's certification I sign the certificates which come before Parliament.

1773. What is the kind of audit they are conducting?—There are really three types of audits. There is, first of all, the straightforward accounts audit, that is, seeing that the accounts are correct. Broadly speaking, as the Committee would expect, the level of account keeping in the Civil Service is very good and we do not have a great amount to criticise in that respect. It very frequently happens that we do find minor mistakes, but those are all cleared and agreed before the account is finally checked and signed and, therefore, this Committee never sees the result of the very large-scale amount of pure accounts audit which is carried on. There are two other types of audit; one I might call, broadly speaking, a financial audit, which consists of such things as looking at waste and extravagance, lack of control over expenditure, the adequacy of the internal audit or check and

failure to collect due receipts, losses from the failure to safeguard cash, and that kind of thing. In that regard my auditors pay special attention to the systems of control and accounting used by departments, but I should not like the Committee to think that they do no direct checking themselves. Of course, as the volume of work has grown without any corresponding increase in the number of auditors, the percentage of the test checks I can apply is inevitably diminished and, naturally, where one is satisfied that the department has a good internal audit and control of its own, I pay less attention to it than to other departments which are not so fortunately situated. Then, the third type of audit which is peculiarly a Parliamentary audit or appropriation audit involves questions such as these: whether the money has been applied contrary to the intentions of Parliament in voting it, serious discrepancies between estimates and the outturn of the accounts, whether the Treasury exercised their power of virement in a way which I wonder whether Parliament will altogether approve, the question of lack of statutory power for expenditure on continuing services, the question of whether the expenditure falls within the ambit of the vote, things like the undue accumulation of reserves by bodies in receipt of Parliamentary grants, and items of that nature. Those are the three different types of audit.

1774. Can you disallow expenditure in appropriation accounts?—No, unlike many people who hold similar positions. For instance, the Comptroller General in the United States has the power of disallowance and claims to recover hundreds of millions of dollars.

1775. Do you conduct any pre-audit of expenditure?—To a very small extent. Actually, by custom I do pre-audit the teachers' pension payments, but that is the only thing I can think of. Otherwise it is, broadly speaking, only a post-audit.

1776. Do you secure any cash recoveries as a result of any of your audits?—Oh, yes, quite a considerable amount. During the war, as Members of the Committee who were on this Committee at that time will remember, my Department recovered millions of pounds largely through examination of contracts. Of course, the chance of doing that has diminished a great deal since, but even now under current conditions, my Department does effect quite a considerable number of cash recoveries as a direct result of audit action. The figures vary from year to year, but I should say that, on an average, at the present time the direct recovery results in getting back over £100,000 a year.* We

* *Note by Witness:* In addition I would estimate at well over £100,000 a year the prospective recoveries and savings effected by prevention of overpayments and undercharges.

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SIR FRANK TRIBE, K.C.B., K.B.E.

[Continued.]

had, if I might mention this, one rather remarkable recovery made, I think, two years ago. I have a very small section in North America, stationed at New York, who audit British accounts in North America. On the examination of one Department's accounts in America they came across some mistake which had been made as a result, really, of devaluation, and as a result of that we are recovering 560,000 dollars from America which has paid for my New York Office hand over fist for many years.

1777. Where do you get your staff from? Do you have special training schemes for them?—Yes, I recruit the staff through the ordinary Civil Service Commission channels. The audit staff are recruited through the Executive Officer Examinations. They come to me at round about the age of 18 and we then give them three years' pretty intensive training. We have an external training scheme whereby all the auditors within reach of London go to courses of lectures and classes at the City of London College. Auditors stationed outside London take a correspondence course of a similar nature. This course was specially designed for us by the College and does give our officers over those three years the type of training in the kind of audit which is necessary for public accounts. In addition to that, we have internal training, a series of lectures and discussions with senior officers of the Department and practical instruction in their work as they go along. So, for three years the auditor is subject to this training scheme and has to pass satisfactorily through that scheme before he can be promoted to the next rank. Of course, under present circumstances most of the men I get at the age of 18 have to go away to the Armed Forces for two years so I do not have an effective recruitment until 20 in the case of men, and very few women, actually, are posted to the Department.

1778. Is all your auditing done on behalf of Parliament, or is there anything else besides?—No. I am, of course, essentially and primarily a servant of Parliament, but I do also by agreement with the Treasury carry on some audit work which is not directly on behalf of Parliament. Under Section 3 of the 1921 Act the Treasury can request me to undertake the audit of certain bodies which are not directly Government Departments, and under that power I audit, for instance, the accounts of the Church Commissioners, various accounts of the Channel Islands and trust funds, the Mint at Melbourne, and that kind of thing. Then there is another series of audits which I do by agreement, that is, agreement with the Treasury and the Department, and into that category fall bodies like the Agricultural Research Council, the Arts Council, the Council of Industrial Design, the Medical Research Council, and so on. Thirdly, and only

quite recently, I have undertaken at the request of the Treasury the audit of certain specialised agencies in the United Nations which had previously been audited by professional auditors, and I am now the auditor of U.N.E.S.C.O.—Members know what that stands for—and the Food and Agriculture Organisation and the World Meteorological Organisation. In all those cases I recover the full cost, so the appropriations in aid of my Vote meet the cost of that work. I think those are the three types of audit which I carry out not directly on behalf of Parliament, but they amount to a comparatively small proportion of the total amount of the work which I do.

1779. Coming back to your ordinary work with which we are concerned, would you say that you are satisfied that your audit reaches the minimum standards which are essential in order to enable you to certify the accounts and report on them to Parliament?—If you are asking me that in relation to my pure statutory duties of satisfying myself that the accounts represent the proper state of affairs and correspond to the books of the Department and do not contain any large errors and that kind of thing, what I call the accounts audit, I should say, yes. It is, of course, very difficult to say precisely what is the absolute minimum which you should require. If you have a fairly large account to audit it is very difficult to say that 13 people are enough and 12 are not enough. I am given discretion by the 1921 Act to vary the degree and the extent of audit and it is, therefore, very difficult to say exactly what an absolute minimum is. But Public Accounts committees, have, of course, generally been more interested in the other side of my work, and although it is not a statutory duty, it is one of the recognised duties of anyone holding my office to report to Parliament on what I call financial audits such as waste and extravagance, and also on the appropriation audit side and the departure from proper Parliamentary authority. Of course, there is a great scope to what one can do on that. I should not like the Committee to feel that there is a great deal that I am missing. On the other hand, I cannot help feeling that if I had a rather larger staff I might be able to report to the Committee more cases of that sort. I have got particularly in mind the National Health Service, which is a vast new service, set up quite recently, of which I am the only external auditor and, frankly, I am only able to cover much ground very thinly. If the Defence Programme develops on a large scale in the next two or three years I could not apply to it without an increase in staff anything like the amount of examination which was given during the last war to the Ministry of Supply and the Ministry of Aircraft Production.

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Sir FRANK TRIBE, K.C.B., K.B.E.

[Continued.]

1780. From what you know of the Defence Programme so far, is it your view that you will not be able to do as good a job on the contracts side as you did during the war?—Certainly, at present, unless I make some internal readjustments. I may find it necessary, of course, to take staff away from other work, really starve other audits, as indeed was largely done during the war. During the war my Department did very little audit, for instance, of the Post Office or of the Board of Inland Revenue. I have tried to restore those audits to something more approximating to pre-war conditions, but I cannot do both of them,—this is very fruitful work, I think—and at the same time tackle a thorough examination of the Defence Programme.

1781. Can you say, Mr. Milner-Barry, why the Treasury thought it right to reduce the staff of the Exchequer and Audit Department?—(Mr. Milner-Barry): Well, Sir, I think the short answer to that is that the Exchequer and Audit Department, like any other Government Department, fell within the purview of the Treasury when they were considering the application of the Chancellor's letter of the 12th November, and it was felt right that they should make a contribution although, actually, a modest one by comparison with other Departments, in the same way as other Departments were asked to do. (Sir Frank Tribe): Perhaps it might help the Committee if I give them a very short history of this business of the staff. Since I have been in office, that is, since 1946, I have tried not to worry the Committee with these matters and I have been able to reach amicable arrangements with the Treasury. But I should just like to say this, that the 1945-46 Public Accounts Committee in paragraph 3 of their Fourth Report said, after reviewing the position fairly thoroughly and the Report of my predecessor, that they trusted that the Comptroller and Auditor General would be "able to secure the necessary staff to raise the present minimum standard of audit to the higher level desired and adequately to discharge the additional duties imposed upon him by new legislation". Following that Report, which was virtually accepted by the Treasury in their Minute, we got a sanction to increase the maximum number of the staff to 546. But that never was put into practical effect because as soon as that figure was approved periodical successive ceilings were applied, and the result was that the effective limit never rose above 510, and by 1950 it was down to 501. That was not altogether satisfactory; there was big new work which was put upon us, particularly by the 1948 legislation, and I went back to the Treasury and in October, 1950, secured sanction for an increase in staff of 25, which would have brought me up to 526. We were in process of recruiting the necessary staff to bring it up to 526 when, in November last, I was told that

I must not increase the staff at all. That limited it to 516, and then, at the beginning of this year, I was told that that must be reduced, as I said before, by another 10, by the end of next June, and, I am bound to say, with prospects held out of further cuts to follow.

1782. Mr. Milner-Barry, have you cut the Revenue Department?—(Mr. Milner-Barry.) Yes, I am sure this applied to all Departments including Revenue Departments.

1783. Even if you lose money on it you cut staff all the same? If there is a net loss you are still cutting staff?—That is so, we would not necessarily regard the fact that we were losing money as a ground for not reducing the staff in the present manpower position.

Chairman.] I may want to ask you something about that later on.

Mr. Benson.

1784. On this question of cutting staff, Sir Frank, I think I am right in saying that at the beginning of the last war the Treasury again demanded a cut in staff and your predecessor, Sir Gilbert Upcott, reported this matter to the Committee, and the Committee held their arms up, so to speak, and I think he was successful in resisting the cuts. I forget what year it was?—(Sir Frank Tribe.) I think you are probably thinking of March, 1943, when you may remember that Mr. Herbert Morrison was Chairman of a Committee to supervise and, if possible, reduce the staffs of Government Departments. My predecessor did bring the matter before this Committee and considerable correspondence took place between Mr. Herbert Morrison and Sir Assheton Pownall, who was then Chairman of the Committee. That is all reproduced in the Report for 1943, but I would just like, if I may, to read one paragraph of Mr. Herbert Morrison's letter in which he said: "I, of course, realise that this is not a matter in which the Government or my Committee have any jurisdiction to intervene and I am, of course, scrupulously anxious to avoid even a suggestion of interference in a matter which is the concern of the Public Accounts Committee". As a result of that, with the backing of this Committee, Sir Gilbert was able to keep the essential minimum staff during the war.

Mr. Benson.] I think, Sir, in view of the fact that the Audit Department has been under steady pressure from growth of work without any added increase in staff, that this is a matter we might consider further.

Chairman.] Yes, we will consider it further, but not during the process of the examination.

Mr. Benson.] No, I am merely suggesting that. I have no other questions to ask, Sir.

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Sir FRANK TRIBE, K.C.B., K.B.E.

[Continued.]

Mr. Douglas Marshall.

1785. I have just one or two quite small points. Would you turn, Sir Frank, to the Appropriation Accounts, pages 24 and 25. On page 24 I see from the footnote to Subhead C that there have been savings on "Messengers' uniforms, meal vouchers, and school expenses in Egypt". What is the reason for that being especially mentioned? We only know about North America and Egypt?—I should, perhaps, have mentioned this before. The main part of my staff is in London, but for a long time now there has been a branch, half a division to be exact, which was stationed in Cairo and conducted the audit of all accounts in the Middle and the Far East, mainly the accounts of the Army and the Air Force Stations there, but it has been extended also to certain Colonial administrations and from Cairo they used to audit accounts as far east as Hong Kong and as far west as Malta and down to East Africa. For instance, they went and had a look at the groundnuts scheme when it was in operation there. I still have that half division in the Middle East. It is not as large as it was, and under pressure of circumstances about two months ago they had to make a very hurried evacuation from Cairo and got the records out at midnight, and are now established, I hope happily, in Cyprus.

1786. They have transferred from Egypt to Cyprus?—Yes.

1787. That was one of the points I wanted to clear. The other small point was that you mentioned the audit of the Channel Islands, and you went on to say that there are other audits that you are, in fact, doing, but it did not appear to me to be quite clear as to whether the Channel Islands pay for that audit or not?—The Channel Islands audit is conducted at the request of the Treasury under Section 3 of the 1921 Act. It has been agreed with the Treasury that no charge should be made. On the other hand, I also audit the accounts of the Isle of Man and for some reason of which I am not immediately aware, a charge is made against the Manxmen.

1788. May I ask the Treasury if there is a reason why the Isle of Man has to pay and the Channel Islands have not?—(Mr. Milner-Barry.) I am afraid I shall have to look that up, if I may let you have that information. (Sir Frank Tribe.) The Isle of Man audit is by agreement, that is to say, the Isle of Man were willing and anxious and, apparently, they agreed that they would pay for the job to be done. On the other hand, it was at the Treasury request that the Channel Islands had their accounts audited by me. (Mr. Milner-Barry.) May I look up that point?*

* Information supplied; not printed.

1789. Thank you very much. Now, one general question only arising from my own ignorance. It does not apply to you, Sir Frank, but is the Accounting Officer and Comptroller and Auditor General always a Chartered Accountant, or not?—(Sir Frank Tribe.) Oh, no, never. He might be in theory, but in practice I think I am right in saying that all my predecessors, except the first, have been people who have had their experience in the Civil Service. That is not laid down by statute.

1790. I just wanted to know the answer to that. The last point I have is with regard to the question of the number of people who are engaged in this work. I think you gave the figure in 1945 or 1946 as 510?—In 1946, actually, the figure was 473. I do not think I gave that figure, but that is what it was.

1791. In 1946 it was 473. Was there any ceiling or cut, which amounts to the same thing, in 1948?—Yes. As I said, we had got agreement to build the strength up to 546, but a ceiling of 510 was agreed by the Ministerial Man-Power Committee in 1948 and actually we were effectively limited by the total of 501 which, after some controversy, was sanctioned by the Treasury for inclusion in our 1950-51 Estimate.

1792. So, the suggestion at the present moment from the Treasury would bring you, as far as I can observe, to five more than you had then?—Yes.

Mr. Bossom.

1793. Do you audit the Nationalised Industries?—No.

1794. Who does?—Professional auditors appointed in each case, I think, by the Minister who has a general responsibility for the Corporation.

Mr. Bossom.] Are we entitled to have the Nationalised Industries before us, Mr. Chairman?

Chairman.] Yes.

Mr. Bossom.] If we wish to, we could ask the Nationalised Industries to come here?

Chairman.] We have already examined one Nationalised Board.

Mr. Bossom.] Yes, one. We can have them all, if we wish?

Chairman.] We can have any of the Boards.

Mr. Bossom.

1795. Thank you very much. You were saying, I believe, Sir Frank, that you have a certain number of your people in the offices, so to speak, of the spending departments?—Yes.

1796. Did you have some of your people in the offices where the groundnuts scheme was going on?—No, the full groundnuts

18 March, 1952.]

Sir FRANK TRIBE, K.C.B., K.B.E.

[Continued.]

scheme was under the Overseas Food Corporation and was not subject to my audit. Why I mentioned the visit of my officers to the groundnuts scheme before was that the scheme was started, you remember, under the aegis of the Ministry of Food and for 18 months or so the Ministry of Food ran the scheme out there. It was during that period that my auditors visited it. Parliament then passed the Overseas Resources Development Act under which two Corporations were set up, the Overseas Food Corporation and the Colonial Development Corporation, and under that Act the Minister appointed the appropriate auditors. In the case of the Overseas Food Corporation the Minister of Food appointed Cooper Bros. and when this Committee examined the accounts of the Overseas Food Corporation two years ago their first witness was Mr. Benson, who is one of the senior partners in Cooper Bros.

1797. Could you suggest any way whereby the Minister responsible could be kept informed of a situation like that when it is developing in any Department, when spending is being carried on beyond the authorisation of Parliament?—In that case, of course, I should just like to say this, that I do come into it in this way as Comptroller. Parliament had said that no more than, I think it was, £50 million should be advanced from the Consolidated Fund to the Overseas Food Corporation and periodically the Treasury at the request of the Ministry of Food made requests that I should authorise the issue of so many million pounds via the Ministry of Food to the Corporation. If that had exceeded the £50 million I should have refused the credit and insisted that if they wanted any more money they should come back to Parliament and get it. They did not actually get up to the maximum limit, but I am not certain whether it is really for me to suggest how control of the Corporation should be exercised. It is a very big issue and last year I think the Public Accounts Committee did make a suggestion of the possibility of a Treasury nominee on the Board of some Corporations.

1798. In other words, you would agree with that general principle so as to avoid that sort of thing happening. Everybody would like to see the Minister have his own ideas carried out, but I am sure none of us would want that sort of thing to happen again?—I think everybody would agree that we do not want to see another scheme which would involve a loss of £26 million of which Parliament has to approve.

1799. That is the recommendation you make, that the Report of last year be considered?—The Report will be considered automatically on the Treasury Minute, yes.

1800. Did we hear earlier in this Session of more money having been spent on the

Festival of Britain than had been authorised?—Not on the Festival itself.

1801. On the Gardens?—On the Gardens, yes.

1802. How did that happen, when you say that every night you get a report from the Treasury? How did that slip through?—The Festival Gardens were financed by loans, to a small extent from the L.C.C., but mainly from the Government Department which was called the Festival of Britain Office, and the Festival of Britain Office had on its Estimates one Subhead, Loans to the Festival Gardens Company Limited. Actually, during that year, 1950-51, the Festival Office did not spend as much money as Parliament had authorised them to spend on other subheads and they, therefore, had some additional moneys surplus which they were able to advance on loan to the Festival Gardens that year, but in addition to that I should, perhaps, remind the Committee that Parliament has approved a fund called the Civil Contingencies Fund which was, in fact, used in this case and which can be used by the Treasury at their discretion to make advances, repayable generally within the year of account, for any item which arises unexpectedly and is not already included in the provisions made in the current Appropriation Act.

1803. That obviously has to be done, but it goes back to my former question, is there any Scheme such as the one that was recommended last year whereby there is someone there who could really warn the Minister that something is just going a bit wrong?—I think I am right in saying that that was broadly the view of last year's Committee. Of course, the Treasury Minute, as you may have noticed, rather contests that view and I imagine this Committee will be examining the Treasury on that on, I think it is, the last day in May. There are obviously pros and cons.

Mr. Scott.

1804. Sir Frank, you referred to the branch of your Department in North America and to the one in Cyprus. I wonder if you can tell us how many people in your Department, roughly, are employed abroad?—In North America one Englishman, one man who is a Newfoundlander, with experience in accounts, and a very efficient girl. That is all it consists of in New York. In Cyprus I have got ten.

1805. You referred to the cuts that you are about to make in your Department and staff. Will those cuts come mostly from the 400 qualified auditors, from that side, or from the 100 typists and clerks, or from both?—No, they will come mainly from the first category. I have never since the war been able to build up anything like my strength of permanent staff and I still have 91 temporary auditors and assistant

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[Continued.]

auditors, people who have not, for the most part, been professional accountants, but people we have been able to recruit with some knowledge of figures and finance. Our long-term policy is to replace those by permanent established staff to whom we can give this three-year training that I referred to. I am afraid the greater part of this cut must fall on those people, the 90 or so temporary auditors and assistant auditors.

Mr. Hoy.

1806. Does that mean that you have great difficulty in recruiting staff?—Yes, for several years now I have not been able to get from the Civil Service Commission as many young entrants to the executive grades as I should like to absorb and train and turn into regular staff. I should say, though, that within the last week or so I have noticed signs from the Treasury that the position is going to be reviewed, and I am hoping to get this year as many recruits from the current examinations as it will be possible for me to train.

1807. Might I ask Mr. Milner-Barry a question? Is the fact that the Comptroller and Auditor General was not allowed to build up to an already agreed figure the reason why the Treasury has asked him to make such a small cut?—(Mr. Milner-Barry.) I think that was one of the considerations which was taken into account, yes.

1808. So that, in fact, the cut on the Comptroller and Auditor General's Department is equally as large as any other Department, when that consideration is taken into account?—No, I do not think that is quite correct, because I think I am right in saying that when the standstill was imposed originally quite a large number of Departments, if not the majority of them, were below their maximum authorised ceiling, so that I think it is true that, taking into account very broadly the special duties of the Comptroller and Auditor General and the importance of his work, the cut in his case was considerably less than it was in the average over the whole field.

1809. In connection with rearmament, will the Treasury expect the Comptroller and Auditor General's Department to undertake work similar to that which they did during the war?—I am quite certain that we should very much like him to do so, yes.

1810. You would expect him to do so, would you?—Well, the Comptroller and Auditor General and, indeed, this Committee, of course, may well make representations to the Treasury upon the subject if it is felt that it is impossible with his existing staff to do the job but, alternatively, I suppose it might be necessary to proceed as he tells us was done during the war, by greatly cutting down other sides of his activity, such as the audit of the Post Office and the Revenue.

1811. So the Treasury would be prepared to face up to that position, that the Post Office and Revenue Departments were not being audited in the way that they would like?—Well, I think this is, if I may say so, a bit hypothetical at the moment. We would have to consider the circumstances at the time and take into account the views of the Committee, naturally.

1812. But I am sure it is a contingency which the Treasury took into account when they were making these cuts?—This situation has not yet arisen. What Sir Frank was talking about, I think, was the position a year or two hence, or two or three years hence, and at the moment we are considering the 1952 position.

1813. Yes, but we are spending a considerable sum on rearmament which I am certain every section of the House would like to feel was being very carefully checked?—Yes, I did not understand Sir Frank to say he was not able to do that at this precise moment. I thought it was only if rearmament developed very greatly over the next two or three years. (Sir Frank Tribe.) Yes, the contracts are increasing daily and, if I am to do it effectively, I must soon be able to put some more people on to it.

1814. That being the case, it means that other work has to be restricted?—It would, yes.

1815. That is what it would mean?—Yes.

Chairman.

1816. In fact, the total amount of it is growing?—Yes.

1817. And the Defence Programme is going to increase it still further?—Yes.

1818. And you can only meet the work on the Defence Programme if you take your people off other work?—Yes.

1819. Is that a fair way of putting it?—Yes, certainly.

Mr. Douglas Marshall.

1820. You mentioned the weight for example of the National Health Service and all the different matters which properly demand your attention now and, presumably, that weight was coming to you round about the 1948 period?—Yes.

1821. When that ceiling was imposed, which was a lower ceiling than at the moment, were representations made to the Treasury by this Committee? I am just asking for information?—Not by this Committee. I made them, and we did get sanction for 25 extra, but that was very soon whittled away by the subsequent ceilings that I have mentioned. This Committee has not, I think, been concerned with this particular problem for five years. (Mr. Milner-Barry.) I was wondering whether I

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[Continued.]

possibly ought to add just one or two sentences to what I said on this subject, if I may?

Chairman.

1822. Yes?—On the question of the Comptroller and Auditor General's staff, I think the Chancellor's letter, as you will see, did specifically mention in terms a possible loss of efficiency, and we have been forced to take into account, among other things, a possible weakening of accounting checks, and so on, even if that did mean the risk of a loss of revenue. For instance, to some extent the cuts are falling on Departmental Finance Branches and that, in itself, of course, is exceedingly regrettable and nobody could welcome it at all, particularly, perhaps, the Treasury Officer of Accounts. But, the administrators clearly have to judge the point when the revenue interest outweighs the manpower interest

and so far as I am aware I am pretty sure that such staff cuts as have been made so far have not involved any serious risks from the point of view of accounting checks and safeguards. If they were to do so I think I am right in saying that we should be under an obligation to consult the Committee before that was done. With regard to the Comptroller and Auditor-General's own staff, I think we should have found it awfully difficult on broader grounds to exempt his Department entirely from a cut which all other Departments had to face and, as I say, it was lighter in the case of the Exchequer and Audit Department than in the case of other Departments. I think that is all, Sir.

Chairman.] Thank you. Are there any further questions on the Account of the Exchequer and Audit Department? May I take it that the Account is approved? (*Agreed.*) Thank you, Sir Frank.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS V.

VOTE 5.

REGISTRAR GENERAL'S OFFICE.

VOTE 6.

MINISTRY OF LABOUR AND NATIONAL SERVICE.

VOTE 7.

GRANTS IN RESPECT OF EMPLOYMENT SCHEMES.

VOTE 9.

NATIONAL ASSISTANCE BOARD.

VOTE 10.

NATIONAL INSURANCE AUDIT DEPARTMENT.

VOTE 11.

FRIENDLY SOCIETIES REGISTRY.

VOTE 16.

HOUSING, SCOTLAND.

VOTE 18.

REGISTRAR GENERAL'S OFFICE, SCOTLAND.

On these accounts no questions were asked.

The witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 20TH MARCH, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Mr. Hoy.
Mr. Douglas Marshall.

Sir John Mellor.
Mr. Peter Roberts.
Mr. Scott.
Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS IV.

VOTE 10.

GRANTS FOR SCIENCE AND THE ARTS.

AGRICULTURAL COUNCIL ACCOUNTS.

NATURE CONSERVANCY ACCOUNT.

Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E., a Second Secretary, the Treasury, called in and further examined.

Captain C. R. P. DIVER, C.B.E., Director-General, Nature Conservancy, called in and examined.

Chairman.

1823. May we turn to the Class IV, Vote 10, Accounts, with the exception, for the moment, of the Medical Research Council Accounts? I would like first to take the Nature Conservancy Account on page 220, and paragraph 27 of the Comptroller and Auditor General's Report on page xiii. From the third sub-paragraph of paragraph 27 it appears, Mr. Milner-Barry, that the 1949-1950 grant was based on estimated expenditure of £100,000. The actual expenditure came only to about £36,000?—(Mr. Milner-Barry.) Yes.

1824. And the 1950-51 grant was based on estimated expenditure of £172,000 but actually it was only about £82,000. In view of these exceptional differences would you please tell the Committee to what extent you find it possible in practice to exercise control over the Conservancy Estimates?—I should hope that we shall be able to do very much better than that in future years, Sir. This was a relatively new thing and as often happens it started off very much more slowly than we anticipated, and that is why we had these very big savings. I should hope that from now on our estimating will be a great deal more accurate. I do not know whether Captain Diver can add anything to that? (Captain Diver.) I think it is getting appreciably better each year. The difficulty, of course, was in guessing whether you could get the appropriate staff or candidates for the appropriate posts which are all of a highly technical

character. We cannot just take on anybody, they have got to be the right people in the right place.

1825. The second thing I wanted to ask was this: I noted with interest, and I may have some questions later on it, the new form of Estimates adopted by the Medical Research Council, and I want to ask if there is any reason why the details of the Conservancy and the Agricultural Research Council's estimated grant in aid expenditure should not be published on the lines that have been adopted in the case of the Medical Research Council for next year?—(Sir Wilfrid Eady.) I should not have thought that there would be any difficulty about that, Sir. We will certainly look into that. I think it should be all right. (Captain Diver.) We do submit our estimates in sub-heads to the Treasury, but those sub-heads are still likely to be pretty largely guesses rather than accurate estimates. (Sir Wilfrid Eady.) I think it is the form of the account you are interested in, is not it, Mr. Chairman?

1826. Yes?—The one we have worked out on the suggestion of the Committee for the Medical Research Council is, I think, to be applied with certain changes to the Agricultural Research Council and possibly with some modifications to the Conservancy. They are just main headings.

1827. I wonder, Captain Diver, if you can give us a short account of your main activities? Are they primarily aesthetic or scientific?—(Captain Diver.) I have nothing

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[Continued.]

to do with aesthetics, that is a totally different function. I am purely scientific. The charter powers, or the charter functions, are set out at the top of the Vote and they really mean that three types of action fall to us, that is advice, administration, which is better called executive action, and research. Research gives us the basis upon which we can supply advice. It is the foundation of the whole thing and the executive action is mainly concerned with providing the material basis for the research, that is, providing us with the places and the biological and physical materials which are necessary. I do not know whether you want me to enlarge on that at all, Sir?

1828. No, but I think, perhaps, some of my colleagues may want to know more. In the year you seem to have spent nearly £60,000 on administration and only some £23,000 on your direct functions. What do you expect the ratio to be between the figures when you are fully established and, if I may say so, as it were, a going concern?—I should find it extremely difficult to differentiate administrative functions from scientific functions. There are a few posts that are purely administrative posts, or as near purely administrative as may be, but I should hope that they would be kept down to quite a small proportion. The present disproportionate numbers of scientific and non-scientific people—I think that is the best way to deal with them—I think I can give you in figures. In post at the moment we have 56 staff, of which 17 are in the scientific officer class. That 17 includes myself and the Director of Scotland, about six are technically qualified subordinates and the remaining 33 are non-scientific, including one professional land agent. In the early stages with the executive functions that are forced on us by the provisions of the 1949 Act, the National Parks and Access to the Countryside Act, in which we figure, we have got to take a lot of protective action. We have got to keep open many contacts with a large number of different bodies and that, of course, all absorbs time, conversation and paper. That is in the early phases. What we hope to aim at in the future is to get most of our headquarter posts filled by trained scientists who are tending either through years or through their particular bent to go administrative rather than scientific, but at the moment we have non-scientific occupants there and that is one of the difficulties that I am up against all the time, because practically every decision that has got to be taken must have a scientific judgment behind it and I have not got the senior scientists available for that work. (Sir Wilfrid Eady.) Perhaps I might help the Director of the Nature Conservancy with the Treasury

policy on this in answer to your question. When, in 1949, the grants were decided upon, because it was necessary to keep the expenditure on this within very modest limits there were three foundation projects in the grant. First of all, as the Director has said, there was the establishment of a nucleus staff of scientists with some provision for training the younger scientists, the provision of two establishments where fundamental research can be carried out, and the difficulty of getting them explains the failure to spend on capital account, and then such salvage operations as were practicable when sites listed as nature reserves became threatened. That means a deliberate distortion in favour, so to speak, of persons rather than substantial capital expenditure. I think that is the same point. (Captain Diver.) Yes, that is the same.

1829. In the last sub-paragraph of paragraph 27 of the Report and in the Accounts on page 220 there are some references to the procedure for making grants for research and training. In the Accounts there is a figure of nearly £8,000 as against the estimate of £13,000. Could you give the Committee particulars of this? How many such grants were made, and perhaps you could give one or two examples of the larger and more important cases?—Grants for training or grants for research; they are two different things?

1830. Perhaps you will tell us about both?—Yes. Perhaps I may take the research studentships first. They are the simpler ones. In the initial year, that is 1949-50, we had not really got going. We gave only four studentships. In the year of account we gave 16 studentships. That was on the basis that there must be allowance for reasonable wastage, and that would be a reasonable number to train who might be absorbed in ecological work generally. That number has had to be revised not merely from a financial point of view, but from a practical point of view, and last year we gave only 13 grants of a much higher standard. Those research students, as you know, are on the same sort of conditions as A.R.C. and D.S.I.R. research students, that is, a two or three year post-graduate period at a university doing research. They are scattered throughout most of the universities already and at the moment we have, actually, 30 students running. Two or three will mature in this year and a larger bunch next year, but it is no good offering these grants to people unless there is going to be some possibility of their being absorbed into jobs where the money has been well spent, and, therefore, we have asked for only a dozen this year; and I think a dozen probably for the next year or so is about the right number. It is producing

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[Continued.]

too few people in a line that badly needs expanding, but that is no good if it is not also being expanded. They are working on a series of different problems, and about eight of them are actually working in proposed reserved areas. If you would like some of the sorts of problems they are working on, they are these: one student at Ainsdale in Lancashire is doing an ecological survey of a section of the dunes there. That is a proposed reserve. Another student is doing a taxonomic study of particular plants, another student is working on some insects at Newborough Dunes at Anglesey. These are all attached to various universities. The Anglesey one is working from Bangor, the Ainsdale one is working from Liverpool, and we have one student at Cambridge who is doing a certain group of beetles at Wicken Fen, and another student at Cambridge who is working on two other proposed reserves on the plant side and the soil side.

1831. There is one last question which I would like to ask you. Section 24 of the Act requires you, as soon as possible after the 30th September each year, to make a report to the Lord President on what the Conservancy has been doing during the preceding twelve months. Has any report yet been made?—*Mea culpa*, Sir. I am afraid that is entirely my fault, and not the Conservancy's fault.

1832. When is the report likely to be available?—I am hoping to get some time during the Easter holidays.

Mr. Benson.

1833. You classified yourself, Captain Diver, as on the scientific rather than on the administrative side. Why is that?—Because for 30 years while I was a servant of the House I was also doing research work.

1834. On beetles?—No, Sir, on a much wider range than beetles. I started on snails.

1835. To what extent does your work overlap that of the Agricultural Research Council?—There is close contact with them, particularly on things like grass land ecology. We should not push into that where the work is being covered satisfactorily by them. We maintain regular contact with them, naturally, particularly in relation to our grant aided students and in relation to our research grants for outside research projects.

1836. Do you take care that your research and their research does not overlap? Do you know what each other is doing?—Yes, I get all their papers and they get all mine, and it is quite a volume, and, moreover, I look at theirs.

Mr. David Thomas

1837. Taking pages 210 and 211, on the Class IV, Vote 10 Account, how is it that so many of the items on the two pages, taking the grants and expenditure, are similar? Would I be right in saying that no estimates are made in many of these cases and that they submit their account at the end of a specific period and the bill is paid? You have got about six or seven items, I think, where the grant differs from the expenditure, but in the majority of the items the grant and the expenditure are exactly the same?—(Sir Wilfrid Eady.) That is on these small individual ones, from the Royal Society down to the British Film Institute?

1838. Yes, that is right?—They are grants in aid issued in full, but that does not mean to say that the grant receiving body can spend what it likes. A kind of reasonable figure has come to be accepted.

1839. Of course, anyone looking at them would tend to think that the Royal Geographical Society, to take one instance, had a grant of £2,000 and they spent the £2,000?—Yes.

1840. So I thought that, perhaps, the bill had come in from that Society, first of all of the actual expenditure, and then the grant would be paid?—There is a very considerable variation in the practice that has grown up on this. I must look at the Royal Geographical Society to find exactly how that is calculated. (Sir Frank Tribe.) May I just say that the expenditure on this account is expenditure by the Treasury and not by the body to whom the grant is made. The Treasury at the beginning of the year gets Parliamentary approval to make a grant in aid up to the amount shown in the first column, and if the Treasury make that grant in aid it is shown in the second column. Generally speaking, these grants in aid are far less than the sums spent by the grant aided body and they simply represent the amount which Parliament has approved for a grant in assistance of the activities of that body. (Sir Wilfrid Eady.) I am afraid I was taking a different point. I thought the question related to the fact that in some of the other accounts here there is quite a considerable variation between the estimate and the expenditure. Here they are very close, and I thought you were asking whether that means that the bills are sent in and paid. The answer is, as the Comptroller and Auditor General has put it, that this grant has been approved and it is paid to the grant-receiving authority and they spend it. It is not subject to the same chances of estimate errors as there are in a big capital scheme. For instance, even in this page you will find that there are some discrepancies between the expenditure incurred and the estimated grant.

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[Continued.]

1841. How is the grant in aid assessed by the Treasury? Taking, for instance, the Royal Academy of Music on page 210, do you say: "We will give them a grant of £17,000", and would it mean then that the Royal Academy of Music would spend that £17,000 without any question at all?—Here is the most detailed of these, and that is the case of the National Museum and National Library of Wales, where originally the Government made grant on a pound for pound basis for the buildings and then subsequently the maintenance expenditure is covered by Treasury grants based on the actual expenditure of the Museum, but in the case of the Museum the City of Cardiff contributes the product of a halfpenny rate. That is why I say there are many variations in the way these are financed.

Mr. Douglas Marshall.

1842. I have only two questions. One is on page 210, Subhead Q, "Agricultural Research Council". I see that the amount spent was £80,000 less than the grant, and an explanation is given that the amount of the grant issued was restricted in each case to specific requirements. What exactly does that mean?—You are asking about the Agricultural Research Council, Subhead Q?

1843. Yes?—In this case I have not got the actual details of the items on which the expenditure was made, but as the expenditure had not come up to what was originally estimated for, we only issued for the specific requirements, that is to say, for the actual money that had been spent.

1844. That does clear my mind. It is not a specific requirement of each Agricultural Research Organisation, it is a specific requirement for the whole?—It is part of the way of dealing with a problem which has troubled the Committee before, the problem of unused balances at the end of the year. It is part of that process of trying to cut these balances down to figures which do not look alarming. Where we can do it, we issue to the actual requirements of the authority, the monetary requirements, plus a small working balance in case bills which might have been presented in one financial year are presented subsequently.

1845. So it would be reasonable to say that if this Agricultural Research Council had, in fact, been going into research on, say, using terramycin for feeding animals, that would not have been held up for any question of money as there is here an amount unspent?—If the research had been covered by that amount of money it would have gone to them, yes.

1846. The second and last question I have got is on page 211, Sub-head AA, "North Sea Fisheries Investigation". Does something else cover the Channel?—I am afraid,

Mr. Chairman, I will have to ask for notice of that. I am not sure.*

1847. I would be rather interested to have the answer to that, if somebody could let us know?—Yes, I am sorry.

Mr. Peter Roberts.

1848. On page 220, on the Nature Conservancy Account, I did not quite follow the argument with regard to office charges and incidentals. I notice that the salaries and wages were estimated at £35,000, but only £26,000 was spent. In other words, as you say, the staff was not fully filled up, and yet the office charges and incidentals were estimated at £23,000, and one would have therefore thought that there should be a corresponding reduction in the Estimates, but in point of fact it is increased to £26,000. I did not quite follow why that was. One would have expected a corresponding reduction, but in place of that one finds that it goes up?—(Captain Diver.) That heading, "Office Charges and Incidentals" is a very general heading. It covers all the equipment, the setting up of laboratories and that type of thing so far as equipment and furnishing is concerned, and accommodation and furniture. It also covers the amount paid in rent at that time and that caused an over-spending because we were estimating at that time on buying a building and that would be done under Subhead E, whereas, in fact, we could not do that and we are paying a rental to the Ministry of Works. The getting into that building which all comes into the year of account (we moved into it in May, 1950) caused over-spending on Subhead C.

1849. Does the project of purchasing the building still stand?—No, the Treasury asked us to drop that at the moment because it was a capital expenditure.

1850. How much corresponding increase in rent have you had to pay to cover that?—In the initial year we were really living in a semi-parasitic state in a building of the A.R.C. That was under temporary requisition and we were turned out of that. During that period we were looking, as I say, for a permanent residence. We could not find one and, consequently, we were forced by the relinquishment of the requisition to take what the Ministry of Works would then offer us, and for that we pay a rental of over £5,300 a year. I was hoping to be able to get a long leasehold somewhere for which I did not expect to pay more than £20,000 for a long period, but I could not do it for a number of reasons.

1851. So, the £5,000 extra, if that is the extra amount, would, more or less, account for the £26,000 as opposed to the £23,000?—It accounts for some of it.

* Information supplied; not printed.

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[Continued.]

1852. The second question is as regards the grants. Did I understand you to say you had for one year 30 students eligible?—No, these grants are usually for two or three year periods so that if one works on 12 grants a year at the end of the three year period you have something like 30 students.

1853. So there are really only 12 students coming out at the end of each year at the present moment?—That is the idea.

1854. You reckon you will have 12 jobs for them?—No, we are not training them for ourselves alone, there is no demand here for them all. There is a demand for ecologists in the Colonial Service, there is also the academic side and there is ourselves. I am estimating, if I am allowed to have it, on an intake of about five young scientific officers per annum.

1855. You have authority to spend this money for the benefit of other departments?—Yes.

1856. That is part of your charter?—That is part of our function, yes. There are three bodies doing the same thing, the Department of Scientific and Industrial Research, ourselves and the Agricultural Research Council. We are closely linked with each other as to who pays for which. We take the purely ecological side, the Agricultural Research Council take the agricultural grants or anything likely to be on their side, and D.S.I.R. take the rest.

1857. You are below your estimate on that?—Yes.

Mr. Scott.

1858. Are women accepted for these studentships?—Yes, certainly. There is a fair proportion of them.

Captain Diver withdrew.

TREASURY MINUTE ON PARAGRAPHS 38-48 OF THE FOURTH REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

MEDICAL RESEARCH COUNCIL—GRANT IN AID.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS IV.

VOTE 10.

MEDICAL RESEARCH COUNCIL ACCOUNTS.

Chairman.

1859. May we now turn to the Treasury Minute on paragraphs 38-48 of the Fourth Report of the Committee of Public Accounts, 1950-51 and to the Civil Appropriation Accounts, 1950-51, pages 212-215, the Medical Research Council Accounts? I have just one or two questions. Sir Wilfrid, I see from the first paragraph of the Treasury Minute that even if a closer examination had been made you consider the only alternative to your giving approval to the Council's annual demands would have been to have stopped work on the building altogether. Why, having examined the scheme, do you take the view that you could not have curtailed part of the work without stopping it altogether?—(Sir Wilfrid Eady.) This was a whole series of items, some of which had increased in cost through the ordinary rise in costs, while some had increased in cost because they were of a rather more elaborate scientific design than in the original estimate. Although the Treasury can apply the ordinary sort of layman's examination to the run of expenditure this is one item which I went through with

very great care myself last year after the Committee's criticism, and I do not think the Treasury would have been able to have claimed that that item must be stopped if the scientists behind the Medical Research Council said it would seriously interfere with the research work. There were minor changes but the major items of equipment whose additional cost was the real cause of most of the trouble here were, as I say, changes in design or very substantially increased on-costs. This is, perhaps, a little unfortunately phrased when it says "to stop work on the building." It is really to stop some of the work in the building altogether. It is not the structural work itself, it is mostly equipment.

1860. Sir Frank, are you keeping under examination the new procedure mentioned in paragraph 2 of the Treasury Minute?—(Sir Frank Tribe.) I intend to do so, Sir. It has hardly begun yet, but I shall keep a watch on it.

1861. On paragraph 3, Sir Wilfrid, will the 1952-53 account follow the new form of Estimate which we are glad to see has been adopted?—(Sir Wilfrid Eady.) Yes, I think so. I think that is quite clear.

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[Continued.]

1862. Have you laid down any rules with regard to virement yet?—Generally or in relation to this?

1863. In relation to this case?—No, not any special rules.

1864. Are you going to?—Well, we have not found it necessary to lay down any special rules. We are not at all enthusiastic for virement at the Treasury as a general principle, but we also find it an extremely sensible and practical way occasionally to allow it.

1865. As regards building and other capital expenditure, could the Estimates show total estimated costs for the major items as well as the figures for the year on the lines followed for non-recurrent grants to universities and colleges with which you will be familiar?—Yes, I do not think there will be any difficulty in doing that.

1866. Could you also adopt that practice in relation to the building grant to the Agricultural Research Council?—Yes, I do not see any difficulty in that.

1867. Turning to paragraph 4, I wonder if you would like to develop the considerations which led you to reject the suggestion made by last year's Committee?—I am not sure that I can really add anything to what the Treasury Minute says. This Minute is the result of some 25 years of experience of the Treasury in, at least, practical matters in safeguarding or attempting to safeguard public funds by putting on a Treasury director or Treasury assessor. At one time there was the belief that that would be a more effective check and that being so, the Treasury, in a sense, took less concern with what I might call the private members of the Board. I am thinking particularly of companies whom we helped under the Trade Facilities Act, and so on. Then it became perfectly plain that unless the Treasury nominee had virtually a power of veto, which might have paralysed the decisions of his other colleagues, he had just to identify himself with the collective responsibility of the Board; and we have paid more attention in recent years to being satisfied that there is an organisation in which we have confidence in choice of personnel, and we think that this procedure for dealing with accounts and rendering accounts is better than in putting in a sort of watchdog nominee.

1868. While appreciating that such a nominee would not be able to do very much on the technical side of the problem, would not in fact the presence of such a person mean that we should avoid the kind of things to which last year's Committee took exception? Would not a business man or person interested in finance have immediately been bothered by the kind of things, that, apparently, were going on, to which last year's Committee drew attention?—

Quite frankly, Mr. Chairman, I very much doubt that in the case of the Medical Research Council. The real question which arose which, in a sense slipped everybody, was the different magnitude of cost from what had been contemplated, not before the war, but when post-war costs were visible. Although in some respects the authorisation procedure was followed, the items that came up were either specialised items ordered from the one or two firms capable of doing them or they were the result of ordinary tenders. The building extensions were all in themselves reasonable things, and unless the Treasury Director had felt obliged—it might have been possible for him to do it, although I am not sure it was his responsibility, and it is better to put the responsibility on the Council—to have said: "Look here, we must tell the Treasury that this order of cost is going to be quite different; I am not suggesting each item is justifiable, but they ought to know about them", we think that it would be better that the procedure of the Council itself should provide that warning to the Treasury rather than that you should leave it to the Treasury nominee. That, in a sense, was the result of the Committee's criticism last year, and it has led us to establish a more satisfactory procedure for that kind of point, being both looked at in the Treasury and being brought to our attention.

Mr. Hoy.

1869. I remember this very clearly, Sir Wilfrid. I do not want to go over it again, but I think the main concern of the Committee was the fact that these people went on spending money without prior approval of the Treasury, and I want to be sure that the arrangement now is such that they do not do this sort of thing without the prior approval of the Treasury?—No, I am afraid it is not quite correct to say they went on spending this money without the prior approval of the Treasury. They did get their estimates passed. What happened was that they sent in detailed estimates with a lot of particulars of cost and equipment, and so on, and on the face of it that request for expenditure seemed reasonable. Where the Treasury missed the point, and it was admitted at the time, and it is admitted in this Minute, is that it was not seen, as I say, that the order of magnitude of spending was different from what we had originally contemplated. Therefore, should one say: "Well, before we go on with anything else let us review what is happening here, and if we decide to go on, we are going on". There was no question of their spending money without authority. The consequences of gradual building up in total cost were not seen.

1870. I thought it was something more than that?—No.

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[Continued.]

1871. I think you will agree that on this particular question there was some pretty untidy accounting—I put it no higher than that—before the final accounts were settled?—Yes, I did a post mortem myself. I did raise the question on the Minutes of the Treasury, as I told the Committee on the Treasury Paper, that at a certain stage it might have been wiser if attention had been called, as I say, to the different order of cost that was bearing on this. That was not done. It does not often happen in the Treasury. It was not done because the kinds of materials with which the unfortunate Treasury officer had to deal with were quite unknown to him. If you get a lot of scientific equipment and you are told it was estimated at £46,000 and it has worked out at £57,000, you do not know whether the increase was necessary or what had been the extra expense. You assume it was all right, especially if you trust the body.

1872. But there were very, very wide differences on this?—Very.

1873. Very, very wide indeed?—Very wide indeed. There were differences, for instance, of £30,000 or £40,000 in the cost of the electric lighting, and I did provide for the Committee an explanation of those cost differences. In part they were reflecting the ordinary rise in cost, in part changes in design, more expensive design. That is the way in which, as I say, the thing was gradually building itself up. I can only express, with diffidence, a personal view, apart from that general point. I should have thought it myself very difficult to have queried any of the items of cost as they came forward.

1874. The Committee can take it that you have taken precautions to see that this would not be allowed to happen again?—We have taken steps to see that that does not happen. If I may say so, it was a useful lesson all round.

Mr. Cuthbert.

1875. Might I just add to what my colleague has said: what steps are you taking to ensure that this will not occur again? What sort of steps do you mean by that?—We have taken two steps. The first one, and it is the proper one in precedence, is that items of expenditure of any importance at all have got to be authorised by proper procedure within the Medical Research Council's own Board Meetings. So, there the responsibility starts for seeing what the money is, in one sense authorising it. Then, we in the Treasury have applied what is applied more easily in departmental expenditure. This particular thing is very nearly over, but we can check any marked discrepancy between the original costs and the costs as they are coming out which is not explainable by ordinary rises in cost.

That is to say, and this is the point, I think, which you were after, if there has been a substantial change in design which is going to add to the cost we shall have to be satisfied that that change in design was required, not just passed on. If I may say so, I think that is all one can do.

Mr. Douglas Marshall.

1876. I want just to ask a few questions with regard to having a representative of the Treasury on a body of this kind. In other cases when you do have a representative on a body, is he usually a Civil Servant or some private individual appointed specially for the purpose?—No, in the ordinary run usually someone from outside, perhaps a distinguished chartered accountant or a business man who will look after the sort of general prudence and policy of the conduct of the thing.

1877. Does not that system work very satisfactorily in most cases, in your experience?—I do not think it works nearly so satisfactorily, in my experience, as placing the responsibility on the collective body which has the public money to see that it does its job properly and responsibly. There is a danger of people leaving it to the Treasury man to catch the loose ball through the slips, and we do not think that is good enough.

1878. Only one or two other questions. In the Treasury Minute on paragraphs 38 to 48 of the Committee's Report there is the sentence: "This would have resulted in nugatory expenditure." I wonder whether you could ask the Treasury if they could use simpler language? I simply do not know what it means?—I think it means that if we had stopped the building before it was completed we would have wasted the money already spent on the building. We could have said it more simply, but I think it is more expressive. I hope that is the answer you expected?

1879. I rather agree. On page 213 of the Civil Appropriation Accounts I have just one or two small questions. Why is not the item "Royal Naval Personnel Research Committee, salaries and expenses" borne by the Admiralty? You see that in the second group, under the heading "General Scientific Purposes Estimate" and it is the third down, the Royal Naval Personnel Research Committee?—I am afraid I must ask permission to put a written reply in for that.* I can answer the other one, which I was dodging. According to the notes it is the North Sea and the adjacent seas. It is not, I think, the Channel, which you were asking about just now.

1880. I was on something a little wider. It is not the Channel?—It is the North and Northern Seas and not the Channel, I think.

* Information supplied; not printed.

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[Continued.]

1881. If that is the case, would it be possible, because I did make that point, to see if something else does in fact cover the Channel?—Yes.*

1882. Down at the bottom of that same group the heading is: "Cheviot House—negotiating lease, £500"?—I do not think I have got any comment on that. You want to know who that was paid to?*

Mr. Douglas Marshall.] Yes.

Mr. Peter Roberts.] It does seem high, does it not?

Mr. Douglas Marshall.

1883. That is the reason for my asking the question?—I am afraid I would have to look that up and find out.

1884. At the bottom of the page under the heading: "Temporary Research Grants," you have "Personal grants" and "Expenses," which I see amount to £170,000. It is a very considerable sum in comparison to the rest. What exactly is that?—The two temporary research grants.

1885. Then it is splintered as to personal grants and expenses. The expenses nearly tally up to the personal grants?—I think I would ask, Mr. Chairman, if on this kind of question the Committee could take a representative of the Medical Research Council. I certainly would not know about Cheviot House. We probably do have particulars at the Treasury about the main purpose of the thing, but it is not in my note. I am not familiar with this.*

1886. The last two questions I have may come under the same heading. On page 214 there is the reverse kind of question to that which I asked you about Royal Naval Personnel. Here there is a receipt "Final claim on W.R.N.S. Account," which I do not understand?—I am sorry, but I am not able to answer you properly on this, either.*

1887. The final question probably comes under exactly the same heading again. On page 215 there are sums which, no doubt, may even be small in comparison with what they effectively do, but be that as it may, the smallest sum of all appears to be the payments on Laboratory Service Account on poliomyelitis, which is surprising. Perhaps you will consider that the same form of question?—Yes, I will look at this. It is with regard to the smallness of the grant on poliomyelitis?

1888. Yes? Considering the quite natural interest that the whole British public has got in that, and the fear of it, it seems remarkably small?—Yes.*

Chairman.

1889. Perhaps, Sir Wilfrid, you will let us have a note in answer to those questions?—I must apologise to the Committee for not knowing the details of an itemised account of this kind.

Mr. David Thomas.] Just one question on page 12 of the Public Accounts Committee's Fourth Report. It does not involve a large sum, but in the first sentence of paragraph 39 there is the statement "The Council informed the Treasury that the estimated total cost was £220,000," and in the last sentence "The post-war expenditure is now estimated at about £790,000 and the total cost therefore at about £970,000, or £750,000 in excess of the 1938 estimate of £220,000." I make the figures to be these: the first sentence gives £220,000, the last sentence states the estimate to be £790,000, so the total cost would be £1,010,000 a difference of £40,000. It is true it is neither here nor there, but unless I have misunderstood the paragraph, there seems to be a slight mistake.

Chairman.] May I intervene there, because I do not think we can ask Sir Wilfrid a question on this paragraph? This, after all, is the Report of last year's Committee. We can question him on the Minute which has been put in in relation to the Report, but I do not think it is fair to ask Sir Wilfrid what last year's Committee meant.

Mr. David Thomas.

1890. No, I agree, Mr. Chairman. In any case, I think we should get it clarified, although it is only estimated figures we are talking about?—I should certainly want notice about a piece of arithmetic. I see the point; the figures do not add up.

Chairman.] We can look into that.

Mr. Benson.

1891. On page 215, Sir Wilfrid, on the Medical Research Council Accounts, you may be able to answer this: under the heading "Special apparatus, linear accelerator and cyclotron," on which the matter came up last year, is this just the annual quota of building a very much more expensive item or are they two new pieces of apparatus?—Yes, the special apparatus. Just on the figures it looks as though the cyclotron had hardly begun and the other two were practically completed, as between estimate and expenditure. I do not think these are new.

1892. These are not new pieces of apparatus?—No, it looks as though the first one, the accelerator, had been finished. It is slightly above estimate, but the expenditure on the next item has obviously only just begun. (Sir Frank Tribe.) The 1952-53 Estimates provide £11,000 for the linear accelerator and £37,000 for the cyclotron.

1893. Thank you. It looks, then, as if this is just the annual cost of putting these in?—(Sir Wilfrid Eady.) I think it is over some years. I will find out the final cost of these three things, if I may, and put it in to the Committee.*

* Information supplied; not printed.

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[Continued.]

Mr. Benson.] Thank you very much.

Mr. Peter Roberts.

1894. Apropos your point of financial control, and looking at paragraph 4 of the Treasury Minute, I notice from the top of page 215 that the Estimate for "contract work, architect's and surveyor's fees and miscellaneous expenses (including permanent equipment)" is £75,000. That is the Estimate, and you say now that you have a system whereby these are put to the body which is responsible for them, and you feel no check is now really necessary from the point of view of putting in a nominee? I see that that Estimate has been exceeded by nearly 100 per cent.; it has risen to £135,000. On the face of it it looks there as if the body responsible has seriously exceeded its commitments?—I do not think I could accept that without having an opportunity of looking at the make-up of the expenditure of £135,000 to see to what extent that compares with the Estimate and to see to what extent it is covered by the explanations I have already given about it. It may be the last payment that has gone through, which reflects the same conditions that the Committee were examining last year. If I might, I will go into these figures and put a specific answer to the point you have made.*

1895. Will the answer be directed to the point that whereas previously the Committee thought that over-estimating of that kind should be more closely watched the Treasury now feel that the problem has been satisfactorily dealt with despite the fact that in this case there is a 100 per cent. increase?—Yes. (Mr. Milner-Barry.) We are here dealing with the 1950-51 accounts, whereas the arrangements referred to, of course, came into effect this year. (Sir Wilfrid Eady.) Yes, but still it is a good example of the same point that was taken

* Information supplied; not printed.

by last year's Committee, and I will clear this point up.

Sir John Mellor.

1896. May I just put this one point: it is obviously very difficult, or impossible, for Sir Wilfred to answer detailed questions on some of these matters on the Medical Research Council, although they may be quite important and quite substantial. He took the line that he preferred to have this body responsible to the Treasury rather than to have a Treasury representative on it. What I feel is, for the purposes of this Committee in these circumstances, should not he be accompanied by somebody from the Medical Research Council who could give these details?—Certainly, had I been aware that the Committee wanted to go over the Medical Research Council accounts like this, I would have taken the precaution of having somebody here. It is my fault entirely.

Sir John Mellor.] It is rather difficult always to give notice in advance of these points.

Chairman.

1897. It is unsatisfactory for the Committee not to have a direct answer, and to have to be content with written answers?—Quite, but I did not realise the Committee would want this. I should have familiarised myself with some of these figures.

1898. The Account was put down to be taken?—Yes, I blame myself for not having brought somebody with me who could have given the explanations of the details which I do not think any Treasury official could be expected to know from the Accounts.

1899. Very well, perhaps you would let us have the details?—Yes, certainly, Sir.

Chairman.] Are there any further questions on these Medical Research Council Accounts? May I take it that the Accounts are approved? (Agreed.)

VOTE 11.

UNIVERSITIES AND COLLEGES, &c., GREAT BRITAIN.

University Grants Committee.

(i) Returns from Universities and University Colleges in receipt of Treasury Grant, Academic Year, 1949-50.

(ii) University Development: Interim Report on the Years 1947-51.

Mr. E. HALE, C.B., Secretary, The University Grants Committee,
called in and examined.

Chairman.

1900. May we now turn to the University Grants Committee, to the Comptroller and Auditor-General's Report in the Civil Appropriation Accounts, paragraphs 28 to

35 and to the Accounts themselves on pages 221 to 223? Sir Wilfrid, would you tell the Committee how the Members of the University Grants Committee are selected and appointed?—(Sir Wilfrid Eady.) By

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and Mr. E. HALE, C.B.

[Continued.]

the Chancellor of the Exchequer. (Mr. *Hale*.) By the Chancellor of the Exchequer after consultation with the Minister of Education and the Secretary of State for Scotland.

1901. Does the University Grants Committee contain any Members who are distinguished in the fields of business administration or of finance?—There is an industrialist member of the Committee, Sir Murray Stephen, who is a well known ship-builder on the Clyde.

1902. Apart from him, all the others are people renowned in the field of scholarship but not in administration?—(Sir *Wilfrid Eady*.) University administration as well as scholarship. (Mr. *Hale*.) One Member is a Director of Education.

1903. It does not include any Vice-Chancellors?—No Vice-Chancellors, no.

1904. Then, on paragraph 29, dealing with the audit, I see that the Comptroller and Auditor General does not examine the audited accounts of the universities. Do you do so?—The audited accounts are submitted to us, yes.

1905. You examine them? Do you consult the university auditors if need be?—We seldom have direct communication with the university auditors. We do extract from the financial statements given to us by the universities a great deal of financial material which is published in the White Paper which you will have before you.

1906. Do you look into the level of receipts and of reserves?—Yes, we do.

1907. How do you ensure that earmarked grants and grants in salary supplementation are used only for those special purposes and are not put in any general fund or in the pool for general purposes?—We do not audit these moneys ourselves, but I do not think that there is any risk at all of them being applied for a purpose other than that for which they were intended because it could not possibly escape notice in the university concerned, there are so many competitors for funds.

1908. As you know, Parliament earmarks these grants to Government Departments in great detail, and regards them as a useful method of control?—Yes.

1909. If you have grants that are earmarked made to the universities is not it important that some way should be found of ensuring that the moneys go to the purposes for which they have been earmarked?—That is the position at present. We have not audited these earmarked grants, and it may be that there will be no earmarked grants in future.

1910. Have you not done so because your Committee objects to earmarked grants? Is that the reason why you have not followed them up, that you do not like them anyway?—No, it was not because we disliked them, but we did not follow them up because we did not think there was the slightest risk of them being appropriated to any purpose other than that for which they had been designed.

1911. Then, may I turn to paragraphs 30 and 31 of the Comptroller and Auditor General's Report, the statistics on recurrent grants. In addition to the statistics for 1949-50 mentioned here we now have statistics for the quinquennium in Command Paper No. 8473. Page 21 of that Command Paper shows that the recurrent grants totalled £63 million odd, whereas the original total for the quinquennium was, I believe, just short of £53 million. What is the point of having a quinquennial system when grants are so much increased over the period?—The main reasons for which the grants were increased were, first, that the Committee found early in the quinquennium that the amount which they had allowed for medical education was insufficient, and the other largest factor was the grant which had to be given for salary supplementation when the increase in consultants' salaries under the National Health Service made it essential to put up the corresponding salaries in the medical schools, and that in its turn had an inevitable repercussion on academic salaries generally.

1912. So that most of the increase of £12 million was due to earmarked grants?—Earmarked grants, including the grants for salary supplementation.

1913. The next quinquennial grants have now been advanced for 1952-53 to £20 million. Is this increase of nearly £3½ million over 1951-52 due to rises in prices since 1951-52 or are there new services involved?—We do not think that the grant for 1952-53 will enable any new development to be undertaken. The main factors leading to the increase are, first, the increments on academic salaries. There is a very long lecturers' scale and the number of lecturers has been greatly increased during the quinquennium over what they were in the past, and the average age of the lecturers is young so they will still be climbing up their incremental scales during the quinquennium. The second reason is that in the last year of the quinquennium owing to rises in prices, the universities were not, all of them, able to balance their budgets and had to draw on unspent grant in earlier years, and the third reason is that we shall not in future recommend any non-recurrent grants for furniture and equipment for existing accommodation. During the last two years we recommended grants of

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[Continued.]

about £1½ million for that because the universities' equipment was badly obsolete, but we found great difficulty in dealing with that kind of application and we have told universities that, in future, they must re-equip their existing accommodation from their own income. But that has made it necessary to make some allowance in the recurrent grant for that new claim on their recurrent income.

1914. Do I understand from that that the universities put into reserve any grant money that they do not need at the time they receive it?—Yes, they get the grants which are promised to them, whether they spend them or not. It is a contribution to income rather in the same way as the contributions to local revenues.

1915. So that they could, in fact, and may, in fact, use accumulated earmarked grants for general purposes?—It may be that at the end of this quinquennium we shall have to release any earmarked grants. The Committee have not really considered this question, but the amount of earmarked grants which will be unused will be so much less than the expenditure on the whole of the group of subjects for which it was given that there is not much point in keeping up the earmarking, because it could not possibly meet the whole cost, anyway. If you have got a field of study on which £1 million a year is being spent there is not much point in retaining the earmarking on an unspent balance of £¼ million because they will spend that amount anyway.

Mr. Hoy.

1916. Would you like to explain that reason? I did not quite understand it. Did you say if £1 million was earmarked for a particular purpose?—What I was saying was that if you had a field of study the expenditure on which was £1 million a year and there was left over from a previous system £¼ million which was earmarked for that subject, whatever you did, they would spend at least that amount on it because the thing costs £1 million, so that nothing is gained by keeping up an earmarking of that left-over balance of £¼ million, because you will at least keep the expenditure of £¼ million on that subject whether you keep the earmarking going or not.

Chairman.

1917. You have taken a case where the expenditure is going to be £1 million anyhow?—Yes.

1918. But you may have circumstances where you had earmarked funds for a purpose and in the end nothing was done about it, but the money had gone into the university reserves?—Yes.

1919. Could that happen?—I am not sure whether there is any case in which the balance left over of an earmarked grant would be anything like sufficient to meet the annual expenditure on that subject.

1920. May I turn to paragraph 32 of the Report? Do you know by how much the Parliamentary grants are understated in the statistics owing to some of them being brought to account as net items?—The main item there is that the Ministry of Education grants for extra-mural education are not shown in gross in our financial statistics. What appears in the financial statistics published by our Committee is the contribution made by the university to its extra-mural department.

1921. It is quite often small?—Which is quite small.

1922. You cannot say by how much the Parliamentary grants are understated?—I could easily put a note in to you, Sir.*

1923. Could you, in fact, put these figures in in gross in future tables?—It would be possible. You mean, in our statistics?

1924. Yes?—The disadvantage of doing that is that anything which breaks comparability with the past does create complications when you are trying to use these statistics for comparative purposes over a period of time.

1925. Yes, that is perfectly true, but would not you agree that if you do not give a full picture your comparisons, while they are comparable as between themselves, do not really show everything that we, as a Committee, as the watchdogs of Parliament in this field, would like to have shown?—There is a statement in the estimate of the amount of the Ministry of Education grant.

1926. You could, of course, if you like, continue to have a column which was a net column if you want to preserve your basis of comparison, but you could put in a new column of the gross figures, and then we could in successive years have a new basis of comparison. Do you think you could consider that?—We could certainly consider showing in some form in these statistics the Ministry of Education grant for extra-mural work if this Committee would like it.

1927. Would you look at paragraph 33? By how much a year did the Chancellor's decision, which is referred to in the last sentence, raise the charge on this Vote?—The grant for salary supplementation arising out of that decision was just over £3 million in 1951-52.

1928. Was this one of the earmarked items?—It was earmarked in this quinquennium, but it will not be earmarked in the new quinquennium.

* Information supplied ; not printed.

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[Continued.]

1929. What is meant by the statement here that this very important decision on salary scales was the subject of specific decisions by the Chancellor of the Exchequer?—I think it means just what it says, Sir, because he did approve actual scales which were announced in Parliament at the time.

1930. Sir Wilfrid, I think it is for you to answer this: is not this procedure most unusual? Can you think of any other cases where the Chancellor of the Exchequer takes specific decisions on salary matters without being advised?—(Sir Wilfrid Eady.) He would be advised. He had, I think, to consider the quite obvious question whether the medical teaching staff at the universities were to have their salaries adjusted to meet the increase in salaries of the medical profession in the Health Service, and the second question is, what effect would that have upon the teaching staff in the other faculties. That was a question fairly easily posed and as the decision involved in the end asking Parliament for some more money, I should have thought that was a normal decision on principle that the Chancellor could take, that there must be comparative treatment.

1931. Yes, but am I not right in supposing that this went much further than just the actual medical staffs?—Yes, as I say, it gave rise to the second question as to whether the increase of salaries for the medical teaching staff was to leave the teaching profession in all the other faculties of the universities without any increase, and the University Grants Committee in their connection with the universities would, I think, have been very uncomfortable as a consequence of that, and that decision, that the principle must be extended, which meant going to Parliament for the extra money, seemed to me a normal decision for the Chancellor to take.

1932. Can you give any other examples in the Civil Service or in any profession where the Chancellor has taken specific decisions without the advice of the Committee or without some enquiry?—He had the advice of the University Grants Committee about the problem. I think there must be quite numerous cases of extension by Treasury decision in certain cases subject to the Chancellor's approval if they were on large sums of money where an award has, as a matter of justice, to be extended to other people. (Mr. Hale.) He was very fully advised by the University Grants Committee.

1933. Did the University Grants Committee advise on this matter?—Indeed, they did.

1934. Was their advice taken?—I do not think it has ever been said whether the Chancellor has or has not taken the advice
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of the University Grants Committee. Their advice has always been regarded as something of the same status as an official minute in that respect.

1935. But the University Grants Committee did give advice?—They gave advice, yes.

1936. Turning to paragraph 31, have you any estimate of the total cost to the Exchequer of grants to universities and of students attending them? Would it be possible to put in a paper giving us the total sums that are involved?—(Sir Wilfrid Eady.) The total sum of expenditure on awards?

1937. On grants to universities and to students attending them. What I am really getting at here is the need for a composite picture?—(Mr. Hale.) There would be no difficulty in providing such a statement, I think, Sir, because the expenditure on aid to students is either borne directly on the Ministry of Education Vote or takes the form of grants from the Ministry of Education, and the Education (Scotland) Fund in respect of local educational authority awards. (Sir Wilfrid Eady.) You would like that put in as a Treasury note?

1938. Yes?—Yes, Mr. Chairman, we will do that.*

1939. Dealing with non-recurrent grants, and I am looking at the last sentence of paragraph 35, is the new form of Estimate for the next years the result of the discussions that are referred to here?—(Mr. Hale.) The new Estimate is published and it contains an appendix of—

1940. Yes, I asked whether the new form of Estimate is the result of the discussions referred to in this paragraph?—Yes, it is.

1941. The Report says that these grants are mostly for capital development?—Yes.

1942. Are any other forms of assistance included in these grants besides capital development?—It is all non-recurrent expenditure on sites, buildings, and equipment.

1943. Sites, buildings and equipment?—Yes.

1944. And nothing else?—I think there have been one or two grants for books, but they, perhaps, could be regarded as equipment.

1945. For books?—Yes, but they are quite small.

1946. In the ordinary way you would not normally put books under this item?—Not normally, no.

1947. How are capital grants determined, are they a percentage of estimated cost, or what?—They are determined by the

* Information supplied: not printed.

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Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.,
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[Continued.]

Committee. There is no regular formula. In some cases they are the whole of the cost where there is no money available from elsewhere to meet necessary development.

1948. Who places the contracts?—The universities place the contracts.

1949. Do you insist on competitive tender?—Oh, certainly.

1950. Do the Ministry of Works examine building schemes and tenders?—Yes, when a big building scheme is proposed, sketch plans are submitted to the Committee and are examined by the Ministry of Works and also by our Works and Buildings Subcommittee before the scheme is approved.

1951. Is the same true of residential accommodation, hostels and halls of residence?—A new hall of residence would be dealt with in exactly the same way.

1952. Would there be consultation also on standards of furnishing and that kind of thing?—I think the Committee have generally taken their own view on standards of furnishing.

1953. You are not concerned with college income at Oxford and Cambridge, are you?—Not at all, no.

1954. Do you consider capital grants for college extensions?—There have been no capital grants for College extensions at all, subject to this, that there is a grant for the new building at Nuffield College, but that is a special case.

1955. Then, on a general point, the grant to the University of London is made to the University Court and then allocated to nearly 40 student bodies, I believe?—That is so.

1956. When you assess the grant do you have to go into the requirements with each of these bodies?—Yes, we have got a volume before us about so thick.

1957. Do you then check the allocation made by the Court?—We would regard the allocation as the responsibility of the Court, but our assessment of the grant would be based on our view of the needs of the institutions.

1958. Do you ever press grants on universities? Do you say to them, "It is really desirable for you to have this," even if the university is not frightfully keen?—I do not think it could be said that any university has had a grant pressed upon it which it did not wish to receive.

1959. You will recollect an occasion when one eminent representative of a university said that he was very much embarrassed by the amount of the grant that he was going to get for a particular

purpose?—I have heard this from many sources. I do not know where it came from, but I suspect that it would have had something to do with one of the earmarked grants which involved the engaging of additional staff, and additional staff of the necessary quality were not forthcoming and were not engaged.

1960. Is not that really only to say that the universities in this particular field, which I think was social study, must have had funds which they could not use and they were scrambling round for projects and people to carry them out?—Certainly, the grants were more than could be usefully applied in some cases, at any rate, at the outset, but I do not think it could be said that unworthy staff were engaged. What happened was that they refrained from engaging them until candidates of the right quality were obtainable and, therefore, accumulated a balance.

1961. One last point on the actual Vote, Sir Wilfrid. I am now taking Class IV, Vote 11: You dealt with unallocated recurrent grants in the Paper that you put in to last year's Committee which was then later printed as an Appendix to the volume of Evidence, I think. You then showed that the unallocated grant, which was £1,344,000 for 1950-51, fell to just over £130,000 for 1951-52 mainly because salary supplementation grants had been allocated, and you then said that you recognised that the presentation was not satisfactory and that it would be reconsidered before the next Estimates were presented. I see, however, that the unallocated grant has gone up to something like £1½ million in the 1952-53 Estimates. I would like to ask whether there has been some change in practice?—(Sir Wilfrid Eady.) I would like to ask, if I may, that Mr. Hale should explain this. (Mr. Hale.) The two figures in the 1952-53 Estimates under Subhead A, item No. 2, unallocated recurrent grant?

1962. That is what I am on, yes?—Those two figures are now on the same basis. The unallocated grant of £1½ million for 1952-53 represents approximately half of the increase in the recurrent grant which the Chancellor has given us for the first year of the quinquennium. The recurrent grant has gone up from just over £16½ million to £20 million so that we have got another £3½ million. Now, one half of that only comes into payment during the second half of the financial year 1952-53, because the academic year 1952-53 is always two payments later. The £1½ million represents the increase which we have obtained from the Chancellor and which we have not yet allocated. We have not yet done any of the allocation for the new quinquennium though we hope to make an allocation for 1952-53 in about two months' time, and then that £1½ million will be allocated.

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and Mr. E. HALE, C.B.

[Continued.]

1963. I am not sure that I understand that?—May I try again?

1964. No, the substantial point I really want to get at is this, and I think it is really a point for the Treasury, that in this year's Estimates we shall have this sum of £1½ million put down for purposes which are not specified. Generally speaking, Sir Wilfrid, would you regard it as satisfactory from the point of view of Parliamentary control to be asking Parliament to provide a sum of over £1½ million without giving any indication in the Estimate of what it is wanted for or how it is going to be used?—(Sir Wilfrid Eady.) Is not the fact about this that it is merely the difference of timing between the academic year and the financial year, whether this will appear as an unallocated recurrent grant or not? It has got to come into this year because the Committee have not yet allocated it in respect of the year for which it will be spent. (Mr. Hale.) It is inherent in the system whereby the Chancellor first gives us a global amount and the Committee subsequently have to allocate it between the universities. When the Chancellor has given this money it is a process which requires a lot of thought and consideration to decide exactly how it is to be distributed. At the stage at which this estimate is presented the Chancellor has taken his decision on the total amount, but the Committee have not yet decided on distribution. Such a large sum as this is unlikely to appear again in this column until the next quinquennium. It will be a once in five years event in future. (Sir Wilfrid Eady.) But, in the ordinary way, it will happen in the last year of the new quinquennium and carry over into the first year of the third quinquennium, just as it does here. It is an incident of this year's accounting.

1965. Just two final points. On page 222 the balance in the Grants Deposit Account rose by over £300,000. You will notice it went up from £6,000 or £7,000 to £317,000. Why did not you short-issue the grant by £1,800,000 instead of by £1,500,000?—(Mr. Hale.) May I answer that, Sir?

1966. Yes?—It is always very uncertain in our office how much we shall be asked for in the way of non-recurrent grant just towards the end of the year. We have got these very big schemes running and it is very difficult to know at what rate the expenditure will be incurred, and if the balance is cut too fine we might always be in the position in which we could not meet our liabilities. The £300,000, perhaps I might remark, is only about 1½ per cent. of the Vote. (Sir Frank Tribe.) The grant can be obtained at very short notice.

1967. I was going to ask Mr. Hale, what was the normal delay that he experienced in getting the funds. You say towards the end of the period you would not be quite

sure what you would want. How long does it take for your requirements to be met?—(Mr. Hale.) I was thinking of the period towards the end of March.

1968. Let us suppose that you found on the 25th March that you really would not have enough to meet your requirements. How long would it take you to get the extra sums paid over to you?—I do not know, I should think no time. (Sir Wilfrid Eady.) No time.

1969. If "no time" is the answer surely there is no point in your having funds that you are not going to use? Is not that so?—Is it very bad financing to have a balance of 1½ per cent. like this on an account where expenditure is going on over the whole year? I appreciate the point of the Committee because it was made last year about these balances.

1970. It would depend, would not it, Sir Wilfrid, on how long it took to put the account in funds. If it took some weeks, yes, but if it is only a matter of overnight then, surely, there is not any reason for carrying a balance on the account at all?—That is what I understood you were really saying, Mr. Chairman, that if grant-receiving bodies can get the money that they want at call, why allow them to have any kind of end of the year balance at all? It arises on a number of others. We can see if we can run it finer than that; it is not very satisfactory. (Mr. Hale.) Mr. Chadwick reminds me that a previous Committee did agree a few years ago that a balance of £300,000 on this account was not excessive.

Mr. Hoy.] It is a different Committee today.

Chairman.

1971. I should like the reference?—(Sir Wilfrid Eady.) With the University Grants Committee we can look at this point to see whether we can successfully cut the balance down finer.

1972. On Subhead C on page 221, Sir Wilfrid, why cannot this particular charge be transferred to the Education Vote like other forms of financial aids to students at universities? Why should this particular set of studentships be borne directly by the Treasury and the payments made direct by the Treasury?—I would like to put a considered answer in to the Committee on that.* You want to know why that is not chargeable to the Colonial Office or somebody else?

1973. I am really asking, is not it most unusual for payments of this kind to be made directly by the Treasury, and I am asking, in fact, whether this charge should not be suitably transferred to the Education Vote like all the rest of the financial aids to students at universities?—Yes.

* Information supplied: not printed.

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Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.,
and Mr. E. HALE, C.B.

[Continued.]

Mr. Hoy.

1974. May I return to earmarked grants? Supposing, Mr. Hale, a university makes application for a grant and suggests to you that it is going to spend £½ million on a particular subject and it does not in fact spend that sum, could it do what it liked with the balance?—(Mr. Hale.) Not within the quinquennium.

1975. Do you mean that at the end of the quinquennium it is bound to account to you?—I take it that you are talking of recurrent grants?

1976. Yes, first of all?—If the earmarking ceased it would be open to the Committee to release any balance that was unspent at the end and, indeed, it might be just as simple to do that as to attempt to recover it and then have to give them more on the ordinary blocked grant.

1977. What control have you over the moneys? If these universities have made applications and you have made grants to them, do you retain any real control at all over the way in which the money is spent?—Not in any formal sense. Of course, we know, as the accounts are rendered, how it has been spent, but it is part of the system that the universities are autonomous and although they do pay regard to the known wishes of the Committee there is no formal control. There is always, of course, the consideration that if at the end of the quinquennium they have done things which they know the Committee do not like or have refrained from doing things which they think the Committee might have wished them to do, that might affect the amount of grant that is allocated to them next time there is a distribution.

1978. Then, of course, it would be too late, the money would have been spent. All you could do would be to seek to rectify it, but as far as that period is concerned, the money would have gone, is that right?—It has been the policy of the Government all along that the universities should be left to manage their own affairs.

1979. That I believe to be the case. I am just wondering whether the system should be altered. May I turn to one other subject on works and buildings. Am I right in thinking that the sum is just over £6 million for capital development, and I think I heard you say that you had a Works and Buildings Sub-Committee that controlled this?—Yes.

1980. How many members of this Sub-Committee are there, and who are they?—There is a list of them, if you have the White Paper on Development, the Interim Report for 1947-51. If you will look at

page 24 you will see the names of the Works and Buildings Sub-Committee.

1981. How often do they meet?—As and when required. There is no regular time for meeting, but when we have big schemes on which we want their views, we convene them. There was, in fact, a meeting the other day.

1982. Is this Committee supposed to examine the whole of these applications for £6 million for development?—No, they do not see everything. It is the big things that are referred to them.

1983. What do you mean by "big things"? Could you define it to the Committee?—Five or six figures, a scheme of that magnitude. It would depend partly on what view we took in the office of the need for the kind of examination which we should look for from them. We consult the Ministry of Works quite freely and they are consulted in many schemes which we would not think it necessary to convene this Committee for.

1984. When you say they get competitive tenders, you mean the university concerned gets the competitive tender?—Yes.

1985. Does it in fact forward to you the lowest tender or all the tenders in connection with the work?—We should expect them always to accept the lowest tender excepting in very special circumstances as to which we should consult the Ministry of Works.

1986. They would send the lowest tender to you, would they?—We do not actually receive the tender.

1987. That is what I am driving at. What does this Committee approve? Does it in fact just approve the sum concerned, or does it go into it? There does not seem to me to be very much use in merely having an application, saying the price will be £100,000, which is the lowest tender?—The job of this Sub-Committee is to look at the plans, it is not dealing with tenders.

1988. This Committee merely looks at the plans?—Yes, it will look at the plans and consider whether the plan is appropriate for the purpose for which it is designed or whether it looks like being too expensive.

1989. But how are they going to judge whether it is going to be too expensive or not? It seems to me to be pretty unsatisfactory. Do you say they do or do not get the tender?—The university receives the tender. We shall then be informed what the tender is.

1990. And this Committee then approves?—This Committee would be examining the plans with an estimate.

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and Mr. E. HALE, C.B.

[Continued.]

1991. Might I ask the Comptroller and Auditor General one question. Sir Frank, do you have any control over these accounts at all?—(Sir Frank Tribe.) No. Last year when the Treasury put in to the Public Accounts Committee a list of grants in aid they included this grant in aid as one of the grants in aid subject to my audit. I have endeavoured to explain in paragraph 29 of my Report the exact extent to which this is the fact. The issues made to the universities from the deposit account are subject to my audit, but I have no power of examination at all beyond that.

1992. Might I go back to Sir Wilfrid now? You know that the Committee last year expressed some concern about the very steep increases in this grant?—(Sir Wilfrid Eady.) Yes.

1993. Do you think that you have got really adequate control over the spending of this money and of the examining of the applications?—Very great trouble has been taken to constitute a Committee of persons with a sense of responsibility for public money and quite considerable care is taken also upon the Office of the University Grants Committee. Unless we are going to alter the whole principle by which the universities are responsible for spending public money in the sense that it is public money and, that is to say, check them like a department, I do not think we are in the least dissatisfied with this arrangement. You see, if I may take up the point which you were asking about the Works and Buildings Sub-Committee, the men here have got a good deal of experience of university administration. If a project comes up to them with an estimate they can, as sensible people who have been accustomed to working with quite modest money in the past, because the universities have never been flush and are not at present full of money, they can see whether it is extravagantly conceived altogether for its purpose, whether it could be done much more economically, and some of them come within the university tradition where things had to be done very economically, and they can see whether or not the building is a reasonable building, whether it looks to them a reasonable estimate. Most of them in their own universities and their own administration have a good deal of the same work to do to see whether an estimate is *prima facie* reasonable. If they get tenders which are quite out of line with the estimate they go back to the architect or to the contractor and say: "Something has gone wrong". If you do get the Ministry of Works brought to the help of the Office of the University Grants Committee, and you have a committee of experienced men of this kind looking at whether the project is reasonably designed and whether it looks like a reasonable building, and a reasonable estimate, you

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must then leave it to the Court of the University or to the University Authorities to satisfy themselves that the tender is right. That would be normal practice, I think, with ordinary Departmental expenditure.

1994. What I was wondering is this: is it a fact that universities, perhaps, are getting much more money or money more easily from the Treasury than they used to get?—They are getting something quite different, they are getting something like 70 per cent. of their total expenditure from public funds at the moment, yes.

1995. That is what I would like to know. Do you think they are exercising all the care and attention they might do over this expenditure?—I can only say that we are much more content about this very big account than we are over other smaller ones on grant aids. As I say, a very great deal of trouble has been taken with the choice of persons and the organisation for this, and all the vetting.

1996. I do not doubt that for a moment. I see from the list of the Sub-Committees that there is at least one business man on it. That is the greatest of merits, but I am thinking of an account we had to examine last year which has already been referred to today, where the same type of work was involved and in time it got out of hand?—No, I am afraid I must differ from you with respect as to whether the work got out of hand. The procedure for vetting the thing was not satisfactory, but I cannot accept the view that the work got out of hand.

Chairman.] It would be as well if we did not argue, but confined ourselves to putting questions.

Mr. Hoy.] We are not going to argue this this out, Mr. Chairman, but this is rather important. We gave a long time to it, and all we are seeking as a Committee by these questions to do, if I may say so, is to ensure that this expenditure is properly supervised. That is all we are trying to do as a Committee.

Chairman.] All I was saying was that that is a consideration which, no doubt, we can talk about in our own circle, but I think we do not really get much further if we start an argument at this point of time.

Mr. Hoy.] I will not argue it any further, except to say that I shall have comments to make later on.

Mr. Peter Roberts.

1997. Just to enlighten me, the grant in aid of £23 million shown on page 221 is a figure which is decided not by the universities but by the Government, is that right?—That would be between the University

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Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.,
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[Continued.]

Grants Committee and the Treasury, yes, not decided by the universities.

1998. In other words a demand will go forward for next year, the amount of which we are not at the moment concerned with?—The universities are on a quinquennial basis and the amount for each of the years of the quinquennium is settled by the Treasury.

Mr. Peter Roberts.] But that is not our function at the moment?

Chairman.] No.

Mr. Peter Roberts.

1999. The second point is this: are the gentlemen on the Works and Buildings Sub-Committee really nominees from universities?—(Mr. Hale.) There is one Vice-Chancellor on that Sub-Committee.

2000. I notice the name of Sir Irvine Masson, who comes from Sheffield?—Yes. I did say there was no Vice-Chancellor on the main Committee and that was quite right, but it was thought right to have a representative of the Vice-Chancellors on the Works and Buildings Sub-Committee and Sir Irvine Masson was nominated by the Committee of Vice-Chancellors for the purpose.

2001. In that capacity?—Yes.

Sir John Mellor.

2002. I would like to ask the Comptroller and Auditor General one question, although I am not sure that there is a short answer to it. In paragraph 28 of your Report you refer to unexpended balances not being liable to surrender to the Exchequer. On the other hand, on page 221 in the account you get a surplus to be surrendered of £1½ million. I am afraid I do not quite understand the position of that?—(Sir Frank Tribe.) Once the grant in aid is made to a body any surplus which that body may have is not surrendered but is carried over. If, however, Parliament has approved a grant but the department responsible has not made the grant during the year, as happened in the case of all these three Sub-heads in the year, then the amount by which the grant is short-issued is surrenderable by the department, in this case the Treasury, to the Exchequer at the end of the year.

Sir John Mellor.] Thank you.

Mr. Douglas Marshall.

2003. I just want to clear something in my own mind. The principle that lies behind the grant is that Parliament gives a grant and then recognises the sovereignty of the university, is not that right?—(Mr.

Hale.) That is broadly it, qualified sovereignty.

Mr. David Thomas.

2004. From the University Development Paper, pages 22, 23 and 24, regarding the composition of these various Committees, I observe it is the same Chairman and Vice-Chairman on all these Committees. Would I be right in saying that is in accordance with the custom and practice, whoever these gentlemen might be?—The Chairman and Vice-Chairman of the main Committee are also Chairman and Vice-Chairman of each of the Sub-Committees.

Mr. Benson.

2005. The Parliamentary grants are approximately 60 per cent. of the income of the universities now, are not they?—They will be more in the new quinquennium. They will be just over 70 per cent.

2006. On what basis do you pay those grants? Do they apply so much for a given purpose and you pay that particular sum, say, monthly or quarterly, or do you pay them at a specific rate the proportion of the grant that is allocated to them?—I am assuming that we shall make no earmarked grants, or very few earmarked grants in the next quinquennium. If we make a general block grant each university will be told, as soon as we can tell them, what the amount of its grant for each year will be, and that grant will be paid quarterly to each.

2007. What happened last year on these accounts? The earmarked grants, I presume, all were paid in full, were they?—The earmarked grants that had been taken, yes, were paid in full.

2008. What about the other grants? The Treasury estimate was short-paid by £1½ million so that, presumably, a number of the universities did not get as much as we have had estimated?—That was caused partly because the calls for non-recurrent grant were not as great as had been expected. (Sir Wilfrid Eady.) It was almost entirely that. (Mr. Hale.) And partly because the salary supplementation grant was not called upon in full.

2009. Do they indent upon you? Do they say: "We want so much cash this next month" or do you pay them quarterly now?—The recurrent grant is paid quarterly. (Sir Wilfrid Eady.) One-fourth of the annual grant each quarter.

2010. That amount is paid irrespective of whether the university is in funds or not?—Yes, it is a contribution to its income.

2011. You do not ask them to surrender anything, you just pay what the grant is to

20 March, 1952.] Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.,
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[Continued.]

them on a quarterly basis?—(Mr. Hale.)
Yes.

2012. You take no account during the
year of what their financial balance is?—
No, we regard it as an obligation.

Chairman.] Are there any further ques-
tions on the Accounts? May I take it
that the Accounts are approved? (*Agreed.*)
I understand that this is the last occasion
on which we shall have the pleasure of
having Sir Wilfrid Eady here. I am sure
I speak for all my colleagues when I say
how gratefully we appreciate the services
and the help that Sir Wilfrid has given to
the Public Accounts Committee for so many

years and would wish him all the best in
the years of retirement that lie ahead for
him.

Mr. Benson.

2013. If I might, Mr. Chairman, as the
oldest Member of this Committee, a Mem-
ber who has been on it since 1929, I should
just like to say how pleased I am that you
have expressed these sentiments for the
Committee?—(*Sir Wilfrid Eady.*) That is
very nice indeed of you, Mr. Chairman and
Members of the Committee.

Chairman.] Thank you very much, Sir
Wilfrid.

Sir Wilfrid Eady and Mr. Hale withdrew.

CLASS VI.

VOTE 3.

FINANCIAL ASSISTANCE IN DEVELOPMENT AREAS.

VOTE 4.

EXPORT CREDITS.

VOTE 5.

EXPORT CREDITS (SPECIAL GUARANTEES).

On these Accounts no questions were asked.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51, VOL. II.

EXPORT CREDIT GUARANTEES DEPARTMENT CREDIT INSURANCE SCHEME ACCOUNTS.

EXPORT CREDIT GUARANTEES DEPARTMENT SPECIAL GUARANTEES SCHEME ACCOUNTS.

On these Accounts no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 7.

OFFICE OF COMMISSIONERS OF CROWN LANDS.

VOTE 10.

SURVEYS OF GREAT BRITAIN, &c.

VOTE 11.

FORESTRY COMMISSION.

On these Accounts no questions were asked.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51, VOL. II.

FORESTRY OPERATIONS ACCOUNTS.

On these Accounts no questions were asked.

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 15.

MERCANTILE MARINE SERVICES.

VOTE 17.

DEVELOPMENT GRANTS.

VOTE 19.

STATE MANAGEMENT DISTRICTS, ENGLAND AND WALES.

On these Accounts no questions were asked.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51, VOL. II.

STATE MANAGEMENT DISTRICTS ACCOUNTS.

On these Accounts no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 22.

FISHERIES, SCOTLAND.

VOTE 23.

HERRING INDUSTRY.

VOTE 24.

STATE MANAGEMENT DISTRICTS, SCOTLAND.

On these Accounts no questions were asked.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51, VOL. II.

STATE MANAGEMENT DISTRICTS (SCOTLAND) ACCOUNTS.

*On these Accounts no questions were asked.**The witnesses withdrew.**Adjourned till Tuesday next at 4 p.m.*

TUESDAY, 25TH MARCH, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Bossom.
Mr. Cuthbert.
Mr. David Jones.
Mr. Douglas Marshall.
Sir John Mellor.

Mr. Peter Roberts.
Mr. Scott.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mrs. D. C. L. JOHNSTONE called in and examined.

TREASURY MINUTE ON PARAGRAPHS 15-17, 49-51 AND 52 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir HAROLD EMMERSON, K.C.B., Secretary, the Ministry of Works, called in and examined.

Chairman.

2014. Will Members please turn to the Treasury Minute on the Third Report of the Committee of Public Accounts of last year, paragraphs 15-17, 49-51 and 52? On paragraphs 49-51, Sir Harold, has the dispute about liability for dilapidations yet been settled?—(Sir Harold Emmerson.) This is on Covent Garden?

2015. Yes, that is right?—No, I am afraid the dispute has not been settled. The sublease, of course, was signed and we have been receiving rent which is payable now in advance quarterly, but the claim for dilapidations is still in dispute.

2016. Is this likely, anyhow, to involve any payment by the Arts Council?—If the claim against Boosey & Hawkes fails, the money will have to be found either by the Arts Council or through the Arts Council from the Treasury. What is clear, I think, as stated in the Treasury Minute, is that there will be no charge on the Ministry of Works Vote.

2017. But it looks as though there will be a charge on somebody's Vote?—That is if the claim fails.

2018. May I just ask one thing of the Treasury: Mr. Milner-Barry, you agree in the first paragraph of the Minute with the Committee "that the Ministry of Works in the ordinary way, when undertaking services for grant-aided or outside bodies, should agree the precise terms". Who decides whether the circumstances are ordinary or extraordinary?—(Mr. Milner-Barry.) What we have done in pursuance of the Committee's Report of last year and of the Treasury Minute thereon, in which we expressed agreement with the Committee's views, is to ask Departments always to refer to us in any cases in which they felt doubt whether they would be able to fulfil that. I hope these cases will be very few and far between, but sometimes, as the Committee recognises, it will be unavoidable.

Chairman.] Have Members any questions on the Treasury Minute?

Mr. Douglas Marshall.

2019. I have one question on the Treasury Minute arising out of paragraphs 15 to 17, opposite page 5. Paragraph 2 says: "As a condition of completing the buildings to time the Ministry of Works stipulated for a free hand as regards design, materials and building methods to be followed and the technical staff to be employed. This the Festival Office was unable to agree". Presumably it was that particular point that absolutely made up the mind of the Ministry of Works not to carry on with it. Had they agreed, would the Ministry of Works then have taken the responsibility of this?—(Sir Harold Emmerson.) Well, certainly, the Ministry of Works were prepared to do it but, in view of the fact that the work had to be completed within a given time and the fact that the Ministry of Works came into the picture at rather a late stage, we felt in the Ministry of Works that we could only do it if we had this free hand. As that was the condition which the Festival Office felt they could not accept, it was decided by the Treasury and the Festival Office and ourselves that it was better to leave it with the Festival Office. It was not a case so much of declining to do it as deciding what was the best way of doing it. The Festival Office wished to keep control over design in particular and we felt that without this free hand we could not do it within the time laid down for the opening of the Festival.

2020. The question I really want to put to you, Sir Harold, is this: the Ministry of Works, with all its knowledge and its vast departments behind it, realised it would be very difficult to complete this within the given period of time and, therefore, in order to deal with it efficiently, they said on these different points they would have to have the responsibility?—Yes.

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[Continued.]

2021. In your view, and that is the major question, would not it have been wiser if the Festival Office had agreed as then they would have had the Ministry of Works' knowledge behind them?—Well, I think it is difficult to say now if it would have been better. The essential point from our angle was that there should be one undivided control. We were definitely against any arrangement whereby the Festival Office was responsible for part of the programme, particularly on the design side, the Ministry of Works being employed simply as their agents with the contractors. Whether we should have done it better or not, I think, is beside the point. The fact was that the job was done and done in time, and it was done through that system of undivided control which we advocated.

Sir John Mellor.

2022. You say the job was done in time, but it was done at enormous extravagance, was not it?—Well, I am hardly in a position to say whether there was extravagance or not.

2023. In paragraph 3, when it says it was decided that the Festival Office should assume responsibility, at what date was that decision taken?—My recollection is that it was early in 1950, January or February, 1950.*

2024. So that more than a year elapsed between that decision being taken and the opening of the Exhibition?—Yes.

2025. Do not you think that your Ministry could also have got the work done in time for the opening date?—Well, I am sure, if we had taken it on, that we could have completed it and made a good job of it but, as I said, it was dependent, in our view, on the conditions, particularly the condition that we should have full responsibility and not partial responsibility.

2026. If you had taken on the job, do not you think you could have done it at far less expense than was incurred by the Festival Office?—I really cannot commit myself to an answer on that, Yes or No. At the point when we were asked to look at it very little work had been done on the detailed drawings and it was very difficult at that time to get a real estimate of what the cost was likely to be; and any opinion that might be expressed now would, I think, be simply pure conjecture as to what the cost would have been if someone else had done it.

2027. I am asking for an estimate? If your Ministry had done the same work as was done by the Festival Office, do not you think you would have done it in a way which would have cost the country far less?—I am sorry, but I really cannot

commit myself to that. It really is, I think, a technical question of examining the accounts, the work that was done and so on, and we have not, in the Ministry of Works, made any check on the work of the Festival Office. All I can claim is that we do try to do our building work as cheaply and as efficiently as possible, but it would be, I think, unfair for me to attempt to make a comparison on work of this kind without looking at the actual facts and figures.

2028. You say it is a technical question; yours is a technical office, is, not it?—Certainly.

2029. You have had a great deal to do with this. Were not you keeping under observation the progress of the work even after it had been left in the hands of the Festival Office?—No, we had no responsibility and beyond giving advice when we were asked for it and assisting in various ways certain activities of the Festival Office, we did not keep in touch with the work on the South Bank.

2030. You had completely abandoned all responsibility to the Festival Office after the date of the decision?—Certainly.

Mr. Cuthbert.

2031. If I remember rightly, Mr. Chairman, I think we had some discussion about this before this meeting. I would like to ask in the very first place why was not the responsibility or the actual job itself given to you, the Ministry of Works? Who was it who decided that it should go to the Festival Office, to start the job first and then bring you in afterwards, and you could not accept responsibility afterwards, of course?—As far as I know it was all bound up with the decision taken by the Government of the time that there should be this Festival, then the decision, with which the then Lord President was closely associated, that the South Bank should be used as the site for the main Exhibition. Using the South Bank site brought in, of course, negotiations with the London County Council and while those negotiations were proceeding the Lord President, who took broad responsibility for the Festival, decided that a plan should be drawn up for the Exhibition, designers appointed, a staff created, and so on. All that was going on without any discussion or consultation with the Ministry of Works as part of a developing scheme. It was not until this group of persons, who had been appointed for this purpose of designing the Exhibition and putting forward general plans, had arrived at a general scheme in very broad outline with very rough sketches that an approach was made to the Ministry of Works to examine the possibility of the Ministry of Works undertaking the building work and the placing of contracts and so on. It was simply at

* *Note by witness:* The date was March, 1949.

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[Continued.]

that stage that this decision, as referred to here, was taken. I think it was not until about that time that the Festival Office was actually created as a separate organisation to deal not only with the South Bank site but, of course, with all the other activities connected with the Festival, which were not confined by any means to London.

Mr. Peter Roberts:

2032. I would like to ask the Treasury one question, if I might, on the Treasury Minute on paragraphs 15 to 17, opposite page 5. The point arises out of paragraph 16 of the Public Accounts Committee's Report, the last sentence of which says that the Ministry of Works "had, for instance, acquiesced in the selection of the consulting engineers and had advised that prices fixed by the consultants could be accepted without independent check". As far as I can see no reference is made to that in the Treasury Minute. I would like to ask, Mr. Milner-Barry, do you consider, yourself, that that is a reasonable way to carry out such an undertaking as this, and are you satisfied, from the point of view of the Treasury, that it is a reasonable thing to accept figures fixed by consultants without further independent cross-check?—(Mr. Milner-Barry.) I think that is a matter in which we should find it extremely difficult to challenge the considered opinion of the Ministry of Works.

2033. Then, Sir Harold, do you consider that that was a reasonable way to deal with the problem, to leave it entirely in the hands of the consultants?—(Sir Harold Emmerson.) I generally take the view that if you employ a consultant and pay him a fee, you ought to rely on the result of his work and not employ somebody else in the office to do the work over again in order to check what he has done; but it is, of course, all subject to the fact that we have in the Ministry a professional staff of our own and it is their job to look broadly at a consultant's work without going into all the detail. If they felt that there was something really wrong with it, of course, it would be taken up, but, broadly, I should say that where a consultant is employed and care is taken in making the selection of the man to do the job, we should act on his advice and take his view.

2034. Even where, as I understand, competing tenders were not put out?—Yes.

2035. You said that you have your own accounting staff. They were not used at all in this matter, were they?—When I referred to our own professional staff, I was thinking of architects and engineers rather than accountants.

2036. They were not brought in at all?—No.

2037. So that your answer really means that even though there was no tender at

competitive prices submitted, which normally consultants would see to, you think in this case it was reasonable to take what the consultants had proposed?—Yes; I think so in view of the time factor and the special nature of the programme.

Mr. Scott:

2038. You said that after the Festival Office assumed full responsibility they still came to you from time to time for advice?—Yes.

2039. Was that a very frequent occurrence?—No, I should say not. That was advice on rather special aspects of their work. Our Directorate of Lands and Accommodation, for instance, gave advice on leases and property questions. We took over rather special work for the Festival Office in connection with floodlighting, the aquatic displays, of which our engineers had had some experience, and so on. I would be giving quite the wrong impression to suggest that there was anything like a day to day contact. It was on special aspects on which they felt, probably, that we had rather special experience and, indeed, as I say, in the case of floodlighting and aquatic displays we took over on their behalf.

2040. But they did not ask for advice on the costs or on the placing of contracts or anything of that sort?—No.

Mr. West:

2041. Sir Harold, when your Ministry refused to take over the responsibility of these works, had the Festival Office been created at that time?—My recollection is that the Festival Office had not been created. Certainly it had not, shall I say, been developed on the full basis. It was really following that decision, I think, that the Festival Office was properly organised.

2042. From whom, then, were you requiring the authority? You were wanting the full responsibility. The full responsibility from whom? Apparently someone up to that time had had the responsibility?—Yes. May I say that I am not absolutely sure about my facts about the early history of this, again for the reason I have given that the Ministry of Works was not really associated with this in its early stages. But my recollection is that the Lord President and the Lord President's Office were taking general responsibility for the Festival as a whole, of which this South Bank site, as I said earlier, was only one of the many activities. At some stage, and I could easily give you the date by looking it up, it was decided that the best way of running this very exceptional programme was to set up a separate office with a separate Vote so that not only could they operate independently of other departments,

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but the total expenditure on the Festival could be shown separately. My recollection is that the Festival Office was set up as a separate organisation shortly after this decision about the contract and building work at the South Bank site.

2043. It was necessary, of course, for the Festival Office to be set up if the Ministry of Works refused to undertake it?—The Festival Office or some organisation would have had to be set up to deal with the organisation of the Festival as a whole. After all, the only point at issue here was the actual building work in connection with the Exhibition.

2044. I entirely agree, and it is with that point that I wish to deal. It is obvious that the Ministry of Works was the proper authority to undertake the building works, surely?—Well, we claim to be the building department for civil work on behalf of the Government.

2045. This was a Government project, more or less, was not it?—Yes.

2046. It would have fallen within the responsibility of the Ministry of Works, had they been requested to do the work, to do it?—Yes.

2047. Why, then, did the Ministry of Works require to have the full responsibility for the Festival if they were to undertake the work at all?—It was simply because our professional works organisation felt that if they were to undertake this work they must do what they did in respect of any other normal building programme, that is, have responsibility for the design and the whole job and not just the placing of the contracts and the supervision of the work as it was in progress, and so on. You see, in the case of normal building work where we are acting as agents, in some cases for other departments and in some cases as the Government Accommodation Department, our architects and professional men are in right at the beginning of the job, designing the building and getting out quantities and so on. They are in right through the placing of the contracts, the supervision of the work until the job is completed, and they felt that, to get this programme through successfully, it should be dealt with on what they would regard as normal lines. That was not the view at that time of the Lord President's Office, who felt that from their point of view the design of these rather exceptional buildings should remain the responsibility of those outside designers who had been appointed for the purpose of the Exhibition.

2048. Do I take it, then, that the Ministry of Works refused to undertake the works because the outside designers or planners did not meet the wishes of the architects

and planners in the Ministry of Works? Is that the only thing upon which it foundered?—I think it is a little misleading, if I may say so, to say this was a refusal by the Ministry of Works. What happened was that our professional staff in the Directorate of Works said: "We can carry through this programme by the date laid down under these conditions". The conditions included the appointment of staff, because at that time we were very heavily loaded with other work. It was simply one of the conditions that, in their view, they should be responsible for the whole job. Now, it was not exactly a refusal; it was saying: "These are the conditions which we think we must have if we are to carry this thing through successfully within the time", and one of the conditions was that the people who were going to place the contracts and see the job through should also be responsible for the design.

2049. But if the designs had been approved in draft and were satisfactory as regards the kind of layout that was desired, what was the reason for the specialists in your Department saying: "Very well, we are not prepared to accept those designs, we must have our own. We shall not do this work unless we have the responsibility for it"?—I can only say that that was the view they took; that if they had the whole job given to them they could do it with the additional staff that they wanted, but they felt that with the risk of conflict of opinion, and so forth, it was unreasonable to ask them to work to designers in another department.

2050. Surely it is part of the day-to-day functioning of the Ministry of Works and its designers to meet designers who are doing other works and to compromise and to pool their ideas and to get the best ideas that can be obtained? Surely the plain fact about this, and I agree with what Sir John Mellor has said—

Chairman.] It really does not help us for you to say that you agree with what Sir John Mellor has said, Mr. West. It would be better, if I may say so, if we conduct this by way of questions. If there is to be a discussion, let us have it without witness, but we really must not start an argument.

Mr. West.] With great respect, Mr. Chairman, I was not going to begin any discussion at all, I was merely prefacing the question—

Chairman.] Mr. West, may I then say there is no reason for you to indicate your agreement or disagreement with Sir John Mellor on this point. That we can have when we come to consider our Report.

Mr. West.

2051. With great respect, Mr. Chairman, I do not wish to be controversial on this. All I was going to say was this: I agree

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[Continued.]

with Sir John Mellor's question as to whether substantial savings could not have been effected if the Ministry of Works had, in fact, undertaken the responsibility of these works?—That is a question which I cannot honestly answer and I really do not see how it is possible to answer it without an examination of the accounts. The details of the work and all those things are subject to human error, and it might well be that having examined the accounts we could only say: "Well, under our system of placing contracts, and so on, this is what we should have done", and it may be it would vary one way or other; but as to what the net effect would have been if somebody else had done the job, I think it is impossible to say.

2052. I entirely agree, and shall I put it no higher than this, that it is possible that there might have been substantial savings if the Ministry of Works had undertaken it?—It is possible.

Chairman.

2053. May I ask, in order that we may have this point perfectly plain, is it equally possible that it might have cost more if you had done it?—Certainly. Also it is possible it might have cost the same. The whole question, as I said earlier, is just one of pure conjecture.

Mr. Douglas Marshall.

2054. I know it is a difficult question, Sir Harold, but I just want to put to you a direct question: it may be that in 100 years' time this may be read again for another Exhibition. None of us are likely to be here, and with your knowledge and your experience, would you think yourself that it might be better, if another Exhibition at another time were to come about, for it to be conducted by the Ministry of Works? It is something, after all which would be constructive to posterity if it is nothing to the past?—I should say it was probably a good thing to have brought in outside architects or designers—perhaps that is a better description of them—to bring new ideas and to be given the opportunity of a fling and an opportunity of expressing themselves. But, subject to that, I would say that it would be better to operate the actual building side through the existing Government machine. This is perhaps purely a personal opinion, but I think it was a good thing to have given the opportunity to young men in the architectural profession to try their hand on these very unorthodox buildings, and I see no reason why that should not have been done while at the same time marrying up with the normal methods of placing contracts and so forth. But, of course, the conditions as they were at the time meant that that could only have been done with additional staff in the Ministry of Works

in view of the other work which they had to do.

Mr. Douglas Marshall.] Thank you very much.

Mr. David Jones.

2055. I would like to put one point on that, if I may, Mr. Chairman. So, it does mean, Sir Harold, if you had undertaken the work, you would have had to bring in staff from outside?—We should have had to increase our staff, yes.

2056. It is conceivable that the men, the outside designers who designed it, might have been taken on to your staff?—Well, that is possible, of course. Whether the same individuals would have been appointed, I just do not know.

Mr. Bossom.

2057. As there were consultants engaged to do this work, the Ministry of Works was responsible for the finance of it?—We were not responsible in any way.

2058. You did not approve anything? Were there any quantities taken out?—Not by the Ministry of Works.

2059. Were any reports ever sent in to you?—No.

2060. In other words, the Ministry of Works knew nothing about it?—We had no concern with it once the decision was taken to have the separate organisation.

2061. Why did you break away from the regular scheme that is always adopted by the Royal Institute of British Architects that wherever you employed a consultant you always insist on that consultant referring to the owner, to get his approval before he spends money?—We were not concerned in any way with this. That is a question, I suggest, Mr. Chairman, which would have to be put to the Festival Office. The Ministry of Works were not concerned in any way with the Exhibition other than the giving of advice or the taking over of these rather special items which I have already mentioned.

2062. Who was responsible for the financial side of this, because in some way or other it came out of the taxpayer's money?—Yes.

2063. Some Government authority was responsible. Who was that Government body responsible?—The Festival Office was responsible and there is a separate Vote for the Festival Office.

2064. Did they not consult you at all?—No.

2065. In other words, the Festival Office was put outside the Government to do this work with no one holding the Festival Office responsible for how they spent the money?—No, that is not quite true. The

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[Continued.]

Festival Office was set up within the Government organisation but as a separate and independent department with a separate vote. The money was voted by Parliament, Sir Gerald Barry, the Director General, was appointed as Accounting Officer, so for the purpose of the Festival there was this virtually separate department concerned solely with the Festival.

2066. They had nothing at all to do with the existing Ministry of Works in any way?—No. The Minister responsible was the Lord President until a late stage when the responsibility was taken over in a personal capacity by the then Minister of Works, Mr. Stokes, who after carrying responsibility as Minister of Works for about six months was appointed Lord Privy Seal and took that responsibility with him. But during the time that Mr. Stokes was Minister of Works, acting on behalf of or in the place of the Lord President, the Festival Office and, indeed, the staff in the Lord President's Office who have been concerned with the Festival, all reported to him direct and in no sense were they part of the Ministry of Works.

2067. Of course, the head of the Festival Office was not an architect, he was a journalist?—Yes.

2068. Who was it who represented the financial side of the situation with these consultants?

Chairman.] May I say that these questions ought, I think, to be addressed to Mr. Milner-Barry and not to Sir Harold. Sir Harold is in no way answerable for the organisation of the Festival Office and I think it would be better if Mr. Milner-Barry dealt with that range of problems.

Mr. Bossom.] Thank you very much, Mr. Chairman. Sir Harold has very kindly given me some information which I was trying to follow up which does not affect him, but it does affect someone else. He opened the door for me and I was trying to go a little further through it than he had opened it.

Chairman.] You will recollect, Mr. Bossom, that we have already had the Festival Office before us and we have asked them certain questions and this was not suggested to them. If there is any general point it should be put to Mr. Milner-Barry, not to Sir Harold, who in no sense is entitled to speak for or on behalf of the Festival Office.

Mr. Bossom.] That is the very point I was getting at, Mr. Chairman. When we had the Festival Office before us we had not the information which Sir Harold has very kindly given us, and I thank him very much for letting us have it. That is the point I am getting at. Apparently, here we had a perfectly good department which Sir Harold—

Chairman.] We really must not argue it now, Mr. Bossom. Would you address your questions either to Sir Harold or to Mr. Milner-Barry?

Mr. Bossom.

2069. The point is that the Ministry of Works, a department under the Government which does handle these things, were absolutely ignored in a technical matter. They are informed on technical subjects, but they were not taken advantage of in these circumstances?—Not fully, no.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VII.

VOTE 1.

MINISTRY OF WORKS.

VOTE 2.

HOUSES OF PARLIAMENT BUILDINGS.

VOTE 3.

PUBLIC BUILDINGS, GREAT BRITAIN.

VOTE 4.

PUBLIC BUILDINGS OVERSEAS.

VOTE 7.

MISCELLANEOUS WORKS SERVICES.

Chairman.

2070. May we turn now to the Civil Appropriation Accounts, the Comptroller and Auditor General's Report, paragraphs 130 and 131? These paragraphs deal with the House of Commons rebuilding. Sir

Harold, the estimate started at £1½ million and was brought up to £1,900,000. Do you yet know the final cost?—(Sir Harold Emmerson.) No, we are not likely to know the final cost for, I should say, at least another year because of the settlement

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[Continued.]

of accounts and any final claims which may be put in by the contractors. What we have provided for in the Estimates for the next financial year is £1,916,000; that is £16,000 over and above the figure of £1,900,000 given in paragraph 130.

2071. Was it not until December, 1950, that you knew the labour and material increases would lead to increased total cost? We knew earlier than that that there would be additional costs due to increases in prices of materials and increases in wages, but between the end of 1949 and the end of 1950 the view taken by the quantity surveyor who was in very close touch with the work was that such additional costs would probably be covered by savings on other items of work, and he took the view that an increase in the total estimate was not likely to take place. It was not until the quantity surveyor had been able to measure the work already done that he saw reason to change that view and this application had to be made to the Treasury at the end of 1950 for approval of the increase in the total Estimate, bringing it at that time up to £1,900,000. There were, I may say, one or two small additional items of work which had been authorised, mainly on the engineering side, but in the main the increase in cost was due to the variations in cost.

2072. Can you break that down at all in figures? What is the additional cost due to changes merely in the prices of things, and how much to changes in the actual plans? When I say "plans", I do not mean plans in the technical sense, I mean in what was decided should be done?—Rather more than half was due to cost variations. About £8,000 was due to additional items of work costing over £1,000 each. The balance was due to the increase in cost when the work was measured. I may say that a good deal of this work in the contract as a whole was subject to measurement, particularly on the engineering side; it was very difficult to specify the thing in detail at the outset and the contracts were based on what the architects called schematic drawings, subject to schedules of prices, so many items had to be measured. When the job was measured up, particularly on the engineering side, it was found that in spite of savings in some directions there would be this increase over the earlier estimate, the 1947 estimate.

2073. Who authorised the changes, Sir Harold? I am not now talking about increases in cost, I am talking about the actual changes. Who authorised them?—Theoretically, of course, the responsibility rested with the Ministry of Works, who must take the responsibility for it. We were, as the Committee will know, working with or through an architect, and an engineer selected by the Advisory Committee of the House of Commons. In practice the architect and engineer did suggest

that certain variations should be made as the work proceeded. In the case of the engineering side that was particularly so because of the rather difficult and special nature of the work in connection with air conditioning and insulation, heating, lighting and so on, but any changes suggested by the architect and engineer were subject to our approval and, if necessary, according to the cost, to Treasury approval. The conditions were rather exceptional.

2074. There is a phrase here: "Doors, etc., not included, or not detailed, in the original tender". Why were items which were, apparently included, not detailed in the tender? How does that come about?—I think, as the work developed, various suggestions were made, in some cases made to the architect and accepted by him as being good suggestions. I think the doors referred to are those at each side of the central lobby. I have not got the details of all the different items that were subject to variations. They were mainly, as I have said, on the engineering side; changes in connection with the fluorescent lighting, the lighting under the galleries in the House, where on trying what had been provided for in the original tender it was found that they were not entirely satisfactory; and a certain amount of experimental work had to be done in connection with air conditioning, and so on.

2075. Was there then, in fact, an increase in the scope of the work, which you had not reported to the Treasury?—No, I should say that in relation to this total cost of the whole work of rebuilding, these variations in details were relatively small.

2076. You said just now that something more than half was due to changes in cost, so that something less than half was due to actual alterations?—If we are speaking now of the difference between the £1,900,000 and the previous figure in December, 1947, of £1,780,000 roughly, the amount included in that difference of about £120,000 due to these variations in fittings, and so on, was probably not more than about £10,000.

2077. May I then go on to paragraph 131 and ask you how was it that your general instructions were not carried out by your architect and engineer?—The first answer, I think, is the question of what was a material change in the nature or scope of the work. We had working with the architect and engineer appointed in agreement with the House our own architect and he did, in fact, report what he would regard as a material change in the nature and scope of the work; but it was not always easy for our own officer to work with an architect of the eminence of Sir Giles Gilbert Scott in matters of this kind. I think, generally speaking, the job was carried through under very difficult conditions and, on the whole, the cost was

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[Continued.]

surprisingly close to the Estimate, that is, on the revised basis. Most of the difference, as I say, was due to the cost variations and to the fact that the work was subject to measurement.

2078. It appears that in November, 1949, your professional officers knew that costs would be higher, but, apparently, did not know how much higher. Did they give you any warning of this?—At that time the quantity surveyor who was responsible for keeping in touch with the work definitely took the view that the items of cost which would be higher would be more than offset by savings. It would certainly have been better had he not taken that risk but it was impossible for him at the time without measuring the work to give a revised Estimate, and that was his view. I fully agree, it would probably have been better had he reported the risk and it would have been better if we had told the Treasury there was this risk, but it was impossible, I understand, in December, 1949, to say what the additional cost was likely to be, and the quantity surveyor himself took that view that it would be more than offset by savings.

2079. In paragraph 131 you are credited with having explained that the unapproved variations were small. Does this mean that you had, in fact, approved most of the excess of £120,000 but had not sought Treasury approval to amend the Estimate?—No, I think there are three elements in this figure of £120,000. There is, first of all, the variations referred to in paragraph 130, variations by architect's instructions in connection with fittings and so on. That was a comparatively small item. If I may deal with that first, the general instructions are that if a variation in the course of a job is likely to cost more than £1,000, then it must be reported by the architect and special approval has to be given. There were a few cases altogether—I do not think they amounted to more than about £10,000—where under the strict application of the instructions prior approval should have been given. We are satisfied that if approval had been asked for prior approval would have been given. For the most part they deal with the fluorescent lighting, the lighting under the galleries, dimming controls, ventilation and some alterations to the lifts. That is the first element in this, and it is that which is mentioned in paragraph 131 in the sentence that reads: "The Ministry explained that the unapproved variations were small and would have received prior approval had it been asked for". The rest of the £120,000, which is really the big item, consists of those two things I have mentioned, the cost variations and the additional cost over the estimate when the work was measured.

2080. I was a little puzzled by the final sentence of paragraph 131. You are satisfied that your arrangements are good, if

they had operated? What steps have you taken to make sure that they are in operation?—We have taken a good many on the subject of financial control as a whole. What I think we had in mind in this last sentence on paragraph 131 is that in the last resort the financial control only operates with complete success if the professional man on the spot does what he is told to do. That is, that if he wishes to authorise additional work which may obviously be the sensible thing to do, but the additional work is going to cost more than £1,000, even if it is only £1,001, then under the instructions he is expected to report it and not to authorise the work with the contractor until he has that authority. If that is done in 100 per cent. of the cases, then, the system operates with complete success, but in this case of the House of Commons there were certain jobs which were authorised costing more than £1,000 where that was not done.

2081. Are you satisfied, Sir Harold, that your finance branch can watch progress to see that professional officers do not undertake work without approval?—First of all the financial control really rests with the administrative branch. The administrative branch cannot and should not be watching the architect or the engineer from day to day. It is their job to obtain reports from the architect and engineer and to watch the expenditure of money on the job, but we have insisted and emphasised that the primary responsibility rests in the first stage with the architect and engineer who is on the job. It is up to him to see that he is covered by financial authority if there is any question of authorising additional work.

2082. Mr. Milner-Barry, I see at the end of paragraph 130: "The Treasury replied that there was nothing they could do but approve the increase with regret." Are you satisfied with the Ministry's system of financial control?—(Mr. Milner-Barry.) I think, broadly speaking, we are, yes. It clearly went slightly astray in this particular case for the reasons which the witness has just given, that the architect in certain cases did not get prior sanction when he ought to have done.

2083. Have you, the Treasury, taken any steps to see that this system is altered?—I do not think we have, arising out of this, no.

Mr. David Jones.

2084. I take it the architect and engineer on this job were your own employees who were supervising the contractors?—(Sir Harold Emmerson.) No, the architect and engineer were selected by the House of Commons Advisory Committee. Technically, of course, we employed them. The engagement was with the Ministry of Works, but they were not members of our staff.

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[Continued.]

2085. But they were actually employed by you for the period of this contract?—Yes.

2086. I see the original estimate was £1½ million and in the second subparagraph of paragraph 130 I observe that this estimate included a provision for contingencies. Could you tell us what proportion of that £1½ million was provided for contingencies?—No, I am afraid I could not offhand. I could soon let you know.

2087. Would it be £½ million or £100,000?—(Sir Frank Tribe.) £65,500.

2088. I gather, Sir Harold, from answers that you gave earlier, that the estimate of cost will not be less than £1,916,000?—(Sir Harold Emmerson.) That is so, yes.

2089. So that is £666,000 more than the original estimate?—Yes.

2090. If you add to that the £65,000, that comes to something like £¾ million over the original estimate?—Yes, it would be about that, over the 1944-45 estimate.

2091. I understood you to say earlier to the Chairman that you thought the final cost was surprisingly near the original estimate?—I think I said the estimate of 1947.

2092. Then, I beg your pardon?—I was allowing for the increases of price of materials and labour.

2093. Yes, I can see that. You told us that the increase in costings approximated to half the increase in cost?—Yes, about half the figure of £120,000 was due to cost variations.

2094. Of the £120,000, I see. So that the alterations which you suggest were made amounted to a pretty considerable sum, taking it all in all?—Yes, certainly.

Sir John Mellor.

2095. Referring to cost variations, was the work done on a cost-plus basis by the contractor?—No, there were two main contractors, one was for the foundation work, Messrs. Trollope & Colls, and the other was the main contract for the building, which was placed with John Mowlem.

2096. On what basis were they paid? It was not a fixed price contract, obviously. What sort of contracts were they?—It was a fixed price subject to measurement of certain items. There was a schedule of prices for certain items of work which had to be measured when the work was completed.

2097. Do you mean, then, that they were paid on a sliding scale, according to the variation in prices?—There was a cost variation clause but, in addition to the cost variation clause, a good deal of the

work was subject to measurement. An obvious example is the amount of cable and work of that kind, the price of which was scheduled. That was subject to measurement when the job was completed.

2098. Then, did the contractors' profit vary also with those prices, or was that fixed?—No, the contractors' profit was not dependent on the total cost of the job.

2099. That was fixed?—That was fixed.

2100. And did not vary at all with those variations?—No.

2101. You said with reference to the doors that there were some doors that had not been included originally, which were, I think you said, erected in the Central Lobby?—It is described, I believe, as the perimeter of the new building. The report I have says that the fittings and doors referred to in the report were in what are described as the perimeter works. The doors for which some provision was made in the original contract, but without details, are the four sets of doors on each of the four sides of the square Commons Lobby. The doors that were finally installed cost more than was provided for them.

2102. There were no doors in the Central Lobby?—No, I am sorry, I misled the Committee. It is the square Commons Lobby.

Mr. Bossom.

2103. How was the original Estimate of £1½ million arrived at? Was it based on full drawings and specifications and quantities?—It was a rough estimate submitted by the consultant architect and the consultant engineer but exactly how far and into what detail it went I could not say without making enquiries.

2104. Was an original bill of quantities taken?—I should have to confirm that. It is going back to 1944 and I should like to be sure of the answer before making a guess.

2105. How could you make a contract without having a bill of quantities?—There was a bill of quantities, but I really could not be firm on details.

2106. There must have been a bill of quantities, there must have been drawings and specifications?—Yes.

2107. Otherwise there could not have been an estimate?—No; not a firm one.

2108. Having listened to what you said, apparently the original contract was £1½ million and the variation is about £½ million or more?—Yes; over the first estimate.

2109. It has gone up by that amount?—Yes; but the contract was for £1½ million.

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[Continued.]

2110. Without any undue warning apparently being given? Were there any abnormal clauses that you had in the architect's contract that allowed him to decide things that are not normally left to the architect?—No, as I explained earlier, any variation proposed by the architect was subject to Ministry of Works approval and where it resulted in net increase in cost, that is to say, there was no saving to set off against it, then we had to seek Treasury approval for the change.

2111. Was not it a fact that you gave him a clause that no alterations could be made for a full year after he had finished with the job?—I should like to confirm that. I have not myself seen the terms on which the architect was originally appointed.

2112. It is quite an abnormal clause, and it was put in. Having had these drawings, specifications and quantities originally and made an estimate of £1½ million how could you possibly without some warning beforehand suddenly find this going up to nearly £1,900,000? How could you explain it?—The Estimates were increased, you see, in paragraph 130. The estimate in December, 1947, was £1,779,000. My answer to earlier questions related to the difference between that figure, the 1947 figure and the 1950 figure, £1,900,000.

2113. How would you, as an expert on this subject, explain that terrific variation?—Over the original figure of £1½ million?

2114. That was wrong, would be your answer?—The short answer is that it was an under-estimate, but a good deal of it would be due to increases in cost some of which would, no doubt, be due to changes in the design or the fittings, and so on.

2115. Surely, when you have a change in design, you must have had drawings made of this? You must have had a specification of it and quantities taken of those changes?—Yes.

2116. And they must have been priced?—But all that would go into this increased estimate.

2117. Then that ought to have given a warning as to what was going to happen? It does with an ordinary building. I personally have designed buildings considerably more expensive than this many times without having a variation of 5 per cent. These figures simply stagger me when I see them. I am not exaggerating. I cannot imagine how it was that the architect or the quantity surveyor, or who was responsible, let it go on in that way?—Well, the main responsibility for the rebuilding rested with the architect subject to the instructions that he had and the approvals that he sought or were obtained for him.

2118. Has the final work been measured up yet?—I think it is practically completed. We have not yet settled the final accounts with the main contractor.

2119. Do not you consider it is abnormal to wait as long as this on a job of this size?—For the final settlement?

2120. Yes?—That is not our experience. We have the greatest possible difficulty in getting contractors to put in their final accounts and particularly to agree with them that there will not be claims or to obtain an assurance that they have made their final claims. We have that experience over quite a number of services. We still have it with temporary housing which we cannot clear because of the reluctance, apparently, of contractors to put in their final claims.

2121. Is not that really only inviting an increase of cost? More building than is ever done in England is done in America, and the final payment is done within 30 days of the final work being done, and it is settled up in 30 days. But here we have been occupying the House for some time?—I assure you, our difficulty is to get the contractors to put in their final accounts.

2122. Why do not you put pressure on them?—We do, I assure you. It is a matter on which I personally feel very strongly because the time of our staff is taken up in pressing contractors to put in their final claims; and in some cases we cannot reach finality in relation to Estimates and Parliamentary approval because of this difficulty.

Mr. Douglas Marshall.

2123. I would just like to ask Sir Harold one question. So far the questions that have been directed to him have been with regard to approval having been obtained, that the increase in the Estimate did not appear as quickly as one might expect, that extra fittings were provided which caused further cost or, lastly, the overall rise in cost which led to a very much greater Estimate. The point I want to ask directly of Sir Harold is this: if, for example, you build a ship and you have alterations halfway through that building, the completion of that vessel is much more costly than the actual alteration by virtue of the alteration?—Yes.

2124. To what extent was this more expensive by virtue of the alterations, by reason of the original contractor not including the actual alteration cost itself?—To give a full answer I should like to consult our professional advisers, but my impression from having visited the building frequently while it was in progress was that the variations in design and so on did not seriously affect the cost in that way by causing delay, because for the most part they were changes in fittings and superficial changes which did not affect

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[Continued.]

the structure. On the engineering side there were changes made partly as a result of experiment and it was very difficult to avoid some of them because until the lighting was tried out and the ventilation and heating, and so on, were tried, it was not possible to be absolutely sure of the result. I should say, broadly, that they did not add materially to the total cost because of the alteration.

2125. A thing which puzzled me just a little, arising out of the answer you have given, is this: if you take the original Estimate, in which a provision for contingencies was allowed, which we understand from the Comptroller and Auditor General was around £65,000, which is 5 per cent. of the original Estimate, you would have thought that those small alterations, as to which you have given us the impression that they were in fact small, the slight alteration of a door or something of that sort, would have been covered by the 5 per cent. which was allowed, and, therefore, you would expect that the addition would only be 5 per cent. to the total completion, would not you?—Yes. I was dealing, of course, with the increase between this figure of nearly £1,780,000 and the figure of £1,900,000. I think I can only say that this was a very exceptional job, carried out under difficult conditions and I have given the Committee, I think, the full explanation of the increases that occurred. It may well be that the provision for contingencies was inadequate and should have been a higher figure.*

2126. I have only one last question. Who authorised the alteration?—In the course of the work the architect and engineer appointed for the rebuilding gave instructions which were covered subsequently by authority from the department, so that, as I said earlier, the Ministry of Works must accept responsibility for the alterations that were made.

Mr. David Thomas.

2127. The architect was employed by the Ministry of Works specifically for this job?—Yes.

2128. If I understood you rightly, you did say that there were several new jobs and alterations. I do not know whether you said there were seven jobs, each of them costing £1,000 or more?—Yes, seven.

2129. As I understand it, he should have notified the Department when he first of all found a job costing more than £1,000 in order to obtain permission to carry out that work or alteration?—Yes.

2130. It appears that he did not do it in that first job, the second or third, but he continued making these alterations without any direction at all to the Minis-

try of Works?—Yes. Under the instructions, if a variation is likely to cost more than £1,000, then prior approval should be obtained. I have a note here of seven cases costing more than £1,000 on the engineering side which were initiated without such prior approval. I am satisfied that if the prior approval had been sought, that approval would have been given.

Mr. West.

2131. With regard to the final accounts and settlement, did the contracts contain any provision at all as to the manner in which the accounts were to be finally submitted and settled?—There was no exceptional provision in the contract as far as I know. We have had provisional notice from the main contractor that there will be a claim in due course, but as to its amount and nature, we have no knowledge.

2132. Did you enter into a special contract, or did the contract contain the usual clauses where I understand that there is some such provision made for the submission and final settlement of accounts?—No, it was the normal form of contract, but there is no provision in a normal contract about the date by which claims, as distinct from the final account, have to be made.

2133. Is the point at issue now claims or the final settlement of accounts?—It is really both. The final settlement of accounts will depend on agreement about the measured work. There is also the settlement of a claim of which we have had provisional notice.

Chairman.

2134. May we now turn to paragraphs 132-134 of the Comptroller and Auditor General's Report? I see from the Estimates that this is Stage 1. Is the provisional estimate for Stage 1 only?—This project was intended to proceed in three stages. The first stage is the provision of certain experimental workshops, and that will, I think, shortly be completed.

2135. May I just interrupt you? Do the three sections mentioned in paragraph 133 make up Stage 1 and then are you contemplating further stages? I am not very clear from this precisely what is covered?—No, I think in paragraph 133 the three sections are the three stages.

2136. The word "section" and the word "stage" mean the same thing?—I think for this purpose they do. May I say that the first stage or phase or section, whatever word one may use, is work on preparing wave basins and certain equipment at this Research Establishment. We are expecting to finish that work by the end of next month. It is practically complete on the architect side but there is still a lot

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[Continued.]

of work to be done on the engineering side. The second stage is work on the boiler house, the workshop and the Manor House which was taken over to be used mainly as offices. The work on the boiler house and the workshop will be completed in about two months time. The Manor House has been reconditioned and turned into offices. As regards the third stage, I understand that we have not really got beyond sketch plans and at the moment there is no decision about the authorisation of the work.

2137. When you have a figure of £300,000 in the Estimates for 1950-51, which I believe in the latest Estimates is reduced to £245,000, is that to cover the whole of the three stages?—That was intended to, yes. The object is to give in the Estimates the total figure for the whole project in so far as it can be estimated. The difficulty, quite frankly, with these Research Establishments jobs on the building side is to give a real estimate at the outset of the total cost. Very often as the work proceeds the client department, in this case a scientific organisation, has new ideas and may, indeed, be learning from experiments carried out in earlier stages, acquiring knowledge which is going to affect their ideas about late stages.

2138. In that case why cannot you treat each stage as a separate job? I do not see why you cannot treat each stage as a project, and instead of trying to give an estimate for the whole thing, just be content to say: "Here is the Estimate for Stage 1", "Here is the Estimate for Stage 2", to treat it as an independent project?—As far as I know there is no practical reason against that. What we have been trying to do is to give a picture of the total cost to which we are committed in entering even Stage 1. From our own point of view in working out the cost of a scheme, we do proceed in stages and it would be perfectly simple to show the cost of each stage. But, when it comes, as in this case, to the final stage, it is very difficult to make a forecast without closer knowledge of what the scientists require in the way of building.

2139. Does this mean, Sir Harold, that you are prepared to consider the possibility of splitting this up and costing each stage separately?—Yes. May I ask, Mr. Chairman, if you are referring just to this particular scheme or generally to work on behalf of these scientific departments?

2140. I am referring at the moment specifically to this scheme, but I think the same principle might arise on other jobs?—We will certainly consider that. May I say that in the Estimates for the next financial year we have in respect of this item shown in rather more detail what is likely to be the estimated cost of the first two stages. But there is real difficulty with this building

work for scientific research in giving any realistic estimate in the early stages of what the final cost is going to be. We found that, of course, in the atomic energy research programme.

2141. Do you satisfy yourself, anyhow, that one particular section as stated here will make a useful contribution to scientific research before you start on that section?—We have to accept on that the instructions of the client department, subject to the approval of the Treasury, as to whether it is or is not right to proceed with the building. We cannot be a judge in the Ministry of Works of the merits of the scheme.

2142. As far as you know, has the way you have outlined the project to us earlier on really given us the idea of the size and scope of the work? Is there much left still to be determined?—No, I think I have given you a fairly complete description of the work on the first two phases. The third phase or stage there is, I believe, some doubt about.

2143. You have not entered into any firm commitment on the third stage?—None at all, no, on the third stage.

2144. Have you any arrangements for co-operation with the Department of Scientific and Industrial Research to control costs and make quite sure the total cost is not out of relation to the total valuation of the establishment?—We are keeping the Department of Scientific and Industrial Research informed of the cost right the way through from the original estimate, but they have to be the judges, I think, of the value of the research. It is for them to satisfy themselves and the Treasury that the money that has been spent on the building really is justified by what is to come out of it.

2145. Mr. Milner-Barry, on this method of working in stages or sections, are you satisfied that this method of working without a total estimate gives you the proper basis on which the exercise Treasury control?—(Mr. Milner-Barry.) I think we certainly very much like to see the cost of the project as a whole before we let ourselves in, so to speak, for the successive stages of it.

2146. Does not this system mean, in fact, that you may very well be committed to completing a project at a higher cost than you would have thought worth while had you known it in the first place?—I think there is danger of that, which we have to watch very carefully. (Mrs. Johnstone.) I think we want to have an estimate which, at least, covers the work up to a convenient stopping place, that is, a point at which the work could stop and still be of some value to the client department, and I think we have had that in this case.

2147. Turning now to paragraphs 135 and 136 of the Report, was there any agreement with the Board determining the liability to

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[Continued.]

capital expenditure?—(Sir Harold Emmerson.) No, because the capital expenditure was incurred for the most part before the Board took over, that is, before the vesting date.

2148. Can we take it that you would not in future do work like this for an outside body without a formal agreement that they would pay for the cost?—I think, Mr. Chairman, that the circumstances here were quite different. The provision of these hostels, the majority of which were converted from wartime camps, was made as part of Government policy to help in the recruitment of labour for the mines. The provision of the camps and hostels was not done in agreement with the National Coal Board, it was done as part of Government policy and, indeed, before the Coal Board was created: so that this is not a case of making an arrangement which is not subject to a binding agreement which I gather is what you had in mind. The efforts made to negotiate a settlement with the National Coal Board after the creation of that body were really to safeguard the expenditure and to get what we thought was a reasonable settlement with the Coal Board.

2149. Now a few questions on paragraph 137 of the Report, regarding this new Embassy at Rio de Janeiro. How much of the increase from £60,000 to £150,000 was due to the provision of separate living accommodation for the Ambassador?—I could not say without checking it how much of that was due to the increases in costs and how much to the change of design. In fact, the original plans which were estimated to cost £60,000 were deliberately set aside following this change of policy whereby the Ambassador had to be provided with private living accommodation as a private residence in addition to the state rooms.

2150. Perhaps, Sir Harold, you would let us have a note showing this difference of £90,000 broken down under the headings given here so as to bring out how much of that is due to the change in the decision to provide this separate living accommodation?—Yes, I will certainly do that.*

2151. Did you get tenders for this work?—No. The work was placed with a selected contractor on the best advice we could obtain in the conditions in Rio, and in accordance, I believe, with the usual practice.

2152. Did you consider English firms?—English firms in this country?

2153. Yes?—No, we took the advice of an Englishman, an architect, who had been resident in Rio for a good many years and had had a good deal of experience. We were also guided to some extent by the experience of the American Government who had built an Embassy before the

war. The architect advised that the best way of proceeding was to select a Brazilian firm who had the local organisation and resources and pay them the actual cost of construction plus a fee. There were, in fact, only two firms who were considered at all competent to take on this job.

2154. How was the fee on this cost-plus contract negotiated?—He advised that the usual percentage in Brazil was 15 per cent. to 18 per cent. and that was based not, I think, on what we should regard as the total cost of construction, but also covered certain expenses. In agreement with the architect this fee of 16 per cent., which was on the low side by local standards, was negotiated and was intended to include a number of expenses which normally would, I understand, have been regarded as part of the costs.

2155. When you are talking about the architect who was advising on this, that is the architect for the building?—Yes.

2156. We are talking about one and the same person, and it is a local man?—This is the architect we appointed who is in practice in Rio and who had had experience of this kind of work and experience of controlling the Brazilian contractor.

2157. You paid him 6 per cent. on cost and you increased it later on to 7 per cent.?—Yes.

2158. Was this a scale fee?—We had regard to the normal R.I.B.A. scale.

2159. Why was it increased?—He satisfied us that the 6 per cent. was not really a reasonable figure. Our professional staff were satisfied that the higher figure was nearer the mark.

2160. How does this compare with the scale?—It is about the same. The R.I.B.A. scale is, I think, now 7 per cent. but it is usual, on large jobs of this kind, to negotiate a figure bearing in mind, of course, the scale.

2161. The estimate, I see, rose steadily from £150,000 to £405,000, and the work has cost £410,000 odd up to the 31st March? Had you any real control over the costs?—There were certain increases over which we had no control, devaluation being one that accounted probably for the largest increase. It accounted for about £60,000 out of this figure of £400,000. There were certain changes while the work was proceeding, changes in wages, some of which were by State decree, payment for Sundays, payment for holidays and so on, and I think it must be borne in mind that the work was proceeding for about four years during which time there were these increases in labour and materials.

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2162. Did you send out your own advisers to examine costs?—Yes. we had our own architect who was in touch with the architect appointed in Rio. He went out three times while the work was in progress. Our quantity surveyors went out, I think, on two occasions and we had on the site a clerk of works who was specially selected and who is still in our employment.

2163. There are some items where the cost seems to me to be high. Take the cost of gardening work, £9,422, or the cost of the swimming pool or the cost of the furnishings. Did you or the Foreign Office or anyone lay down the standards which were to be applied in this case?—Yes. I may say that this scheme, that is, the revised scheme prepared in 1944, was based on the White Paper issued, I think, in 1943 which laid special emphasis on the importance of providing adequate accommodation and the importance of really high standards for British representatives abroad, and recommended the provision of the private residence in addition to the state rooms. The scheme as originally drawn up by the architect in Rio was approved here in agreement with the Foreign Office and the Treasury in the normal way.

2164. Quite apart, though, from the extra cost of the state rooms, if you look at figures like this figure of over £9,000 for gardening work, or £54,000 for furniture, are not those amounts high?—The garden was specially laid down so that it could be used for receptions at the right time of the year. Special effort was made on the supplies side to see that furnishings of high quality were sent out.

2165. It was not until June, 1950, that it was considered that a swimming pool was desirable or necessary?—It was represented by the Ambassador and he had the strong support of the Minister of Works at the time, that a swimming pool was a necessary provision.

2166. Who advises you when you undertake work abroad in the ordinary way?—I am not quite clear about your question. We have our own architects who are responsible for work abroad and regularly visit the buildings and properties for which we take responsibility.

2167. In other words, on that side you go to your own people for advice?—Yes.

2168. Have you got any figure yet for the final cost?—A figure has been given in the House of £414,000 as the final cost. That was on the 4th March.

2169. Mr. Milner-Barry, has Treasury approval been obtained for further expenditure over the £405,000?—(Mr. Milner-Barry.) No, it has not.

2170. Did the Ministry of Works satisfy you that this very expensive form of contract was inevitable and that no later economies could be made?—Yes, they did. We had a good deal of correspondence with them at the time because, naturally, we were not at all happy about the form of the contract, but they did satisfy us, and we accepted that it was the best that could be done and that it was inevitable in the circumstances.

2171. Sir Harold, are you contemplating the erection of any other Embassies at costs like this?—(Sir Harold Emmerson.) Well, we had hoped to improve the accommodation abroad at a number of centres, but at present owing to the reduction in estimates and economy and so on we have no immediate project in view.

2172. No immediate project in view at all?—No.

Mr. David Thomas.

2173. This building in Rio has taken approximately six years to build?—I think it was four years from the time of starting work. It was started in 1946 and was completed in 1950.

2174. In the first sub-paragraph of paragraph 137 I see it states: "In February, 1945, Treasury approval was obtained to build at this figure". I take it it was commenced round about February, 1945?—I think it was a few months later actually, that they started to build.

2175. Regarding the architect's fee, is it usual to pay on a percentage basis on jobs of this kind for the Ministry of Works, a job which was, first of all, estimated to cost £60,000 and has already gone up to £410,000? On the basis of the 7 per cent. it would appear to me that he certainly did very well out of the job, approximately £28,980?—In answer to the first question where we appoint an outside architect, we do follow the general practice of the profession of paying a fee related to the total cost. As I said earlier, on very big jobs we do very often negotiate a fee. It must be realised, of course, in looking at the costs that the architect has to cover a large number of expenses. He has to carry considerable expenses not only in his own organisation but, as in this case, he was responsible for a large number of contracts with some of the specialised firms, and he had the expense of management of those specialised contracts as well as of the main contract. In other words, to consider whether or not the fee is adequate one has to look at the expenses as well as the total amount of the fee.

2176. The Chairman has already asked how is it that British firms were not asked to quote for a job of this size? It is quite possible that tenders might have been received by the Ministry of Works at a

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[Continued.]

lower figure from English contractors who would get their labour out in Rio, and they would get on with the job?—I can only say on that that it was thought cheaper and probably as efficient in this case to take a local contractor with local resources and employ him rather than send out an English firm who would, I think, have been bound to rely on local labour. I doubt very much if we should have gained a great deal by getting an English firm of contractors to build out there.

2177. Nothing would have been lost by seeking tenders from English contractors, and if they found any difficulties they would have told you? Then, surely, there would be some more contractors than one in Rio de Janeiro?—As I said earlier, according to the advice given us there were only two reliable firms in Rio with the resources. I can only say on the advice given it was thought best to rely on one of the local firms rather than to send out an English firm from this country.

Mr. Douglas Marshall.] Do you mind, Mr. Chairman, if I start with paragraph 137 and go back to paragraph 136, to get the continuity of it?

Chairman.] Not at all.

Mr. Douglas Marshall.

2178. Whilst absolutely agreeing that our Embassies abroad should be second to none that does not mean to say that one need not worry about any waste than one thinks might have arisen, and the point I particularly wanted to make as a question to you is this: in 1939, apparently, the estimate was £60,000. Then, just towards the close of the war it was £150,000, it is now £413,000, and you have just stated that you thought it was cheaper to employ local labour than to ask British firms to contract for this building? You also mentioned that by devaluation we lost £60,000, but surely the Treasury or the Ministry of Works would have covered the sterling forward knowing full well they were having a contract abroad?—I am afraid when I made my comment about it being cheaper, I had not taken account of the effect of devaluation.

2179. Did we not cover the forward exchange?—We certainly could not take account of the effect of devaluation because no-one knew at the time that it was likely to happen.

2180. Yes, but is not it normal practice that if at any time you contract abroad as a private contractor, you guard against a movement of exchange by covering forward?—That may be, but I should like to find out what steps were taken in this case.

2181. May I put the question in this way: had you had a firm contract with a British contractor to build a building you would not then have thought the British con-

tractor had a claim against you because of devaluation, would you?—I should have thought that, if a contractor was losing money on the contract as originally drawn up, he would have expected to have some account taken of devaluation.

2182. I wonder if I might put a question to Mr. Milner-Barry, representing the Treasury? Is it usual for a Government Department to contract liability abroad on behalf of a client department without taking into consideration the risk of exchange?—(Mr. Milner-Barry.) I should not have thought that one could have covered a risk of this kind in advance.

2183. So, there would always be a benefit if one could have a definite figure from a private contractor who would always have that provision, because he would go bankrupt if he did not?—I would have thought, if an English contractor had contracted to do the job in sterling and he found it cost him very much more, there would be, as the witness has said, at any rate, strong *prima facie* grounds for consideration. I do not know, this is not quite my field.

2184. I wonder if I might ask this question of the Treasury: prior to 1940 there must be many commitments that the Treasury has abroad on behalf of Departments of State?—Yes.

2185. Presumably every contract was covered against any fluctuation in exchange?—I think I shall have to look that up.

2186. I wonder if I could at a later date, perhaps, have information on that, because it covers the future as well as the present in, perhaps, a very large way?—Yes.

Chairman.

2187. Is not it a fact, Mr. Milner-Barry, that you cannot cover yourself against changes in the Brazilian exchange rate at the present time?—I should have thought that was so, yes.

Mr. Douglas Marshall.] Mr. Chairman, as far as I know there is a free exchange in the United States of America through which you could cover your forward position through dollars to your milreis.

Chairman.

2188. Perhaps, Mr. Milner-Barry, you will let us have information about this, and about the infinite variety of exchange rates?—I will, Sir.*

Mr. Douglas Marshall.

2189. Perhaps you will take into account that it is a question of arbitrage as well as a question of direct sterling to milreis?—I will consult the experts about that.

2190. Looking at the bottom of the paragraph on the Rio de Janeiro Embassy, I, like the Chairman, am slightly startled by

* Information supplied; not printed.

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[Continued.]

the figure for gardening, because although one fully appreciates the necessity of having most fitting surroundings of a proper size for parties, it still is a fairly large figure for any garden?—(Sir Harold Emmerson.) Yes, it was a large garden.

2191. It must have been?—And a garden architect was employed and it was well laid out.

2192. I wonder if I could ask you one thing with regard to the last item of £54,300, which the total does not include, the cost of furnishing. Do not we use at all in our Embassies any of these pieces which are not, perhaps, perfect for the museums, but lie in their vaults, and period furniture which would cost us nothing, but would be fit for the period in our own Embassies?—Oh, yes, and indeed some of the furnishing at the Rio Embassy is of that character, in other words the furniture we sent out did include some antiques as well as reproductions.

2193. Yes. The point I wanted to make arising out of this £54,000 is not just a particular period piece, but as to whether or not the numbers of things, which both show a period of our history and would not cost us anything either, that are lying idle within the museums are not, in fact, used for our Embassies? Is that done?—That is the principle we follow in furnishing the Embassies. We send out to them good quality pieces of furniture, that are representative of the best workmanship of this Country. Some of them are antiques, others are good reproductions, and we do borrow, if that is the point, where we can from the museums, but, of course, the museums have their obligations to the public in making available through the museums to the public examples of good furniture.

2194. I was particularly thinking of those stored away pieces which are many and varied at the moment?—If we knew where they were we should be only too glad to get hold of them, I think.

2195. Now, turning to paragraphs 135 and 136 of the Report, at the bottom of paragraph 135 there is the sentence: "The previous charge had been based on the amortisation of capital costs". Surely, that is a strange thing to do? Without taking in amortisation of capital costs one must really get a reasonable figure?—No. If this service had continued and the hostels had been used fully by the National Coal Board we should have continued to charge a rent based on the amortisation of capital costs, but the National Coal Board made representations, for which there was a good deal to be said, that they had really not been a party to the scheme when the capital expenditure was incurred and that it would be reasonable to charge a fair commercial rent.

2196. But having adopted the liability by at least the contribution of £150,000, then the letting off of the balance is in fact a subsidy to the Coal Board?—There was no contractual liability. This figure of £300,000 was an estimate of the cost and we were able to negotiate with the Coal Board a contribution by them of £150,000, and on the whole we felt that it was best to settle our claim on the Board for that. The alternative would have been a very long drawn out business of taking each hostel separately, waiting until it was given up, trying to reach agreement about its residual value, waiting for its disposal and so on. What we tried to do was to take a broad settlement and we really thought that was in the best public interest.

2197. I have no quarrel at all with that attitude in order to obtain a broad settlement. My questions were really being directed to you because of the exact wording: "The previous charge had been based on the amortisation of capital costs", and then for some reason because the capital expenditure had been incurred in the national interest you could then forget all about the capital, which I did not quite follow?—Perhaps where the words "in the national interest" appear at the end of that paragraph what is really meant is "From the point of view of the Coal Board." This was capital expenditure undertaken before the Coal Board was constituted and for really a different purpose. It was not expenditure incurred on behalf of the Coal Board but in pursuance of the policy of the time of recruiting labour for the mines.

2198. Then, would you agree that although in this case it may have been a reasonable thing to do you could not get a fair commercial rent without taking full knowledge of capital?—In the normal course, certainly.

Mr. Bossom.

2199. With regard to the Embassy at Rio, you mentioned that there were two possible firms. Did you get tenders from both, or did you only select one?—No, we only selected one.

2200. Did you have an English architect to do the work, or did you have a local architect coupled with the advice from your own department?—He was an Englishman living in Rio whom we appointed to take responsibility for the scheme. He was responsible for the design and submissions and so on. In addition we had our own architect on our own staff who went out there periodically as a check on what was happening, on the progress of the scheme, finance and so on.

2201. And the Foreign Office agreed even with the additional accommodation the type of building that you estimated

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[Continued.]

would cost £150,000?—They agreed the accommodation, certainly.

2202. That was satisfactory?—Yes.

2203. Did you in substance maintain that same building right to the end?—Yes.

2204. The amount of loss on account of devaluation would amount to about £50,000, would not it?—My estimate was about £60,000.

2205. £50,000 or £60,000. That means about £200,000 would have given a satisfactory house in those days for the Foreign Office for the purpose for which it was designed?—I have undertaken to let the Committee have, if possible, a comparison between the revised cost of the pre-war scheme, excluding the private residential accommodation, and the cost of the revised scheme including the private living accommodation with the state rooms. I should like to examine these figures before making any further comment on them.

Chairman.

2206. I think, Sir Harold, it would be as well to take that a little further. I asked for the difference between the earlier estimates. I think it would be as well, in fact, to put in a note which showed the whole story of the changes over the years, split up as far as you can into the various factors and not just resting on the changes, on the new type of accommodation that was provided?—Yes.*

Mr. Bossom.

2207. Thank you very much, Mr. Chairman. Did you keep the proper time and progress schedule on this job at all?—I could not say definitely without checking that. We relied on the local architect and the clerk of works to exercise supervision, but whether the time and progress schedule is operated in Rio exactly as it is here I do not know.

2208. Surely without it on a job like this you would expect trouble?—You would certainly expect trouble without it.

2209. You would expect it if you have not got such a schedule?—Yes.

2210. You are now paying the architect 7 per cent., not 6 per cent., on the £400,000 odd and not on the £200,000 or the £150,000 on which he got the job?—That is subject to some modification because the gardening work, for instance, was separate and so were the supplies, and so on. The figure of the architect's fee is given at the end of paragraph 137. It was £25,000, which is roughly 6 per cent. of the total.

2211. You have increased it to 7 per cent. now, have not you?—Yes—not since this figure was arrived at.

2212. So, he is not out in any way. What was the reason for increasing that? I have never heard of a case like this?—The architect on one of his visits to this country made out a case for an increase having regard to his own expenses and the Director-General of Works was satisfied that an increase was reasonable. I should have to consult the papers to give you the full case that he made out, but that is what happened.

2213. He did not keep a time and progress schedule in all probability, you pay him double the amount of fee he expects when he takes the job, the job is not changed from when it was started, in substance, and yet you increase the percentage by 1 per cent.?—That is what was done, certainly.

2214. Did his fee include the expenses of the people coming from the Ministry of Works from here to Rio?—No.

2215. That was all in addition, and we have not got any figures for that?—I have not the figures of travelling expenses and staff time.

2216. How much would that or the architect's fees from this country have cost? Would they have added another 2 or 3 per cent. on to that?—I really could not say what the percentage would be. I did say that our architect here visited the job on three occasions, but, of course, he would work in those visits with other work which he had abroad. He may have visited other places in North, South or Central America. There certainly would be expenditure incurred within the department.

2217. Did you have a clerk of works from England on the job?—We had a clerk of works on the job.

2218. Was that included in the cost?—Yes, the cost of the clerk of works is charged against the job.

2219. Did not he report to you these abnormal increases in cost?—The increases were reported by the architect.

2220. Did you get that from time to time or did this more or less come as a sudden jolt?—No, we had the different estimates coming from the architect, and I think it is clear from what is stated in the Report that there were several stages in this. It was not a sudden increase from £150,000 to the final figure.

2221. When you were getting the reports that the Treasury appropriation was being so wildly exceeded, what action did you take to see if anything could be done to prevent it getting worse?—That was one of the purposes of these visits by our architect and the quantity surveyor who went

* Appendix 20.

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[Continued.]

out there to satisfy themselves that the increases were justifiable and, indeed, unavoidable.

2222. You did not attempt to economise in any way?—We are always attempting to do that, but the contractor was working here to a design which had been approved and I think it would have been a mistake at that stage to try and alter the design.

2223. There might have been changes in material or changes in arrangements undoubtedly. When the thing was going up as it was, really sky-rocketing from £60,000 originally to seven times the amount, surely it does give you rather a jolt when you suddenly see that no effort was made anywhere and you are being informed of this growth all the time?—Yes, I think it would be wrong to make a comparison between £60,000 and the final figure, because the £60,000 was for a very different type of building.

2224. It is three times the £150,000, is not it, very nearly?—It is getting on for that, yes.

Sir John Mellor.

2225. I have travelled about most parts of the world, but I do not know South America. In most other parts I have always found in any locality a British commercial agency well established in that place, probably a family firm, who had been there for generations. Is there no firm of that kind in Rio, a British firm that has been trading there as a British agency doing all sorts of commerce and business, do you know?—I really do not know, but I should expect there would be.

2226. Did not you enquire?—For what purpose?

2227. To have business of this sort looked after for you in competent hands of British nationality?—We regarded this architect in Rio as competent to do that. Any trading firm would still have had to employ an architect.

2228. Do not you agree that a firm that has been established for a very long time, perhaps for many generations in a country, probably knows pretty well all about the sort of people who would be employed, engaged for architects, contractors or whatever it may be?—Yes, certainly, but may I make it clear, we had every confidence in this Englishman whom we appointed in Rio. He had been in practice there for many years. He had a very high reputation and a far greater knowledge than we had here, of course, of the local conditions and the capacity of the various contractors. I do not see that there would have been any great advantage in going to him through an intermediary.

2229. What did you know of this gentleman? You say you had complete confi-

dence. How did you derive that confidence?—We had the advice of the R.I.B.A. and the advice of the Ambassador in Brazil.

2230. What did the R.I.B.A. know about him?—They keep in pretty close touch with their members, they knew of his reputation as an architect.

2231. What did the Ambassador know about him?—That I could not say.

2232. This was a very large project. Were not there very careful enquiries made and was not your Ministry really thoroughly informed before they came to the decision to entrust the whole responsibility for this in the hands of this English architect?—Yes, I am sure that full enquiries were made and we were fully satisfied.

2233. Are you still satisfied?—Yes.

2234. Completely?—Yes.

2235. With regard to the rate of exchange, you said £60,000 was lost through devaluation. What other sums were lost at other stages through fluctuations in the rate of exchange?—I am afraid I have not the figure with me.

2236. Will you give that?—It was something less than the £60,000, as an indication of the order of it.

2237. Will you perhaps give that with the other figures you are going to supply?—Yes, certainly, if I may.*

Chairman.

2238. I assume the contract was in Brazilian currency, and not in sterling?—Yes, that is so.

2239. So, in your material it would be as well if you would give us what had been happening to the general price level in Brazil, that is to say, what degree of inflation they have had?—Yes.

Chairman.] That would help us, I think.

Sir John Mellor.

2240. Just one question on the research establishment. Where is this in Oxfordshire?—A place called Howbery, which is near Wallingford.

2241. Why was this place selected?—It was a property which was acquired for this purpose. It consisted of an old manor house with a fair amount of ground attached which would make it possible to provide extensions as required for this establishment.

2242. Is it a large house? Is it one of those very big houses that are now so cheaply in the market?—Yes, it is a big house for which there would be no ordinary demand for housing purposes and on which some money would have to be spent. In fact, it has been converted for use as

* Appendix 20.

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[Continued.]

offices and these workshops and this experimental equipment are being erected in the grounds.

2243. Is all the work on the house purely of a utility character?—Yes.

2244. None of that is decorative?—No, it is all for the purpose of conversion for use as offices or for similar purposes.

2245. No money has been spent on the gardens?—No.

Mr. West.

2246. Just one question on paragraph 133: can you tell me what was the actual fee paid to the contractors?—No, I cannot say how much of the £300,000 which, I think, was the total. I am afraid I cannot say how much of the payment to the contractors represented the fee.

2247. Could you let us have the figure? You probably could get it?—I could, yes.*

Chairman.

2248. Sir Harold, I think we shall have to continue our examination at another

meeting because we have still got the accounts proper to take as well as the White Paper accounts and the New Works Statement, and I think the views of my colleagues would be that we had better adjourn now and resume the examination of these accounts with you, Sir Harold, on some future occasion?—Thank you.

Chairman.] Thank you very much. I am sorry we have kept you so long, but there is really rather a lot to do.

* *Note by witness:* The main contract for the D.S.I.R. Hydraulics Research Station was let on the basis of a lump sum after competitive tender, and no contractor's fee was, therefore, specified. This is the form of contract normally adopted by Government Departments and business concerns; the element of profit accruing to the contractor is not specified, but depends on the contractor's skill in carrying out the work within the lump sum quoted. The profit earned by the contractor on this particular scheme is, of course, not known to the Department.

Sir Harold Emmerson withdrew.

VOTE 3A.

OXFORD AND ASQUITH MEMORIAL.

VOTE 5.

ROYAL PALACES.

VOTE 6.

ROYAL PARKS AND PLEASURE GARDENS.

VOTE 8.

RATES ON GOVERNMENT PROPERTY.

VOTE 11.

PETERHEAD HARBOUR.

VOTE 12.

WORKS AND BUILDINGS IN IRELAND.

On these Accounts no questions were asked.

CLASS VIII.

VOTE 1.

MERCHANT SEAMEN'S WAR PENSIONS.

VOTE 2.

MINISTRY OF PENSIONS.

VOTE 3.

ROYAL IRISH CONSTABULARY PENSIONS, &c.

VOTE 4.

SUPERANNUATION AND RETIRED ALLOWANCES.

On these Accounts no questions were asked.

Adjourned till Thursday at 4 p.m.

THURSDAY, 27TH MARCH, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Douglas Marshall.
Mr. Scott.

Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS I.

VOTE 17.

PUBLIC RECORD OFFICE.

Sir HILARY JENKINSON, C.B.E., LL.D., F.S.A., Deputy Keeper of the Records and Keeper of the Land Revenue Records, Public Record Office, called in and examined.

Chairman.

2249. May we turn first to the Civil Appropriation Accounts, page 38, Class I, Vote 17. I wonder, Sir Hilary, if you will tell us a little about yourself? How are you appointed? Can you be dismissed, and if so, by whom? In whose hands finally are you?—(Sir Hilary Jenkinson.) The Keeper of the Records is the Master of the Rolls who, under the Act of 1838, nominates a Deputy Keeper, that is myself, for appointment by the Crown, and the dismissal of the Deputy Keeper, if necessary, is a similar process. It would be recommended by the Master of the Rolls to the Crown.

2250. Are you technically a Civil Servant or not?—Yes, a Civil Servant. Essentially, I suppose, the Deputy Keeper need not be appointed from the Staff of the Record Office. In fact, Sir Henry Maxwell Lyte was not, but I think as things are now he always would be, and I, of course, was. I entered the Service in the ordinary way under the old Civil Service examination.

2251. Under whose direction do you work, the Master of the Rolls?—Yes, but obviously the Master of the Rolls is not applied to in regard to detailed matters, but only on large questions of policy.

2252. What Minister answers for your activities in Parliament, if any?—The matter is not really settled. I think the last time a question was asked the Prime Minister answered. The question would come to us through the Treasury.

2253. Has the Record Office any trust funds, or are you entirely dependent on

Parliamentary Votes?—Alas, no, we are entirely dependent on Parliamentary Vote.

2254. What is your relationship to the Historical Manuscripts Commission, which was provided with a staff of eight under Class I, Vote 20?—We provide the Historical Manuscripts Commission with house room. In practice, the Secretary of the Commission has, I think always, or at any rate, generally, been a member of the staff of the Record Office, and at the present time the work has become so magnified, I am sorry to say, that it is now a whole time work of one of my colleagues; and, in fact, it is rather an injustice to the staff of the Record Office because we are one short of a senior colleague in that way. I am by custom Executive Commissioner so that the work of the Commission is done in practice by the Secretary and myself between meetings of the whole Commission, which occur only infrequently.

2255. Turning to the Account on page 38, Sir Hilary, what is the nature of the expenditure covered by Subhead C?—That pays for external editors. The Office should be doing a very large quantity of editorial work if we were to keep up the position occupied in past years. We have published since we came into existence between 800 and 900 volumes. We are publishing at present, I regret to say, hardly anything. A volume which came out the other day was actually passed for press 12 years ago, in 1940.

2256. What volume was that?—A volume of the Curia Regis rolls. We are very much behind. What has happened, of course, is that the administrative work of the Office has enormously increased with

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[Continued.]

the volume of the records and also with the processes applied to them, and the staff has not increased proportionately so that less and less are available for editorial work. We have always supplemented the staff by means of external editors, in theory in order to get specialists for particularly difficult work; but actually we are glad at the moment to get any, suitably qualified, of course, in order to supplement the small amount we are able to do ourselves. I, for instance, am doing no editorial work at present—the first Deputy Keeper, I think, to be in that position.

2257. Do all public records come to you as of right, or do you ever buy any records from private owners?—We take nothing but what accumulates naturally in public departments and courts; but that is not the answer to the last part of your question, because I did two years ago buy a document of altogether exceptional merit which ought to be in the Record Office but which was coming on to the market. As a matter of fact, I bought it by means of getting the Pilgrim Trust to give me a grant of money. It was really rather a personal arrangement. Occasionally we have had the permission of the Treasury to recompense dealers and others who had got *bona fide* into their hands what were public records and had paid money for them. We called upon them to deliver the documents up and they were compensated for their loss, but that can hardly be called buying. We have always called it a bonus, or something of that kind, and it is quite occasional.

2258. Are any or all Parliamentary records entrusted to your care?—No, very few Parliamentary records. The House of Lords has its own archives staff and repository, as you know, but we have some of the Commons Journals by a very recent arrangement.

2259. You accumulate, of course, vast quantities of records. Who decides what records are not worth preserving?—Might I just for a moment go back on the other question. We have, of course, the Statute Roll, but that is because statutes are enrolled in Chancery. As regards records not worth preserving, the matter is governed by the two Supplementary Acts of 1877 and 1898 which provide for the destruction by courts and departments of documents not suitable for permanent preservation under instruction or supervision by my department. That is done by a small Committee of inspecting officers who, with representatives of whatever the department may be, construct a schedule of classes which may be destroyed. That schedule is laid before Parliament after approval by the Master of the Rolls and the head of the department concerned and the department can then—it is permissive—destroy specified classes, but we are trying

a good deal at present to urge departments to improve upon the amount that they do, as a matter of fact, destroy.

2260. In the title of your account I see: "The Public Record Office and the Office of Land Revenue Records and Inrolments". What is the distinction between these two Offices?—I am only Deputy Keeper of the Public Record Office whereas I am Keeper of the Land Revenue Records. Those are the records of the Commissioners for Crown Lands, and it is really an extremely small business. All that happens is that I have the keeping of those Records, that we have to do inrolments in them occasionally, for which small fees are charged, and that we take fees from any members of the public who may want copies. The fees in question do not come into the accounts which you are considering because they are paid straight over to the Commissioners.

2261. Have you any responsibility for Scottish or Irish records?—No, except, of course, such as, owing to the incidents or accidents of administration in the past, have become part of English records.

2262. Have you any responsibilities for records other than public or departmental records, for example, the records of local authorities or parish records or private collections of records?—None at all under our Act, but *de facto* we do act, of course, as a kind of focus for the very largely increasing body of work which is being done on archives in general by local authorities, ecclesiastical authorities and private persons. The Master of the Rolls, for example, is President of the British Records Association and I am Vice-President and, of course, we are consulted a great deal by local authorities over all kinds of technical points.

2263. Does your staff, then, advise on how records should be classified, preserved and so on? Do you have an advisory service?—We do a great deal, as I say, in a way which can hardly be described as official because it is not laid down or governed by regulation; but if I might take my own case, which would be paralleled by a number of members of my staff, I am a member of the Records Committee in two County Councils, and president of a County Record Society, and advise them in that capacity. We are constantly being visited by persons from local record offices or private owners asking for advice or help, especially in the matter of repair and make-up of their documents. We allow the staff to do out of office hours a considerable amount of repair of private documents and that work is actually supervised, because we could not let it go on in the Office otherwise, by one of my colleagues.

2264. May I just ask you about your buildings? I notice that your Estimates for 1950-51 and for 1951-52 show estimated expenditures by the Ministry of Works on your buildings of £168,760 for the one year and £209,000 for the other. This compares with £44,000 in 1949-50. Could you tell us something about what lies behind this sequence of figures?—Yes, the Record Office proper, as you know, is in Chancery Lane; but any archives always require a certain amount of new building periodically, and we have not had any there since 1896. The consequent overcrowding has been met by our going to a local repository. We had first the prison at Cambridge, then that was lost to us and we had the prison at Canterbury and fitted that up as a record office. The Ministry of Works, of course, fitted it for us. We lost that during the war and have never recovered it, and meanwhile we have not merely the records which had been there to be housed but, of course, large further accretions. The problem is now being met. I hope and believe, by a new provincial repository at Ashridge, an old hospital, but, of course, there is a great deal of installation to be done there; it has got to be fitted with racking and so on. In addition to that we have taken up since 1943 work which had been very much wanted for many years before, and that is a certain amount of supervision of departmental records before they are finally transferred to us; that is to say, in the stage between their being current papers and the stage when a selection from them become public records. At this stage, and to an increasingly alarming extent, they were being pushed out to all kinds of repositories provided *ad hoc* by the Ministry of Works. What we did in 1943 was to put up and secure approval for a scheme by which in future records at that stage should be housed by the Ministry of Works in, if possible, a single building of which we should take general supervision; departments would work them still on their own records, but we should be in charge. Have I made that clear?

2265. Yes?—That is a place which we call semi-officially "Limbo". The building we have secured for this betwixt and between stage is the ex-Ordnance factory at Hayes, about which you had a question in Parliament a few days ago. That is in process of being fitted. The Ministry of Works have spent large sums on brickwork which they consider necessary for fire risks and are going, I hope, to spend large sums on steel racking which we want for putting the records on. Those two new establishments are the reason for the big rise in the Ministry of Works Vote on our behalf.

2266. I have just one or two questions on receipts. Who fixes your fees?—The Master of the Rolls, under the statute.

2267. Are they subject to Treasury approval?—Subject to Treasury approval, yes.

2268. What fees other than for searches do you levy?—One should really distinguish between fees and charges. We take fees for office copies, that is certified copies, which the public are entitled under the Act to demand and also for searches, though such searches very seldom, as a matter of fact, take place. They are nearly always done as literary searches and therefore without fee. We also, in order to restrict unnecessary application for current legal documents, charge a small fee for legal documents after a certain date. This is simply intended to rule out the frivolous applicant. Those are the fees: of course, a great deal of the office copying now takes the form of certified photographs. Then we have what I call charges, for ordinary photography, because we now have a photographic section of our own which supplies students who want them with microphotographs or photostats or still photographs, and those bring in, of course, money which is intended to pay the cost of making them, overhead charges and the cost of materials.

2269. When were the rates of the various fees and charges last fixed?—1949. Of course, they have to be subject to revision from time to time because of the changing costs of production.

2270. Do you think they do at present reflect the changes in the general rise in costs since they were fixed?—No, I am really on the point, as soon as we can find time, of working out a slight advance on them. We are very anxious throughout, and it has always been a declared policy of the office, that all research other than search for commercial purposes, should be free, and, therefore, we want the photographic work also to be free except that people should pay, as is fair, the cost of doing it. We do not want to charge the public more than this and, consequently, we have to keep an eye rather closely on the costs, but we obviously cannot change our rates every few months.

2271. Do the recoveries from Australia and Canada that are shown in the accounts under "Receipts" cover the cost and overheads of the services you render?—Yes, it covers the whole lot.

Mr. Scott.

2272. I wonder if you can tell me, Sir Hilary, approximately, the total staff employed by your office?—The total staff required?

2273. The total staff that you employ at the present time in your office?—Well, the

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[Continued.]

establishment as agreed by the Treasury at the end of last year was 177. At the moment we have 162 or 163 in post and I regret to say we are being cut to 154.

2274. Of that number how many will be technical people, trained people, and how many will be on the secretarial side, clerks, typists, and so on?—You are distinguishing between people who do work like repairs and photography?

2275. Yes?—Perhaps I had better just give you the figures of the estimates. Of Deputy Keeper and Assistant Keepers there are 23. 15 Executive Officers, 13 Clerical Officers and typists and 4 temporary editorial assistants. That gives you 55. The remainder, I think you might say, are of the technical type, that is to say, it is a proportion of about one-third to two-thirds.

Mr. David Thomas.

2276. Under Subhead C of the Class I Vote 17 Account the amount expended was £2,626, giving a surplus of £1,073. Lower down the explanation is given that the difference is "due to non-receipt of claims for work done during the year." Do you anticipate these claims will be sent in this year or at some future time?—We found it very difficult to get one of our editors whose work is now being discontinued to present his account and put in his final work, with the result that we had to pay him about £800 unexpectedly out of that Subhead last year.

Mr. Benson.

2277. You referred to questions of higher policy which are decided by the Master of the Rolls, presumably in consultation with yourself. What type of high policy is involved?—I do not think I said "high," did I?

2278. Major policy?—Yes. Supposing that I wanted to limit the access of students by reinstating fees for other documents for which there are no fees now, I clearly could not do that without consulting the Master of the Rolls. Supposing that I was going to put up to the Treasury that I should give up entirely having my executive class and have an increase in my assistant keeper class—a thing I should not do, but supposing I were—there again I should obviously consult him; but naturally I do not trouble him with the details of current organisation.

2279. Have you ever published what one might term, for want of a better word, a popular account of the activities of your department and of the records you hold?—Yes, the records that we hold should be covered by a *Guide*. There has been a series of these over the years. At present the last big official *Guide* is practically out of print and it was done in 1923-24. A new one is very much overdue but there is

the problem of getting it written and getting it printed. Meanwhile I have published the first part—it was first issued two years ago—of a summary *Guide* which will be published in four or five small paper-covered brochures. The first introductory part contains what has never been brought together before, that is, a history of the office and an account of all its activities—repairing, photography, everything.

2280. That is about to come out?—No, that has been out for two years, that particular part. It is an ordinary Stationery Office publication. I am sorry, I have not one with me; I should have brought one.

2281. I am sorry I have not seen it. Taking your earliest records, what do they consist of?—The earliest records?

2282. Yes, could you give us some picture of your earliest records, your most valuable records?—The earliest record, of course, is Domesday, but that stands by itself. From the middle of the twelfth century there begin series of Exchequer records which continue unbroken down to 1832, when they are replaced by those of modern administration. The records of the Chancery, that is to say, the records of the Great Seal, which to begin with is the sole department of the Executive, begin in the reign of John, and those are the rolls of which the Master of the Rolls is Master. The records of the judicial courts begin at the end of the twelfth century and they continue down, nominally in the same form, to the Supreme Court of Judicature Act, 1875, which substituted new machinery and new types of records. The great peculiarity of the public records in England is the extraordinary length unbroken of these series coming down from the medieval period apparently unaltered to modern times. Then there are added to these, of course, all the records of modern departments—Admiralty, War Office, Treasury and so forth—from the various dates when they begin down to whatever is the date up to which they have been transferred to us.

2283. What type of record does the modern Government Department deposit with you?—Correspondence and minutes mainly. It depends on the department, of course. The Ministry of Agriculture will have quite different types of records from those of the Foreign Office, but those of the Foreign Office consists almost entirely of correspondence, in-letters and out-letters.

2284. They must have an enormous correspondence. What percentage do they hand over to you as public records?—You cannot reckon it as a percentage. They hand over to us everything that is going to be permanently kept. The proportion of this to what is destroyed is of course very variable.

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[Continued.]

2285. They hand over practically every important letter that has been written?—They hand over everything to us after they have ceased to want to keep it themselves for any reason.

2286. You mentioned that you stored your documents in Cambridge Prison and then lost it?—That was a purely temporary arrangement after the first war. Something had to be found and in a hurry we took that and pushed into it things which we hoped would not be wanted.

2287. I assumed it was the Second War; I wondered what had happened to it, whether it had gone back to the local authority or not?—It went back to the local

authority. Then after that we took Canterbury Prison. We took that as a permanency and fitted it up properly as a record office and it made a very good one, and in that we kept records which were with us but not open to the public. Chancery Lane held the Records open to the public and Canterbury those not open. Unfortunately, we lost it during the war; but it was nearly full and we should have had to consider some further extension.

Chairman.] Are there any further questions on the Account of the Public Record Office? May I take it that the Account is approved? (*Agreed.*) Thank you, Sir Hilary.

Sir Hilary Jenkinson withdrew.

VOTE 27.

SCOTTISH RECORD OFFICE.

Sir JAMES FERGUSSON OF KILKERRAN, Bt., Keeper of the Records of Scotland, the Scottish Record Office, called in and examined.

Chairman.

2288. May we now turn to page 58 of the Civil Appropriation Accounts, Class I, Vote 27, the Scottish Record Office? First of all, Sir James, will you tell us a little about your appointment? Who appoints you?—(*Sir James Fergusson.*) I am appointed by the Secretary of State for Scotland with the approval of the Lord President of the Court of Session.

2289. And you are a Civil Servant?—I am a Civil Servant. I was not before I got this job.

2290. I understand that the Scottish Record Office used to be combined with the Department of the Registers of Scotland. That is so, is it?—That was for about 20 years, from 1928 to 1948. It was rather a mistaken measure. It was discovered to be mistaken and the Record Office was separated once more, as it used to be.

2291. But you still share staff with the Department of the Registers?—They did not make the cleavage absolute; the axe, as it were, stopped just before it got to the bottom. The messengers and cleaners are on my vote and look after not only the Record Office and the Department of the Registers, but also the Registrar General's Office, the Office of the Lord Lyon King of Arms and certain Court of Session Offices as well. On the other hand, the Photostat Department that does a great deal of work for us is under the Keeper of the Registers.

2292. Would you say that the separation has resulted in improved organisation of the Record Office?—Oh, definitely. It was laid

down many years ago by Thomas Thomson, the first Deputy Clerk Register and the great authority on record keeping, that the framing and the keeping of records should always be in separate hands. That principle was forgotten when the 1928 Act was passed and it was really not possible to run the combined office as one: the thing worked somehow because two rather remarkable men held the joint appointment, but it was recognised as being inefficient and not very workable, and so we reverted to the old principle. The Scottish Record Office has a very long history as a separate entity; it goes back at least as far as the 13th century and it continued as a separate, distinct organisation right down to 1928.

2293. What is the difference between the registers and the records? Perhaps you would explain to me; I do not understand?—It is just between making and keeping. The Keeper of the Registers frames records and I keep records, but I frame none and he keeps none.

Mr. Benson.

2294. What exactly do you mean by "frame"? Draft?—If a deed is taken to be registered it is taken to the Keeper of the Registers who enters it in his book, so to speak. He may keep the original warrant or he may return it, according to what kind it is, but he enters it in the book and when the volume is completed it is passed to my department, bound in my department—I should have mentioned the binders are also carried on my vote but do work for other departments—and the volume is then put on my shelves and never goes back to the Keeper of the Registers again.

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[Continued.]

Chairman.

2295. Are members of the public charged fees in accordance with the published scale?—Fees are charged for all legal searches, which are the majority of those made in the Register House, but we do not charge fees for historical, antiquarian or literary searches. They are carried on in a separate room upstairs. A permit is issued to the new searcher, he goes and explains what his business is, I sign a permit for him and then he is free to ask for what he requires. But legal searches in the legal search room downstairs are charged for on a scale of fees fixed by the Treasury.

2296. When was that scale last revised?—In 1934.

2297. Do you think that the fees charged cover the present day costs of the services that are rendered?—They do not cover the expenses of the whole department, of course, by any means, but I think if you reckon the services as simply in the legal search room, it could be said they do more than cover it. The legal search room has a staff of only four plus the messengers who actually fetch out the volumes.

2298. Do you keep the records of Government Departments in Scotland or do they go to the Public Record Office?—Broadly speaking, all the records of British Government Departments are kept by the Public Record Office, but under the Act of 1937 records of administration relating solely to Scotland are passed to us. Actually, we have acquired rather few since that time, except the records of the old departments which were superseded by the creation of the Scottish Office. For instance, we have all the records of the old Fishery Board, the old Board of Agriculture, the Prisons Department which was merged in the Scottish Home Department, and so on, but very few have been passed to us from the Scottish Office since that time. They are still accumulating, but within a very short time I should think a very considerable deposit will descend to us.

Mr. Benson.

2299. I was rather interested to hear that you have the records of the Prison Department for Scotland. What particular type of prison record do you keep?—I think it is mostly returns. There is a certain amount of correspondence among it, routine correspondence, but it is mostly returns in the sense of forms filled in. I would rather like notice of that, as I am not familiar with that particular part.

2300. Things that would be, in effect, published in the Scottish criminal statistics, and Scottish Prison Commissioners' Report?—Yes, that kind of thing, but they are not open to public inspection. That
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is one of the very few records that are withheld after a certain year, and so are the Court of Justiciary Records.

2301. I notice that the fees for searches are nearly twice as much as the fees for searches of the English Public Record Office. How is it that you have so much more?—We do a great deal of legal work which I think the Public Record Office does not. The two records which grow fastest, in the greatest bulk, are the General Register of Sasines and the Register of Deeds, also known as the Books of Council and Session. The General Register of Sasines was established by Act of Parliament in 1617 and it is the longest record that any country in the world possesses of transactions in the changing ownership of land, from a ducal estate down to a small tenant, and every kind of conveyancing goes through that, and with all the changes in land and house property that are going on now that record is being constantly added to and is constantly consulted. Something like 1,000 volumes a year are added to that.

2302. In fact, you have a copy of every conveyance, as we should call it in England?—Yes. Then, the Books of Council and Session, or the Register of Deeds, as it is usually called, contain every kind of contract between individuals, marriage contracts, deeds of incorporation, deeds of copartnership, wills also go into it, and every kind of agreement between individuals and also practically any document you want to have placed permanently on record where an extract of it can be kept. It has been said that you may register the front page of the Glasgow Herald in the Register of Deeds if you wish to do so and can pay the necessary fees. There is nothing you cannot put into it. It has been going on since 1542 and it is a kind of social record. That is being added to constantly all the time and these two are most often consulted by people looking up land titles through some business of changing property or people looking up wills or even chasing pedigrees: quite a lot of that goes on. The legal search room has about 50 people a day working in it steadily and they are all paying fees for everything they look at and also paying for the extracts they get from the records at 2s. a page. Upstairs, as I explained, in the historical search room we do not charge, but downstairs we make quite a lot of money.

2303. What historical documents do you possess equivalent, say, to Domesday Book?—We have all the records of the old Kingdom of Scotland down to 1707, the whole Acts of Parliament, the Register of the Great Seal which begins in 1306 and is still going on, the Register of the Privy Seal, the Register of the Privy Council, which came to an end in 1708, the Household accounts, the accounts of the Mint,

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[Continued.]

the records of various defunct courts like the Admiralty Court of Scotland, quantities of royal letters, letter books and so on, treaties beginning with Robert Bruce's Treaty with Norway in 1312 and ending with the Treaty of Union. I could go on indefinitely.

2304. I have the picture, thank you very much?—Also, I should add, unlike the Public Record Office we have a large collection of private manuscripts. We accept for deposit family papers that people are unable to look after for themselves. We have gathered a very considerable amount of material in that way and we have managed to fill gaps in public records, which are many, very often out of private collections. That is a new and increasing side of our work which is not really statutory, but it is a way of saving the materials of history.

Mr. David Thomas.

2305. I believe you have just told the Committee that there is a large number of searchers in one or two of the rooms every day. Are those your permanent employees or are they persons who require to read or examine some document?—The searchers who come in are private people, but they may also be professional people. They may be lawyers or members of lawyers' firms, Writers to the Signet and so on, but some of them, and some of the most assiduous, are professional searchers who do work for lawyers. If a legal firm has not the staff to spare to send round to the Register House, they turn it over to Douglas & Co. or Millar & Bryce, and they have a whole number of clerks who spend their working day in the Register House doing searches for other people and charging fees accordingly.

2306. Have you any overseers looking after the documents? Assume for a moment that I went into the office and I desired to pick up a very important document. What guarantee have you got that there are no losses in your department?—That the document is genuine, do you mean?

2307. No, the document would be genuine, but if I desired to take it from your office, what guard is there against my so doing?—I understand. All searches are conducted under supervision whether in the legal search room or in the historical search room. Nothing, naturally, is allowed to be taken outside either of those two departments, and I think I may say that both are so constructed that they can be supervised quite easily.

Mr. Scott.

2308. You have told us about this enormous number of documents which has accumulated by this time. Are they all stored in Edinburgh or do you have places

outside in the country where there is an overflow?—So far everything is still within the General Register House and in my opinion that is the right policy and should be continued. But we are getting very near a Rubicon which will have to be crossed, whether to colonise or not. The Ministry of Works, to whom I have pointed out several times, in the short time I have held my appointment, that the building will have to be enlarged very soon—I appreciate that this is not a good time to be talking about this—have compromised by offering us a very large and capacious cellar in a basement about 300 yards from the Register House, which I have accepted as a temporary expedient. We have not yet moved into it because the adaptation is not quite finished and, anyway, I have not yet got the staff to man it, but that will give us a space of perhaps five or six years during which the real problem of enlarging the Register House can be tackled, if the facts are really faced. The Register House has been enlarged three times and it is about ripe to be enlarged for the fourth time.

Mr. West.

2309. Is it compulsory for all transfers of property in Scotland under Scottish law to be registered in the Register Office?—Yes, that has gone on for a long time.

2310. Does the record at the Register Office assume any responsibility as to the validity of the entry to those people who come and make searches?—The entry is made, it is entered in the register and is then transferred to the records. We guarantee that the recorded entry is authentic. There may conceivably have been a mistake in it when it was first put in, but if so the onus does not fall on us.

2311. The document of transfer, I assume, is handed back to the person who brings it along as his document of title, is it?—In some cases there are certain deeds which are handed back and certain others which are retained. A will, for instance, is retained. We keep the record of the will, and certain deeds are deposited for preservation. Under Scots law the extract of a registered document is considered equivalent to the original. You could not in Scotland have what used to happen in the old-fashioned comedy, when somebody having run away with the big black box it was brought in in the fifth act, because you cannot steal a man's title deeds in Scotland. He can always go to the Record Office and get an extract of them, and that is as good as the original.

2312. So it is possible for a man to verify his title to property by having it registered?—Yes, that is what gives him his security.

2313. It differs from the Land Registry system that we have, say, in Middlesex,

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[Continued.]

where you go to the Land Registry and you get issued a certificate of ownership of land. That is merely a recording of title?—A recording of title. It used to be a highly elaborate system which went through six or seven steps, and at one time culminated in the transferring of earth and stone into the hands of the man who acquired the land. Then a certificate was given by a Notary Public that sasine had been given and that was the title, but it was the seventh step in the process that has now been simplified down to the handing in of a record.

2314. Are the fees payable on the registration substantial or nominal?—I cannot tell you for certain because those fees are not in my department. I think they are moderate, but it is the registration of title which makes it secure. That has been a principle of Scots law for four centuries.

2315. How about the revocation of wills. How does that happen? Do they have to register the revocation of a will, having once recorded it?—I do not quite understand your question.

2316. I understand that wills can be or are entered in the registers?—Yes.

2317. You speak of a testator; do you, in Scottish law?—Yes, a testator.

2318. A testator might desire to revoke his will. What does he do then?—The will is not registered until after he dies.

2319. I see. He does not come along after having made the will and say: "Here is my will, make a record of it"?—It has been done.

2320. So that anybody who steals it could be defeated?—Few people would do that because once a will is registered it is a public record and open to inspection, but it has been known to happen.

2321. So that the wills and deeds are public records, are they?—Yes, once a thing is registered it is a public record and anybody may come and see it on payment of the appropriate fee.

2322. So, then, on transfers of property a person who acquires a property has to

register it according to law and it is open to public inspection?—Yes.

2323. Do you find that in any way an objection?—That is the whole point, if you are buying a farm or a house you know nothing about it and you want to know, let us say, what burdens there are upon it, what feu duties may be payable. Before you buy it, if you are sensible, you send your lawyer along to the Register House to look up the history of that piece of property and, owing to the ledger system we have, in a very short time your agent can trace the history of that property back for 300 or 400 years and find out what burdens there may be on it. That could not be done if these records were not all open to public inspection. That is the whole point of the system.

2324. Is the registering of a will in Scotland merely for the purpose of obtaining probate, as it is, in England?—Yes, you get an extract.

2325. It is somewhat similar to that? It is not the means of giving security to someone who wishes to make a will to know that his will will not be stolen or anything of that sort? I was wondering whether that was the idea?—No, it is not only that, it is to secure the title of the people who inherit his property.

2326. I take it they would get a document similar to the English probate?—Yes, they would get an extract of the will and with that extract, which is a certified extract from the public record, they can then go back and claim their inheritance.

2327. I gather, then, that in some respects your department deals with some of the work which is done by the Land Registry in London, and some of the work that is done by the Probate Registry?—Yes, that is exactly it. We do not, however, handle births, marriages and deaths. They are all under the Registrar-General for Scotland, which is a separate department.

Chairman.] Are there any further questions on the Account of the Scottish Record Office? May I take it that the Account is approved? (*Agreed.*) Thank you, Sir James.

Sir James Fergusson withdrew.

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[Continued.]

CLASS II.

VOTE 14.

IMPERIAL WAR GRAVES COMMISSION.

Annual Report of Imperial War Graves Commission, 1950-51.

Mr. F. HIGGINSON, C.B., C.M.G., A.R.I.B.A., Secretary, the Imperial War Graves Commission, called in and examined.

Chairman.

2328. Will Members of the Committee please turn to page x of the Civil Appropriation Accounts, paragraphs 17 to 19 of the Comptroller and Auditor General's Report, Class II, Vote 14, Imperial War Graves Commission? I would like to start with a few questions on the Report before going to the Accounts on pages 114 to 119. Mr. Higginson, the issue of next year's Estimates answers several of the questions, I think, that would naturally arise on the Comptroller and Auditor General's Report, but, perhaps, you would be so good as to explain for the benefit of Members who have not had time to study your new Estimate the main basis of your new financial arrangements?—(Mr. Higginson.) That is on the percentages that we have now agreed?

2329. Yes?—The percentages are based, as you know, upon the number of graves and cremations appertaining to each country. The percentages relating to the 1914-18 War are set out in our Annual Report and for the purposes of the 1939-45 War the old percentages carried on until we could arrive at new percentages for the 1939-45 War. We have now reached the stage when those percentages have been agreed and adjustments will be made with the participating Governments during the year 1952-53. If you would like me to explain them, for the 1914-18 War the percentages were: United Kingdom, 81.76 per cent., Canada, 7.92 per cent., Australia, 6.35 per cent., New Zealand, 1.81 per cent., South Africa, 1.14 per cent., India, 0.68 per cent., Pakistan, 0.34 per cent. The new percentages for the 1939-45 War are: United Kingdom, 69.33 per cent., Canada, 11.37 per cent., Australia, 8.42 per cent., New Zealand, 2.39 per cent., South Africa, 3.07 per cent., India, 3.63 per cent. and Pakistan, 1.79 per cent. From that you will see that the United Kingdom Government percentage has come down practically $12\frac{1}{2}$ per cent. and all the others have gone up to make up that difference.

2330. Why has the percentage charged to the United Kingdom in respect of the 1914-18 War gone up slightly?—That was because the United Kingdom Government carries the graves of all the Colonial territories and recently they have just absorbed

one of the Colonial territories that had previously been shown as a separate percentage of 0.23. The old percentage was 81.53 and it is now 81.76.

2331. Which is the Colony?—British West Indies. They made a separate contribution.

2332. By what means is this difference to be adjusted with the British West Indies? Will the British West Indies contribution be brought in as an appropriation in aid of the Vote?—I take it, Sir, that the United Kingdom Government will be making that domestic arrangement, as it is purely a question of their contribution being increased by absorbing the British West Indies contribution.

2333. Will there be no British West Indies contribution?—No, Sir. (Sir Frank Tribe.) If this contribution is received from the British West Indies it will have to be brought to credit in some Account and I think your question is whether it would be brought to credit as an appropriation in aid of this Account or of some other one?

Chairman.

2334. Yes?—(Mr. Milner-Barry.) I understand it will be brought to account through the Colonial Office. I understand we are going to consult the Colonial Office about that.

2335. Is the new percentage to operate only from the 1st April next?—(Mr. Higginson.) Oh, no, Sir, it will date back to the first expenditure on the 1939-45 War commencing, actually, towards the end of 1939, and the adjustment will be made right back to that date on all the expenditure on the 1939-45 War.

2336. As far as the 1939-45 War graves are concerned, I see that the new percentage which you have given, 69.33, has been described in your Estimate as provisional. Is it then subject to review, and if so, when?—It is subject to review when the final figures are known but we have reached a stage when we feel that we are sufficiently near for adjustments to be made now and it may well be that the further adjustment may be so slight that it may not be necessary.

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[Continued.]

2337. Regarding your capital in your endowment fund, is it your policy to try to keep it intact and use only the interest?—It is and always has been. We use the interest only. The capital is held by Trustees.

2338. Is there to be any endowment fund for the 1939-45 War?—That has not been seriously considered yet. The participating Governments have not yet been consulted.

2339. There is a reference to Subhead A in the Comptroller and Auditor General's Report. Do you authorise issues from Subhead A of the Vote to the grant in aid account on your own responsibility or do you have to secure Treasury sanction?—We do that ourselves. We do transfer.

2340. You do not have to have Treasury sanction?—No, we ourselves transfer.

2341. I see from the Estimates for 1950-51 that no provision was made for any balance remaining at the 31st March, 1951, but, in fact, the balance rose to £415,180. What is your policy about this?—Our policy about that is that the Estimates are prepared each year and any balance estimated is definitely taken into account in fixing the grant in aid for the following year so there is not, in fact, the risk of a continuously accumulating balance accruing.

2342. Now, may we turn to the Accounts on pages 114-119? What are the cemeteries and graves paid for under Subhead B?—Those are cemeteries containing non-war graves. They are cemeteries which contain graves which do not normally fall to the Commission under the terms of their Charter, for example, there are graves of between the wars, there are graves of earlier wars like the Crimean War, to give you an example, Chatby in Egypt, which contains both war graves and in between war graves and service graves which are not the responsibility of the Commission. There are a number on the Dodecanese Islands, the Haida-Pasha cemetery at Istanbul, which contains graves of the Crimean War as well as plots of both wars, and there is the Cairo War Memorial Cemetery at Cairo itself.

2343. Could you go on to explain what is covered by Subheads C and D?—I intended, I am sorry if I was wrong, to be describing Subhead C in mentioning these cemeteries.

2344. Perhaps you will tell me about Subheads B and D, then?—Subhead B relates to the purchase of graves in the United Kingdom.

2345. That is the purchase of graves in a whole lot of different cemeteries?—In a whole lot of different cemeteries in the United Kingdom including grave spaces for Allied Forces.

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2346. Then, Subhead D?—Subhead D is the carrying on of maintenance of Allied and enemy graves of the 1939-45 War including civilian internees in the United Kingdom. That expenditure includes supplying them with a wooden cross marker and replacements for them as they fall into disrepair.

2347. Is the purchase of land in the United Kingdom for all graves, whether British, Allied or foreign, a purely United Kingdom responsibility?—It is.

2348. Is the maintenance of Allied and enemy graves in the United Kingdom purely a United Kingdom responsibility?—Allied and enemy, it is until other arrangements are made by the countries concerned.

2349. On page 119 what is the "Anzac Agency" referred to?—The Anzac Agency is a new agency created by the Commission for carrying out its purposes in the South West Pacific, that is, the mainland of Australia, New Guinea and Papua District and includes the cemetery in Yokohama in Japan. The Agent is, in fact, the Minister for the Interior in Australia and the staff is in the direct employment of the Commission, a Secretary General being in charge. The only difference between that and a normal administrative district is that we have that link of it being attached to Government supervision in Australia by the agent being the Minister for the Interior.

2350. Does the Royal Charter require the accounts of the Commission to be laid before Parliament?—I am not quite sure of that. It certainly calls upon us to produce an annual Report and accounts. (Sir Frank Tribe.) I understand, Sir, that the Commission have to produce their accounts and report and the President has to submit it to Her Majesty and the Secretary has to submit copies for the information of the Governments represented on the Commission, but there is no provision. I think, in the Charter for laying it before Parliament. (Mr. Higginson.) Those are the terms of the Charter.

2351. So, technically, Sir Frank, this document is not before us except purely for information?—(Sir Frank Tribe.) I think, reading the Standing Orders of the House, the Committee has no right to examine the witness upon the accounts in that Report.

2352. Is the Secretary of State for War *ex officio* Chairman?—(Mr. Higginson.) He is.

Mr. David Thomas.

2353. Did I understand you to say that the War Graves Commission is responsible for graves in the cemeteries throughout the length and breadth of this country? I

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[Continued.]

have in mind the case of a soldier who dies as the result of war wounds who might be in hospital in his home town, and is buried in his town cemetery. Does the War Graves Commission do anything at all to look after that particular grave or is it left entirely to the family?—If it is a war grave it is the Commission's duty to do it if the family wish it. But there is nothing to prevent the family from deciding that they would regard it as a purely private grave, provided it is not in a plot reserved for Service War Graves.

Mr. Benson.

2354. Under Subhead B, Purchase of Land, do I understand you to say you had to purchase these graves from the local cemeteries?—In some cases, yes, but not by any means all. Many local authorities have set aside plots free of cost and have made a free issue of land for the purpose of plots.

2355. These graves purchased are actually occupied graves?—Yes.

2356. Why are you asked to purchase them?—We have purchased the burial rights in the graves. We do not own the land, we have simply purchased the right to burial, as is laid down for most cemetery work throughout the country.

2357. The burial right, presumably, vests in the family of the buried person?—No, not if it is a plot specially set aside for service burials.

2358. It would normally?—Not unless they have purchased it.

2359. So that you may get multiple burial in a grave?—Yes.

Chairman.] Have Members of the Committee any further questions? May I take it that the Accounts are approved? (Agreed.)

Mr. Higginson withdrew.

CLASS VII.

VOTE 9.

STATIONERY AND PRINTING.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51, Vol. II.

STATIONERY OFFICE ACCOUNTS.

Mr. H. G. G. WELCH, C.B.E., Controller, and Mr. C. F. S. PLUMBLEY, C.B.E., Deputy Controller, the Stationery Office, called in and examined.

Chairman.

2360. May we turn to Class VII, Vote 9, the Stationery Office Account, on pages 433 to 436 of the Civil Appropriation Accounts? Looking at page 435, Mr. Welch, to what do you ascribe the decline in receipts from the sale of Parliamentary debates? It was some £59,000 in 1946-47, £48,000 in 1947-48 and £39,000 in 1948-49, whereas this year it was only £30,493, or some £4,500 below your estimate?—(Mr. Welch.) My information, Sir, is that it is in 1950-51 about equal to the 1949-50 figure. (Sir Frank Tribe.) The price having been raised in the meanwhile.

2361. This figure, you see, is £4,500 below your estimate?—(Mr. Welch.) Yes.

2362. It is about £9,000 below the previous year, is not it?—My figures are £30,745 for the previous year and £30,493 for 1950-51.

2363. Yes, the figure I had was 1948-49. Why have those figures been falling, anyhow, and why is it below your estimate?—We were at a maximum a few years before this and I think it reflects the degree of interest in politics from time to time. I

have no other explanation to give. There was an increase in price, I understand, for part of this year, but the circulation diminished, so that we have no better receipts at the end of the year.*

2364. Would you look at item (f), "Advertisements in Government publications". Is it your policy to secure maximum income from advertisements?—Yes, that is the policy.

2365. Do you employ agents with a view to increasing your advertisements?—Yes, we do. Part of the advertisements are obtained through agents and part through our own canvassing.

2366. Do you have to secure the consent of the department concerned to the insertion of advertisements in their publications?—We try to reach agreement with them, certainly.

* Note by Witness: The increase in prices for Hansard took effect on the 29th of May, 1951, after the year of account. The number of copies sold fell by 9 per cent. for a time, but rose above the earlier level at the opening of the new Session in November, 1951.

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Mr. H. G. G. WELCH, C.B.E., and
Mr. C. F. S. PLUMBLEY, C.B.E.

[Continued.]

2367. Still on page 435, dealing with the value of stock in hand, there is a note saying: "The statement does not include the value of Parliamentary or non-Parliamentary publications held in stock." Have you any valuation of stocks in hand of your own publications?—No, we have no total valuation of our stock of publications. We have some 300,000 separate titles and a stocktaking would involve so much manpower and cost that we regard it as impossible.

2368. What is the character of this partial stocktaking which you conduct?—That is the accounting for the publications at higher prices. For some time after publication we keep a store account for the publications at the higher range of prices.

2369. May we turn now to the Trading Accounts and Balance Sheets, Vol. II, the Report of the Comptroller and Auditor General, paragraph 1. Mr. Welch, am I right in supposing that this increase in discount would be at the expense of a publishing account, if you had one?—Yes, that is so.

2370. The discount rate is, of course, vital to the outturn of this account, and the Sale Offices would get automatically the benefit of increases in prices of publications?—Yes.

2371. I cannot quite appreciate why the discount rate should also have to be raised by 50 per cent. I wonder if you would explain to the Committee in a little more detail the considerations justifying this increase?—We came to the conclusion, Sir, that it was a fair and proper allocation to the Sale Offices. As the Comptroller and Auditor General has said we have informed him that the new rate is comparable with distributors' margins in the trade. I cannot give the Committee tangible evidence on that because it depends on the negotiations between parties and is not published, but all the information that we have in the experience of the Stationery Office suggests that certainly no smaller rate than the 12½ per cent. would be acceptable in the trade, particularly having regard to the low average value of our publications.

2372. I gather from paragraph 2 of the Report and from the paper you have put in* that no satisfactory basis for an account designed to demonstrate the comparative efficiency of the Stationery Office presses with outside contractors can be devised?—Yes.

2373. Is that view accepted by the Stationery Office?—Yes, we accept that.

2374. Is it accepted too, by the Treasury, Mr. Milner-Barry?—(Mr. Milner-Barry.) Yes, Sir, it is accepted.

2375. With regard to the measures being taken at Harrow and Manchester on the basis of time and motion study and the incentive payment to improve the efficiency of the process, first of all, what is the basis of the payment to the consultant?—(Mr. Welch.) Standard fees. He has standard fees which he charges.

2376. Looking at paragraph 10, does not the result obtaining at Manchester indicate that previously when on time work operation was not altogether efficient?—Well, we would not say that, Sir. The type of work is monotonous and repetitive there. There is no doubt that the operatives have put a great deal more energy and enthusiasm into their work under the incentive system and the result is that the improvement is greater than one would have expected, but I would not be willing to accept that it indicated inefficiency before. Part of the improvement has been due to improvements in method which were possible with stopwatch examination of the work and with the co-operation of the staff and the waiving of normal trade union conditions which enabled us to re-allocate the staff in some degree.

2377. Do you expect to get a satisfactory result from your negotiations with the union that are referred to in paragraph 12?—I think it is impossible to say what the result of that will be.

2378. Mr. Milner-Barry, is the Treasury satisfied with the arrangements for the employment of consultants in this work?—(Mr. Milner-Barry.) Yes, Sir.

2379. Now, Mr. Welch, on the matter mentioned in the last sub-paragraph of paragraph 2 of the Report, regarding the presentation of an account designed to compare the cost price of publications put on sale with the face value less discount price at which they are issued to the sales offices, I understand that to produce an accurate account on these lines is not considered practicable. Would you tell us what is the character of the difficulties that are involved?—(Mr. Welch.) Yes. I think the first point that I should mention is that in order to produce a trading account which would stand rigorous examination we should also need a balance sheet and that we can hardly regard as possible to prepare for the reasons I explained to you in regard to stocktaking. Then, any financial statement made for this purpose depends upon assumptions and upon allocations and averages. One has to take the proportion of official issues of publications to the total leaving the remainder as sales issues, and that is an apportionment which can be made by a percentage, but it varies, of course, very much between one item and another and again our production cost for

* Not printed.

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Mr. H. G. G. WELCH, C.B.E., and
Mr. C. F. S. PLUMBLEY, C.B.E.

[Continued.]

any individual publication is not in constant ratio to the face value. Those, I think, are the main reasons why we, in consultation with the Treasury and the Exchequer and Audit Department, came to the conclusion that we should not be able to produce a trading account which could be offered to the Comptroller and Auditor General for certification. In our discussions, if I may continue, a suggestion was made to get away from these difficulties by paying regard to the publications produced in any given year. There we could produce a statement showing the cost of production and the estimated revenue to the publishing account from the publications produced in a given year and we should avoid any complication in regard to the excess sales taken from stock or extra production put into stock during the year. We have, in fact, agreed on the lines on which such a statement could be prepared if desired by the Committee. The Treasury and the Comptroller and Auditor General have not seen the statement and you might think it appropriate, Sir, that they should do so before it is offered to you.

2380. Mr. Milner-Barry, are you satisfied at the Treasury that the question of more elaborate accounting necessary for the achievement of greater accuracy would be unjustified or undesirable?—(Mr. Milner-Barry.) Yes, Sir, we have been into this subject, which is quite an extraordinarily intractable one, at great length, really, over the past twelve months and that is the conclusion we came to, that it could not be done without an enormous elaboration of work and, in fact, probably could not be done at all even then.

2381. Mr. Welch, is it expected that at the new prices the value at which the publications are issued to the Sale Offices will cover cost overall except in the case of Hansard?—(Mr. Welch.) That is our endeavour, and we hope that that will be the effect generally, but there has been a continual increase of prices and we are watching the financial position very carefully each month. If necessary we shall be obliged to take further steps. There are other publications beside Hansard, which you mentioned, which we are obliged to put on the market at less than the actual cost to ourselves. Notable examples during 1950-51 were the publication of Statutes Revised and of a good many volumes of Statutory Rules and Orders Revised. There, there was a very large gap, probably about £55,000, between the cost of production and the total revenue that we would get back.

2382. I have just got three short points on the Accounts themselves, on pages 66 to 69. When were these Accounts instituted on this basis?—I believe it was about 1920 when this system was instituted.

2383. There has been no change since in the basis of the Accounts?—No material change, no basic change in the Accounts.

2384. I am not quite clear about the figures towards the bottom of page 69 which show a loss just before the final total of £25,638, of which some £7,724 occurred in 1950-51. What period are we talking about there?—We are talking about the period since the Accounts were first instituted.

2385. Does that refer back to the date you gave me earlier, 1920 or so?—I have misinformed you, and I beg your pardon, Sir. It dates from 1947, when these Accounts were resumed after the war.

2386. I see. So that this £25,638 is the loss incurred since 1947-48, of which £7,724 occurred in 1950-51?—Yes.

2387. Do not you think it might be as well to show that in the Accounts somewhere or in the foreword? It does not seem to me to be clear on the face of it?—May I take a note of that point and see how it can be met?

2388. Thank you. The last point I have on this is this: why did the Cardiff office show the largest percentage of loss this year, whereas in the previous year it had shown a profit? The Cardiff sales office, you see, showed a loss of 2.27 per cent.?—Yes. There was a distinct fall in the volume of publications sold there so that we have less revenue to set against the expenditure.

Mr. Scott.

2389. Why is it that Bristol and Cardiff have no wholesale business? It is all retail there. How is the wholesale side dealt with in that part of the world?—It is a question of the stocks. We could not afford to keep wholesale stocks in several different places in the country so very small offices deal with retail business only.

Mr. Douglas Marshall.

2390. Looking at the Civil Appropriation Accounts, page 435, I see under Subhead E "Sales of waste paper estimated £155,000 realised £165,038." Do you do your own pulping for the sale of waste paper, or what exactly happens there?—We sell the waste paper under contracts.

2391. You do not pulp it at all yourselves?—No.

2392. There are certain departments of State that do, are not there?—I do not know of any.

2393. I thought the Admiralty did?—They may for special reasons of their own.

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[Continued.]

2394. You do not believe that any saving would, in fact, flow from doing it yourselves?—No, I think it is quite right that it should be pulped by the mills which can use the material.

2395. Then, at the bottom of the page, under the heading: "Value of stock in hand on 31st March, 1950 and 31st March, 1951," I wonder if you could tell me, taking into account the different prices ruling today, are the stocks you carry now greater than in 1939, or about the same, or what exactly is the position there?—Our stocks have been reduced to a very low level. Did you say 1939?

2396. Yes?—The volume of business in 1939 was not at all comparable to what it is now in the Stationery Office.

2397. May I put it this way: is the proportion to your volume of business greater today or is it less?—I could not answer that offhand in regard to 1939. In regard to recent years our proportion has been considerably reduced. We have, in fact, recently got down to what I consider the danger limit in regard to stocks, and we have gone up to some extent in total quantity, but in proportion we have been as low as we could possibly be.

2398. So that the stock which you carry, which is now valued at the 31st March of last year at £995,000, is only the type of stock that you would consider is a reasonable stock for the business which you carry out and would not be in excess of that? If there should be any great fall in the future as to price it would not by any means cause a loss in the Stationery Office?—Well, there could be a theoretical loss on a fall of price in regard to our stocks, but we must maintain stocks, of course, and I consider that the level is as low as it could be put.

Mr. Douglas Marshall.] Thank you very much.

Mr. David Thomas.

2399. Why were the losses for last year so heavy, amounting to £8,659 on sales for 1950-51? On page 69 I see the entry, "Less profits for 1950-51, £935", and the next item is, "Add losses for year 1950-51, £8,659"?—Yes, both those items which are, so to speak, partly self-cancelling, are taken from the two sides of the profit and loss account. The financial position was actually better in 1950-51 than in the preceding year. We did not manage to break even, but there was an improvement.

2400. I notice that the loss in the London Sale Office amounts to £7,570. Would that be for the reason that they might have been holding large stocks of publications which might have been sold, say, in Birmingham,

where they made a profit, or in Edinburgh?—Oh, no, we have no difficulty in supplying each of our offices with the stock for them to sell. There would not be any cause of that kind here. Any of the Sale Offices able to sell are supplied from warehouse with all that they require.

2401. There is no danger of the London office or of any other office ordering more than they require and then finding eventually that their sales are not up to expectations, in which case they would have a surplus of publications in their office, and there might be other offices attached to the Stationery Office who might have said of certain publications: "They are out of print, we have not got any more to send out to you"?—They would not be so told until we had ascertained what stock was available anywhere in the Stationery Office.

Mr. Benson.

2402. To what do you ascribe the extraordinary variation in the profits of the various offices for 1949-50 and 1950-51? London's loss dropped from £26,000 to £7,500 and Manchester, on the other hand, was practically the same?—There is no particular cause that I can assign to that. It may be that the volume of publications of local interest was rather different, a variation from the total variation, but I cannot assign any particular cause.

2403. Moreover, the two offices with the largest turnover are the two offices which make the largest loss, Manchester and London?—It depends on the amount of business. The amount of business being large, if it is unprofitable, the debit is found to be greater.

2404. I take it that the profit depends entirely on the cost of running the office and the volume of sales; we are only concerned with margin?—The revenue, yes.

2405. Does it mean that there is a very big fluctuation from year to year and from office to office?—No. In regard to London particularly, I should have said that there was the benefit to the London wholesale business of the improved percentage that we were speaking about. That is a factor very greatly affecting the London office.

2406. What are "repaying services"? You have that down on both sides?—Yes. The repaying services are those which we render to departments and bodies which are not wholly financed from Exchequer funds. It is distinct from the allied services.

2407. You make a slight profit on them, is that it?—It depends on the classification of departments. The public departments are distinguished from repaying services

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Mr. H. G. G. WELCH, C.B.E., and
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[Continued.]

which may be, for example, work under the Representation of the People Act, or work for local authorities which is partly paid for by them. My Deputy Controller will be able to answer something about that question. (Mr. Plumbley.) These repaying services were originally charged on a basis of cost plus 10 per cent. and in 1926 we decided to treat the repaying services on the same terms as for booksellers, and we supplied the recognised repaying services at 25 per cent. off, mainly the Commonwealth countries, but we do not supply all repaying services with books at less than the published price.

2408. Reverting to your memorandum, I see that the Manchester Press, as a result of the Consultant's reorganisation, increased their productivity by 90 per cent., which was practically double?—Yes.

2409. The Stationery Office has been before this Committee a number of times and they have always been pressed on the question of efficiency and it has always been maintained that they are equally as efficient as a private firm?—Yes.

2410-11. It is rather difficult to believe that evidence in retrospect with the figure of 90 per cent. efficiency in one place, is not it? What was the cause of this enormous increase in productivity? Where was the saving?—You see, it is warehouse staff who have been treated at Manchester under incentive. These are people doing the assembling of pension books, the wire stitching, guillotining, examination and the labelling.

Chairman.] Are there any further questions on the Accounts? May I take it that the Accounts are approved. (*Agreed.*)

The Witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 1ST APRIL, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Sir Ralph Glyn.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Mr. Peter Roberts.
Mr. Scott.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E.
called in and examined.

REPORT, ACCOUNTS AND STATISTICS OF THE BRITISH
TRANSPORT COMMISSION, 1950.

Lord HURCOMB, G.C.B., K.B.E. (a Member of the House of Lords attending by leave of that House), Chairman of the Commission, examined.

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C., Permanent Secretary, Ministry of Transport.
Sir ALAN RAE SMITH, K.B.E., F.C.A. (of Deloitte, Plender, Griffiths & Co.), and
Sir HAROLD BARTON, F.C.A. (of Barton, Mayhew & Co.), Joint Auditors of the Accounts, called in and examined.

Chairman.

2412. Before we examine the auditors about their certificate I should like to ask a few questions on the general subject of audit of the Commission's Accounts, and perhaps, Sir Gilmour, I might ask you a

few questions first?—(Sir Gilmour Jenkins.)
Yes.

2413. Did your Minister appoint Sir Alan Rae Smith and Sir Harold Barton as auditors of the whole of the Commission's

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Lord HURCOMB, G.C.B., K.B.E., [Continued.]
Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C., Sir ALAN RAE SMITH, K.B.E., F.C.A.,
and Sir HAROLD BARTON, F.C.A.

Accounts?—Yes, the whole of the Commission's Accounts.

2414. Are they appointed jointly with equal responsibilities for all parts of the Accounts?—Yes.

2415. Has your Minister appointed any separate auditors under the latter part of subsection (3) of Section 94 of the Act to audit any special part of the Accounts?—No, he has not done that.

2416. Not at all?—No.

2417. As far as I know, all other Ministers, in exercising similar powers in relation to public corporations have appointed firms of auditors and not individuals by name. Is there any special significance in your having appointed, for example, Sir Alan Rae Smith and not his firm by name?—That was, I think, considered at the time, Sir. I am calling on recollection now but I think the Minister's view then was that it was better to fix responsibility on an individual rather than to have it spread over a firm, though that, of course, is not the usual commercial practice; but he preferred that the responsibility should be an individual responsibility.

2418. Mr. Barnes, as Minister, approved a scheme of audit on the 1st July, 1948?—Yes.

2419. Which was reproduced at the end of the Commission's First Report?—Yes. It is printed on page 407 of the First Report.

2420. Is that scheme still operative or has it been changed?—It has not been changed.

2421. I see, Sir Gilmour, that the responsibility for appointing auditors of the Executives and Departments of the Commission is entrusted to the Commission itself?—Yes.

2422. Do you from your departmental angle regard these auditors appointed by the Commission as internal auditors?—Yes. The two auditors of the Commission's Accounts are the people who are directly responsible for the audit of the Commission's Accounts as a whole and there are no subsidiary auditors with whom the Minister has had any concern at all.

2423. Do you see their reports?—Not the reports of the subsidiary auditors, no.

2424. So that you do not have any possibility of examining the reports or enquiring into anything that is thrown up? You are not aware of what these internal auditors are saying or what the internal audit is showing?—No, the Minister relies on the two auditors appointed to report anything which should be brought to the Commission's notice or to his notice.

2425. May I ask you, Lord Hurcomb, on the same line of inquiry, in this scheme of audit to which I referred a moment or two ago, can you explain the difference to us between Executives and Departments of the Commission?—(Lord Hurcomb.) The term "Executives" is used in the Act itself and they are bodies whose appointments are approved by the Minister and they are, therefore, in a somewhat different position from some of the activities which the Commission itself may conduct as a common service or through a large number of subsidiary organisations which are in its possession. I think the term "Department" is just a general word and not a technical one to cover all those of our activities which are not correctly and technically described as Executives.

2426. In your First Report it is said somewhere that you had appointed some 130 firms of auditors. Are all these 130 on an equal footing, or do some report through others?—We, of course, own a large number of companies and separate organisations whose accounts need to be audited and I think they are all on an equal footing in the sense that they are responsible professional men but the scope of what they have to do, of course, may be very different according to the size of the particular business. As we are spread throughout the country we have, naturally, desired to use so far as we can the local professional machinery where that is possible, not sending everybody out from London, for example, to examine something which can be better or more conveniently and economically done by a local auditor. We, therefore, have a large number of firms engaged on that work and their reports are eventually brought under the review of our two statutory auditors to whom Sir Gilmour has referred.

2427. Do all these auditors that we are talking about report to you or to your statutory auditors?—They report, I think, to us but their reports are available to the main auditors who need them for the purpose of their own certificates, but we are in touch with them because we naturally want to know the fruits of their investigations.

2428. Have you appointed any one auditor or one firm of auditors to audit all the accounts of the Road Haulage Executive?—No, we have a large number of separate auditors for the Road Haulage business which is itself organised in a large number of separate groups.

2429. On page 197 of this Third Report, in the report of your statutory auditors, there is a sentence in the third paragraph, about half-way down the page: "In their report upon the accounts of the Road Haulage Executive, the auditors

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LORD HURCOMB, G.C.B., K.B.E., [Continued.
 Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C., Sir ALAN RAE SMITH, K.B.E., F.C.A.,
 and Sir HAROLD BARTON, F.C.A.

of that Executive state that", and so on. What auditors are referred to there?—Those are the auditors for the Executive as such apart from the numerous subdivisions of the organisation where the accounts are separately examined by the subsidiary auditors, if I might call them so.

2430. Do I understand, then, that you have a number of subsidiary auditors and you also have someone who we may call the auditor-in-chief for the Road Haulage Executive accounts?—Yes.

2431. And then above them you have your statutory auditors?—Yes, that is right, for the reasons I have given. We have nine main divisions of the Road Haulage Executive, they in turn have about 30 districts and the districts have over 200 groups. We have, therefore, broken the work down so that the examination of the accounts of the groups is done at a local level. Then we have co-ordinating auditors, if I may call them so, for all those groups who put all those investigations and examinations together and their report in turn is available to our two statutory auditors, Sir Alan Rae Smith and Sir Harold Barton. That may seem somewhat elaborate, but in view of the size of the business and the necessity for covering the ground within the year we have thought it convenient and, indeed, essential to go about things in that way. I think it is a great assistance to us, and I am sure is of assistance to the main auditors, though they will speak for themselves no doubt presently.

2432. Who are the auditors referred to here? What is the name of them?—Keens, Shay, Keens & Co. are the co-ordinating auditors.

2433. Could you provide us with a copy of the report of the auditors of the Road Haulage Executive, the report that is referred to in your statutory auditors' Report?—That raises quite another question, does it not, Sir?

2434. What I am really asking is this: there is a reference in your statutory auditors' report to another report from the special auditors of the Road Haulage Executive. You have told me the name of that firm and I am asking now if you would provide the Committee with a copy of the report that is referred to in the statutory auditors' report?—I think that is a question, if I may say so, which raises very large issues which I should wish to consider. That report itself might refer to the reports of other auditors, and on the same principle I might be asked to produce the report of every investigating auditor that we employ.

2435. You might very well, but what is your answer to my question?—My answer,

if I may respectfully give it, is that I should like time to consider that question because it certainly does not affect only the Commission of which I am Chairman, it seems to me to raise a general issue in regard to the nationalised industries.*

2436. Very well, perhaps you would let us know? Are those audit reports confidential or are they available, for instance, to the Central Transport Consultative Committee or the Area Transport Users' Consultative Committees?—No, they are certainly not available to such bodies. They are confidential reports to the Commission itself for the necessary conduct of its internal business.

2437. I see from the scheme of audit that your two main statutory auditors have to examine the books, accounts and records of the Commission. Does that refer only to your Headquarter Commission books, or to all the books of all the subsidiary bodies?—They are entitled to examine anything they like.

2438. Are you satisfied that the scheme of audit is working satisfactorily? Does it ensure that the main audit report laid before Parliament contains all the information and audit comment which Parliament has a right to expect?—If it did not it would not bear the signatures of these two gentlemen.

2439. May I just on this, Sir Gilmour, ask you if you have anything to add from your departmental point of view to what Lord Hurcomb has said in answer to the last question or so that I have directed to him?—(Sir Gilmour Jenkins.) No, Sir, I entirely agree with that. The Minister appointed the main auditors and I think the Minister looks to them to satisfy themselves and if they report that they are satisfied he will accept that report.

Mr. Benson.

2440. I would like to ask Lord Hurcomb what he means when he says in reply to the Chairman on the question of the production of the subsidiary auditors' report that he would like time to consider that? Does he mean that he would like time to consider whether he should refuse to produce them?—(Lord Hurcomb.) I think I was fair and respectful to the Committee when I suggested that it raised large implications and it had never, I confess, occurred to me that this Committee would ask for all the subsidiary reports right down the line which are made to the Commission for the necessary conduct of its own internal business or to the main auditors to satisfy them before they gave their certificate. I feel that it raises all sorts of questions that need very close consideration.

* The witness subsequently forwarded the relevant extract from the auditors' report.

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Lord HURCOMB, G.C.B., K.B.E., [Continued.
 Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C., Sir ALAN RAE SMITH, K.B.E., F.C.A.,
 and Sir HAROLD BARTON, F.C.A.

These reports, naturally, go into a very great deal of detail and they are part and parcel of the ordinary control and management of the undertaking internally. I feel that if it is suggested that internal documents of that kind should be made available and eventually published very large questions which need much consideration are bound to arise. I had no idea that the question was going to be put to me and therefore if I ask leave to reserve my position I hope I am not being unreasonable.

2441. The Committee, of course, has the statutory right—not duty, but statutory right—to investigate the accounts of the Commission, otherwise you would not be here?—It is not for me to try and define what are the Committee's statutory rights, nor am I questioning them.

2442. No, but if we wished, which Heaven forbid, to investigate in so great detail the accounts of the Commission, how could we do so without access to all your auditors' reports?—I feel that is not really a question for me to deal with. That seems to me a general question to be put either to Sir Gilmour Jenkins or to the representative of the Treasury.

2443. Sir Gilmour, the ball has been passed to you. What is your reply?—(Sir Gilmour Jenkins.) I agree with Lord Hurcomb, respectfully, that that request does raise questions which go far beyond the Commission. It obviously concerns the affairs and the accounts of all the socialised industries. The extent to which the Committee wish to go in detail into the detailed reports on the accounts of a nationalised industry, of course, is a matter on which I cannot pronounce at all. They may wish to go a considerable distance, but I would suggest that if they were to do so they would be going rather further than Parliament intended, I think, when they set up these bodies. That intention was that they should act as commercial undertakings and should not be subjected to detailed day to day control in the commercial affairs with which they were concerned, and would conduct their affairs, as I said before, on a commercial basis. That was the clear decision of Parliament at the time and I think it would be necessary to take time to consider the position, if Parliament wished to go more fully into the detailed accounting, which means the day to day administration of the Commission, in a way which was not originally contemplated.

Chairman.

2444. May I just say this, Sir Gilmour: I do not wish to ask questions which prejudice the general position, but you do appreciate, do not you, that my original question was directed to one particular report which had been referred to in the

report of the statutory auditors in the particular part which, if you like, was a comment or a qualification of their report? The suggestion has been made that this raises a general issue—it may or may not—but my question was directed quite specifically to something that was mentioned in the auditors' report and solely because it was mentioned I said, could we look at the report from the auditors of the Road Haulage Executive. If they had not been mentioned I would not have asked that?—(Lord Hurcomb.) May I, with great respect, Mr. Chairman, point out that the main auditors referred to the reports of other auditors in the preceding paragraphs of their report and that is why, if I may with respect say so, I think this raises a very large question straight away. They refer to the fact that the accounts of the Executives and various departments have been examined and reported upon by auditors appointed by the Commission in exactly the same way as auditors have been appointed for the business of the Road Haulage Executive and they mention all those, and on the same argument I think it would mean that we would be asked to produce all the reports of all the co-ordinating and, indeed, the subsidiary auditors.

2445. Yes, that may be so, Lord Hurcomb, but I do want to make it plain that no-one has yet asked you to produce anything except one report, and your answer was on that one report and not on any general request for all and sundry?—That may have been the question, Sir, but the point I was endeavouring, with great respect, to make was that to produce a particular report would at once constitute a precedent for producing at least all the other reports which are referred to in an omnibus way in the main auditors' certificate.

Chairman.] I am sorry I interrupted you, Mr. Benson.

Mr. Benson.] I will not pursue the matter further, I merely raised the constitutional rights of this Committee to investigate properly.

Mr. David Thomas.

2446. In the third paragraph of the report, Lord Hurcomb, on page 197, there is the statement: "In their report upon the accounts of the Road Haulage Executive, the auditors of that Executive state that in certain sections the records and systems of internal check and control were only gradually being put upon a satisfactory basis"?—Yes.

2447. Does that mean to say that part of their accounts are still in an unsatisfactory state?—No, they go on to add the reason, upon which the Committee might give me the opportunity to say something more later.

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If I may answer that question straight away, a great deal of progress has been made in improving the state of affairs to which this certificate refers, but the size of the organisation and the nature of the organisation make it quite impossible to get a matter like storekeeping into a completely satisfactory state in a matter of one or two years. We have taken over over 3,700 separate businesses, many of whose organisations in this respect were rudimentary or non-existent, and to build all that up into a new organisation with all the difficulties of inadequate premises and so forth that we have had to encounter does not make it possible or, I venture to submit, reasonable to expect that everything can be got straight in a year or two, but very great progress has, in fact, been made since the date of this certificate.

2448. Taking the fourth paragraph, I see that the title deeds have not yet been seen by the auditors. What was the difficulty of their getting the title deeds? Is it that these title deeds have not yet been handed over to the Commission?—I think that when one remembers we have taken over the whole of the railway companies, many of them built 120 or 130 years ago, it is quite unnecessary as well as impracticable to have an examination of all the title deeds of all those vast properties. Where there has been any recent transfer then, of course, the people who have looked after the conveyancing have also satisfied themselves where necessary about title.

2449. If it was not necessary why should the auditors make any reference to it at all?—I am sure that they will answer that for themselves, but auditors do not as a rule inspect anything they are not bound to, and if they have not seen any title deeds they protect themselves by saying they have not. I do not think they are saying there are not any title deeds or that they are not valid, they merely say they have not themselves looked at them.

2450. But the Commission should, and I think you will agree with this, be in possession of all the title deeds, whether they are 100 years old or 200 years old?—I have no reason to think that we are not. All this says is that the auditors have not themselves examined them. I do not think that implies that they are not there or that they are not in order. There is a large and highly competent legal machine which has looked after these things in a great many cases over a very long series of years and we have inherited their obligations and their rights and with them the title deeds. Where there have been recent acquisitions and recent transfers then, of course, that has also been seen to.

Mr. Douglas Marshall.

2451. I have only at this stage one general question. Sir Gilmour, you said just now that in your view it was the intention of Parliament that these nationalised undertakings should more or less act as commercial undertakings? I think those are the words that you used?—(Sir Gilmour Jenkins.) Yes.

2452. With commercial undertakings there are shareholders and the shareholders, presumably, have the right to ask certain questions about what the company is doing, and I wonder whether, Lord Hurcomb, you could tell me, because I have not so far been able to make it out, how I can find out, for example, whether it has been good or bad and why good and why bad, let us say, with Thomas Cook & Sons Ltd., which would not come under the category that you have just mentioned, that certain things have been taken over which are in an obsolete state?—(Lord Hurcomb.) Well, Thomas Cook & Sons Ltd. are a company and their accounts, of course, are audited and they are brought where necessary into the relative statements and accounts which are annexed to this report.

2453. The point I am making—naturally I am not particularly interested about Thomas Cook, I am using them as an example—is simply this, that if I wanted to examine that in the terms that Sir Gilmour already has used, as a commercial undertaking, how can I actually do that from the details given in this report? How can I splinter it down?—I think you can find out as much from this report as you can find out in any other way about the accounts of Thomas Cook & Sons, but we are really a 100 per cent. owner of the shares of that company and we have brought in here the revenue we derive from those shares. I do not know whether the Hon. Member feels that there is nothing said about Thomas Cook & Sons in the report, but he is talking about splintering down.

2454. There is no particular point I want to find out other than the general point that with the information which is given in this form and in this way, unless this Committee can examine it by splintering it if it so desires, I do not see how anyone can find it out.

2455. You find here the revenue we derive from our investment in Thomas Cook's and you find here also the revenue that we derive from a very large number of other companies which we do not own completely, but in which we have investment interests, but perhaps the hon. Member would like to take some other example of something that puzzles him?

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2456. I thought Thomas Cook's was rather a good one because in that particular case I am trying to see how it is possible for a Member of this Committee to be reasonably able to ask questions on detail with regard to that company?—I do not know what questions of detail the hon. Member has in mind?

2457. There is not very much in here that would allow one to ask a question of detail? I think this does arise out of the question which was put by our Chairman?—It may throw a very interesting light on where we should get to, but as far as the Commission is concerned it seems to me we do all that can be required of us if we bring in in its proper place the revenue we get from our investment and if anyone wants to know what the accounts of the company of Thomas Cook are, then they must go to the accounts of that company and there they can see whatever it was shareholders in the past were able to see. Thomas Cook's accounts are filed at Somerset House, they are a private company and they are, therefore, not published in the way that an ordinary public company's accounts are, but the information that is available there is really just as much available as it ever was.

2458. But they are not quite in those terms, are they? You are a shareholder and I am a shareholder of Thomas Cook's?—Not quite.

2459. Are not we? I am only trying to clear my mind?—I think that is a very difficult point on which to clear one's mind. Properties are vested in the Commission as far as there are properties, if they are railways or canals or things of that sort transferred to us. In the case of Thomas Cook's we own the shares of what is a private company. The Commission owns the shares and the public have, in relation to that part of our property, the same position that they have, I suppose, in relation to all the rest of it.

2460. I am a little puzzled over this as well, and I think it is not surprising, that supposing I, as a Member of the Public Accounts Committee, said I would like to examine on all the accounts, splintered down, of this company which is wholly owned by the British Transport Commission, would you consider that would be a proper question for me to put to you and that all information should be given me immediately upon that subject or within a reasonable time?—If I might answer that offhand without proper consideration, I think I should be inclined to say that I cannot think that that would be a very good way of conducting a competitive tourist business, but it is not really for me to pursue what may be some underlying constitutional question.

Mr. Douglas Marshall.] I am afraid I am still at a loss, Lord Hurcomb.

Mr. Bossom.

2461. It says here that there is a net revenue deficit. Who has to provide the money for the net revenue deficit? If you lose money, where does that money have to come from?—Hitherto it has been found and financed out of the resources of the Commission.

2462. What happens if it gets to a point where it is beyond the Commission's ability to finance it? Do you go to the Treasury for the money?—That position ought never to be reached provided we are allowed to adjust our charges to equate our costs.

Chairman.] May I just say, Mr. Bossom, that I think it would be more convenient if this line of questioning you are putting now were deferred until a little later.

Mr. Bossom.] The point I was getting at follows exactly on what Mr. Marshall was putting just now.

Chairman.] We did discuss before you came in the line of questions, and I am anxious that we should not do all the residual questioning at this point, because I rather wanted, if we could, to get the auditors examined and then points of this kind taken afterwards.

Mr. Bossom.

2463. I have gone as far as I want to on that particular line, but I have asked several questions in the House regarding getting information about nationalised industries, and it has been answered in the past that we could not ask questions that deal with day to day activities of the various concerns, but it has now been ruled by the Speaker that he has the right to say that we can ask these questions. Where would that end, following along the line of questions by my colleague? According to the Speaker we can ask the questions and get the answers, and according to you, Lord Hurcomb, as I understand it, you feel that would be an inappropriate thing for us to do?—If I may say so, I would rather wait and see where it begins before I attempt to predict where it would end.

2464. Why should not we have the right to do that as we do for every account that comes before us?—With great respect, I do not think that is a question which I am competent to answer, but I would like to have an opportunity before the Committee rises of dealing with the very natural question the hon. Member has put as to how we have financed our deficiencies or deficits.

Chairman.

2465. I have some questions which I want to put to you, Lord Hurcomb, on that point?

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—I should be very glad to have an opportunity of answering those questions. There are delusions that it has fallen upon the taxpayer, and it has not.

Mr. *Bossom*.

2466. It was mentioned just now that we are all, in fact, stockholders in this Commission. It is a fact that the Commission is our representative, like any other corporation, and how are we prohibited from finding out the facts? If you cannot give them to us, how do we get them?—I do not think you are prohibited, if I may say so, from finding out the facts. We are only too anxious to have opportunities of covering the facts. One of the very great handicaps of anybody in my position is that he has not got a shareholders' meeting to whom he can make an explanatory statement. The Annual Report is necessarily so voluminous and so detailed that it is not, perhaps, very widely read and there is a very real difficulty in not being able to answer what are the natural questions, and it seems to me the legitimate questions, of the nature that the hon. Member has in mind. One cannot always be making speeches about them or writing letters to the Press, but I quite agree they ought to be answered and perhaps this Committee on the financial side is one channel or opportunity for answering some of them.

2467. In other words, you think the entire business is rather too voluminous for us to get through in detail? Why cannot we splinter it, as was suggested?—I was merely venturing to suggest that I cannot think that to go into the details of what is a purely commercial undertaking and a very subsidiary interest of the Commission, and in the particular instance chosen a profitable one, is going to assist the conduct of that kind of business if its affairs are publicly discussed in detail.

2468. Is not that for us to decide?—Certainly.

2469. Is not it for us, as the Public Accounts Committee of the House of Commons, to decide whether or not it helps us, and not for anybody else at all? We are delegated by Parliament to do this job and, therefore, we have the right to decide whether we think it is the right thing or not, surely?—Of course, but in the past my experience, if I may say so with respect, has always been that this Committee was very careful not to embarrass a department in the conduct of a negotiation or a commercial undertaking by having to divulge information which might hamper its business, but if there is something the Committee wants to know about any particular activity I would not in the least desire to object to telling them the position in the frankest way.

2470. Does the Treasury know all these details?—I do not think so. I do not think they are concerned, but we are not a department. We are not in the position of a department of Government and we are not subject to Treasury control in that sort of detail.

2471. In other words, no one other than the Commission is really entitled to know what is going on in the Commission's activities?—On the contrary, I do not say that for a moment, I think we are bound to give to Parliament all the detail and the information that can be reasonably afforded. It is a question as to how far points of detail of a purely commercial or business character are pursued and made public.

Mr. *Cuthbert*.

2472. I only want to go a little further, Mr. Chairman, with your point, which I think, is so very vital to this Committee. I think you will admit, Lord Hurcomb, that we do have a statutory right to follow what is put in front of us, if I may put it that way?—Of course.

2473. In the main auditors' report there is a reference to a subsidiary auditors' report?—Yes.

2474. Almost tantamount to a qualification by those subsidiary auditors. The question the Chairman has put to you is, could not we see that report? We have complete trust in the main auditors, but there may be points in the subsidiary auditors' report which from our point of view they may not have judged at all and, therefore, as it is referred to in the report we ask specifically for a copy of that subsidiary auditors' report in order to judge for ourselves? After all, we in turn have to report to the House of Commons in the normal way once a year and refer to this very thing that we have been given the power to examine. You say yourself that you are not certain of how you ought to answer that, and you want to refer it back somewhere?—I think that is a very important point of procedure of which I have had no notice at all and which I think it is only right and proper that I should ask leave to reserve until I have been able to consult the Minister and the Treasury and others who are concerned.

2475. You see the Chairman's point, and it is very much my point, too?—I appreciate the point entirely.

2476. It is no use our wasting time on the main auditors' report when we see a special auditors' report with a qualification on it and we would like to see that?—I ventured to suggest, on the same line of argument, that the Committee may ask to see all the other reports to which the main auditors refer but on which they do not, in fact, comment.

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2477. I agree?—I say that raises a very large, and as far as I know, a completely new point of procedure which it is hardly proper for me to attempt to answer without very full consideration, in so far as it is for me to attempt to answer it at all.

Mr. West.

2478. Lord Hurcomb, do I correctly understand the position to be that the Commission in fact appoint the subsidiary auditors?—Yes.

2479. Do I understand the position also to be that the statutory auditors would in the course of their investigations have necessarily before them the reports of their subsidiary auditors?—Yes.

2480. I suppose it goes down the line, does not it?—As far as they like.

2481. The statutory auditors would have before them the reports of the auditors immediately below them, and those auditors again when they prepared their report would have had the report of the auditors immediately below them? Is that the set-up?—The main auditors are entitled to see anything they think necessary right the way down the chain.

2482. That is assuming that they do not accept the report of the auditors immediately below them?—Yes, they might. Without going to the length of saying they did not accept it, they might for their own satisfaction say they would like to look at it, but it is in their discretion.

2483. I do not think I am treading on any constitutional corn when I put this question, but do you think it would be possible, for the assistance of the Committee, if we were to have a chart setting out the build-up to the statutory auditors, the areas, the divisions and the groups, so that we know exactly the whole set-up of the Commission and the auditors who have to function?—Are you thinking only of road haulage?

2484. I am thinking of all the activities of the Commission which are now included in this Annual Report?—There is no difficulty about that at all, and we can supply the names of all the subsidiary auditors as well, if you would like to have them. I think we have in fact in our Report described this organisation in some detail.

2485. Yes, I have been trying to look through it. I must confess it is not in a convenient form for me, anyway, readily to fall upon it?—I do not think we wish to burden the Report each year with a mass of detail of this kind, but it has, in fact, I am sure, been put into type somewhere.

2486. If you think this is a constitutional point then, of course, Lord Hurcomb, you will reserve your answer to it: do you consider the auditors' reports, whether they are special auditors or statutory auditors, as day to day affairs of the Commission?—The statutory auditors' report is rather more than that, it is a very important and necessary document which they only sign after I myself have signed our accounts and it is done in the most formal way, but as regards all the subsidiary auditors, though they have to carry out proper professional investigations, of course, they are able in the course of their investigation to make many points and suggestions, not necessarily on paper at all, as to whether they think something might be looked at or even improved, or comments on personalities and things of that kind which are a very great help and, indeed, a necessary aid to the conduct of a vast business of this sort.

2487. Do I gather from that that you do not regard the subsidiary auditors' report as coming, as it were, within the day to day administration?—I think they are part of the day to day administration but they are also a necessary factor in leading up to the summation of the financial activities of the whole year which eventually gets covered by the main auditors' certificate.

Mr. Hoy.

2488. In order to get this clear in my mind, dealing with road transport, may I use the example of the Scottish Motor Traction Company? Do I take it that they have an auditor appointed to deal with their books?—Yes.

2489. Who in turn is responsible to a divisional auditor, and he in turn is responsible to the statutory auditors?—No, in that case there is the group auditor for the four divisions in the group and his certificate would go direct to the main auditors.

2490. That is quite clear. Then, you reserved your right about the production of documents. One of the reasons you gave was that they would, of course, be published, but do you understand that that is not quite correct? While this Committee has the right to ask for documents it may at your request not publish exactly what takes place?—I did not mean to go to the length of saying it would automatically be published. If I did, I went further than I intended. There is, however, always a very great difficulty, apart from matters of defence, and so on, in withholding from publication anything that does attract interest.

2491. With regard to the appointment of all these auditors, are they all advertised publicly and may applications be submitted?—No, they are chosen from

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proper professional firms and with a good deal of knowledge as to what their qualifications and the nature of their practice and so forth are.

2492. So that they are selected auditors?—That is true.

2493. And that applies to all the auditors, whether they be the statutory auditors on the top level or the auditors who are doing companies' books?—The statutory auditors at the top level are appointed by the Minister. I am speaking without knowledge, but I do not recall cases where one has advertised for an auditor.

2494. At any level?—I do not think so. It strikes me that it would be an odd procedure.

2495. It is a public appointment, is not it?—I do not know. Does one then allot it to the lowest bidder?

2496. No, if you have a position to fill in your Commission do you mean to say you would not advertise these vacancies?—In many cases of an ordinary officer, yes, but this strikes me as a new procedure in selecting an auditor, though I may be wrong. I may quite seriously say this: these are all properly qualified professional men and, therefore, one has that very great protection from the start, and also in many cases where we have taken over these businesses from the road haulage undertakings and so on, we have not wanted, as it were, to turn out unnecessarily people who have been doing the work satisfactorily.

Mr. David Jones.

2497. On this question of production of a document, Lord Hurcomb, you reserved the right, but would you agree that it might be possible under the right of calling for a document, to call for every auditor's report right the way down if the principle were conceded?—Well, that is just one of the points on which I thought it was only proper for me to ask leave to reserve any view.

2498. Did I understand you to say that every auditor's certificate right from the bottom to the top is available if necessary for the statutory auditors?—Yes.

2499. And in turn the whole of the reports of the minor auditors in the Road Haulage Executive would be available for the Road Haulage Executive auditors?—Yes.

2500. Would not you regard yourselves and your colleagues in the Commission as trustees of this property, managing it for the State as such and not for 50 million individuals?—We are obviously in the position of trustees for the nation.

2501. For the State, in a corporate capacity, not for 50 million separate individuals?—Yes, it is easier to think of the State than it is to think of 50 million individuals.

Chairman.

2502. May I now ask some questions of Sir Alan Rae Smith and Sir Harold Barton? I should like to ask you, particularly, in regard to the third paragraph of your joint report, but I would like to ask one or two preliminary questions. I wonder if either of you have any comments which you would like to make on the points that have been raised in our examination so far?—(Sir Alan Rae Smith.) What points have you in mind, Mr. Chairman?

2503. I have not anything in mind, I am merely asking if there is anything in your mind arising from the examination so far. I am sure the Committee would be glad to hear what either of you have to say?—I do not think so, Sir. On the question of disclosure of the underlying auditors' reports, that is not a matter upon which we feel competent to express an opinion. We have seen those underlying auditors' reports, of course.

2504. In that case, can I take it that your report means that you accept responsibility as auditors for the whole of the undertakings covered by the Commission's Accounts?—Yes.

2505. Are you satisfied with this rather elaborate organisation using 130 different auditing firms? Are you satisfied that under that arrangement you can assure Parliament that you are enabled to bring to notice in your annual reports all proper audit comments on the multifarious activities of the Commission?—Yes, I think in practice it works out satisfactorily.

2506. Is that because you rely on the professional standards of all the people who are in the audit hierarchy below you?—Yes, very largely.

2507. Are the returns referred to in the second paragraph of the report merely the audited accounts of the Executives and Departments, or do you obtain additional returns for your purpose? In the second paragraph of your report there is a reference to "records and proper returns adequate for the purposes of our audit"?—(Sir Harold Barton.) Yes.

2508. Are those the audited accounts of the Executives and Departments, or do you require and obtain additional returns?—(Sir Alan Rae Smith.) They would be the audited returns.

2509. If it happened that you were dissatisfied with the work of any one of those

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auditors who had been appointed by the Commission, but on whom you must largely rely, what would be your remedy? What would you have to do?—(Sir *Harold Barton*.) If we were not satisfied on some point?

2510. If you were dissatisfied for any reason with the work of any of the auditors who had been appointed by the Commission but on whom you must rely clearly in very large measure, what would be your remedy, what could you do about it?—My first step would be, speaking for myself, to raise it with the Comptroller or other appropriate senior officer, I think it would be the Comptroller, the important officer, and raise the point with him first and discuss the situation with him. Of course, naturally, we shall have had a word with the auditors concerned first.

2511. In the course of your audit do you conceive it to be any part of your duty to conduct what might be called a kind of efficiency audit?—(Sir *Alan Rae Smith*.) No. (Sir *Harold Barton*.) No, we do not.

2512. In no sense do you do for the transport undertakings what the Comptroller and Auditor General would do in the case of the Government Departments?—I did not know he did undertake an efficiency audit. Subject to correction, I did not know that he did what is called in the professional and commercial world an efficiency audit.

2513. May we take an example? You would not feel it part of your duty to point out extravagance so long as the expenditure was properly authorised?—(Sir *Alan Rae Smith*.) I think the main point would be whether the expenditure was properly authorised. If the expenditure had, in fact, exceeded the authorisation then it would be drawn attention to either by the auditor of the Group or the Division or the Executive as the case may be.

2514. To take another case, if there were a particular project where there had been competitive tendering, but the lowest tender had not been taken, so long as that was properly authorised, you would not regard it as part of your duty to call attention to it?—No.

2515. That is the kind of case the Comptroller and Auditor General might feel it his duty to draw attention to?—Yes.

2516. Would either or both of you now please amplify paragraph 3 of your Report, which is the thing we are mainly interested in?—That relates to the Road Haulage Executive?

2517. Yes?—I am not quite sure in what respect you would like us to amplify it,

but under the scheme of audit made by the Minister the Commission is required to maintain proper systems of internal check and control. We as the auditors appointed by the Minister are under that scheme authorised to rely for the purposes of our audit upon the audits of the underlying undertakings carried out by firms appointed by the Commission, provided, of course, that we as the main auditors approve the general lines of the work carried out by such firms of auditors which, in fact, we do, and provided that such firms provide us with answers we desire them to make to any enquiries which we may feel obliged to put. I am assuming for the moment that you are familiar with the set-up of the Road Haulage organisation; you have got the Executives, underneath them you have got, I think, the Divisions and underneath them you have got the Groups. We naturally look first to the reports of the auditors of the Executives and it is their duty to have satisfied themselves that there are, in fact, proper systems of internal check in operation. Our remarks in our report are based on the reports those Executive auditors make, it being their specific duty, among other duties, to enquire into the system of control and internal check.

2518. In this particular regard did you think it necessary to make any further enquiries or did you accept the report of the auditors for the Executive?—We saw the auditors of the Executive and we saw the reports of the auditors of the Divisions underneath the Executive.

2519. Do you happen to have any information later than the date of your certificate?—Now?

2520. Yes?—Oh, yes. Reports have, in fact, come in to date dealing with the state of the internal control up to as near a date as the 31st December, 1951, as the interim audit, if I may use that expression, has been carried, and those reports disclosed that a very material improvement has been effected in the system of stores control and generally in internal control. I would not like to say that everything is perfect, but they do disclose a very material improvement. Of course, in looking at this position one has to remember that here has been an organisation which has taken over, I think it is, 4,000 different bodies, operating 40,000 or so vehicles, most of them small businesses which in the past have been one-man businesses where the management has been carried on by personal supervision and inspection. You get a very different state of affairs, of course, when all these undertakings are suddenly absorbed by, I was going to say, an enormous organisation like the British Transport Commission. It takes time to

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settle down. I do not think anyone could have expected a satisfactory system of internal control, and, in fact, in these small businesses before they were taken over there was not such a thing as what we should call internal control and control over stores. It is obviously a matter which must take time, but it is our duty as auditors to satisfy ourselves whether, in fact, there was a satisfactory system in force during the period for which we were auditing, and, of course, there was not, but I can say this for your satisfaction that there is a very marked improvement disclosed by such reports as have come in to date.

2521. And this is the only organisation within the Commission where you have found anything wrong in respect of store accounting or systems of internal check?—Nothing material. One has to use one's judgment as to whether it is important or not.

Mr. David Jones.

2522. Are you satisfied that the progress being made with this is as satisfactory as can be expected?—I think it is as satisfactory as can be expected; in fact, really energetic steps have been taken to put the matter right. We have seen the instructions that have been issued. If those instructions are carried out to 100 per cent. everything would be beyond criticism, but you have got to remember humanity and you have got to remember the build-up. You cannot get this thing right in one moment of time, but steps are being taken to put it right, which, in my opinion, is the important thing.

2523. You have reason to believe that it will not be very long before it is put right if the instructions are carried out?—I hope so.

Mr. Hoy.

2524. Sir Alan, as you and Sir Harold accept the responsibility for the whole of the Commission's Accounts, do you take any hand in the appointment of the subsidiary auditors upon whom you very largely have to rely?—That is rather a delicate question.

2525. Really, the point I want to get at is that the auditors who in fact are appointed are auditors of whom you have approved, because they are auditors upon whom you rely?—It is better to say we have not disapproved of them. (Sir Harold Barton.) We have no say in their appointment. We do not appoint them at all.

2526. No, I agree, but I put the question in such a way as to see whether you had any voice in the appointment? (Sir Alan Rae Smith.) A list is submitted to us of the auditors whom it is proposed to employ.

2527. Have you in the course of the preparation or auditing of your accounts had to go very far down the line of auditors to check up the subsidiary accounts?—(Sir Harold Barton.) I do not think so, I cannot recall a case going down the line because we have relied largely on the integrity and judgment of the subsidiary auditors, all of whom, of course, are qualified professional accountants. (Sir Alan Rae Smith.) You have to remember that the auditors of the Executives are all firms of very high standing indeed.

Mr. Peter Roberts.

2528. May I ask you, Sir Alan, with regard to these words in the last paragraph: "Subject to the foregoing remarks." Do you consider that to be in some form a qualification of your certificate?—You have to read that report as one whole. I think that is all it can be read to mean. The balance sheet and the revenue account are properly prepared and properly submitted but in reading our report you must have regard to what we say as a whole.

2529. The point I was really wanting to get behind the question is that you are prepared to take full responsibility for the certificate and for all these other auditors' reports. You are not, in other words, taking away from their responsibility by saying "Subject to the foregoing remarks"?—(Sir Harold Barton.) No, we view this as, of course, a very responsible duty. This is not just done in an hour or so, and this report is framed after a full consideration of all we have seen and what we think we should see and, of course, exercising our judgment on everything that comes before us regarding the subsidiary reports.

2530. Quite, but I was trying to make the point that the words "Subject to the foregoing remarks" do not in any way take away from your responsibility for the statement by the auditors of the Road Haulage Executive? Is that right?—(Sir Alan Rae Smith.) No, our report must be read in the light of those remarks relating to the control over the road haulage operations during the year as regards stores.

2531. They must be read in the light of those and, therefore, it might be a little difficult for us to see a gleam of light if we do not see the report?—(Sir Harold Barton.) No. (Sir Alan Rae Smith.) You can take it from me, everything which is material to be in our report is there. On that other question I am afraid I am not competent to answer. (Sir Harold Barton.) I would like to supplement what Sir Alan has said, because those words which are in the third paragraph which has been referred to are very important, and they are stating a fact, the fact being what is stated in the report of the auditors in respect of

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 and Sir HAROLD BARTON, F.C.A.

which there has been a certain amount of discussion. (Sir Alan Rae Smith.) But I do want to add that there is nothing in this report which reflects in the slightest on the correctness and adequacy of the accounts, the balance sheet and the revenue accounts which have been submitted. Had we any doubts as to the accuracy or correctness of the accounts that have been submitted we should have had something much more to say than that.

2532. Therefore you are satisfied that there has been no loss owing to lack of administration or supervision of stores?—No, I would not go so far as that. In the Road Haulage Executive there may well have been losses owing to this lack of control during this period, the reasons for which I have slightly referred to, in so far as you have had this great amalgamation of a vast number of small businesses.

2533. If I may use an Army term, have there been any “writes-off”, so to speak, of stores, which have had to come up to the auditors?—Yes, there have been. I do not think, speaking from memory, that they are very alarming or very material. I do not think they are anything that would cause any worry.

2534. Do they run into four figures, would you say?—It is quite an immaterial figure; it would be—I hesitate to give any figure—£20,000 or £30,000, or something of that sort.

2535. It is public money which has had to be written off which appears in the audited Accounts of the Road Haulage Executive?—I am not sure. I think it is something which has been written off owing to the difficulty of reconciling the financial accounts controlling stores with the actual amount of stores on hand as counted at the end of the year.

2536. That does appear in the Road Haulage Executive Accounts?—I have difficulty in saying whether it appears as a separate item or not.

2537. It would be easier to have the accounts before you decided?—It would be there somewhere or other.

Mr. Bossom.

2538. If you felt everything was so satisfactory, why did you have to introduce so many different qualifications of your decision: “Subject to the foregoing remarks, in our opinion and to the best of our information and according to the explanations given to us the Consolidated Revenue Account and Consolidated Balance Sheets . . . give a true and fair view”? Why do you have all those qualifications?—I do not know whether you ever read the report of an auditor of a company's accounts, but that is stereotyped form.

2539. There are so many qualifications; how much inaccuracy do you really think was there?—In fact, I am not at all sure under the Act that we do not have to say this. We certainly do under the Companies Act, if I may put it in that way.

2540. It does strike one as being rather qualified by this succession of qualifications?—We are expressing our opinion and expressing it to the best of the information and of the explanations given to us. That is common form, it need raise no alarm in your minds because those words are in there.

2541. It may be common form, but it is rather startling, is not it? You say you have had some later reports than those given here. Did you find many improvements or depressions, if one may use such a word, in the later reports?—Yes, I think I did say earlier that the reports of a recent date relating to the year 1951 show a very material improvement but I am not going so far as to say, because we are not yet in a position of forming a final judgment, that it will not necessitate some reference in our report on the 1951 accounts. It may or may not, but there is a material improvement.

2542. In other words, that was the justification for the putting in of all your qualifications?—We have done some good, anyhow.

Mr. Douglas Marshall.

2543. Are these nationalised industries governed completely by the Companies Act in the same way as an ordinary company?—Well, no.

2544. I thought not, but you mentioned the question of the Companies Act just now and I wanted to clear that point?—You have to prepare accounts—I have forgotten the exact words—following the best commercial practice, or words to that effect.

2545. The Companies Act does not, in fact, operate as regards a nationalised company? That is the only point I wanted to make?—No, but naturally one is influenced by the Companies Act conditions.

2546. If you take an organisation of this structure it is very difficult to compare it with anything because of its vastness and its size, but would you say that, more or less, the detailed information which is in fact given and then certified by yourselves is again more or less the same form of information which is, in fact, given under the best traditions of commerce, or would you say that there was, in fact, less information actually given?—Unquestionably I would say more. There is far more material given here than would be given in the normal annual report of a big commercial undertaking.

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2547. Although that is the case with an ordinary commercial undertaking, would you then consider that it is, perhaps, less than the information given in the case of a Government Department on Government spending and subject to the Comptroller and Auditor General?—Well, I cannot give an answer to that question. (Sir *Harold Barton*.) I do not think I have seen quite such comprehensive notes as these. I know the Comptroller and Auditor General is present and I do not want to say anything by way of criticism of the accounts that emanate from him, but he would say, I think, whether or not there is a very voluminous report. The notes Sir Alan has referred to, of course, are very expansive so I am quite ready to be contradicted by the Comptroller and Auditor General on that point. (Sir *Alan Rae Smith*.) I would not like to see more given than there is here. There is quite enough given, I am sure. Everything is there that any person within reason would require, I think. There is a vast amount of material in regard to the revenue expenditure statistics, as to traffic carried, and so on.

2548. I realise, with your enormous experience, that that is very valuable to know and one is not interested in the volume, but what I am interested in is the fact that you consider that the actual information contained in the volume is far greater?—Far greater than you would get normally in a commercial undertaking submitted to the shareholders. (Sir *Harold Barton*.) I would rather like to add my full agreement with that observation, Mr. Chairman.

Mr. *Benson*.

2549. Have you ever come across a limited company that published 250 pages of detailed accounts at the end of the year, or anything like it?—(Sir *Alan Rae Smith*.) No, I do not think I have. Sir *Harold* whispers in my ear that perhaps in America they do, but even in American cases, a good

Sir ALAN RAE SMITH and Sir HAROLD BARTON *withdrew*.

Chairman.

2552. I would like now to ask you a few other questions, Lord *Hurcomb*. Under sub-section (4) of Section 3 of the Act your Commission has laid on it the duty of securing that your revenue shall be sufficient to meet your charges properly chargeable to revenue, taking one year with another. Have you had any legal advice on the interpretation of those words, "taking one year with another"?—(Lord *Hurcomb*.) No.

2553. What interpretation do you put upon them?—I think it does not exclude taking one ten years with another ten years.

number of which I have seen, not quite so much detail is given as is given here.

Mr. *Hoy*.

2550. May I ask a question of the Comptroller and Auditor General? Would you agree with that expression of opinion which we have just had about these accounts?—(Sir *Frank Tribe*.) I think these accounts certainly appear more voluminous than those provided by any Government Department. A lot of them I should not regard as accounts, really, but as statistics. The Government supplies its statistics in another way, not attached to the Appropriation Accounts. These accounts, of course, are in the form which was laid down by the Minister with the approval of the Treasury. I do not think this Committee would thank me if I included in my report notes such as those contained on pages 200 to 214 of this volume. (Sir *Harold Barton*.) May I add a brief word as to the tremendous ramifications behind these accounts and the complications and the varied nature of the industries, of course, the result of which appear crystallised in this document?

Chairman.

2551. Yes?—I feel that it is only fair to those concerned on the accounting side to state the difficulties they have had in regard to such matters as staffing. I do not think you did refer, Sir *Alan*, to matters of staffing? (Sir *Alan Rae Smith*.) No, I just referred to the obvious difficulty of merging together a great number of individual undertakings. I am now referring to the road haulage firms, some 4,000 or thereabouts. You have got to come up against it to realise what it means. It is difficult in this room to envisage what the operation is in getting a whole lot of things like that working. (Sir *Harold Barton*.) It has come conspicuously to our notice when we have drawn attention to some particular matter of staffing difficulties and very often accommodation difficulties, living accommodation, for example, and accommodation in premises themselves.

2554. Something of that order?—It is not for want of trying that we have not been able to get nearer equilibrium before. The delays which we have been confronted with in endeavouring to adjust our charges to enormous rises in expenditure have been very serious and go a very long way to accounting for such deficiencies as have occurred.

2555. May I just ask you about your deficit which I understand was £4.7 million in 1949, £20.8 million in 1950 and £14.1 million in 1951, which means up to the end of 1950, about £40 million altogether? Have you any estimate of your 1951

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[Continued.]

results?—May I, with great respect, ask whether the Committee is entitled to ask me that question? It does not arise out of the accounts before you.

2556. I think you will see the point of the question as we proceed?—I do not want to appear to want to withhold any information, but ordinarily it is right to say, is it not, and to protect myself in that way, that I am being examined on the Accounts of 1950. What I would say to the Committee, if I might, is what I said publicly last week, that those who are predicting serious deficiencies had much better await the audited accounts.

2557. Do you see any hope within this decade of carrying out your statutory obligations to which we have just referred?—Provided we are not going to have another series of heavy increases in our wages bill and in the cost of raw materials and provided, if increases do occur, we are able to adjust our charges rapidly to the new level of our costs, I see no reason why we should not achieve equilibrium, and as regards 1951, about which you asked me questions, though I naturally cannot predict the final outturn of our accounts in advance of the accounts being audited, I can say that if there is a deficiency at all it will be a very small one.

2558. I wonder if you would care to express any view about whether you are likely to have to invoke the Treasury guarantee in respect of interest on your stock?—Subject to the points I have already made I should say “No” but, of course, the country must be prepared to meet the reasonable cost of its travel and carriage of its freight.

2559. Is there any sign of the law of diminishing returns operating as charges are increased? Are you finding a falling off in traffic to any extent?—No, not beyond what we have allowed for. It must be true, I suppose, to say that, particularly in regard to some types of travel, one can induce business by low charges, but not necessarily, of course, very profitable business. But, we have not lost traffic as a result of increases beyond the allowance that is made in all such estimates.

2560. What progress have you made in adopting a costing system?—A very substantial amount of costing investigation has gone on in the last 18 months or so and I am quite sure that, as that gets carried through and better established, it will have a very important bearing on future policy.

2561. I saw in your report on page 71 that you have some cost figures. Are you going really to be able to put out how these costings are made up?—I think we shall be able increasingly to give some indication of both our methods and the results to which they lead.

2562. Sir Gilmour, I would like to ask you a question about Treasury guarantees. Under Section 88 of the Act the Commission may, with the Minister's consent and the approval of the Treasury, borrow money for the issue of British transport stock for all or any of certain purposes. Do you examine applications by the Commission critically before giving your consent?—(Sir Gilmour Jenkins.) Not critically to the extent of going into what in the long term has given rise to the demand for more finance, but to the extent of satisfying the Minister that the need is there.

2563. The Act says that such borrowings except for two of the purposes, I think redemption and compensation, are not to exceed £250 million. What is the present figure?—(Lord Hurcomb.) Our unexhausted borrowing powers, leaving aside the £25 million of temporary borrowings are, speaking from memory, £160 million or £170 million. We have ample margin of borrowing powers, so far as the powers go.

2564. May I ask the Treasury one or two questions on this? What is the present figure of transport stock guaranteed by the Treasury?—(Mr. Milner-Barry.) About £1,246 million.

2565. I see from the Treasury Minutes that the sum guaranteed is not always stated. If you take, for example, No. 140, issued in March, 1951, is Parliament ever informed of the amount of stock raised under these guarantees?—I do not think it is directly informed because when the stock finally comes to be issued there is a Treasury Minute which fixes the price at which it is deemed to have been issued, which is fixed in relation to average values on that day, but that Minute is not published and offhand I am not aware of anywhere where one would readily get it. It is published eventually in the Report, of course.

2566. Am I right in supposing, Mr. Milner-Barry, that the short-dated guarantee for £60 million of 1½ per cent. stock issued in December, 1951, was for the purpose of providing working capital?—Broadly that is so, yes.

2567. I think I am right in supposing that the Treasury Minute concerned, No. 75, did not say that and, in fact, did not indicate at all the purpose for which the stock was required?—I am slightly inclined to plead, if I may, Sir, that it is not on this year of account, but that is only an apology for not being able to answer the question.

2568. May I put a perfectly general question to you, then: would you agree that it is desirable that the purpose should be stated? It is usually stated, but should not it always be stated?—Yes, I would certainly agree with that.

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[Continued.]

2569. Would you agree to the Commission raising fresh stock in order to meet its interest liabilities or would you prefer to implement a Treasury guarantee of interest?—I think that is rather a far-reaching question, Sir, but I am happy to say it has not yet arisen and I hope that it will not.

2570. Have you ever refused your approval to an application when you have been asked for the Treasury guarantee?—I do not think we have ever refused the guarantee, no, and in certain cases I think we are obliged by statute to give the guarantee

2571. Are you getting worried about the total contingent liability on the Exchequer resulting from the steadily increasing amount which you are guaranteeing?—I think, certainly, we were beginning to look at it a bit anxiously but from what Lord Hurcomb has told us it sounds a good deal more hopeful now. (Lord Hurcomb.) No, I was dealing with a very limited point. Of course, our capital commitments must go on increasing. Taking the cost of renewals, every time we build a bus or a railway locomotive or anything of that kind, it is obviously in excess of that of the asset it replaces, and we have to go on with capital improvements, and so on. We are bound to want more finance. From the point of view of financing a deficiency that is quite another matter and I do not see why that should arise.

Mr. Douglas Marshall.

2572. You were asked a question by our Chairman, Lord Hurcomb, about the law of diminishing returns, and your reply, I think, was that you had not noticed that other than in the allowance already taken into account? Does that apply from the West of England and Cornwall as well?—No, I do not think any falling off in long distance travel of that kind would be affected by any increases we have made or have in contemplation. Where there is difficulty in maintaining that kind of traffic it does not arise from the fares, it arises from the fact that people simply have not got the money to go and stop as far away from home and pay their hotel bills as they used to have. I was thinking rather of buses, short distance travel and things of that kind which are naturally rather more affected, and when you have got the alternative of walking round the corner instead of going to the nearest bus stop, a certain number of people take it. One must always allow for that, and that even applies in short distance travel by rail.

2573. Is not that a slight contradiction? You rightly say the people have not got the money, but they have not got the money because of the scale of the fares?—We did not put railway fares up at all after

nationalisation until the 1st of this year, and then the monthly return ticket did go up by 10 per cent., but I do not think it adversely affected traffic.

2574. You do not think that any further increase that was suggested will affect it?—I think it is only prudent to say that every increase of cost slightly diminishes the demand for the service or commodity. There must be some tendency that way.

2575. Travelling as I do twice a week on this journey, one does notice it oneself?—Well, a 10 per cent. increase on that kind of distance, no doubt, is material.

2576. Would you turn to page 195 of the Report, the Consolidated Balance Sheet, and take in conjunction with it page 231 which splits up certain items in the Consolidated Balance Sheet as to investments in marketable securities? I am going to refer to the two pages at once. The Treasury has little contact with the Transport Commission, and the Transport Commission is its own entity as far as one can see. What actually happens as regards advice tendered as to where moneys are or are not invested? For example, is there any information at all as to whether short-dated or long-dated gilt-edged are more preferable?—Yes, we take very good advice in these matters. I perhaps ought not to be asked to specify what it is.

2577. No. Is the Treasury in contact or not?—I think the Treasury knows generally what our policy is and any facts they wish to know they are very readily told. Of course, if it comes to making a new issue of stock we are in very close consultation indeed with the Treasury. I am not quite clear what you have in mind. If you have in mind the day to day shifts in our investments, we make them as any other prudent people having funds to invest or change would do.

2578. Yes. I thoroughly realise that and I am asking this for information, not in any spirit of criticism at all. As trends develop, of which the Treasury should be aware, I wondered whether or not you consulted them as to advice on investment? The sums you are dealing with are very large sums and, therefore, make a considerable difference on your balance sheet?—Yes, there are really two points. Of course, as far as any prospective capital liabilities which we may have to contemplate are concerned, we are in very close touch with the Treasury. As regards the ordinary investments of our current resources and whether we switch from longs to shorts, there the Treasury know what we are doing. We do not go to them for advice, but they are aware of what we are doing. It would be open to them to offer us advice if they wished, of course, but we are competently advised in this matter and watch it very closely.

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[Continued.]

2579. As in normal practice, you and your Board are responsible for the investment of the funds?—Yes, the responsibility is ours but, as I say, we are very glad to keep the Treasury informed, and if they have any good advice to give us, we should always welcome it.

Mr. Cuthbert.

2580. On page 203 in paragraph 29 under "Taxation" you say: "Certain matters of considerable complexity and substantial importance are outstanding with the Inland Revenue in connection with the determination of the Commission's tax liabilities", and so on. Is that a large sum?—On a business of this kind sums are necessarily large. We succeeded to the old tax positions of the railway companies, for example. There were very substantial matters outstanding and some of them are still outstanding, but they are being gradually cleared up in the ordinary way with Somerset House.

2581. You could not give the Committee some idea as to what the amount is, approximately?—No, I do not think I can and I am not sure that at this moment we and the Inland Revenue would take the same view as to what the sum really is because there are arguments which naturally go on between us.

2582. I am asking you that for this reason, that you very kindly told our Chairman not very long ago that you anticipated the deficit for this year would not be so very great. I wondered whether all this had been taken into account?—Our tax position is such that I do not think we contemplate liability for a considerable time to come, even if we have a substantial improvement in our current position. I think that puts it fairly.

Mr. Peter Roberts.

2583. May I turn to page 94 under the heading "Economies"? At the bottom of that page there is a reference to "Standardization of materials and equipment." May I ask you, Lord Hurcomb, whether you can give us any information as to the standardisation of locomotives generally? I understood that certain locomotives had been standardised?—Yes, broadly, there were, I think, between 400 and 500 different types of locomotives in use when we took over. Of course, it will take a very long time for all of those to become obsolete, but many of the types have not been renewed and for the future construction will come down to about 12 main types so that the lines on which the standardisation policy should proceed have been settled. It is really the pace at which we are able to get the steel to build new locomotives that will determine how fast a lot of the old types can disappear. As they disappear

there will, of course, be substantial economies, much fewer spare parts will be needed, and so on.

2584. Can you tell us anything with regard to recent experience of standardised locomotives? Have they been efficient?—Generally, yes. Of course, every new type and new model has to get run well in before it can be made just what the engineer wants.

2585. Have any engines been sent back to the manufacturers or designers?—I do not think any have been sent back to the manufacturers. One or two of the new experimental diesels, of course, are always in and out of the shops for one reason or another. It is one of the reasons for constructing them.

2586. There has been no increased cost on the standardised locomotives due to the original prototype not being satisfactory?—I do not say that things that are produced never want improving or correction, some of them do, but nothing out of the way. That is a very important avenue of eventual economy.

Sir Ralph Glyn.

2587. Are you satisfied with the form of the accounts as they are now presented?—We had thought that they were clear and informative, and though there are some respects in which we can, perhaps, amplify them, in general I would say, yes. I was going to venture just to draw the attention of the Committee to what we have done there. We start off with the Consolidated Revenue Receipts and Expenditure Account and the Net Revenue Account, all those vast transactions summarised on those pages. There is the Consolidated Balance sheet and then, if the Committee would be good enough for a moment to look at the Table on page 216 that is, Statement IV-1, we thought that was particularly informative because it shows the receipts and the working expenses under the main head of each separate activity. We have separated there, as you will see, the principal carrying activities and put them on the first of the statements, and after that there are the similar figures for the non-carrying principal activities such as docks and harbours, hotels, commercial advertising and so forth. With the cross-references which are, I think, in the balance sheet, at any rate, and which follow in other places in the accounts, anyone who wants to track through the results of some particular activity can find it all through the financial detail and eventually into the statistical detail as well at the end.

2588. The point I really want to make is, as I think you would agree, that it is very important that the ordinary employee on the railway and on the other services under the Transport Commission should have

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[Continued.]

some knowledge of their undertaking and what the costs and so on are. Is it your custom to produce a shortened version of this which is more easily read by some of the people employed?—No, we have hesitated to try and “pot” the report or the accounts, if I may use that expression, but we use one of the numbers of a sort of newspaper that we issue to the staff once or twice a year to explain to them the main features of the account, including the financial results.

Chairman.

2589. Lord Hurcomb, it might be a good thing if you supplied the Public Accounts Committee with copies of that?—The Tables I have mentioned really do give in very clear detail the summary figures and then anyone who wants to go into the activities of the particular undertakings in more detail or to see what we earn from all our miscellaneous and subsidiary investments, and so forth, can find that with not, I hope, too much research, but I agree, the business is essentially a very complicated one and I would venture to say that the size of the deficiencies ought fairly to be viewed in relation to the magnitude of the business.

Mr. Hoy.

2590. Have considerable savings been affected by the closing down of little-used branch lines and stations?—Yes, considerable savings but, again, in relation to the magnitude of the business, nothing startling. It is a matter of hundreds of thousands of pounds and not millions.

2591. But it is substantial?—It is substantial and we have, of course, been very careful in how we have gone about that and have not withdrawn a service unless we are satisfied there is a reasonably adequate alternative service by road.

2592. I have seen reports in the Press in the part of the country from which I come to the effect that the recent increases in road charges have meant a considerable increase in passenger railway traffic. Have you any information you can give us on that?—May I ask just which part of the country we are referring to?

2593. I am talking about Edinburgh?—There may have been increases in rail traffic in some parts of Scotland. I know there have been increases, but I do not know that that has been a loss to Scottish omnibuses. I am told by one of the directors of that company that the improvement is not on any substantial scale, if any, due to a transfer from road.

2594. If reports are correct, I have seen it stated that weekly ticket holders have increased by over 100 per cent. on many of these lines. Once you have made a decision to close down certain branch lines

because of the losses they were incurring, have you or your people reconsidered decisions in view of the increases in traffic that have taken place?—I am afraid, in those cases where we have closed a branch line, no increase in traffic could have made it worth while to keep it open. We have considered very carefully always whether there is any potentiality of improved traffic by passengers or freight which would justify us keeping the line open and I think the margin has always been so great that the answer has been No. If, however, there is some sudden growth of traffic in one of these lines that has been closed or, perhaps, at one of the stations that has been closed, we are always ready to look at it again.

Mr. David Jones.

2595. Lord Hurcomb, you said in reply to a question by the Chairman earlier on that there was a delay in your being able to adjust your charges to increased prices. Is there a particular reason for that delay?—I think it is a tendency which all sanctioning authorities show when they are asked to agree to put up charges, not only in this country but in others, and it is quite right, of course, that there should be full enquiry, but argument tends to go on for a very long time.

2596. Is that a new feature of rail operation?—Not altogether. It seems to be something inherent, an inherent disability in transport.

2597. I had in mind the sanctioning body. Is that a new feature or was it in operation before 1948?—No, there have always been sanctioning authorities but then, of course, prices have not altered and costs have not altered with the rapidity and the velocity that they have in recent years.

2598. I appreciate that. The point I was getting at was that the imposition of the Railway Rates Tribunal, for instance, is not a new feature?—Not at all, it has been there since 1921.

2599. It has been there a long time?—Yes. Might I say one further word on the question of the stores which I know is causing the Committee some concern? I would like to emphasise what Sir Alan Rae Smith said and, as you have drawn us into 1951 on various points, it is convenient to take the figures there. We have had to acquire and take over 3,700 separate road businesses and somehow weld them into a country-wide organisation. Without wanting to magnify our difficulties it is, I think, admittedly, a tremendous task merely if you look at its size and all the reorganisation that it has entailed, but apart from its size, we have got to admit that a very large number of these businesses that we took over had

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Lord HURCOMB, G.C.B., K.B.E.,
and Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

not—indeed, they did not require—any margin of managerial or administrative staff. They did not keep records, their premises were mostly inadequate for any larger sort of organisation and many of the best premises that did exist were withheld from transfer at the option of the haulier. We could not say: "We must have that." If he chose to reserve it, he could. But the difficulties of accommodation have been very acute in regard to stores. We had to take over stores related to very many different types of vehicles and very many different models, and when they are put into a larger fleet, of course, they just do not suit and are not economical. Quite rightly and fairly we had to pay the man who owned those oddments a price for all his stores however obsolete or useless to us they may be. We have had to face all that and we have had gradually to start the process of weeding them out and, indeed, as the Committee have noted, writing some of them off. Most of them had no storekeeping staff at all. Their businesses were not of a nature to require it. They had two or three or four or five or half a dozen lorries and they did not have a trained storekeeper. As we gradually get our fleet

into bigger units and under a different control and shape eventually we can make large economies. We have to get straight, but while we are doing it, as Sir Alan Rae Smith said, it would not be reasonable or possible to expect to get all your storekeeping arrangements on to a perfectly tidy footing. It is a very, very difficult process when you have regard to the size of the operation we have been compelled to undertake and to its complexity and to the nature of the material which we had to take over, and that is one of the reasons why the write-offs which the Committee have noticed in two successive years were made. I do not want to suggest that we overpaid the people from whom we took a lot of this stuff because they said: "If we had been left alone and Parliament had not stepped in, we should some day have used these things or have managed to make some use of them." When we took them over we found they really were not much good and we thought we should face up to that fact and write them off.

Chairman.] Thank you, Lord Hurcomb and Sir Gilmour.

The Witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 3RD APRIL, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E.,
called in and examined.

TREASURY MINUTE ON PARAGRAPHS 99-101 AND 102-104 OF THE FOURTH
REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS V.

VOTE 12.

MINISTRY OF TOWN AND COUNTRY PLANNING.

Sir THOMAS SHEEPHANKS, K.C.B., K.B.E., Secretary, Ministry of Housing and Local
Government, called in and further examined.

Chairman.

2600. May we turn first of all to the Treasury Minute of November, 1951, on paragraphs 99-101 of the Fourth Report of last year's Public Accounts Committee? I would like to begin by asking the Treasury a few questions. Mr. Milner-Barry, you assure the Committee that you and the Ministry have all the necessary information before you approve purchases. Had you all the information at Welwyn Garden City?—(Mr. *Milner-Barry.*) I am not sure that we had, no. I think, as the Minute says, we were not ourselves aware of the heavy arrears of maintenance.

2601. How do you reconcile that, Mr. Milner-Barry, with the last sentence of your Minute?—I am sorry, I think that is intended to be a general statement, Sir.

2602. That is what you aim at, but you did not do it in this particular case?—With that one exception I think we did have all the information.

2603. Welwyn Garden City Corporation, I understand, say in their Report that all the residential properties acquired are let at pre-war rentals which cannot be increased to assist in meeting high present-day costs of maintenance. If this is so, did you take it into account when considering the purchase price?—Yes, Sir, certainly.

2604. Turning now to the Minute on paragraphs 102-104, dealing with Industrial Development, you say that the Board of Trade make every effort to find industrial undertakings for the New Towns. Have

the Reports of the Corporations for 1950-51 been brought to the notice of the Board of Trade? Stevenage, for example, say on page 253 of the Report that no industrialists have been able to get industrial development certificates and Hemel Hempstead also in their Report refer to delays?—I understand they have been brought to the attention of the Board of Trade, yes.

2605. Do you know whether there has been any special consideration at Stevenage, which is the earliest Corporation, but which seems to be quite unable to get any new industry at all?—Not as far as I know, no.

2606. Generally speaking, in view of this rather gloomy picture do you think the New Towns have a reasonable chance of fulfilling their purpose in anything like the foreseeable future?—Of course, we have to satisfy ourselves that we are going to get a return which is reasonable in all the circumstances, and that we do.

2607. Sir Thomas, your Minister gave some information to the House on the 18th March to the effect that Stevenage had 380 houses completed and 725 houses under construction at the 29th February, 1952. Could you tell us who occupies these houses, if there is no new industry there?—(Sir *Thomas Sheepshanks.*) Yes. The answer is that there is a certain amount of industry there already. To that extent those people who at the moment come from a long way round are being accommodated there, but at the progress they are making, of course, that will not last.

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Sir THOMAS SHEEPHANKS, K.C.B., K.B.E.

[Continued.]

2608. Have you got arrangements yourselves for liaison with the Board of Trade?
—Yes, a tolerably brisk battle goes on most of the time. Our views, you see, are not identical.

Mr. Benson.

2609. It may be anticipation, but on this question of industrial premises, the Crawley Corporation that we have to investigate seems to be doing fairly well?—They are, yes.

2610. Are they doing better than the average?—One or two of the others are beginning to catch up, but Crawley did get off to a very good start. I think they had the sense and wisdom to get the estate we' developed before they invited any industrialist to come down and see whether he was interested.

2611. What did strike me was that they have not put their industrial area on the railways so that sidings could be obtained?
—Yes, I cannot carry the picture in my head, but it is not so very far away.

2612. The point is that even if it is only a quarter of a mile, it requires transshipment of goods. You cannot run your wagons right into the factory?—There certainly are not sidings there at the moment, that is quite right, I do remember that.

2613. Still, Crawley is doing well?—Yes.

2614. Better than the others?—Yes. Two of the others are now getting quite a fair amount of industry. There is quite a lot at Harlow, and there is quite a lot at Hemel Hempstead.

2615. What about Basildon, which is miles and miles away from anywhere?—That is going slower. With all respect, it is not all that far, but, of course, it is rather off the beaten track.

2616. It is right on the East Coast, is not it?—It is on the way to Southend. It is just south of the Southend Arterial Road. It is not very far from the East End of London, from West Ham and East Ham.

Mr. David Thomas.

2617. The Treasury Minute on paragraphs 102-104 states that the declared policy of the Government is to favour industrial development in the Development Areas, and in answer to a question you have just said that there are industries not very far away from these New Towns. Is every safeguard taken that these New Towns will not have earmarked for them industrial plots or plots for industrial undertakings which would endanger the continued development of the Development Areas where you have, I would venture to say, thousands of unemployed people at the moment who have their homes already fixed and where plots are

available for the erection of new factories?
—I am not sure that that is quite a fair question to put to me, because we are administering an act to implement the policy of the then Government, that you should get balanced communities where people could both live and work, and quite frankly our interest in the Ministry is to see that there should be industry in the New Towns, and I may make this further point, that, after all, the London New Towns were designed quite deliberately as a matter of Government policy to help in the decentralisation of overcrowded London, people going out with their work. The one in South Wales is rather different because, there, in fact, you have got the industry there and it is really a major job there of providing public services and houses to serve the industry that is already in and around the area of Cwmbran.

2618. Apart from Cwmbran, there are other spots in South Wales where you have thousands unemployed, and I know that the Government are doing all they can to invite industrialists in in order to set up new industries, and at the same time in these New Towns you have got industries not very far away to which the inhabitants of the New Towns could go without much difficulty?—Oh, I would not agree there. I do not see that there is a large amount of industry near at hand to which they could go without difficulty.

2619. Not near at hand, I agree, but the population has been shifted out due to overcrowding in the City of London?
—Yes.

2620. Once they get settled in the New Towns there is not much difficulty in the workers coming back to the industries established in the City of London and the outskirts?—That is what the Government are trying to avoid, people living 30 miles out and putting the public to great expense in providing public transport and putting the workers to great expense in travelling 20 miles or 30 miles a day. The whole policy of the New Towns Act was to decouge London and that people should go out with their industry to these New Towns.

2621. There is a danger, then, with these New Towns, that in the Development Areas where I have already said there are thousands of men and women unemployed, the Government is not providing new industries for them, but continuing to pay them unemployment benefit for years without any chance of employment, whilst you have persons in these New Towns who can travel not very far away from their work?
—It all depends on the point of view. From our point of view it is the other way round. We find it not as easy as we should like to get industry into the New Towns.

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[Continued.]

2622. It will be easier to get them into the New Towns than to get them into the Development Areas, and they will have grievances again?—We do not find it so, that is the trouble.

Mr. Douglas Marshall.

2623. I would like to put a question to the Treasury on their Minute on paragraphs 102-104 of the Fourth Report. I see that it actually uses the words: "The Board of Trade have full regard in each case to the advantages and disadvantages of possible alternative locations for a factory." I suppose I would be correct in assuming that one of the things that they study is what I might term real conditions and not just a buyer's market and the economic factors concerned, and they do not just put up an industry and find that it is outpriced all over the World?—(Mr. Milner-Barry.) No, I am sure they would not do that.

2624. That is one of the factors that they take into consideration?—Yes.

Mr. Bossom.

2625. Have you taken any estimates as to the cost of completely producing a living unit, say, a two-bedroom or three-bedroom or four-bedroom living unit in a New Town, in relation to what it would cost to build it in an existing Development Area where you do not have to provide new sewers, new electricity equipment, new gas, new water, new policemen, new telephones and all those things? Have you made a comparison between the two?—(Sir Thomas Sheephanks.) We have tried, but I think as you will appreciate it is almost impossibly difficult to get a fair comparison. Just to take one point which you have made yourself, it may be that if you are going to put something in an existing town, it may mean a great deal of expenditure on additional roads, additional transport, and additional travelling expenses for the men. We have tried any number of times and I do not think I could honestly give you a fair answer.

2626. With those new roads, new transport, and all that sort of thing, it is a big economic problem. Which would be scientifically the better provided you could do it?—Yes, I think the main additional expense really is in the case where you have got to start the main services like sewerage and sewage disposal at a moment like the present when costs are high. That does, of course, tilt the balance against the New Town, but as against that you have the set-off that there is a very big saving to the individual workers in their travelling expenses. I think it would be true to say on the cost of the houses themselves, that they are in some cases more expensive because of the cost of labour,

but after all, authorities like the L.C.C. have to do the same, and I do not think there is any difference of comparison there, and I think it would be only right to say this, that the main point where you do get the additional cost is if you have got to have, say, a completely new sewage disposal system.

2627. That is not quite the experience one had when one was the Chairman of the L.C.C.'s slum clearance and the Vice-Chairman of the housing improvements. There we found that the cost of building a house in a Development Area was considerably less than outside. We did not have to buy roads and all those etceteras?—In London now, if you could find sufficient areas available for redevelopment—

2628. That is the very point I was getting at. In other words, you believe if we were to take up the undeveloped or blitzed areas in London, we could probably produce what is being done in a certain number of these towns at a less price?—Yes, but for nothing like the total proportion of people who are going into the New Towns.

2629. No, but unit for unit?—Unit for unit, I think that must be so.

Mr. West.

2630. I understand that the contrast between the Development Areas and the New Town policy for the attraction of industries is that the Development Areas, at any rate, get certain inducements financially and in times of scarcity allocations of raw materials, and so on. Is it intended that the New Towns should not compete with the Development Areas for the industries which are necessary?—I am not really sure that I am the right person to put that to. As I say, I am rather an interested party here in wanting to get things from the Board of Trade who administer the Distribution of Industry Act. I had better be quite frank. It is our business to try and get the Board of Trade to consent to somebody coming to a New Town and I am sorry to say that they do not always agree with us, they steer them elsewhere.

2631. If you take New Towns in the vicinity of the London area where you already have, of course, heavy industrialisation and you have a situation in the development where there has been a decline of the heavy industries and it is necessary to attract other and lighter forms of industry, you agree that it is necessary and desirable that, at any rate, the New Town should not compete with the Development Areas for these industries on sociological considerations?—I do feel in a difficulty here, Sir. I do not think, really, that is a fair question to put to me.

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[Continued.]

2632. I do not wish to be unfair. If you feel it is in any way unfair, of course, we will leave it. In the New Towns do you find that the rents being charged for the houses are extremely high compared with the ordinary rent-controlled houses provided either by a local authority or by private builders which have been protected under the Rent Restriction Acts?—Compared with the ordinary local authority it is so. You may hear that from the next witness, that is one of the major difficulties in the New Towns, because they are subject to the Rent Acts, so that if they started three or four years ago and prices have risen since then, they cannot average as a local authority can, and, of course, they have got no supply of pre-war houses whose rents they can raise to average out. So that it is true, but I would not say that the rents there are higher than on many of the L.C.C. estates. I cannot speak with knowledge there.

2633. Would you take it from me that in the case of the New Town which is in the process of construction at Cwmbran in Monmouthshire, the houses which have been built there have rents at considerably higher levels than those which prevail through local authorities or private builders?—Yes, I know that is so.

2634. If that is so, how is it proposed that you are going to get your balanced communities in the New Town of Cwmbran if the rents charged to the tenants are very much higher than those prevailing in the district generally?—That is why Cwmbran does present such peculiar difficulties, because they have got the industry. What I may call the profitable stuff is there already and Cwmbran really has got not very much to do except to build houses, and some of the ancillary services like some shops and so forth, and it is a peculiarly difficult problem there.

2635. Of course, we realise that under the local authorities there are the subsidies for houses?—Yes.

2636. If the New Town Corporation is to provide houses at rents which are comparable, does it mean that additional financial assistance ought to be forthcoming to enable them to let houses at comparable rents?—At the moment, of course, the New Town Corporation gets the Exchequer subsidy. It gets the equivalent of the rate subsidy from my Vote so that they get the same subsidies as an ordinary local authority.

2637. Can you say, then, how it is that so far as the local authority housing programme is concerned those houses built by the local authority can be let at cheaper rents than those houses provided by the New Town Corporations?—Yes, because the local authority have a general rate fund

to fall back on and can, and no doubt are, providing further assistance out of the general rate. The New Town Corporation has not got any resources from which to do that.

2638. So you think it desirable that additional resources should be provided to meet that difficulty?—That is a question of policy which I think is not quite for me to answer.

2639. At any rate, it does appear clear, does not it, that with the high rents that have to be charged, the main object of getting a balanced community can break down unless you can get houses let at rents which the people who are employed in industry can afford to pay?—Yes, Cwmbran is one of peculiar difficulty.

2640. And would obviously require some special consideration?—Yes.

2641. Now, may I take the further point with regard to the selling of houses in the New Town Corporations? Am I right in saying that if properties are disposed of they are disposed of under the leasehold system for a term of 99 years?—Under the New Towns Act, yes. As the Act stands, a Development Corporation cannot make a disposition of a longer period than 99 years unless the Minister is satisfied that there are some exceptional circumstances. That is how that stands at the moment.

2642. I do not know whether you can tell us whether there have been any steps taken by any of the New Town Corporations to dispose of their properties on 99-year leases or whether it is contrary to their policy?—No, I think some of them are hoping to dispose of plots on a long lease to enable people with a licence to build houses on them. It has not gone beyond that at the moment.

2643. The private builder would come along, then, and build a house which the New Town Corporation would have built if the lease had not been granted, I take it?—They may find a man who succeeds in getting a licence and wants to build a house for himself, but in a New Town, as the law stands at the moment, it has got to be on a ground rent. They have not the power to sell the freehold at the moment.

2644. I understand, then, that at the moment the New Town Corporations have not decided upon a policy of selling houses already built?—That is true, yes.

Mr. David Jones.

2645. You said in reply to my colleague that there were special difficulties about Cwmbran. Would not those difficulties apply to Aycliff² and Peterlee in the same way?—To Aycliffe to some extent, yes,

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[Continued.]

because there you have the old R.O.F. which provides the industry, but to some extent it is so; Peterlee, not necessarily, because there are hopes of getting more industry, service industry and ancillary industry in there.

2646. I was not thinking quite as much of the problem of the high rents for that type of person that can reasonably expect to be rehoused in Peterlee and in Aycliffe?—In Aycliffe they are, of course, mostly working actually in the places alongside and although the rents are high there has not been any difficulty so far, according to my information.

2647. The rents are higher in Aycliffe than they are in the neighbouring local authority areas?—I should expect them to be, yes.

2648. You would say, for the same reason that you have already given to my colleague, that the New Town Corporation has not got the additional resources. You suggest it was being used by local authorities in order to keep the rent down below the figure that they would expect to pay after taking into account the Government and the local authority subsidy?—That is it.

2649. To what extent would you suggest that local authorities up and down the country are, in fact, calling upon ratepayers

living in non-corporation houses to pay additional rates in order that the occupants of council houses, as you suggest, can have lower rents?—I think there is no doubt they are to a very considerable extent.

2650. To a very considerable extent?—Yes, it varies.

2651. I am not sure, Mr. Chairman, whether the next question ought to be directed to Sir Thomas or to the Treasury. The Treasury Minute on paragraphs 102-104 says that "industrial undertakings qualified to obtain exemption from these restrictions and able and willing to locate their factories in New Towns are difficult to find." Are there any special reasons why they are difficult to find? Is it reluctance on the part of the industrialists to go out?—(Mr. Milner-Barry.) I do not think it is for the Treasury, I think it is for the Board of Trade to answer that question.

2652. The Treasury are advancing this reason as being the reason why industry did not go, and I was wondering whether they had ascertained from the Board of Trade whether there were any real difficulties about it?—No.

Chairman.] Are there any further questions on the Civil Appropriation Accounts, Class V, Vote 12? May I take it that the Accounts are approved? (*Agreed.*)

NEW TOWNS ACT, 1946, ACCOUNTS, 1950-51.

MINISTRY OF LOCAL GOVERNMENT AND PLANNING ACCOUNT.

DEPARTMENT OF HEALTH FOR SCOTLAND ACCOUNT.

ACCOUNTS OF DEVELOPMENT CORPORATIONS.

Reports of the Aycliffe, Basildon, Bracknell, Corby, Crawley, Cwmbran, Harlow, Hemel Hempstead, Peterlee, Stevenage, Welwyn Garden City and Hatfield Development Corporations for the period ending 31st March, 1951.

Sir GEORGE HENDERSON, K.B.E., C.B., Secretary, Department of Health for Scotland, called in and examined.

Chairman.

2653. May we now turn to the New Towns Act, 1946, Accounts? I would like to start with the Report of the Comptroller and Auditor General which is on page iii of the volume of Accounts. On paragraph 2 of the Report I would like to ask you, Sir George, whether you are satisfied that the Scottish auditors who do not use the special form of report see that your authority is obtained by the Corporations where necessary?—Yes, we are entirely satisfied and, perhaps, I ought to explain what we did. When the Ministry of Housing issued their special instructions to local auditors we got in touch with the only two auditors—there are only two New

Towns in Scotland—and showed them a copy of the Ministry's instructions and asked them if they were fully acquainted with the details that were expressed in those instructions. Both of them said they fully understood and, in fact, we have no reason to think that they did not understand. It is partly historical. The local authority accounts in Scotland have always been audited by chartered accountants in private practice and not by district auditors so that the profession as a whole has a very fair idea of what is required in this kind of auditing.

2654. Would you expect the auditors to report direct to you on all the matters of

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[Continued.]

the kind that are set out in the memorandum on England and Wales?—We should expect them to do so, in the form of an interim report.

2655. Have you had any such reports?—Not yet, no.

2656. Sir Thomas, on paragraph 3, may we take it that you have had no comments by auditors that schemes were unduly costly?—(Sir Thomas Sheepshanks.) No, we have not.

2657. I see that one Corporation twice failed to get your authority. Were these important items of expenditure?—It really was to their credit. It was simply that they got ahead so much faster, I think, than they had expected, that they did, in fact, exceed the amount of the particular project which they had expected to spend within the year. In fact, they were within the estimate that we had got for the total amount, the total cost of the scheme, but in their annual budget which they have to give us they had estimated they would only do so much during the year and, in fact, to their credit they succeeded in getting ahead faster, and to that extent they exceeded the amount they had included in their annual estimate.

2658. What were the schemes which were abandoned after £23,536 had been spent on them?—They were at Stevenage. I think about half of it was due to an original project where they were hoping to put up some aluminium bungalows near their office, largely for their own staff. Then the aluminium bungalows scheme came to an end—it was very expensive—and as they had hoped to get 100 of course they did do a certain amount of special foundation work to put the bungalows on. To that extent the expenditure Stevenage incurred was, and I think will be, abortive. On the other hand, some of it—I cannot tell you how much—was for works of sewerage and so forth which one hopes ultimately will be able to be put to some use.

2659. All these schemes have been approved by you?—Yes, the others were abandoned work; the big one I remember well. They were ill-advised, as we thought, in the early stage in not coming to us for informal consultations and they put in a project for a large amount of flats and the Minister felt bound to take the view that that was an expensive project which would never be likely to show a reasonable return. He therefore required them to modify it very extensively and the result was that there was an item of, I think, somewhere near £10,000 for fees for abandoned works.

2660. On paragraph 4, Sir Thomas, are you satisfied with the rate of progress at Stevenage?—It is now, after some very difficult times. I have not got the full

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figures for the present year, but since this year under account it is going pretty fast now.

2661. To what do you attribute the lack of progress in the past?—Well, of course, they had bad luck. They had four separate chairmen and things did get very difficult indeed. You may remember with regard to Stevenage last year there were very considerable difficulties with this Corporation and, as I say, they had bad luck. One excellent chairman they got died very suddenly and there were difficulties of one sort and another, but there is now quite a lot going on.

2662. Quite apart from any personal troubles, was part of the reason for the slow progress the failure to attract new industry?—No, I do not think it was, because to begin with there was a fair amount of existing industry and you have got the queer position that because they now have got a considerable number of houses under construction, the industrial position is now becoming a little difficult.

2663. On paragraph 5, can you tell us why it was not found possible to agree general principles that are referred to here?—The Chairman of the Development Corporation said: "What you have provisionally agreed in your discussions with the local authorities we think would cramp our hands in negotiations with the various local authorities and we would much rather be left free to make the best negotiations we can and we think, if you try and press these suggested general principles on us, we shall not get as much out of the local authorities as we will if you let us carry out our business in our own way *ad hoc*."

2664. Are the arrangements for individual negotiations working well?—Yes, on the whole.

2665. Am I right in assuming that the Development Corporations have not got any powers to levy rates or issue precepts?—None whatever, Sir.

2666. So that any costs in the end have to be met out of rental income?—Yes, except in cases where they do undertake the sewerage functions of the sanitary authority. They do get an agreement there for payment by the sanitary authority.

2667. If a New Town wishes to undertake a big sewerage scheme, then, they may do it?—Yes, they have to get powers.

2668. They have to get the permission of your Department?—Yes.

2669. When they do that then they will try to negotiate with the appropriate local authority or combination of local authorities a contribution towards the cost of that scheme from the rates?—That is it.

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Sir GEORGE HENDERSON, K.B.E., C.B.

[Continued.]

Mr. West.

2670. May I ask there, Mr. Chairman, with your permission, whether the converse applies, that where you use the existing sewerage schemes of local authorities, are you required to make provision towards them?—"Required" or "empowered," did you say?

2671. "Required"?—Not required, but empowered, and they do try and preserve the interest of the taxpayer by not taking over too much of what is the statutory duty of the sanitary authority. Very broadly the principle they have been working on is that, if the local authority have to put in works greater than are needed for the moment to enable the local authority to go on, they make a temporary arrangement by which they bridge the gap until more property has come into rating so that the local authority have got the revenue to meet the extra cost.

2672. You have power, as it were, to make a grant to the local authority in respect of additional works undertaken for sewerage purposes?—Yes, there is power somewhere in the Act to enable them to make contributions.

2673. And those contributions are made?—Yes.

Chairman.

2674. What is the estimated total cost of the scheme referred to in the second sub-paragraph of paragraph 5 of the Comptroller and Auditor General's Report?—It is hard to say at the moment. It is going to be a very big thing; it may be £5 million or £6 million or more altogether, serving more than four New Towns. It is almost an old scheme that has been in the background for many years for making proper provisions for sewerage all that part of the Lea Valley.

2675. Both the Welwyn and Hatfield Reports express anxiety about their expenses under this scheme. Do you press Corporations to accept schemes like this if they think they are unduly expensive or how do you arrange it?—Well, yes, Sir. This again goes back to some extent to the days when there was a separate Ministry of Town and Country Planning and a separate Ministry of Health, and the Ministry of Health were quite emphatic at the time, taking the long view and looking to the needs of the whole of that area, that the proper course would be one big sewage disposal scheme to serve not only the New Towns but the developments that would come or would be almost bound to come in due time in Hertfordshire and that portion of the Lea Valley. But I do not deny that Welwyn and Hatfield would have preferred to have paddled their own canoe.

2676. In the circumstances will not there be difficulty in getting agreement to share costs?—I am afraid there is a very considerable difficulty, yes.

2677. Just a question or two on paragraph 6. There are some New Towns in England and Wales situated in development areas?—Yes.

2678. Have you found it necessary to invoke the Distribution of Industry Act to assist Development Corporations at all?—No.

2679. Is it because, in the cases concerned the New Town is based on an existing trading estate or some other unit where the services had already been provided?—Yes, I suppose it would be. I am not quite certain on a point here because Owmbrian clearly is in a Development Area and I think Aycliffe is, but I think Peterlee is not. Am I right?

Mr. David Jones.

2680. No, it is in a Development Area?—Anyhow, we have not had any proposition from any of those New Towns.

Chairman.

2681. Sir George, may I ask you one or two questions about this? First of all, I suppose I am right in thinking that any grant under the Distribution of Industry Act reduces the cost which would otherwise fall on the New Town Corporation?—(Sir George Henderson.) It does, Sir, yes.

2682. What is the percentage of grant under the Distribution of Industry Act? Is it fixed?—No, it is determined in accordance with a formula which was agreed with the Treasury and, in fact, in this particular case it works out at 50 per cent.

2683. At 50 per cent. on total cost?—On the total capital cost of the main works, the main purification works and the main sewers, not the estate sewers.

2684. Do you get any contribution in this case from the local authority?—Well, they pay 50 per cent. The local authority are doing this job.

2685. I beg your pardon, yes?—We make a grant of 50 per cent. under this Distribution of Industry Act, not specifically because it is a New Town but because it is a development in a Development Area.

2686. So that in this particular case if no grant had been made the cost would have fallen entirely upon the local authorities, the County Council in this case, is not it?—Yes.

2687. It would have been twice what it is?—For that part of the work, yes. But

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Sir THOMAS SHEEPHANKS, K.C.B., K.B.E., and
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[Continued.]

then, of course, there are the estate sewers and we estimate if the whole expenditure had been borne by the County Council, the appropriate rate would have been 6s. in the pound.

2688. Is the Corporation itself making any contribution here?—Not under the Distribution of Industry Act; the Corporation make a contribution under the New Towns Act. They make a loan; they advance money over the produce of a 2s. drainage rate in the area, and part of that loan is grant. The part that is grant is the interest on outstanding advances and the part of the cost which is ascribable to maintenance. This is an outright grant. For the rest, the amount advanced will be repaid when the rateable value of the area makes the County Council able to pay; in other words, when a rate of 2s. in the pound brings in more than the annual charges.

2689. Do you think that if no grant had been made to the Lanarkshire County Council, the East Kilbride Development Corporation would have had to have made a higher payment than, in fact, it is going to make?—A higher advance, certainly, and to the extent to which they waive interest, a higher interest payment because it would have meant that the rateable capacity of the area, just as it is unable to meet the cost of the estate sewers, would have been unable to meet the cost of main sewers and that loan advanced by the Corporation would have had to be doubled or trebled, perhaps.

2690. If the 50 per cent. grant had not been made?—If the 50 per cent. grant had not been made.

2691. Sir Frank, on the last sentence of this paragraph, can you tell us whether this question has been settled yet?—(Sir Frank Tribe.) No, Sir. I raised some questions about the basis of this 50 per cent. grant, whether it was in respect of gross or net expenditure, and the reactions upon the Exchequer Equalisation Grant. I have just recently had a reply from the Department which is being examined. The matter is very technical and if necessary I may have to bring it before next year's Committee.

Mr. West.

2692. If I may revert to the question of rents, I see from paragraph 10 of the Foreword on page 3 of the Accounts, in dealing with Scotland, that by an agreement with the Treasury rentals have been approved which, though higher than those charged by neighbouring local authorities, are considerably less than economic rents.

Sir George Henderson withdrew.

Does that position apply with regard to the other New Towns as well, outside Scotland?—(Sir Thomas Sheepshanks.) No, so far in the English New Towns up to date the Development Corporations have maintained the position that they have been able to secure rents which, after allowing for the Exchequer subsidy and the equivalent of the rate subsidy, are self-supporting.

2693. I have no doubt that they are self-supporting, but looking at the main object of the New Towns of getting a balanced community, we may very well visualise a situation where, if the rents are too high, you will not get the balanced community which was first of all envisaged. Have any representations been made by the New Town Corporations to the Treasury along the lines of those of the Scottish New Towns?—They would come to us but up to now—I am at the moment speaking about the Accounts under review, 1950-51—so far they have been able to maintain the position. The industry has come and the workers who have accompanied the industry have been able to pay.

2694. I suppose it is open to any New Town Corporation to make application in the ordinary way if they find some difficulty in connection with it?—They are quite ready to attack us or raise a point with us when they wish.

Mr. Bossom.

2695. Did you encounter any unanticipated incidental cost in bringing in water or looking after sewerage in any particular one of these New Towns?—The only case I can think of is, in fact, Basildon.

2696. Was not there one of them where you did encounter a considerable extra cost that had not been anticipated?—I do not call one to mind. I do not know whether you have any particular case in mind?

2697. I have. I have definitely a case in my mind where I was told the difficulty of getting the water in had not been anticipated and cost a considerable amount of money and they had had to get financial help on that account?—I do not know one. No, I cannot call a case to mind.

Mr. David Thomas.

2698. Do the New Town Corporations carry out the necessary work themselves, such as the erection of houses and water schemes, and so on, or do they let those jobs out on contract?—On contract.

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[Continued.]

FOURTH ANNUAL REPORT OF THE CRAWLEY DEVELOPMENT CORPORATION
FOR THE PERIOD ENDED 31st MARCH, 1951.

Sir THOMAS BENNETT, C.B.E., Chairman, and Colonel C. A. C. TURNER, O.B.E., T.D.,
Resident Manager, the Crawley Development Corporation, called in and examined.

Chairman.

2699. May we now turn to the Reports of the Development Corporations, to pages 108-132 of the bound volume of Reports, and to the Accounts on pages 134-147 of the same volume? May I remind the Members of the Committee that it is the Report of the Crawley Development Corporation only that is before us, and not all the Reports? In the case of your Corporation, Sir Thomas, you seem to have made considerable progress in industrial development?—(Sir Thomas Bennett.) Yes.

2700. Have you found any particular difficulties in getting location certificates from the Board of Trade?—We did in the very early days. We considered that it was necessary to take the same steps for a Development Corporation which we would take if we had been a Development Company and, therefore, at a very early stage we built a road in the industrial area and opened it up and made visible sites. We then on our own got various industrialists interested. At that stage the Board of Trade came down and inspected the estate, and in their own words they said: "Well, with visible land of this kind ready for immediate inspection by industrialists, it makes a great deal of difference," and although they have examined each application to see whether it was a suitable industry, whether it could go elsewhere, and so on, we have not since that date had anything we would call real difficulty.

2701. What about building licences?—They have followed the same procedure from the time in 1948 when we started to open up this area. We have had a very considerable number of applicants and we have taken a great deal of trouble to choose applicants and support them where we thought, ourselves, that they had a case, and in those cases we have had as many licences as we could reasonably use.

2702. As I understand it, in the case of factories sometimes the industrialist builds and sometimes you build and lease to the industrialist?—Yes.

2703. Is this at the option of the industrialist, or is there any general principle you apply?—Well, both. There is an option on the part of the industrialist and there is a general principle. On the general principle we have considered that it is desirable to have factories who build their own buildings on leased land and factories who use a rack-rent. The reason for that is that in general in bad times the industrialist who has sunk a considerable amount of capital in his factory is likely to stay there until the last moment and,

therefore, provide employment. That also provides a type of security which one might call of a gilt edged order. The industrialist, as a rule, who rack-rents his factory has not as much capital backing as the man who builds and, in general, over long-term development he must be regarded as on the whole a less stable tenant. On the other hand, he provides a higher rate of return to the capital invested by the Corporation and, therefore, a bigger profit rental which goes towards the payment of our unremunerative services. So, what we have endeavoured to do is to keep a balance between the rack-rented factory and the ground-leased factory. We have also considered that in the interests of keeping down the cost of production where the industrialist can provide his own finance to build a factory he has been able, as a rule, in the past to borrow his money at the order of 4½ per cent. and his overheads are less and we have found that that reason alone has tended to make him want to come. When we build we consider that the risk level of the capital which we invest in rack-rented factories ought to stand at the order of 6½ to 7 per cent., and, therefore, from the industrialist's point of view, provided he has command of capital, it is less advantageous for us to build for him than it is for him to build himself. So, if you combine the question of stability of employment in good times and bad, the profit rental which the corporation must secure to make up for his non-profit-making services and the attempt to keep down the cost of the commodity which the industrialist produces, those combined factors have made an industrial policy which we have attempted to follow.

2704. I see from page 109 that you have three County Councils, three Rural District Councils and five Parish Councils in your area. Has this made your development programme particularly difficult, having to deal with so many authorities?—It has increased the amount of work of my officers very substantially. It has meant that on every occasion, according to the service, we have had somehow or other to secure common agreement between these various authorities. We cannot have a road running half through East Sussex and half through West Sussex which changes its type of construction if we can avoid it. It has also led to some delays, I think, in providing schools because the respective Counties have not been quite sure which County would eventually own the schemes as it is clear that one of these days we shall be in one County. It has added to the work of getting the Town to this stage.

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Sir THOMAS BENNETT, C.B.E., and Col. C. A. C. TURNER, O.B.E., T.D.

2705. I see you are a member of a Joint Water Board. You are building a reservoir yourself and various local authorities are doing other work. Have you been able to make satisfactory arrangements for sharing the cost?—Oh, yes, we initiate this, really. We found four water companies supplying the area, all in watertight compartments, if I may use the phrase, and all of them at the end of their resources. It was, therefore, clear that Crawley could only be supplied with water by tapping a new source. We examined the two sources that were available, East Sussex from the head waters of the Medway, West Sussex from the head waters of the Rother. The Medway is 8 miles away, the Rother 20 miles way. In the Medway water area we found three local authorities urgently in need of water for their own populations, Uckfield, Cookfield and East Grinstead. We therefore, with the help of the Ministry, proposed that we should jointly develop this water-course and should share it in an agreed sub-division. This board was subsequently formed on our initiation and it provides water for 108 square miles of Sussex. Our subsidiary members, if I may call them so, require and are paying for 40 per cent. of the water and we require and are paying for 60 per cent. of the water. We formed a joint water board which is actually carrying out the work and we provide the capital for our 60 per cent. portion.

2706. Within your area do you make all your new roads? Does the corporation make the roads?—We have let contracts for making all the roads in the area so far.

2707. Who pays the cost of maintaining the roads?—When the houses are alongside the roads we pass those over to the local authority and they maintain them. Up to the time of their taking them over we do whatever maintenance may be required.

2708. I noted that the Harlow Corporation considered the highway authorities' standards unduly high. Do you share that feeling?—I do not think we should. We have had a very large number of discussions with our highway authorities and as the cost of construction has steadily risen we have been able to negotiate certain modifications in their requirements and, indeed, within the last month or so we have been negotiating a further series of modifications. I do not think that we should quarrel with the standards judged by English standards, at any rate, to which we have constructed the roads so far. (Sir *Thomas Sheepshanks*.) Crawley are more fortunate in the authority they have to deal with than Harlow. (Sir *Thomas Bennett*.) We have had to argue with them quite a lot.

2709. Have you obtained sewerage powers?—Yes, we have, Sir.

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2710. That means that you are paid the cost, at any rate until they are handed over, of maintaining them?—We maintain them, yes. We have built the first unit of a sewage works. We found two sewage works in the neighbourhood, one at County Oak and one at Pound Hill in the areas of the respective different rural authorities concerned. Neither of them were adequate and we have several hundred houses in the area on cesspools. When we were made a sewage authority we worked out a scheme which provides for the works to be laid down in five units to avoid sinking large sums of money in the first stages, and we completed the first unit last November and it is operating almost to its capacity at the moment. We are just putting in hand the next stages, for 20,000 people more, and we are carrying at the moment the cost of operation.

2711. Do you get any contribution at all from the local authorities for the sewerage schemes?—Yes, we have had a calculation made of the proportion of the rates which should be allotted in their accounts to sewerage and that is allowed to us for all the houses that are joined to the sewage works.

2712. I see from page 113, Sir Thomas, that you say that more than 30 different types of standard house and flat are now available for letting?—Yes.

2713. That seemed to me to be rather a lot for 190 completed houses and some 530 under construction. Does it mean you have been put to extra cost because you have been building this fairly large number of types of houses?—We would not think that we have got higher cost as a result of that. The types in some cases are varied in relatively small detail. We have larger landings in some and different shapes of living rooms in others, but we have found, on the other side of our problem, securing relatively high rents with the choice of a house does make the public more satisfied to pay a higher rent. If the housewife sees two or three kinds of house and gets the one that precisely suits her, then she feels she is paying something for an article which she requires.

2714. I see on page 116 under "Housing" that you say that during 1950 the average tender price rose from £1,398 to £1,550. That is about 10 per cent., and you go on to say that there was a rise of 15 per cent. since May, 1950?—Yes.

2715. Do you think these increases are in line with the general trend of house prices over these periods?—Oh, they undoubtedly are. In my private capacity as an architect, we have been building a number of houses for industrial companies under the Housing Association arrangements and the overall costs and the contract

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costs for comparable houses have been remarkably like those of Crawley, although one lot are prepared by the Crawley staff and the other lot are prepared by the agents of my clients. They have been almost precisely parallel even to a few pounds in certain cases.

2716. Are you referring to the absolute prices or to the trend in prices?—The absolute prices and the trend.

2717. I was asking about the trend?—Yes, it has followed it almost completely.

2718. Would you, Sir Thomas, think that that was right from your experience?—(Sir Thomas Sheepshanks.) I would not like to answer, offhand.

2719. Would not you say, over the period that we are discussing here, from 1950, that, in fact, there was remarkably little change in tender prices over the country as a whole?—I am not sure, offhand, Sir. My impression would have been that the Crawley experience was not uncommon.

2720. My impression was that your Minister had given information on this, and while I cannot charge my memory with the detail, perhaps you would confirm what my own impression is, that the average tender price for houses throughout the country over the year 1950 did not vary very much, certainly not 10 per cent.?—I should have to look that up and let you know, Sir. I cannot remember offhand, I am afraid.

2721. Sir Frank, do you happen to have the answer on this point?—(Sir Frank Tribe.) The Ministry of Housing and Local Government's quarterly statement on house building costs which gives certain figures for three-bedroom traditional houses built by contractors shows actually that during 1950 there was a slight fall, because in the first quarter the average was £1,218 and in the last quarter, £1,216. If you take the second percentage in this Report, a rise of 15 per cent. between May, 1950, and, I presume, March, 1951, the national figures as given by the Ministry of Housing actually increased during that period by, I think, something like 0.25 or one quarter per cent. as against the 15 per cent. given here.

2722. Sir Thomas Bennett, I am not concerned with the absolute figures at all because I understand there are special circumstances, but is there any particular reason for these trends to be different?—(Sir Thomas Bennett.) I think, Sir, the only answer can be the particular time at which we make our calculations for the purpose of rent. If I might give you an absolute figure, because it partly bears out what you are saying, if you take the related periods I prepared for the information of the Board a month or so ago, particulars of the same

design of a house which has been tendered for by the Crawley Corporation in each year from 1948 to 1951, and we have varied the specification slightly downwards. If I am not going into too much detail, in 1948 the price was £1,290 average for that type of house, in 1949, it was £1,340, in March, 1950, it was £1,350, in March, 1951, it was £1,550 and in March, 1952, it was £1,735. That is a precise comparison and I have other houses of which we have a comparison. So, if you were to ask me, is that a rise of any substance like 15 per cent. in the period which the Report covers considered in isolation, our own figures would not show you 15 per cent., but if we take the cost of houses finished a year before and the cost of houses likely to be finished at the end of the current period, then we found that that was the difference in the figures. I would like to add that all the Crawley figures are based upon a calculation which not only takes account of the actual current contract price but our estimate of the trend of figures as they will be up to the time the house is occupied; because with the acceptance of tender we have to forecast the rent and, we formally being rent-restricted, have to endeavour to charge the rent for the first few houses which will not produce undue anomalies in the last houses in the same row and for the same type of house, and the Rent Restriction Act is a very material factor on our ideas of what we must put down as the cost of a house in a period of rising prices.

2723. I see from page 119 that you were bothered about the relationship between rents and costs?—Yes.

2724. How, then, do you fix your rents?—We fix them by a calculation which takes account, first of all, of the cost of land, which includes the cost of purchase of the land, the cost of the development, the professional fees and loss of interest during construction of the roads and services. We then take the cost of the house as shown in the contract, the cost of the fees necessary to carry out the contracts, the loss of interest during construction and the overheads of the Corporation. We then take account of the anticipated rise or fall of the building market during the period of construction of the house as far as we are able to judge it, we make an allowance for the repairs and for the management of the property during this period, we then deduct the subsidies for the time being and the rent is the balance at the rate of interest which is prevalent at that period.

2725. One of these other Reports, the one for Stevenage, talks about a policy of progressive rents, by which I understood that they try to anticipate the future and to some extent make possible increases of rents within the Rent Restriction Acts. Do you have any such system?—No, we

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have considered that we are bound as a Corporation to carry out the spirit of the Rent Restriction Act as long as we are bound by it. We have, therefore, considered that the rent at which we let the house for the first time is the standard rent, we have not attempted to establish any, if I might so call it, anticipated rent by charging a higher rent for a short period, or anything of that sort.

2726. Have you got any views in the Department on this policy of progressive rents, Sir Thomas Sheepshanks?—(Sir Thomas Sheepshanks.) No, I think on the whole we have largely left it to the Corporations, and what slight preference we have is, really, for what Sir Thomas has told you about Crawley.

2727. How do you fix the rents for the factories?—(Sir Thomas Bennett.) We fix the factory rents first of all on a basis of a calculation of cost and I must divide those into two in this case, the ground rent for factories and the rack-rent for factories. We fixed them first of all because we prepared in 1948 an overall estimate of the cost of building the Town and the revenue we should have to secure in order to make those accounts balance. That showed that within the limited area of industrial development we required a certain lump sum as a general cover for our expenses. We then took the cost of developing the industrial area calculated on the basis which I have described, that is, the full accountancy basis. We then considered that we had to secure originally £130 a year average per acre ground rent. We then divided into front land and less desirable land, and so on, and we then judged the state of the market and as a compound between the return on our money which shows about 8 per cent. and the value of factory land at the time, desirability of the sites, and so on, we fixed a rent which we thought could be paid. In fact, we have secured rents varying from something under £200 up to £350 ground rent per acre. On the rack-rents we take the cost of construction of the factory, we consider that a private company would need a return on this type of development of 8 per cent., we thought it desirable to give an attraction to tenants to save inflationary tendency by charging as low a cost as possible, and we thought a reasonable difference between a corporation rent and a private development company rent would be 1 per cent., and we calculated the rack-rents on a 7 per cent. money return when money was being borrowed at the rate of 3 per cent.

2728. On the basis of all that are you satisfied that your commercial and industrial letting will provide a reasonable surplus?—Yes, we are. We have made

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a calculation and up to the time the calculation was made, which was some few months ago, we had spent on factory development £551,000 and we considered the minimum market value for the property we had created was about £735,000, so we considered we have something of the order of a £200,000 capital profit in the development we carried out in the industrial area.

2729. May I go back just for a moment to the rents for houses? As time goes on do you see the operation of the Rent Restriction Acts preventing you from covering yourself in that part of your work?—Yes, we do.

2730. You have not reached that point yet, have you?—I should say we are extremely close to it at the present time.

2731. On page 121 you refer to the proposed basis for calculating the prices at which building sites will be sold or leased to Government Departments or local authorities. What is the basis of these arrangements?—The general basis is that they are entitled to secure land at its previous use value, that is, if it was agricultural land, that they should receive the land at agricultural value. We consider that that is not a sound method of calculation for two reasons: the first is that if any substantial area is taken it deprives the Corporation of the profit return on its expenditure and, secondly, we regard that as in the nature of a hidden subsidy to the Government Department and we do not think that is good accounting.

2732. Have you agreed the price for the school site which is referred to earlier on in your Report?—I believe negotiations are in course of being completed, but it is not yet fully established although we believe the principle is approaching acceptance.

2733. What other buildings for public authorities are in hand?—We have no other buildings for public authorities in hand at the moment.

2734. Sir Thomas Sheepshanks, may I ask you, have you any comments to make on what Sir Thomas Bennett has just been saying about the basis for calculating the prices at which these sites are passed over to Government Departments or local authorities?—(Sir Thomas Sheepshanks.) I suppose dog does not eat dog, but you can understand the position: we try to do our best for the Corporations we represent, but I am afraid there is a united front against us from every other Government Department. (Sir Thomas Bennett.) Quite unsound, Sir.

2735. The last question I have on page 122 is really a Departmental question: has Sir Reginald Wilson's Committee reported yet?

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—(Sir Thomas Sheepshanks.) Yes, it has. I shall expect that next year the form of accounts will be very different from what they are now. The Minister is proposing to adopt broadly the new form of accounts recommended to us, so it will mean some changes next year.

Mr. David Jones.

2736. Are you finding any difficulty in getting tenants for your houses at the rents which you are having to charge for them? —(Sir Thomas Bennett.) Not up to the present.

2737. You are getting the diversified element in? I see the three-bedroom type would cost, I calculate, about 39s. 9d.?—Yes.

2738. I should have thought you might have had some difficulty in getting ordinary working class folk with fairly big families to pay 39s. 9d. rent?—We have not. I should say we think we are very close to the stage at which we shall have difficulties because in the case of, I think, that particular house you are quoting the price in 1952 will be 45s. 5d., which is a very serious figure indeed, and which is compounded of cost and the increased rate of interest. The tenants we have so far secured were questioned as to what they paid in London and whether they could pay these rents, and we have received a remarkably good series of answers. The women say: "We are going to give up a packet of cigarettes," that is another 3s. 7d. or two packets is 7s. 4d. The husband is going to give up a couple of beers, and they say: "We have less travelling expenses." If we could have chosen the answers these people have given us we could not have chosen a better set of answers, but that does not alter the fact that for various reasons our rents are higher than local authority rents. We have no source to which we can put any portion of the cost and even if we have earlier houses which are now below the current price we are not allowed to raise the rents. I am quite sure that our very realistic accounting in New Towns has resulted in these rents being probably the only balancing rents in the country that are honestly computed and we would think that that reason has prevented the proper level of building cost being taken into account either in paying rent or in calculating wages. We regard this as the most serious problem in front of New Towns at the moment and it may well be that before very long we shall encounter an inability to pay the rent, however desirable the house.

2739. What would you estimate the difference to be between the rents that you are charging and comparable rents with local authorities in the neighbourhood?—At the time when we were charging 25s. or so net, that is, without rates—the figures

I quoted were with rates—a local authority in the neighbourhood was charging about 17s. to 19s. There was 5s. or 6s. difference.

2740. Would you agree with Sir Thomas Sheepshanks that that 6s. has been made up from an additional rate contribution?—No, not entirely. The local authority houses in many cases are built in small numbers on fully developed roads in our area. We are more or less a rural area, and therefore some portion of our cost does not occur in the case of local authorities. We would think, but we have no evidence, that the full charges for professional services and other things which we pay are not allowed for and we would think the balance is probably made up by the additional rate contribution, but there is also, even with our rural charges, a certain number of pre-war houses, and we believe they have put the rents of those pre-war houses up to some extent to subsidise the new houses. (Sir Thomas Sheepshanks.) I do not think there is any conflict between Sir Thomas Bennett and myself on this.

2741. I was not thinking of that. I was thinking that 6s. per house per week for a fairly large number of houses would make a substantial additional rate contribution which I should have thought any self-respecting local authority would have been hesitant to impose?—Let me get this right; I do not think they are entitled to assume that there is necessarily that full difference because, as Sir Thomas has explained to you, there are various advantages that the local authority has in building in small numbers on existing frontages, and, of course, there is the point that there are quite a number of items that our Development Corporations have to include in their rent which a local authority under perfectly proper local government practice would charge off to some other account altogether, like highways or open spaces, so it does not necessarily follow that there is that full difference you were talking of.

Mr. West.

2742. I gather that the 6 per cent. or 7 per cent. return on the expenditure, dealing with factories now, is based on the borrowing at 3 per cent?—(Sir Thomas Bennett.) Yes.

2743. Now that there has been an increase in the interest rates what is the position, what basis are you working on now?—We are endeavouring to work on the 1 per cent. addition. We were affected by the condition of the market when we first built these factories. The rate of interest and the cost combined allowed us to charge 3s. per foot rack-rent and also we were operating in a period of extreme scarcity of factory space. The corresponding rent today should be 4s. 6d. or even more, 5s., but we do not consider the market today permits us to charge 5s. and we are, in

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fact, charging 4s. 6d., so that we are getting something less than the difference in the rate of interest.

2744. Now with regard to houses and the fixing of the rents of the houses, I gather one of the factors you take into consideration is the probable increase in the cost of management and maintenance?—Yes.

2745. Could you give us any idea how you arrive at the approximate increase in the cost to fix the basic rent of the dwelling-house?—We do not arrive at it. We have used what is always an accepted figure of £11 a year as a maintenance charge. Many local authorities use a figure of £6. We have had some careful calculations put in front of us of what the maintenance is likely to be once we pass the new house period, and those figures reach the very uncomfortable figure of £24 a year. If we arrive at anything like £24 a year we have got a deficiency of £13 a year.

2746. Does that assume that the costs of maintenance and management are constantly rising? Do you ever take into account the possibility of there being a decrease in the cost of management and maintenance?—We are endeavouring to forecast what we can see at the moment and undoubtedly at the moment we cannot see a likelihood of a decrease in the cost of maintenance.

2747. Not even at the moment?—Not at the moment, but if, of course, we get a slump we shall get a decrease.

2748. What would be the position of the rents then, protected by the Rent Acts?—If we get a decrease?

2749. Yes?—If we get a decrease we shall be permitted to lower the rent below the present level if there is any justification for doing it.

2750. What would you regard as the justification, the financial position of the Corporation or the position of maintenance and cost of management?—Oh, the position of annual charges I should regard, if you are asking me for a personal view.

2751. There has been no policy decided upon with regard to the position of any decreases of rents?—I think that it would be true to say that we have a policy by which rent is fixed at the lowest possible level which a financial calculation at any time permits us to charge, providing that it is a balancing rent.

2752. Is that, with great respect, quite correct, because the position as I understand it is this: in ascertaining or fixing your basic rent at which the property is first let you take into account the economic rent?—Yes.

2753. And you take into account the probable increases in the costs of management and maintenance?—Yes. We have a fixed charge.

2754. In those circumstances are not you budgeting for the highest return that you can reasonably expect to have from the property?—No, on the cost of maintenance we have taken an arbitrary figure of £11 a year. We have not in the case of maintenance budgeted for an increase and if you ask us our own opinion, we do not think that £11 is adequate, but it is already nearly twice as much as many local authorities allow and all our houses are new and many local authorities have old houses. That is an arbitrary figure and it does not allow for probable increases.

2755. One other point with regard to the negotiations with Government Departments and local authorities about the land which it is proposed to acquire. I understand that under the Town and Country Planning Act there is a provision that a purchaser ought not to pay more than the existing use value of land?—(Sir Thomas Sheephanks.) May I just answer that, because there is a special provision in the Town and Country Planning Act that development charge is not payable by a Development Corporation. The view taken was that you ought to look at all their work as a whole, and there is a provision that ultimately we may call on them to pay a contribution to the Treasury in lieu of development charge. The reason for that is that, as you have heard, they have works like sewage disposal and so forth which cannot be profitable at the moment and the view Parliament took was that you should look at the thing as a whole, and at a later stage the Corporations may have to pay, not development charge, but a sum to the Treasury in lieu.

2756. Let us assume you have compulsorily acquired as a Corporation a New Town Corporation property on the basis that the previous owner had put in his claim for compensation against the Fund. Is it not true to say that the amount you would be reasonably expected to pay would be the existing use value of the land?—Yes.

2757. If in those circumstances it was proposed to dispose of any part of that land is it right that the New Town Corporation who would not be making any contribution for development upon that land should have a higher price than that which it paid for it in those circumstances?—Yes, I think it would. You cannot say that they are let off. It is really deferred. They are faced with the probability, almost the certainty, that in that event they will have to pay a very large sum to the Treasury in lieu of development charge.

2758. Surely the amount which the Treasury would require the New Town

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[Continued.]

Corporation to pay would be based upon the development that is proposed, it is a development charge or the sum in lieu, and if the sum in lieu is based upon the development envisaged, why is it that the New Town Corporation can flout the provisions of the Town and Country Planning Act in their negotiations with the Government Department?—I am sorry, I cannot follow that point.

2759. I gather that so far as the existing use value, which is the prescribed basis of the Town and Country Planning Act, is concerned, that that is not applied as between the New Town Corporation and local authorities and Government Departments, and so on, when they are disposing of the land?—No, that is the Development Corporation's grumble, that if they sell land to somebody else they can sell it at full development value, but if the Crown want land in a Development Corporation's area, the Crown come and take it and pay them existing use value and not a penny more.

2760. Why should you charge anybody else more than existing use value? Why should you charge anybody else full development value in contravention of the spirit of the Town and Country Planning Act?—No, with all respect, it is not in contravention of the spirit of the Town and Country Planning Act. The theory is that a man whose land has been taken away and who has put in a claim has got a good thumping sum out of the £300 million. Why should you pay him twice?

2761. I am not on that at the moment. As I understand the position it is this, that the New Town Corporation, if it acquires land, acquires it on the basis of existing use value?—Yes.

2762. If at any time the New Town Corporation wishes to dispose of any part of that land, either to a Government Department or to a local authority, the New Town Corporation gets for that land something more than the existing use value?—(Sir Thomas Bennett.) May I answer for Sir Thomas there, because this touches us very immediately? We are finding that if we buy land at prices varying between £70 and £134 an acre, which is the variation of existing use agricultural land in Crawley, and on the constructive competitive tendering we put in roads and services and make proper calculations, our resulting developed land costs us today, at 1952 prices, something over £4,000 an acre, and there is no question of profit, it is purely a reimbursement of developed value, and that is the figure which is being discussed for the basis of local authority purposes where charges are allowed.

2763. You take into account, of course, any developments which you yourselves

have undertaken such as roads and sewers, and things of that sort, which is perfectly reasonable?—I am quoting the net cost.

2764. Are you at any time requiring more than recompense for that?—We shall not get full recompense, as far as we can see, from local authorities for that. We are not allowed to dispose of land freehold to anybody else with a few possible exceptions such as churches, and possibly one or two other things. There is an arbitrary suggestion for churches which is considerably less than the average developed cost, and as far as we can judge, even although we secure more than existing use value from local authorities, it will still be less than our developed value, and the balance has to go mainly on to housing because that is the biggest use of the land and that is why we are so concerned at receiving less than average developed cost of land.

2765. So it is quite clear, then, that so far as the New Town Corporations are concerned, they do not require or obtain more than the existing use value of the land plus the proportion of the services which they themselves have provided?—With some exceptions which are important and which I quoted just now. Where we develop for industry we charge a ground rent. If you capitalise the ground rents which we have secured and you consider the industrial area in isolation, we shall secure on that isolated piece of development a calculated profit at a ground rent capitalised.

2766. Does the industrialist, when he takes the lease and develops the land, have to pay a development charge as well?—No, we have to take the responsibility for paying any development charge which we may ultimately have to meet.

Mr. Cuthbert.] I was very interested in that because I think at the last Committee we had we did rather develop this point of acquiring land at agricultural value and selling it to tenants or purchasers at the equivalent of a development charge. I am very interested in that, but I have nothing now to ask on it.

Chairman.

2767. I would like to ask on this whether you would subscribe to the view, which was put to us by Sir Robert Fraser when he was before us, that there was a scarcity value which in present circumstances was to be found owing to a shortage of building licences and that, therefore, land would be changing hands at this enhanced price. We actually had the definition of scarcity value and we had a long argument about it. Is that your impression?—(Sir Thomas Sheepshanks.) Most certainly.

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2768. May I therefore ask you whether your complaint, if I understood it earlier, was that what was common practice outside you were prevented from doing in your negotiations in respect of land for Government Departments and local authorities?—(Sir Thomas Bennett.) No, our complaint is much more definite and serious than that. I said just now that our development costs have varied from about £2,300 or so in 1948 to something about £4,000 or over in 1952 and that is our average cost of development. We have contended that we should be able to recover from Government Departments the average cost of the developed land, and that we are not permitted to do. So, when we have laid our roads and sewers over a whole area and we let off a piece of land in the middle of it, that has cost us the average, but we apparently will be compelled to part with that at the price of the original agricultural land plus a few pounds for connection to a sewer, or some nonsense of that sort.

2769. In other words, that you are at the moment being obliged to charge less than it costs you to do the development?—Very much so.

2770. That puts it accurately?—That is so, yes.

Mr. Bossom.

2771. Just one question on that same point. In other words, you do not charge the increase or the development charge that any private individual would have to charge if you disposed of the land?—Well, I have tried to give the different bases for Government Departments, local authorities and industrialists.

2772. I do not mean the constructional cost, I mean the development charge. If a private person has a piece of land and he wants to put a house on it, he has to pay the Government a certain development charge?—Yes.

2773. You do not have to do that?—We have not met quite with that condition, but if we had those conditions on a piece of land and we were allowed to dispose of it, the probability is that we should charge the equivalent of what the district valuer would call the development charge for the very simple reason that the New Towns Act throws upon us the onus of at some time probably having to pay that charge. Therefore, if we charge that in the case of freehold, which is the only case I can think of where this would arise, we should be compelled to reserve the development charge in case we have to pay it subsequently.

2774. You would turn that proportion of the money, say, £x, over to the Government like any private individual?—We should consider we had merely to reserve it on account of any future development charge.

Chairman.

2775. But, initially, you would merely put it into your reserve?—Initially we put it into our reserve.

Mr. Bossom.

2776. I see from page 5 of the Foreword to the Accounts that you started at Crawley in February, 1947, Hemel Hempstead started in March and Aycliffe started in July. Crawley has 190 houses completed and 538 under construction, Hemel Hempstead has 292 and 543 under construction and Aycliffe has 168 and 225 under construction. In proportion there are less houses completed than there are at either of those other places, although those other places were started later. Are you having definite difficulties in proceeding at the same pace that the other people are?—Oh, no, we follow a different policy. First of all, you cannot compare the development of a new town such as Crawley with the development of Aycliffe which is very largely the development of a large housing estate, and so we have many more preliminary works such as main water, main sewage disposal, road development, and so on. Secondly, my experience as Director of Works indicated to me that it was quite vital, in development of real magnitude such as this, that one should first of all secure the water supply, secondly, secure the sewerage, the main sewers particularly, secure the means of transport if that needed attention and fourthly complete the overall picture before launching out on to works which might be, perhaps, not in accordance with the future development. Fifthly, it was necessary in a town such as Crawley where we had 9,000 inhabitants and a lot of sporadic development, to endeavour to develop first near the centre of the town so that we secured the maximum economy of local authority services, police, fire, schools and so on. Also, we secured the maximum amount of amenity for the incoming population, nearness to shops, nearness to amusements. That meant that all our early planning has been extremely difficult in the sense that it must precisely fit existing development, whatever it is, and it is quite specific and final if we are to produce a self-supporting town. It takes much longer to get and create employment than it does to get and house people and so it was clearly necessary, to carry out the main principle of the town, that we should create industry first and housing second. So we took the order of development of water, sewage, communications, nearness of development to economise in local authorities' costs, industry, and then houses.

2777. So by that process you have got your facilities for building as readily as you could get them?—Yes.

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2778. You have had no limitation at all as to getting licences? You have had the licences for what you wanted to build?—All we were allowed to build, yes.

2779. You told us, I think I am right in this, that in 1951 you were paying £1,735 for a three-bedroomed house?—This particular type of house, yes.

2780. The particular three-bedroom type of house?—The one I am quoting, yes.

2781. According to the Dudley Report?—No, this particular house I have in front of me at the moment is not a Dudley Report house.

2782. The figure strikes one naturally as tremendous because you have to get a rent on it?—Yes, it is.

2783. I happened to be at the starting of a new house this morning, a full, regular three-bedroom house, and that has got a fixed contract price of £1,207, little more than two-thirds of the price. Is there any reason why there should not be some new development made on your arrangements so as to have houses like the People's House that is now recommended by the Ministry of Housing?—Oh, we are building some of those at present.

2784. Have you any figures of what they are going to cost?—No, not yet.

2785. Have not you let contracts for them?—Yes, I think we have but I have not got the figures with me because I thought we were dealing with the 1951 Accounts. I have got some here, but I have not memorised them. I would say this, that we have investigated a large number of the claims of the very low-cost houses and in no case yet have we found the advertised figures anything like the real cost, so many of these have pieces chipped off for the sake of advertisement, and I think they really do not mean anything at all.

2786. Your 1951 figure of £1,735 was the ordinary rather good three-bedroom house?—Yes.

2787. We built ours in Maidstone at £1,402?—Yes.

2788. Why should there be that very big difference?—I cannot tell you. Is that the actual contract price?

2789. Yes, and big for the price?—We have found that nearly all of the local authority houses that we have investigated have either items left out of the main contract and paid for separately, or they have no provision for contingencies, or they have no provision for a probable increase in labour and materials which is continually taking place, and in other words in very many ways which I have before now produced for the Ministries and other people

you can make these figures almost anything you like. Quite frankly, our first reaction to £1,200 is that nobody can do it.

2790. You do not have to have contingencies when a thing is paid for, your cost was £1,735 and the completed price of this other job was £1,402?—It may be a different size of house.

2791. A typical local authority three-bedroom house?—They vary very materially.

2792. They do, but £300 is a very big variation on £1,400, is not it?—I have had so many of these presented to me at these low figures which, when I have got to the final end of the story, produce a totally different figure, that I can only say that unless I read the specification, examine the drawings and know what is left out, whether there are contingencies and so forth, the figures are not comparable.

2793. There is no such thing as contingencies, as you know as well as I do. When the thing is finished you have got your finished price for it?—Yes.

2794. You have no contingencies when you have paid a bill, the thing is behind you?—Well, I would not even say that.

2795. Do not you think there ought to be a reduction made in the cost if you can, so as to make it within the reach of the normal person to pay the rent? This rent of 45s. 5d. is so tremendous, and that is my difficulty. Does your policy contemplate reducing the cost of the house in some way?—I can only say that we have prepared not one but many plans of layout to reduce the total lengths of road drainage to the total number of houses produced. We have reduced the width of roads wherever possible, we have modified the specification for road construction, we have designed a very large number of houses in the search for the most economical house, we have overhauled the specification and reduced it wherever it is possible, we have increased the density of the houses up to a range of round about 10 or 10½, and we think that development at the rate of 14, 15, and even 18 houses to the acre is just producing slums, and in certain cases we see developments going on at those densities. Every possible step which can be taken and still produce sound property has been taken. I can say, and I have been very closely in touch with Crawley. We have a very large number of purely commercial buildings, including houses, to build for people to whom every penny means something, so that I cannot see any heading under which we have not carried out the most complete investigation possible to reduce the cost. You are thinking of the house that I quoted just now, but I have a number of other houses here. These houses as a whole are the best answer that we can find at the present moment.

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2796. Having gone over all these investigations and done everything you can, you still think that this is a reasonable rent that you have to charge because they cost so much to build?—I do not think it is reasonable compared with the rate of wages at the moment. I am driven to the inescapable conclusion that this is the calculated result and this is where the rent stands on 4½ per cent. money. The increase from 3 per cent. to 4½ per cent. had a very serious repercussion on the rent. We have other houses which we have designed in accordance with the people's house which we are now building, but we are not getting the reductions that we hoped for and that is quite easy to understand. You reduce the area of a house, but you still have the contingent plot works, you have the expensive part of the house to buy, the kitchen, bathroom, lavatory and so on, and you do not get a *pro rata* reduction in cost, but such reduction as is able to be secured we secure at the present time and the result is a very serious and almost terrifying feature in life as a whole. As long as the Rent Restriction Acts are here and local authorities camouflage the price of building you cannot get this problem straight. We are producing the economic answer at the present moment and that is what is frightening us, and this is the economic answer, not the single house alone; I have only quoted one example.

2797. From your great knowledge, as you and I know the situation quite well, what would you say would be the equivalent pre-war cost of this £1,735 house? £700?—Probably less.

2798. £600?—Yes, I daresay.

Mr. Douglas Marshall.

2799. You have been mentioning the question of the interest costs. When it is calculated for such things as New Towns is there any taxation question that comes into that, as it does with an individual, or not?—No.

2800. Nothing at all?—No.

2801. No relief from any form of taxation, whatever that rate is?—No.

2802. So, in one way it is merely notional?—It is a pure calculation.

2803. In every other form of life, of course, it does come into it?—Yes, it does come into it.

2804. I would like some information purely so that I know something about it. Under your heading "Master Plan" on page 111, knowing the size of the New Towns, is it a large or small cemetery that you have got there?—You mean the amount of land that we are absorbing?

2805. Is 35 acres about the normal size or is it exceptionally large?—It is not exceptionally large. The plan provides for building houses for 50,000 people in a community which is partly developed, some of it very lightly developed. Out of the 6,000 acres allotted to us as the designated area we have confined the development to 4,000 acres and we are, therefore, getting 50,000 people on 4,000 acres. In the 1920's or thereabouts it was considered possible to get 50,000 people on about 2,500 acres. You will understand, of course, that in the 4,000 acres there is a certain area of woodland, a certain amount of lightly developed property, not an inappreciable amount of lightly developed property, the very large reservations for schools which are now necessary and substantial reservations, but not, I think, excessive, for open spaces. The demand of land for schools and open spaces has grown very materially in the last 25 years and is one of the reasons why population in England today requires more land on which to put itself than it has at any previous period. The reservation of land for schools is quite a serious matter, more especially where the schools insist upon being in the centre of development. You will realise that if you put a large acreage of open space in the centre of development you expand the whole development with consequent cost of roads and services. In most cases at Crawley we have secured the approval of the education authority to have the school land on the margin of the development, which does decrease the cost quite materially, but, nevertheless, the total open spaces of modern populations is quite a big factor in the cost of development.

2806. Thank you very much for your answer, it is very interesting. I did not stop you, but I did not actually ask about the schools, I was asking about the cemetery?—I thought you were asking how many acres we had used to develop the property?

2807. No, for the cemetery, 35 acres?—My chief executive, Colonel Turner, points out that we have 35 acres for cemeteries which includes existing cemeteries.

Mr. David Thomas.

2808. On page 129 there is a list of the number of factories which have been erected and the number under construction. Under heading 1 relating to standard factories I notice that 17 factories have been built with an area of, subject to correction, 89,700 square feet. Could you tell the Committee what was the total cost of the 17 standard factories?—The 17 standard factories?

2809. Or the approximate cost of the 5,000 square feet factory?—The approximate cost per square foot of created space

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is £2 10s. 0d. a foot. I was trying to remember the building contract amounts of the 90,000 square feet we built. I am afraid we have not got the contract amount. I am wrong; the second lot were, or will be, £2 10s. 0d., the first lot were 30s., 37s. 6d. a square foot including site work.

2810. What was the estimated number of workpeople which these firms who were very ready to take on a standard factory having regard to the financial position gave the Corporation? There are 13 firms here and I am asking the question for the reason that I notice that the 17 factories which were completed in 1950-51 employ 497 workpeople only, an average per factory of less than 30—29, to be exact. Following on that, do not you think that the Corporation were too ready to embark upon the erection of these very expensive factories? Would not it be better for the Corporation to build them when they are satisfied that the firms who want these standard factories are able to fulfil their promises which they make so readily and which they never carry out?—I do not see why you should say that. All of these firms are established firms, they have all come from existing factories, they all, or nearly all of them, were operating in the County of London, or at least, in Greater London. They had visible staffs when we signed an agreement with them and we inspected their factories and we obtained from them the numbers of their actual employees before they moved and their anticipated employees when they had moved. They are all, in our opinion, perfectly capable of carrying the rent of the 7, 14, 21 year lease, on the basis upon which we have taken them and they are approved by the Board of Trade as manufacturing a commodity necessary to the country and not capable of being manufactured in a Development Area, so-called, that is, North East, Scotland or elsewhere.

2811. Of course, I would question your last statement, "not capable of being manufactured somewhere else." Many of these products could easily be manufactured in any of the Development Areas, but that is not the point. Whilst I appreciate it would be necessary for you to erect factories as the Town develops, you build 17 factories out of Government Funds, not the firms in Class I, who have built for themselves, I take it, and since 1950 with some of them completed last year, you have not got 500 employed in the whole lot? They are established firms, it is true, but my experience is that they are established in name, they get a standard factory, I am not suggesting that all of them in Crawley have not paid their rent, but then when it suits their purpose if they do not make a good go of their business, they go out. You might not find it difficult, then, to let the Government factory to someone else, but what I am suggesting is this,

that the Crawley Corporation were moving too quickly in erecting so many expensive factories when, obviously, according to the Report, the workpeople are not available?—Oh, no, that is entirely a misconception. We have not started the erection of any unit of those factories—these 17 units let to 13 firms—until the factory has been let to a firm of responsibility with existing employees. As far as we can see, all of them are substantial people and are employing what appears to be the proper number of people for their factories and we see no reason at the present moment to think that they will go out or fail to pay their rent or fail to employ people. We have only built factories and let them in standard buildings of 5,000 square feet per unit capable at any stage of being let to somebody else, but we have no indication at present that that situation is likely to arise, nor have we any reason to consider that it will arise, and in very many cases we are bringing in factories with a high proportion of highly skilled operatives who, therefore, in many cases require a good deal of space for a relatively small number of people, but they are mainly men and our present figures with all the lettings we have at the moment are that we have potential employment, when completed for 1,400 skilled men compared with 560 unskilled men and 200 skilled women compared with 300 unskilled women. We have, therefore, made a big effort and we think we have succeeded in getting into the area the employers of male skilled labour as far as possible and there are no grounds for saying these people will just be fly-by-nights.

2812. I understood you to say in your statement just now—I might be wrong—that these firms were inspected and they were allowed a factory, if they occupied a factory in a congested area, of the same size?—No, there is no comparison of size. I said nothing about size.

2813. I am sorry. In any case is it suggested, then, that these 5,000 square feet factories having been given to these 13 firms since 1950, many of them, and you have not got 30 people per factory yet, and although you may not be able to answer this question straight off the reel, what promises did these several firms make to you or to your department when they applied for one of these factories as to the number they would engage, and if they did make such estimate? I would venture to say now that their figures which they promised to employ are very much higher than the ones they have actually employed?—Oh, no, I do not think so at all. We have kept very closely in touch with their old employment and their prospective employment. We have been constantly in touch with the firms themselves and their employment is approximately at the level at which we understood it would be when

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we brought them in. I do not know whether we have the actual figures here, I rather doubt it, but we can give them to you. If you wish it, Colonel Turner says he can give you the figures of actual employment out of his head. He thinks he knows them accurately enough.*

Chairman.] Are we going to have these figures then, or will they be put in?

Mr. David Thomas.

2814. I do not mind if they are put in, Mr. Chairman. What I am suggesting is this, that these firms employing only a small number, whether they are skilled or unskilled, surely do not require 5,000 square feet to employ 14 to 20 or 25 workpeople?—Oh, yes. I have been into a lot of them myself. We have a firm making cast bronze water meters mainly for local authorities. They employ a relatively small number of highly skilled bronze founders, a small amount of office work, some designers, some mould makers, they require provision for moulding sand and various things in the factory itself and the factory is, I suppose, developed at present to half its potential extent. It operated in a basement in the Euston Road before it went there, and it had another subsidiary works somewhere else in a most unsatisfactory condition. The people it has brought with it were all residents in the County of London and they are all, as far as I know, with a few insignificant exceptions, the old employees. That factory is capable of doubling its output, but that is what it moved for. Its personnel is all employed at the present moment. I have been in another factory, a high grade printing works of Oliver Burridge & Co., Ltd. They are doing a very high grade of colour printing as well as a high grade of letterpress printing, and part of the factory is devoted to artists who are working on the designs for the printing works. They occupy a good deal of the amount of space, they have a good deal of paper stocks to carry and they have large printing presses in the works, Linotype and other things which occupy space, and I think, again, they could probably employ twice as many people as they have got, but they are perfectly satisfied in carrying on their present factory at their present output.

2815. Then, I complete my question: I do not want to dwell upon it too long. There is one firm here, Bale & Church, Ltd., manufacturers of "Kleenoff". They have 5,548 square feet and they have had since November, 1950. I should imagine for a process like making this polish it would not take very long for any firm to expand their activities and increase the number

* *Note by witness:* The present figures are substantially the same as those contained in Appendix C to the Report of the Corporation for 1950-51.

of employees. I would say, personally, that I would not let a factory to anyone that employed 14 only as the result of the Government erecting a factory for me. It is uneconomic, it is obvious?—I cannot say that it is uneconomic. These are sound people paying rent for a proper factory. I do not know whether we know Bale & Church's employment today. (Col. Turner.) I can inform the Committee of that. Bale & Church make this particular cleaner. It is a process which employs a very high proportion of machinery to labour. They are occupying the whole of the 5,000 square feet factory, every corner of it, with productive machinery and their total required employment in that process is about 18 persons. At the time of this report they were employing 14, but they are now employing 18. They are already in full production in the factory and it does vary very much indeed as between one 5,000 foot unit and another as to the employment picture. May I say that a little further down the road is another 5,000 square foot unit making a different product, which employs 70 people, but far less bulk machinery, and the ratio of floor space to machinery and labour employment varies very widely between the different industries. You may rest assured, Sir, that not only is every one of these 17 units in full production, but that in most cases the firms have so expanded their business that they are now wanting to take further space, which they can also immediately fill with work and employment. The employment varies very much between one factory and another.

Mr. Benson.

2816. I see that two of your firms have taken 10 acres. How much of that will be built on eventually?—(Sir Thomas Bennett.) Eventually, 75 per cent. The first firm is Youngman's the second firm is Vitamins, Ltd. Youngman's have erected the first portion of their factory and I think they have 50,000 square feet in operation at the moment.

2817. That is 5,000 square yards, or just over an acre. They will cover seven and a half acres with buildings?—Well, no, I think that we want here to get the principle. We have endeavoured to lay out this industrial area so that certain portions of the area are able to be let to the substantial firms of which these are two examples, and so that they are not faced after a few years with inability to expand within their own boundaries. Therefore we have laid down a minimum amount of space which we consider covers the ground rent and we have secured a Board of Trade certificate for that amount and we have insisted on them depositing drawings with us for the amount which we consider necessary, in this case 75,000 square feet, but that still leaves them with vacant rear land. We just arrange it

3 April, 1952.] Sir THOMAS SHEEPHANKS, K.C.B., K.B.E., [Continued.
Sir THOMAS BENNETT, C.B.E., and Col. C. A. C. TURNER, O.B.E., T.D.

really so that it is a reasonable site. As you know, the bugbear of industry when it expands is that it finds it cannot grow within its own perimeter and, therefore, where the firm is of substance and spending its own money, as this firm is—

2818. I am not criticising?—No, that is the principle upon which we have developed. We have in each case assessed the amount of square footage which we think is necessary to secure the ground rent, and within those limits and the limits of proper relationship in each different development we have allowed a firm to have 10 acres if it wishes.

2819. I presume you have plenty of space for industrial development?—Yes.

2820. So, really, you do not need to cramp your industries?—No.

2821. I think you said you had paid between £70 and £130 an acre?—Yes.

2822. That is an average of approximately £100?—Yes. If you wish for an explanation of that, I said just now that in our original estimates of overall costs compared with 1948 we put down an average cost of ground rent as £130 a year. Since then the cost of land and development has gone up, but this particular firm have a very fine site on the boundary of Manor Royal, our main industrial road. In order to make sure that we ultimately secure at least our average we have said that where the sites are choice sites we consider we must secure a good rent while they are available. There are only a limited number of choice sites and this firm have, probably, the second choicest site in the industrial area so that we have adjusted the rents to cost and value of site.

2823. What do you expect your overall average to be? I think you said your land was about £4,000 an acre when you have fully developed?—When we started it cost us £2,300 or thereabouts and it is now costing us about £4,000. I cannot tell you what the average is.

2824. That is fully developed?—That is fully developed.

2825. What is your average rent per square yard, or whatever it may be?—Our average rent per acre of leased land is standing at approximately £275 at the present.

2826. I see there is a very big variation between the choice site and the others?—There probably is half—

2827. No, you charge them £200 an acre?—Yes.

2828. You are getting an average of £275?—I should think so, yes.

2829. You charge a higher rate on a smaller plot?—A higher rate and also we have proved here that we are developing a first-class industrial area and our later applicants we have considered would pay higher prices and they have, indeed, paid them so that we have considered, as a company, more or less operating on a commercial basis, that we must adjust cost, demand and value at a given balance and we have endeavoured to do that.

Mr. West.

2830. I wonder if I may clear up one point? I know we have been here a very long time, but I am not clear in my mind upon a rather important point, which is whether Sir Thomas could tell us whether in his New Towns Corporation any land has been leased to individuals for the building of their own houses?—The simple answer is “No”. The full answer is that we have had 12 sites available and since the cost of building has risen to its present level people who have investigated the cost of building their own houses on those sites have taken fright and have stopped. That is one of the serious aspects of today's conditions, that even where sites are available, people do not want them. There may be an added reason, and that is that it is leased land, and there is a very big desire on the part of people in Crawley to have a freehold piece of land.

2831. Do you say there are some plots available? If an individual were to take a plot of ground for the building of his own house, would he have to pay a development charge for the building of his house or not?—No, we have to carry that.

2832. You have to carry that and that, of course, is reflected in your rental which you charge?—It is reflected in the rental. There are certain plots under negotiation at present, so if you asked me that question in a month I should probably give you a different answer.

Chairman.] Are there any further questions on the New Towns Reports and Accounts? May I take it that the Accounts are approved? (Agreed.)

The Witnesses withdrew.

(Adjourned till Tuesday next, at 4 p.m.)

TUESDAY, 8TH APRIL, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Blenkinsop.
Mr. Bossom.
Mr. Cuthbert.
Mr. Hoy.
Mr. Douglas Marshall.

Sir John Mellor.
Mr. Peter Roberts.
Mr. Scott.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E.,
called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I—VIII)

CLASS VI

VOTE 6.

MINISTRY OF FUEL AND POWER

Sir DONALD FERGUSSON, G.C.B., Permanent Secretary, Ministry of Fuel and Power,
called in and examined.

Chairman.

2833. May we start with the Civil Appropriation Accounts, Classes I to VIII, paragraphs 108 to 111 of the Comptroller and Auditor General's Report? Sir Donald, taking paragraph 108, why in each of the four years here mentioned have you been so badly out in your estimates?—(Sir Donald Fergusson.) I think the main reason why we have not spent the amount asked for and voted, as indicated in the Comptroller and Auditor General's Report, arises out of the saving there has been each year on the contribution for costs in connection with coal nationalisation, and in the main that has been due to a prolonged negotiation with the Mining Association to make sure, if I may put it this way, that the costs which they are entitled to under the Act were reduced to a reasonable figure which could be justified. We have in each year put forward an estimated sum of what we thought might be settled during the course of the year, but the negotiations have been prolonged and it is only just recently that we have reached settlements which the Treasury have agreed for payment of the coal owners' costs. I perhaps might mention that on previous occasions the Public Accounts Committee were very anxious that we should not pay inflated costs.

2834. You talked about things that might be settled during the year. Does that mean that you said: "We must estimate for charges which may materialise this year", or is it the charges that you definitely expected to materialise in the year?—I think it is true to say that the owners' costs were being incurred during the years but we were not satisfied until comparatively recently that the amounts they had claimed were justified and we have, in fact, as a result of the negotiations which have taken place

been able to secure very substantial reductions in the amounts originally claimed.

2835. Would it be right, then, to say that you estimated on definite expectations at the time you did the Estimate?—Yes, that is right.

2836. Then, it seems as though over these four years there has been very little appreciation of the probable delays. I notice that as late as the 25th February your Minister told the House that the valuation of colliery interests was found even now to take a long time. On what information as to probable time-table did you prepare your Estimate?—I think, Sir, it falls into two parts. There are costs that will be incurred by the Ministry in connection with the work of the District Valuation Boards which will go on for a considerable time yet, another two years, perhaps, and we shall be making provision for covering those costs year by year, but the major item on which there has been a delay in reaching settlement and paying out money has arisen on the owners' costs on Stage 1, which was the proceedings before the Greene Tribunal, Stage 2, where there was the division by the Central Valuation Board between the Districts, and thirdly the actual valuation which has to be carried out by the District Valuation Boards, that last item being the biggest. Those have been now settled in principle, that is to say, a scale has been agreed for those costs, and we shall now be in a position to pay the owners' costs at these various stages.

2837. Still on this same paragraph, would you expect the Treasury to accept a saving due to delays in settling coal nationalisation costs as available by virement to meet any excess expenditure on other Subheads?—No. Sir, two years ago I think I gave an assurance to this Committee that any

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Sir DONALD FERGUSSON, G.C.B.

[Continued.]

savings arising on this Subhead would not be used for any other purpose.

2838. I see, Sir Donald, that abolition of petrol rationing has resulted in a very large staff saving. Coal, electricity and gas have been nationalised and open-cast mining has now gone over to the National Coal Board. I wonder whether you could let us have a statement showing how these changes have affected your staff numbers and, in particular, how the overall reduction in numbers has been reflected in reduction in the higher staff of the relative Administration Divisions and of the Establishment Division? I do not suggest you could give us that now, but could you let us have a statement in due course showing the effect of these various changes on your staffing?—I could. I could give you the rough figures now and send in a more detailed statement later.*

2839. If you please?—On the 1st April, 1950, the staff of the Ministry was 6,868; on the 1st April, 1951, largely as a result of petrol rationing being abolished, it had been reduced to 4,462 and on the 4th April of this year as a result of the transfer of open-cast coal mining it was approximately 3,100. That is on our Subhead A, but the detailed figures I would have to send in.

2840. May we now turn to paragraphs 109 to 111? Was there any statutory authority for your paying owners' costs at Stage 1?—No, Sir, there was no statutory authority. There was, I think an announcement. They were not provided for in the Act, but it was agreed during negotiations precedent to the introduction of the Act that the owners' reasonable costs would be met when it was decided that there should be an arbitration before the Greene Tribunal. The owners' costs at Stage 1 in connection with the Greene Tribunal were £120,000 and the settlement reached, the payment made, has been £45,000 after negotiation.

2841. What sort of examination did you give to the Mining Association's claims as regards this figure of £120,000, the one you have mentioned, and the £860,000 in respect of Stage 2?—In the case of Stage 2 we took the view that the costs incurred by the owners fell broadly into two parts, one was what was necessary or might be regarded as necessary to enable the Central Valuation Board to have all the facts and information before it and those we regarded as a necessary part of the process of valuation which should be paid for by us. On the other hand, in so far as there were heavy legal expenses in, so to speak, the fight between the various coal districts as to the division of the total sum, we thought that any high legal expenses should not be allowed. They submitted

evidence of what their costs had been and where we thought it was necessary for the Central Valuation Board to have had this information presented to it properly, those were reasonable costs, but not costs incurred over and above that—which we felt had been incurred for the sake of one district, if I may put it this way, trying to get the better of the other districts. The position was that all the districts were competing, so to speak, for their share of the cake.

2842. Can you give examples of items eliminated from the firms' figures as unreasonable?—I could not give them off-hand, but they would mainly have been costs; an important item would have been the fees paid to Counsel by the different districts.

2843. Would you let me have a list of the sorts of things that in the end they agreed to strike out?—When I refer to costs of Counsel, I mean what might be regarded as very high fees to Counsel, higher than might have been required for presenting the case, incurred for the presentation of arguments and counter-arguments.*

2844. Have the regulations referred to in paragraph 111 under Section 15 of the Act been issued?—Yes. The position is that the regulations have been issued in Statutory Instrument, 1952, No. 517.

2845. Did you, in fact, make these substantial payments that are referred to here?—Yes, substantial payments.

2846. Totalling what?—£2½ million.

2847. In the past, Public Accounts Committees have been told that the total cost of implementing the Nationalisation Act was likely to be between £5 million and £10 million. Have you got any up-to-date estimate of the cost?—Yes, Sir, I think now that we are able to estimate more closely I should say it would be nearer the lower figure than the higher figure, about £6½ million.

2848. Would you now turn to the Civil Appropriation Account, Class VI, Vote 6, on page 330? Subhead A in your 1950-51 Estimates provided for three Under Secretaries and seven Assistant Secretaries for your Coal and Safety in Mines Divisions. Were they all in post during the year, can you tell us?—Yes, Sir, I think so.

2849. Can you explain to us why so many senior officers are required in these Divisions some years after the actual nationalisation has been carried out?—Well, as regards the Safety in Mines and the Safety and Health Divisions their functions have not been changed really by the passage of the Coal Nationalisation Act.

* Information supplied; not printed.

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[Continued.]

They are dealing with the administrative work in connection with the Mines Inspectorate which remains with the Ministry. We have one Division which deals with the general questions that arise in connection with the National Coal Board where we have various functions to perform and we have another Division which deals with the Ministry's responsibilities for the allocation and rationing of coal and also with the Ministry's responsibilities in connection with the O.E.E.C. in Paris and the Economic Commission for Europe. One of the reasons for the number of senior staff is that we have almost invariably one, if not two, senior officers of the Ministry abroad.

2850. How many staff do you employ in carrying out your statutory duty of promoting economy and efficiency in the supply and distribution of gas and electricity?—We have one Division which deals with electricity, embracing a number of activities, and another which deals with gas, but our responsibilities in regard to efficient use of fuel and power generally are dealt with really by our Division which is concerned with fuel efficiency measures.

2851. Do you think you have succeeded in securing economies? Can you give examples of the sort of things that have happened?—I have forgotten what the actual phrase is in the Ministry of Fuel and Power Act. We have functions to promote the efficient use of fuel and power. Our main activities in that direction are, firstly, scientific research and development and, secondly, the promotion of the efficient use of fuel primarily, of course, the efficient use of coal, but we have engaged in the last two or three years in campaigns of one kind or another in connection with the electricity and gas industries to inculcate the need for economy, especially in the domestic sphere, in the use of electricity and gas.

2852. Your staff oversee the building licences in the fuel and power industries. Do you co-ordinate the building programmes of the various industries? If I may take an example, would you try to get electricity and gas authorities to share showrooms and offices if it were a question of both of them requiring accommodation?—At present we would have no powers to do that. We can encourage the Electricity and Gas Boards to use, as far as possible, similar accommodation. The real position is that they took over accommodation from municipal and company undertakings which were nearly always separate.

2853. But within your Department am I right in assuming that you try to co-ordinate the building programmes as much as you can?—I do not think I should be justified in saying, Sir, that we are doing anything effective on the building of offices

or showrooms, because I do not think it would be practicable at the present stage to get combined buildings. Most of the work done is extensions or adaptations of existing buildings.

2854. In the explanation of the saving under Subhead D you refer to gas turbine research. How does it come about that your Ministry undertakes research for the Department of Scientific and Industrial Research? Where is the research carried out? Have you got a separate research establishment? How do you divide the field?—It was as a result of a Report of the Scientific Council presided over by Sir Henry Tizard, which was reviewing the whole sphere of Government scientific research. That Report recommended that the Ministry of Fuel and Power should engage in research notwithstanding the continuance of expenditure by the Department of Scientific and Industrial Research. Accordingly, for the first time an item for expenditure on research was included in our Estimates for 1949-50. Our main activities are directed to research and development directed towards more efficient use of our national fuel and power resources and it was in connection with that that we embarked on research under our chief scientist, Dr. Roxbee Cox, in connection with the use of gas turbines operating on coal or peat as opposed to oil.

2855. Are you conducting the research on the Severn Barrage Scheme?—No, we are not doing that. That is, I think, under the Department of Scientific and Industrial Research.

2856. Although that, in fact, is research into a possible source of development of fuel resources, is not it?—Yes.

2857. Do you happen to know what progress has been made?—They are waiting, I know, for a model to be made of the Severn, and I could not tell you when that is going to be ready, but I do not think it is going to be ready for another year or two.

Mr. Benson.

2858. Sir Donald, you say that your staff dropped by some 1,300 as a result of the transfer of open-cast mining to the National Coal Board?—Yes.

2859. I presume that was really a transfer of the staff from one organisation to another? There was not any net saving?—Not at the moment. The transfer has occurred just a few days ago and it is mainly a transfer of our staff, which was mostly temporary staff, surveyors, engineers and other temporary staff, to the Coal Board.

2860. With regard to gas turbines, run by coal, is that experimental and research work in connection with the Derbyshire attempts to utilise the coal underground?

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[Continued.]

—I could not answer that offhand. No, I think that is underground gasification experiments.

2861. Yes, where you are attempting to use that gas?—No, that is separate. The gas turbine experiment is designed to use a gas turbine burning coal or peat for such purposes as locomotives and other civil purposes as well as aeroplanes where most of the work has been done hitherto on the gas turbine.

2862. I see. On page 332 you refer to royalties and payments on petroleum production. What is the position now with regard to the production of petroleum in this country?—There is a certain amount, but not very much. We issue licences for prospecting and we receive a certain amount in respect of those licences, but not very large amounts have been found. The oil produced in 1950 was 45,000 tons.

2863. I do not know whether you can say anything about a point which I am frequently asked about in my constituency? The Electricity Board and the Gas Board have different meter readers who cover the same ground, and this is frequently being thrown at me. I presume you have met the problem?—Yes, but there are old traditions in these industries and it is not an easy thing to get the work of the meter readers, and what is even more important, the work of sending out the bills, which is a mechanised operation nowadays, carried out from the same office or with the same people, but there are experiments going on in the London area today to try to get some co-operation. I believe that in the old days when a municipal undertaking had an electricity and a gas undertaking they had separate meter readers for each.

Mr. David Thomas.

2864. On the question put by the Chairman relating to the offices of the Electricity Boards and the Gas Boards do you think there is any real difficulty at all in effecting economies by joining those two bodies together, especially in correspondence and also in meter reading? It should be possible to do the work with one staff. In several towns you have got an electricity supply and a gas supply with two separate offices and two staffs, and is there any reason at all why the two offices should not be put together and worked by one staff? You might have to get, perhaps, a few additional employees in one office, but there would be reductions compared with two offices, and there is no reason at all, is there, why an electricity meter reader should not read a gas meter? I am not a reader of meters, but I certainly can read the two meters in our house, anyhow?—Of course, under the Electricity Act and the Gas Act the Electricity Boards and the Gas

Boards are financially independent and autonomous bodies who have got to pay their way. They took over undertakings from the old municipal electricity and gas undertakings and they took over their staffs and there is, of course, and it may be that it is a source of efficiency in service to consumers, a very strong and keen competition between the electricity and gas industries. Whether you could get satisfactory arrangements which would be equally beneficial to both gas and electricity undertakings in combining meter reading I am not sure. It would have to be, I think, combined with the issue of the bills which now in these rather large organisations has been highly mechanised, and I would doubt if it could be done quickly. It is not a matter in which my Department has any power to intervene, it is a question of these Boards finding whether they can save money or can make satisfactory arrangements in individual areas. My information is that in certain areas they are finding it practicable to do so and are trying it out.

2865. So there is every possibility, then, that if it succeeds in one area, they might adopt it in all areas eventually?—There might be practical difficulties. For example, if I may give an illustration, you get an area like the Southern Electricity Board which has concentrated its bill work at one centre, sending out bills, has mechanised the whole thing and concentrated it on one centre. Whether it would be practicable for the gas people to do that from that centre, I do not know.

2866. On page 330, under Subhead B, "Travelling, &c., Expenses", on what basis are these inspectors who visit the open-cast works paid if they travel by car? Is it so much a mile?—Yes, it is under the normal Treasury rules. The people who would be travelling here would be surveyors going round prospecting or engineers visiting sites to inspect, and they would be paid at the ordinary mileage rate allowed by the Treasury for Government service generally.

Mr. Blenkinsop.

2867. Just to follow some points raised by the Chairman in connection with paragraph 110, I understood you to say, Sir Donald, that while there was no statutory authority for the paying of owners' costs in connection with their claims before the Greene Tribunal, nevertheless there has been some statement made which provided that reasonable expenses should be met?—Yes.

2868. Do I take it that that applies also to the second stage, that of the Central Valuation Board which provides for the splitting up of the global sum?—There is statutory authority under Section 12 of the Coal Nationalisation Act, and this includes the owners' reasonable costs. Then it comes

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[Continued.]

down to a question of what is reasonable, and that is what we have been having a good deal of argument on and have at last reached a settlement.

2869. You have had no guidance at all as to what should be regarded as reasonable costs?—No.

2870. I rather gathered, too, from what you said that the whole of these figures, both the £45,000 and the £300,000, were pretty well taken up with legal costs that you regarded as reasonable?—I think it would be a mistake to think they were legal costs. A great deal of the costs would arise out of questions of valuation. It was high legal costs, high Counsels' fees which we were rather cutting out, but there would be a lot of work done by accountants and surveyors which would be reasonable.

2871. The Chairman did suggest that it might be possible for you to let us have a note of some of the typical things that were being cut out. Could you give us at the same time an idea of some of the main items of expenditure that you allow so that we can have some conception of the sort of expenses that are being met here?—Yes, I could put in a more detailed statement.*

2872. Then, do I take it, that the same position arises really in regard to the third stage. There is definite statutory authority as is mentioned in the Report but, again, it is left to the determination of what is reasonable?—Yes. Both parties, both the coal owners and the Ministry, felt that it was very desirable to try to get a reasonable figure fixed at a rate of so much per ton so that we would not require an enormous staff to go through all the bills, and it is on Stage 3 that the really most expensive work from the point of view of the owners and from the point of view of checking it on our part arises. All title deeds have got to be produced, the properties have got to be identified, inventories of stores have got to be produced and in the case of one concern alone the inventory of stores which they had to produce ran to half a million sheets of paper. That has got to be on the one side got out and on the other side checked and it is that type of work which is involved when you are engaged, as we were in this case, on making a valuation of physical assets.

2873. I take it that that work has now been broadly completed, or a great part of it?—Yes, it has been completed. It has taken a very long time but it is broadly completed. The work in connection with stores has been completed.

2874. We could, therefore, assume that the staffs being maintained by these companies in liquidation should now begin to dwindle?—I think so, but they are bound to keep some staffs because one of the difficulties is that until in each district the

whole thing has been settled, all the claims, the compensation units, as we call them, have been fixed, you cannot make a final payment; and there are a number of difficult legal questions and others which are involving references to Referees and to the High Court, and until that is finished the owners must maintain a certain staff, but as I have said we have now got the thing settled on the basis of so much per ton, a certain scale fixed for Stage 3, and we would not be affected by how long the thing goes on. It would not affect what we should pay out on our Vote.

Mr. Douglas Marshall.

2875. Sir Donald, in reply to one of my colleagues' questions you mentioned that travelling expenses were at the ordinary mileage rate laid down by the Treasury. Am I to understand that the rate now is absolutely fixed, the same for all Departments of State? I would like to clear that point because I am not quite satisfied it is the case?—I think so. That is rather a matter for the Treasury to answer. (Mr. Milner-Barry.) I think that is so. I shall have to confirm that, but I think it must be so.

2876. What is the rate, then?—I will let you know.*

2877. The next point I wanted to raise also arises from the answers you gave to one of my colleagues with regard to the question of electricity and gas showrooms. I had experience before the war which showed that it definitely was of advantage even getting different branches to compete against each other and against the central organisation in order to have competition from both on a really high level, and although in certain instances there may have been losses there was profitability of the whole. Is that really the argument you were adducing at the time?—(Sir Donald Fergusson.) I think so. I think that competition between those two industries is of definite advantage. It is a thing which makes for efficiency, I think, but notwithstanding that I think there may be opportunities for them to co-ordinate some of their work together.

2878. Under Sub-head F on page 330 of the Civil Appropriation Accounts, Classes I to VIII, I notice that the amount estimated and granted for fuel efficiency measures was £7,000, but under 50 per cent. was in fact spent, and the reason is given in the note to Sub-head F: "Due to reduced expenditure on lectures, exhibitions, &c." Would you consider that it was a good thing that less money was, in fact, spent on the question of fuel efficiency?—This particular item on our Vote only accounts for a very small part of what we are spending on, so to speak, fuel efficiency. It refers to a number of particular items where owing to changing

* Information supplied; not printed.

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[Continued.]

conditions we did not think it was worth while spending the money that was provided in the Estimate.

2879. I fully realise these are the Appropriation Accounts for 1950-51 and I have no right to ask you what is happening up to date, but in studying this last night the impression that I gained was that either, perhaps, £7,000 was very, very small or very, very large and that really there was not anything at all in the fact that less than 50 per cent. at the outside had been spent. What exactly was the position?—No, I would say that the bulk of our work on fuel efficiency really arises under Subhead D.

2880. On research?—“Research, testing and inspection”. It is there on fuel efficiency research, anything to do with research on fuel efficiency and testing, and under Subhead D we are spending £22,000 on fuel efficiency research and testing. That is for the mobile vans that we send round.

2881. I wonder, in that case, whether I could ask Sir Frank, is there a reason for having this special Subhead F which appears to me slightly misleading, if the majority of fuel efficiency measures come under Subhead D. Why is this £7,000 separated out all by itself?—(Sir Frank Tribe.) I imagine the reason is that Subhead F deals with things like lectures and exhibitions and demonstrations which are not really in the nature of research. The whole of the research expenditure, including research on fuel efficiency, is in Subhead D and Subhead F merely deals with measures to bring home to people the results of that research.

2882. I see, you feel they should be separate items?—I do not attach great importance to it.

2883. I am only thinking about the future, that if one is studying this and there is any question of people trying to get a general idea of what is going on, one would naturally have an idea that there is a good deal about fuel efficiency in Subhead F? I think it is slightly misleading. Perhaps thought could be given to that?—(Sir Donald Fergusson.) Yes, we should have to consult the Treasury, but it is the fact that the items in Subhead F are in the nature of holding certain demonstrations, lectures, and that sort of thing which are slightly different from the main fuel efficiency work.

2884. In fact, they are separate from whatever you manage to do under Subhead D?—Yes, then you come on to other aspects of the matter, that some of the work which is being done on the fuel efficiency side would fall on the Central Office of Information's Vote, which they do for us.

2885. Under Subhead H, “Expenses in connection with the nationalisation of the coal industry”, I see that the grant was over £2 million, and, actually, just about £1½ million less was spent. I see the reasons given here under Item H as to that, but there was a fairly great difference between the grant and the amount spent?—I gave the explanation of that in answer to the Chairman's questions, that it really was because we did not reach agreement. We have had very prolonged negotiations with the owners to try to settle what would be a fair sum to pay to them and we had not finished those negotiations during the course of the year. We hoped we would have done and that is why that appeared in the Estimate, but we did not reach agreement in the course of the year.

2886. I am very sorry, I was delayed for a quarter of an hour and I did not realise that had been answered before. Under Subhead A the explanation for the saving of part of the £648,000 is that it was due to the abolition of petrol rationing. Have you already given the exact figure?—Yes, I have.

2887. You have given the exact figure on that?—The saving in money under Subhead A was approximately £½ million.

Chairman.

2888. Before we go on, am I right in supposing on this point Mr. Marshall is raising that you have now amalgamated your old Subheads D and F, which you have now got under one heading in your current Estimates?—Yes, I believe we have. I must apologise, I had forgotten that we already have done that.

Mr. Bossom.

2889. You said you could not make use of the savings that you had made under these eight points, but you do see from paragraph 110 that you paid £45,000 and £300,000 with Treasury approval. Where did that money come from?—It is part of that £660,971 that appears in the expenditure column against Subhead H.

2890. The £45,000 and the £300,000 were paid out of that?—Yes.

2891. Did you do the negotiation to cut it down, because they asked for £120,000 and £860,000?—Yes.

2892. You negotiated?—Yes.

2893. And you were satisfied that that was a fair amount?—Yes, we were satisfied, and the Treasury was satisfied it was a fair amount.

2894. Those Estimates, as you told our Chairman, are subject to a lot of improvement. Are you finding you are getting improvements now over what you were getting in those days or are you still having the same great discrepancies?—Those two payments are final payments in respect of

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the owners' costs on Stage 1 and Stage 2 of the proceedings; that is to say, the £45,000 was the final payment to the coal owners in respect of the proceedings before the Greene Tribunal. That is finished and over.

2895. I have not made myself clear. You have eight items, and every one of them was well below the Estimate. Are your Estimates on a matter of a similar nature today any closer than they were?—Do you mean, on our general estimating?

2896. Yes, in your general figures?—Yes, that is so.

2897. They are better now?—Yes.

2898. They do not come before us today, but they will come before us in another year?—I beg your pardon. I misunderstood your question. Yes, our Estimates are closer.

2899. Our Chairman asked you about the staff. Do you take advantage of existing staffs and try and avoid duplication? In the town I represent, Maidstone, Kent, there is considerable duplication going on right now. The point has been raised very much in my town and there is a lot of duplication going on there?—In what sort of staff?

2900. Examination of meters and staffs in the offices?—That does not fall within my responsibility. That is a question for the Electricity Boards and the Gas Boards who under the Electricity Act and the Gas Act are fully responsible. They are not my staff and they are not my responsibility.

Mr. *Bossom*.] I see, thank you very much.

Sir *John Mellor*.

2901. I think you said that you had spent a certain amount of money on a campaign to inculcate economy, that is right, is not it?—Fuel economy.

2902. Fuel economy, yes. Was that campaign entirely directed to the general public or did not it include the nationalised industries?—It is directed to getting a more efficient use of fuel. It is directed to industries generally, including the nationalised industries, including the National Coal Board at its collieries, including the electricity industry at the power stations or the gas industry at the gasworks, and all other industries. What we are trying to do is to promote in every possible way we can the more efficient use of coal primarily.

2903. So you are concerned with economy on fuel on the part of nationalised industries but you are not concerned with economy of expenditure by them, is that correct?—That is so. (Sir *Frank Tribe*.) The Ministry of Fuel and Power Act, 1945, lays upon the Ministry the duty of promoting economy and efficiency in the supply, distribution, use and consumption of fuel and power.

2904. Thank you. As part of that campaign were these mobile vans sent out?—(Sir *Donald Fergusson*.) Yes.

2905. Do they go to all consuming industries?—They go to any industry or any undertaking that is prepared to use their services, who asks for their services.

2906. Have they been in constant use?—Yes.

2907. Is the demand for them as much as or more than they can cope with?—Yes, in fact we have increased them. It is difficult to get staff to increase them, but we have increased them over the past few years and they have got still as much as they can do. The demand for their services exceeds what we can supply.

2908. In endeavouring to promote the economy of fuel are you concerned with the sale to the public of electricity or gas consuming apparatus by the nationalised industries?—No.

2909. Has not Government policy been concerned with either discouraging the manufacture or sale of electric fires and other electricity consuming apparatus, and if so, is not that the responsibility of your Department?—Well, it would be the responsibility of my Department only in this way, that we should draw a distinction between, let us say, cooking appliances which are more or less essential and new cooking appliances are more efficient users of coal than old appliances, especially gas cookers. A new gas cooker would save coal, so we do not want to discourage the putting in of a new gas cooker to anybody who needs a new gas cooker. Other forms of appliance have been discouraged, if one may put it this way, by the fact that they have had the purchase tax on them increased, but that is a matter which the Treasury deals with. We make representations to the Treasury but we do not deal with that ourselves.

2910. For your part have you had anything to say to the Gas Board and the Electricity Board with regard to the offering to the public of apparatus from their showrooms?—In the course of the last two years the Ministry has made representations to the gas and electricity industries not to conduct promotional advertising of appliances which would lead to undue consumption of fuel.

2911. But notwithstanding that advice have they not continued to compete the one with the other for the sale of their apparatus?—It is, of course, true that where you have got new housing estates going up the supply of gas or electricity appliances is inevitable. They have got to be supplied and I think one must draw a distinction between certain types of

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appliances and others, some being necessary or desirable and others being extravagant or leading to extravagance in fuel consumption.

2912. Have not the Electricity Board and the Gas Council continued to compete with one another in pushing the sales of their electricity and gas apparatus in competition with one another?—Yes, I think in a sense that is so, but it is also in competition with coal, it is also in competition with oil appliances. There are all sorts of appliances which people might use and it is true that the various industries do to some extent compete with each other in saying that theirs is the best.

2913. In so far as they continue to push the sale of this apparatus they are acting in defiance of the representations of your Department, is that right?—No, I would not say that because our efforts in fuel efficiency are rather directed towards two objectives, first to promote the use of appliances which give more heat or power for a given quantity of fuel, that is to say, efficient appliances, and secondly to prevent waste of fuel both in industry and in the home by careless use. There is, for example, in industry supposed to be a very large waste in steam going to waste all over the place and equally in the home through pipes and boilers not being lagged.

2914. Could you supply this Committee with a statement of the communications you have made to the Electricity and Gas Boards upon this subject so that we may know exactly what message was conveyed to them by your Ministry with regard to their sales of gas and electricity appliances?—I do not think we have made any communications to the Electricity and Gas Boards on that particular matter. Our efforts have been directed at the consumer.

2915. I am sorry, I thought you said a little while ago that you had asked those nationalised industries not to push the sales of this type of apparatus in the interests of fuel economy at the present time? If I am mistaken, I apologise?—No, what I meant was this: I think the late Minister of Fuel and Power in the previous Government made an announcement that he was indicating that he thought that promotional advertising of certain types of appliances—not all, but certain types of appliance—was undesirable at the present time. I cannot be quite certain that he did, but I think he made an announcement of that kind.

2916. Then, am I right in saying that to the best of your recollection you took no action with the nationalised industries in pursuance of that announcement?—No, the Minister of Fuel and Power would have made it clear to the nationalised industries that he thought it was undesirable that

there should be promotional advertising of particular sorts of appliances, not all appliances, particular forms of appliance.

2917. Did your Department follow that up with any detailed action?—It would not be for my Department to do that. It would be for the Boards to stop promotional advertising.

2918. Your Department, then, in fact, remains quite aloof in matters of fuel economy from the nationalised industries, is that right?—The position is that the Minister of Fuel and Power has certain limited powers. It is very doubtful whether he has the statutory power to give a general direction on a matter of the sale of appliances. I would not like to say as to whether he has or has not with regard to a nationalised Board. What the Ministry's activities have been directed to is to try by research and development to get more efficient appliances developed in this Country and also to provide means of showing consumers how they can avoid the wasteful use of what appliances they have.

2919. But on other matters you have made no direct communications, then, to the nationalised industries?—Not to the nationalised industries as such, but as we would do to other industries.

Mr. Cuthbert.

2920. I want to follow that up. Since the two industries, electricity and gas, were nationalised, what actually is your authority with them in any way at all as far as their businesses are concerned? What are your duties really as far as the two nationalised Boards are concerned?—The Minister has two powers. The Minister can give to the Boards of nationalised industries directions of a general character on matters appearing to the Minister to affect the national interest, and if he gets representations made to him by Consumers' Councils, he can then give the Boards, if he thinks fit, a specific direction to remedy any fault in their general arrangements which complaints from Consumers' Councils may have suggested. Apart from that, the Minister has no powers to tell the Boards of nationalised industries how they should conduct their business. They have under Acts of Parliament the responsibility of promoting and developing electricity supply and gas supply to meet the needs of consumers and they have got to pay their way in doing so.

2921. The reason I have asked you that is that, just as I came into the room—I hope I am not repeating what has been asked before—there was a question whether since nationalisation the staffs have been increased in these two nationalised industries. My point is this: if you also have something to say in the matter from the consumer side, if it is only the consumer

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side, is that expenditure of your Ministry added on to the nationalised industries when we get down to the economic side of it, the price of electricity and gas and so on? Are your expenses as a Ministry included in this?—No.

2922. The nationalised industries run their finances as commercial undertakings?—Quite.

2923. They do not pay any of your expenses?—No.

2924. Are the costs of the combined staffs, shall we say, of the two nationalised industries, that is, electricity and gas, for the time being plus the staff you have to employ on the consumers' behalf, all added in?—No.

2925. Your costs are borne by the Ministry separately altogether?—Yes.

2926. I did not quite catch the answer as to whether the staffs in these two industries have been increased or not since nationalisation?—The staffs of gas and electricity?

2927. Of gas and electricity?—That is a matter of which, in a sense, I have not got official cognisance or any responsibility for, and I would not like to answer questions offhand on that.

2928. Is it possible for you to put in a note to that effect? I am getting down to the responsibility of the Minister at the moment. The only way we can get down to it in this Committee is through you, Sir Donald?—Yes. Details of the staffs and all the other details of their expenditure are very fully set out in the Reports of each one of the Area Boards, the 14 Electricity Area Boards and the 12 Area Gas Boards. Each one of those has to make a statutory report and present its accounts to the Minister, which are in turn presented to Parliament.

2929. I quite agree with you, but just for the purpose of getting quickly at whether they are more or less efficiently run from this Committee's point of view, is it possible for you to give us a note of the staffs compared with what they were before they were nationalised?—I can only extract the information from the Reports and give it to you, but I would like to make the point that it does not concern money voted by Parliament in any way. There is no money voted by Parliament in it.*

2930. We have heard one or two questions about the difference between the grant and the sums expended under various sub-heads shown on page 330. Am I right in thinking that the real reason why half of the money in this case was not spent was that the work you had estimated this money was required for has not really been carried out yet? It is not an economy in any way, it is purely that the work you

* Information supplied; not printed.

estimated these large sums for has not been carried out, and, therefore, not spent?—The only economy, and the big economy, was, of course, the abolition of petrol rationing. We saved £600,000, and that must be regarded as an economy, which is the one main item. The other main item in this is the fact that we did not pay over as much of the coal owners' costs arising under the Nationalisation Act in this year as we had expected we should be able to do because of the prolonged negotiations.

2931. This is not a criticism that it has not been spent, but your Estimate is really so very large in comparison to the amount of the grant that has been spent. It is really accounted for by this, that you estimated for a certain amount of work to be done for that money but you have not done that work, or not reached it yet, shall we say, and it does not come into this year's accounts? Is that right? It will be spent eventually, shall we put it simply in that way?—I should hardly think that applied to petrol rationing.

2932. Not to petrol, I am taking all the sub-heads here, and they are all about 50 per cent. less than the grant?—The other items, yes. That would not apply to petrol rationing. I do not think it would apply to the coal nationalisation costs, but for the rest, yes.

2933. On every other item it will apply?—Yes.

2934. It will be spent eventually when the costs of the work, and so on, are carried out?—Yes, the biggest one I think is under Subhead D and that will be spent in due course. I do not think it would quite be so under Subhead I. It will not be spent.

2935. What about Subhead H?—That is the one I have mentioned that will be spent, yes.

2936. That will be spent, too?—Yes.

2937. Then, I am right in assuming that most of it will be spent when the time comes and will come in the next year's accounts?—Under H, yes.

Mr. Peter Roberts.

2938. In the Estimates was the figure which was allowed for for paying out of T.S. Assets for stage 3 the £5 million or the £3 million odd?—The £5 million.

2939. I understand you to say that the coal owners put in, for their claim which you have now settled at £3 million, £5,750,000. I am trying to get at the amount you estimated. Did you estimate for the full amount or for some small amount?—Do you mean in the Estimate?

2940. You said in reply to my colleague that under Subhead H the extra money would be spent but you have, in effect, by coming to an arrangement with the coal

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owners a saving of some £2½ million. Is that reflected or did you not even estimate for it?—We never made provision for the full amount they claimed, no.

2941. Now, may I turn to paragraph 111 of the Comptroller and Auditor General's Report. Again, referring to this £3,100,000, in point of fact those costs remain constant now even if the coal owners continue to arbitrate and go to Referees for years; that is so, is not it?—Yes, except that there might be certain extra provision, I think, allowed for.

2942. Under the £100,000?—Under the £100,000, yes.

2943. Is not it also a fact that at the moment you are only paying 80 per cent. of those costs, when you pay them?—I think they are making provisional payments of about 80 per cent, yes.

2944. In point of fact is not it rather a good bargain that you have made?—No, I personally think it is a fair bargain.

2945. Now, returning to the £800,000 for the non-T.S. assets figure, are you satisfied that progress is being sufficiently made by the parties concerned for these non-T.S. asset valuations?—I have never been satisfied with the progress made about any of this business for the last four years but one has to recognise that it is an enormous task and it is a very complicated task and a number of legal and valuation problems have arisen from time to time which have had to be referred to Referees and, indeed, to the High Court.

2946. In your Department dealing with the legal side of it do you give any priority to getting the T.S. legal work out of the way, or do you run the T.S. and the non-T.S. together?—Well, I would have thought myself that it is the difficulty of getting the T.S. matters settled which really holds the business up.

2947. Would you agree that the non-T.S. business has been held up?—I think it has been a very much slower business than everybody expected. I do not think it has been held up deliberately, so to speak, by either party.

2948. I do not mean deliberately. Is there any method you can think of in your own Department whereby that legal work on the non-T.S. side could be hurried up?—Well, I should certainly be very glad to do that if we could. I would not like to say offhand that I think we can do it.

2949. Referring now to the account itself, again, rather on this legal point, where is the enormous expenditure of time and labour which your legal staff have had to put into this work shown in the Account? Is it in Subhead C or in Subhead H or in Subhead A?—It will be mainly in Subhead H.

2950. In other words it is mostly done by your permanent legal staff?—Yes, it is done by a legal staff which has been increased by temporary legal staff. We have got our own legal staff, some permanent and some temporary.

2951. Are they even now in numbers adequate for the job?—I should not think myself that delays are occurring because of an inadequate number of legal staff in the Department.

2952. Could you say how many compensation units have been completed?—I perhaps ought to make a correction. The legal part of our staff dealing with this work is part of the Treasury Solicitor's staff.

2953. Therefore, does that mean that some of your responsibility for the work of this is divorced from your Department?—The Treasury Solicitor is the legal adviser, so to speak. He does the legal work of the Ministry of Fuel and Power. There are a number of Departments where the work is done by the Treasury Solicitor.

2954. Do you think that that is possibly one reason for the delay in the matter?—No, I would not want to say that. I cannot give you the number of compensation units already completed, but the total number is about 2,800. That is our estimate, and we also expect the work of constituting the units will extend well on into this year before we have finished with it.

2955. That is both T.S. and non-T.S.?—Yes.

2956. With regard to Subhead C, the Departments which deal with allocation of industrial coal in the Regions, has there been any saving made in those Departments since the appointment of the sales organisation of the National Coal Board?—Yes, really what was happening before the nationalisation of the coal industry was that there was a National Supplies Officer appointed by the Ministry to do the work of allocating and he then had his Regional Coal Supplies Officers who were members of the old marketing scheme of the coal industry. They went over to the National Coal Board and they do that work now under our general directions. They were on our staff at one time, but they are no longer on our staff, they are on the staff of the Coal Board.

2957. You do not feel there is duplication between your Ministry officers and the National Coal Board?—No.

2958. Finally, you do not feel that this whole business of valuation is being held up by reason of the fact that the legal work on which it all must be based, which is now through your Department, I understand, in the Treasury, is not or may not

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be completed until the middle of this year?—I do not think it will be completed until the middle of this year, no, or perhaps late this year.

2959. But until that legal groundwork has been done it is practically impossible to come to a decision on the final values of the compensation units?—I would put it in this way, that I do not think it is only legal, I think there are also what I call valuation problems which are difficult and which will require to be determined.

2960. In your Department?—Well, they have got to be really determined by agreement between the parties or by reference, possibly, to the Courts.

2961. Yes, but I just want to get this point finally clear: the valuation proceedings must depend upon the legal entity being completed. Now, the completing of the legal entity is the responsibility of your Department?—Yes.

2962. With the help of the Treasury?—Yes.

2963. That cannot be done until the middle or the end of this year and, therefore, is not it a fact that some of the delay, therefore, must be put upon your Department?—Yes, but having regard, of course, to the extreme complexity of the matter.

Mr. Peter Roberts.] Thank you.

Mr. Scott.

2964. There is one thing I want to be quite clear about regarding the powers and duties of the Minister. Supposing for a moment that the Minister thought that it would be better to amalgamate the offices and showrooms of the Electricity Board and the Gas Board in one particular place, he, the Minister, has the power to bring that about?—No, Sir.

2965. He can recommend?—No, it is not a function of the Minister under the Acts to say how these bodies shall do their business. He would have no more power to do that, as I see it, than he would have had to make a recommendation to, say, a municipal undertaking which had a gas showroom and an electricity showroom that it would be a good thing if they economised and joined them together. As the Minister of Fuel and Power he can make an informal recommendation but he has no power to give a direction.

2966. He could not give a direction if the Consumers' Council made a very strong representation to him?—Yes, I think legally the position would be that if the Consumers' Council made some sort of recommendation of that kind the Minister might have power, but I am not a lawyer and it might be rather difficult to say whether he would have power or not. He might.

2967. You referred in replying to a question by the Chairman right at the beginning

of our proceedings to the fact that normally you had one senior member of your Ministry abroad and sometimes two. Could you say offhand what would be the number of other persons in your staff also serving abroad?—It is very small, a very small junior staff, practically none, I think. There might be one or two, but they might have to go over on a visit, taking a shorthand typist or something of that sort. The only staff we have serving permanently abroad at all is a Petroleum Attaché at Washington.

2968. I was referring to those serving in Paris?—No, very small.

Mr. West.

2969. I see from paragraph 110 that the claim for costs by the Mining Association in respect of the first two stages of the valuation in the first place amounted to £120,000 for which they ultimately accepted £45,000, and on the second stage £860,000 for which they agreed to accept £300,000. Does that rather indicate that their claims for costs were highly inflated?—No, I would not say that their claims for costs were inflated, I think that is probably the amount of money they spent.

2970. Of course, your obligation was to pay reasonable costs?—Reasonable costs.

2971. So far as the interpretation of the expression "reasonable costs" was concerned, £860,000 as against an acceptance of £300,000 seems to me to indicate that it had been grossly inflated, at any rate. Do you agree with that?—On the second stage the various districts were concerned each to get their slice of the cake.

2972. I have no doubt?—At the expense of the other districts, and for that purpose they may well have thought it worth their while and justifiable to engage the very best Counsel they could. That may have been perfectly right and reasonable on their part, but we would have taken the line that it was not necessary for the purpose of getting a fair division that we should necessarily pay very high Counsels' fees.

2973. At any rate, it is established that their claim was £860,000 and they accepted £300,000, and the next point I am concerned with is whether the £300,000 was reasonable or not. I want to know, did you ever take any particular case to taxation to decide the principles upon which the costs were to be paid?—No, I do not think we did that.

2974. Why not, Sir Donald?—Because the legal part of these costs is only a part of them. A large part of the costs was fees for work in connection with valuation and actual office work preparing information of one kind or another in the offices of the old colliery companies.

2975. How did you decide upon the principles which were to apply in the expression "reasonable costs"?—At Stage 2 I

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think what we felt was that it should be the costs that were necessarily incurred in providing the Central Valuation Board with all the information it required, but what we would not have thought necessary at Stage 2 was to pay expenses which went beyond what was reasonably necessary to present the Central Valuation Board with the information it required.

2976. Am I right in suggesting that £300,000 was, in fact, a compromise figure without any real investigation as to the basis upon which the moneys were to be paid at all? Why should it come to the round figure of £300,000 instead of, say, £300,116 10s. 10d.?—Well, it was a negotiated figure, it was not a figure made up of a particular list of items.

2977. Yes, but I want to know the principles upon which you came to the decision that £300,000 was a reasonable sum in respect of costs?—I think I had better put in a statement, if the Committee wishes that.* What we had to do was to negotiate with the owners a figure on the basis of the list of the expenses which they had put forward, which they had incurred. We went through those expenses and reached the conclusion that certain of them were not admissible by reference to a matter of degree rather than anything else, and we reached finally a negotiated figure when we said we thought £300,000 would be a reasonable figure and they eventually accepted it.

2978. Which rather indicates, does not it, that when they put in a claim for £860,000 they knew quite well that that was not reasonable?—No, I would not go so far as to say that. I think they would naturally feel entitled to claim the whole—

2979. All that they could get?—The whole of what they had spent.

2980. I want to follow that, if I may, to the third stage where I see that on this occasion they were a little more reasonable at £5½ million, and they apparently agreed to accept, or you agreed to give, in all £4 million. I want to know something more about this £4 million. Does not it seem quite clear that what has happened is that you have decided to affix a round figure of £4 million without considering the principles at all upon which these costs were to be paid?—No. In the case of Stage 3 costs which are the major portion of the owners' costs, we examined the costs actually incurred by a proportion of the former owners and on the basis of that examination we reached the conclusion that the most satisfactory way of dealing with the matter was by fixing a scale basis for costs by reference to tonnage.

2981. Do I understand that this £4 million in respect of costs is, in fact, a contribution to the various claimants in respect of the arbitration proceedings between

various claimants for their share of the compensation?—Let me put it this way, that a colliery company with a certain tonnage will get a certain amount per ton.

2982. Yes, that is after you have arrived at their rate per ton?—Yes.

2983. But that, of course, comes up to the figure of £4 million or thereabouts?—Yes.

2984. I am more concerned now with the method by which they are entitled to claim. I gather that the various colliery companies who are now fighting each other, as it were, have their share in the district fund? That is so, is not it?—That was so at Stage 2, but Stage 3 is the valuation.

2985. The valuation of the respective claims?—Of all the undertakings.

2986. Now, the £4 million has been worked out on the basis of a rate per ton ascertained upon what basis?—It is summarised in the Comptroller and Auditor General's Report: "Returns of costs were obtained by the Ministry from a large number of the owners, and local investigations were carried out by a professional accountant on the Ministry's staff of the figures submitted by about 22 per cent. of the owners which covered about 50 per cent. of the tonnage output of the industry".

2987. Yes, but I see under heading (ii) that there is £800,000 for additional payments on a scale to be prescribed for costs in respect of subsidiary interests?—Yes.

2988. Apparently the scale has not yet been prescribed?—No.

2989. How did you arrive at the figure of £800,000?—That is what we estimate on the basis of what is proposed. This examination which we have carried out has to cover two things. It has to cover what are called coal industry interests, that is to say, the main colliery interests, and also the subsidiary interests. We fixed the scale in respect of the colliery interests by reference to so much a ton. In the case of the subsidiary interests we are trying to work out an *ad valorem* scale which would cost about £800,000, that being the figure which as the result of our enquiries we think would be a reasonable figure.

2990. Were these scales and these agreements reached between your Department or between the Treasury and the Claimants?—They are negotiated between my Department and the Mining Association and approved by the Treasury. We submit them to the Treasury at the time.

2991. I am sorry to have kept you so long on this, but I am rather interested with regard to this question of gas show-rooms and offices. I gather from your answer to one of my colleagues that you issue directions of a general character on matters of national interest?—No, the Minister has power to do so.

* Information supplied; not printed.

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2992. Do you agree that in the post-war period and, indeed, up to the present time, it is true to say that the demands of industry and the population generally have been greatly in excess of the supply of both electricity and of gas?—I would certainly say that public demand has been in excess of the supply of electricity available; I am not so sure about gas.

2993. In the areas where new industries have been set up I think it is within the knowledge of us all that one of the great problems that we have experienced in those developing areas has been the shortage of gas supplies and undertakings have had to be set down for the increased production?—Certainly.

2994. Even so, is not it true to say that the demand still is greater than the supply overall?—Yes.

2995. If you agree with that, will you tell the Committee whether your Department has issued any directions whatsoever to the various Boards requesting them in the national interest not to purchase valuable properties and not to compete in the labour and building market by embarking upon large extensions of properties in the national interest?—That would be a matter of policy for the Minister to decide. It will be realised, of course, that Gas and Electricity Boards, like their predecessors, the statutory municipal and company undertakings, are statutory public utilities with an obligation to supply.

2996. Yes?—And an obligation, therefore, to send out bills and to do all the administrative matters necessary for carrying out their statutory obligations as public utilities. I would only comment that the question of what showrooms are required, showrooms usually being associated with offices, is dependent on the volume of the business they do. You could not determine as a general question whether it would be practicable or feasible to give a direction to Boards not to buy office accommodation. In many cases, of course, the old municipal buildings and offices are no longer available because they did not vest in the Board, who had to get something else.

2997. Except, of course, where they acquired from private companies, gas undertakings, where they had the undertakings and acquired the offices as well?—Yes.

2998. Would you agree with me that it would have been improper for the Boards in these particular years to embark upon expensive buildings and expensive and extensive alterations where other accommodation was available?—I would not like to express a general opinion on that, I think it would depend on the circumstances.

2999. At any rate, we take it, then, that no directions at all were issued by your Department to the Gas Boards in the difficult post-war periods?—No, no directions were issued by the Minister under his powers under the two Acts to any of the Boards on that matter.

Mr. Hoy.

3000. Coming back to the £45,000 and the £300,000, one of my colleagues suggested that you have made a fair bargain with the mining owners in this respect. Then, I think you said that you had offered a payment of 80 per cent. of the sums, a *pro tem.* payment, but ultimately I presume you will have to pay the remaining 20 per cent.?—Yes.

3001. So, in fact, they will get the total sum?—Yes.

3002. You do know, of course, that the Public Accounts Committee of 1947-48 were rather perturbed especially with regard to the first payment because the Ministry had no statutory right to make this payment?—Yes.

3003. It was rather an *ex gratia* payment, that is, the £45,000?—Yes.

3004. I suppose you will take particular care with regard to the payment of this sum, and you still believe you carried out the request made by the Public Accounts Committee of that year?—Yes, certainly. It was at the instance of this Committee or, at least, because of the wish or instruction given by this Committee, that we have had these very long negotiations and it has taken such a long time to settle this matter, which then gets me into difficulty with the Committee because our expenditure has not been related to our Estimates. We have had the delay but it was because we have been particularly careful not to pay anything which was unreasonable.

3005. You can take it from me that I am not complaining that you are not guarding the public purse against these demands. I would like to be clear on this, that you are going to submit a paper showing this Committee some of the claims that were submitted to you and some of the claims that you disallowed?—On Stage 2, yes, that is what I was asked for.

3006. May I ask you to make clear, as I should like to examine some of these claims that were made, especially by Counsel, as you appear to think that that accounted for a very large part of this sum of money, the difference between the £300,000 and the £860,000?—No, I would not wish to mislead you there. I never said that an item which we would have looked at particularly would be high Counsels' fees.

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Sir DONALD FERGUSSON, G.C.B.

[Continued.]

3007. A very substantial item?—It was an item which this Committee particularly referred to some years ago. It was an item that we gave particular attention to.

3008. That is the one I was thinking of. I would like to leave that now in view of the fact that a paper is coming. May I ask a question about Subhead D on page 330, "Research"? Can this Committee be assured that there is no overlapping between the Ministry of Fuel and Power and the Department of Industrial and Scientific Research?—Yes; under the present arrangements the Minister has a Scientific Advisory Council which has a number of eminent scientific members, and its job is to review the work done in research over the whole field of fuel and power including the work which is done by the Fuel Research Station, which is the D.S.I.R.'s Station, and I think I can say, and I think the Department of Scientific and Industrial Research would agree, that there is no danger of overlapping or duplication of expenditure.

Mr. Douglas Marshall.

3009. I am rather confused over a reply which you gave with regard to this question of electricity and gas, Sir Donald. You stated that the power existed in your Department to issue instructions on general policy on matters of public interest?—No, I would like to get the words right.

3010. That is why I would like to get this clear?—The conception, if I may say so, under these Acts is that these are commercial undertakings running these industries in the public interest for developing the supply of electricity and gas industries, just like any other statutory body, like the Port of London Authority or anything else may be, but the Minister has got certain powers apart from appointing the Boards. The Minister has the power—this is the phrase in the Coal Act and a similar wording applies in the case of gas and electricity—"To give directions of a general character as to the exercise and performance of their functions under the Act on matters which appear to the Minister to affect the national interest."

3011. Yes, that is so, and that is why I wanted to ask you this question. Apart from the phraseology which you have just now used, comparing these industries with

other ordinary commercial undertakings, having regard to the instructions that were issued through the Treasury with regard to hire purchase of this different equipment, would it be for the Minister of Fuel and Power as well to issue a direction to those bodies not to perform them at any speed in the national interest?—I think that what would happen would be what the Treasury did about hire purchase to ordinary industry would, I imagine, be done. I do not know how it would be done, in fact, if it was thought that the same rule should apply, in the case of the gas and electricity industries, whether or not that should be done by a general direction from the Ministry of Fuel and Power.

3012. And therefore if the Minister should wish to limit that, he has the power of the Minister of Fuel and Power to do so?—I think the Minister would have the power to do that.

Chairman.

3013. Is not it right, though, Sir Donald, that the Statutory Instrument that dealt with hire purchase did cover nationalised Boards? Nationalised Boards are not exempt from the operations of the Statutory Instrument in any way?—No, they are covered.

3014. In that particular case there was no need for the Ministry to do anything because the Board of Trade instruction, as it was, had, in fact, affected them in common with all other undertakings?—That would be so, but if there was a case where the Treasury were acting separately about other industries, the Minister could then give a direction. There would be no exception made under the Statutory Instrument.

Mr. Douglas Marshall.

3015. Arising out of what the Chairman has asked, is it possible for you to answer this question: during the last 2½ years has the question of hire purchase within those industries risen, remained static or been less as a result of the direction of the Treasury?—What I think has happened is that the question of hire purchase in the electricity and gas industries has been considered, no general direction was issued to the electricity and gas industries and anything that has been done in connection with the electricity and gas industries has been done under the Treasury general Instrument.

COAL INDUSTRY NATIONALISATION ACT, 1946, ACCOUNT, 1950-51.

Sir ARTHUR WATSON, C.B., C.B.E., Principal Assistant Secretary, Coal Finance and Valuation Branch, Ministry of Fuel and Power, called in and examined.

Chairman.

3016. May we turn now to the Coal Industry Nationalisation Act Accounts? I want to ask some questions which fall more appropriately under this

Account but which are in continuation of questions which have been put already, particularly, I think, some of the last questions that were put by my colleagues. Sir Donald, the Comptroller and Auditor

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[Continued.]

General in paragraph 5 of his Report, which is on the last page, says that the total coal compensation may be between £250 million and £300 million and that on the 31st December, 1951, that is to say, five years after nationalisation, only £140 million had been issued, and of this only about £40 million represented final settlements. This is very slow progress and at this rate it would take us 30 years to settle it all. Can you explain this very slow progress?—(Sir Donald Fergusson.) I think the slowness of progress is due to two main causes: one is the magnitude of the amount of assets to be valued and that in itself would have been a very big task. It is made more complicated by the fact that one has got to determine how much of those assets are to be paid for out of the global sum fixed by the Greene Tribunal at £164 million and which are subsidiary assets which have been taken over under the various arrangements under the Act, and it is not always clear and there may be some differences of opinion as to which is which. If I might give the Committee an indication of the magnitude of the process of valuation, there are 850 colliery undertakings, about 1,100 pits, they have all got to be valued, each one separately, there are 55 coke ovens, 29 secondary by-product plants, 91 brick and tile works, 227,000 wagons, 220,000 houses, 283 farms, there are 2,000 miles of internal railways, there are 86 electric generating plants, 11 shipping staithes, 93 wagon repair shops, 23 briquetting and manufactured fuel plants, 11 water works and six gasworks, and in connection with each there has to be the submission by the colliery company or by whoever owns it, of a statement as to what their interests are, a statement of detailed inventories of stores and equipment, and I indicated in an earlier answer that in one concern alone these inventories of stores run into half a million sheets of paper. There has got to be production of the title deeds, contracts and all other documents required to identify that the property does belong to the person who is putting in his claim, they have got to answer questions that arise on these statements of claim, those inventories have got to be agreed with the National Coal Board who have now got the property, and each property in each district has got to be put into a compensation unit; and there are a great many difficult problems of valuation and of law that arise in the course of these proceedings. What has happened hitherto is that we have paid out in cash for the stores and the wagons and I think I am right in saying that that has been completed. For the rest, we have paid out in partial satisfaction, as it is called, that is to say, payments on account. That has been in the form of issues of stock. I would not like the Committee, however, to think that because,

as you said, Mr. Chairman, the rate of progress looked very slow hitherto, it is going to take many, many years to complete. I do not expect that. It so happens under the procedure involved, it is all wrapped up together, and I would expect that we should settle the compensation units by the end of this year and after that I should not think there need be very great delay before making the final payments.

3017. Could you, Sir Donald, either tell us now or let us have a statement which shows the proportion of the coal industry valuation cases that you have and which have not yet been passed to the Valuation Boards? I am not asking for it now, you can put it in?—Yes.*

3018. Perhaps you could at the same time tell us the position as regards the other cases, the brickworks and coke ovens and similar cases?—Yes.

Mr. Peter Roberts.] That is the T.S. and the non-T.S. assets?

Chairman.

3019. That is right, yes?—Yes.

3020. Now may I ask you about the Valuation Boards. Can you tell us what progress they have made in settling the coal industry valuation cases? I was not clear whether the figures you gave Mr. Roberts applied to those, the 2,000 or whatever it was?—I would like to put that in, if I may. You wish me to put that in, too?*

3021. Yes, and may I also add one or two other things? I would like to know what proportion of the brickworks and other cases that you have passed on to the Boards have got to the certification stage?—Yes.

3022. Now, more generally, would you say that the slow progress made by the Boards is due to infrequent sittings or to the fact that very little is definitely settled when they do sit?—No, I should not think it was either, if I may say so. I think it is the difficulty of collecting and getting the information agreed and checked.

3023. But, Sir Donald, have the claimants any incentive whatever to press for settlement? Are they losing anything by delay?—Certainly, a great many of them are. They want the money for other purposes.

3024. Have the Boards themselves any incentive?—The Boards themselves have no incentive in the sense that it might be said that no party has any incentive, but my own feeling is rather different, that both parties involved, if I may take the Coal Board on one side, because they are really going to have to bear the cost of this, and the owners on the other, are more concerned to make sure that one gets what is due and the other that he does not pay

* Information supplied; not printed.

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[Continued.]

more than he ought to pay than they are to get a quick settlement, and we have rather difficult statutory responsibilities and we have to do an immense amount of checking and verifying before we should have fulfilled our obligations under the regulations

3025. As long as the compensation remains unsettled you have to meet continuing charges on your Class VI Vote for the Boards' expenses as well as for the time your own staff spend on the work?—Yes.

3026. Could you say what that cost you in 1950-51 and what your estimate for future years is?—Our own expenses?

3027. The Boards' expenses and the expenses of your staff on this work? If you can break it down showing the elements, it would be really useful?—In this last year we are paying the National Coal Board £100,000 for the work they do for us in checking. I have not got up to date what we expect our own costs to come to for the whole period including the future as well as the past, but it is about £1½ million.

Mr. Peter Roberts.

3028. Does that include any allocation from the Treasury for the Treasury Solicitor's work?—Yes, including that. That is the figure that I related when I said in answer to an earlier question that I expected the whole thing to cost somewhere about £6½ million instead of the figure I have mentioned previously to the Committee, on previous occasions, of between £5 million and £10 million. You asked me if I could give a figure and I said I thought I could now say it would cost altogether, when we had finished, about £6½ million.

Chairman.

3029. How are the Chairmen of the Boards paid?—The Chairmen at the present are paid a salary.

3030. Is it at the same rate for them all?—That is what I was trying to check up. I think so.

3031. How many of them are there?—There are eight Boards and the Chairman of each Board is paid £1,750.

3032. Can you say how often they meet? How many sittings are there a year on the average?—I have not got the sittings of the Boards.

3033. Who appoints them?—The Minister.

3034. When you did appoint them, how long did you think there would be sufficient work to justify salaries of £1,750?—We always thought this work would take some years.

3035. How long do you expect to employ them on a salary basis?—Really until we have got the final valuations fixed.

3036. Can you exert any pressure with a view to accelerating progress and ending this fairly considerable expense that is involved?—I am afraid, Sir, that my experience is that everybody blames everybody else for the delay. It is very understandable that they should. The Ministry is blamed by everybody for delay. The Ministry, on the other hand, blames the coal owners or the National Coal Board for the delay and it really is, as I indicated just now, an extremely difficult question both of law and of valuation which I have been trying to get speeded up, but which we find it very difficult to do under the regulations as they stand.

3037. You said just now, Sir Donald, that you thought that my suggestion of the number of years it would take was far too large, but would you care to give a view as to when the job is going to be finished?—I am hoping, Sir, that we shall get the compensation units fixed by the end of this year, 1952, and we hope before then. If we get the compensation units fixed, say, by the middle of this year, 1952, it should not take more than another year to finish all the payments. That would be the middle of 1953, apart from some remaining things.

3038. I am not sure that this is a fair question, but looking back on it, would you think that, perhaps, it is not the most desirable way of valuing assets in cases where they are taken into public ownership?—I would agree that it has been a most complicated and difficult task. The arrangements made tended to follow the arrangements made when the coal royalties were nationalised, but this is a much more complex task than that has been.

Mr. Peter Roberts.

3039. The Chairman asked a question about pressure to hurry these things up. Could I ask you what your views are about the giving up of the rights of appeal by the Minister in cases where the Valuation Board has made its findings?—I do not think I should like to express an opinion on that.

3040. I am asking because you said you could think of no method of bringing pressure to bear to hurry the thing up?—I think it is very difficult for us to justify or for any parties to this thing to give up the rights of appeal which they have got.

3041. But that might be a method of hurrying things up, to put it no higher than that? As we are on this, may I turn to paragraph 5, on page 3 of the Account, "Capital outlay refunds (Section 18)." The amount of money am I right in thinking, is £17 million?—Just over £17 million.

3042. That money is payable by the owners to the Coal Board and the Coal Board are going to pay it back on a 50-year terminable annuity?—No, these are

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capital outlay refunds which we have paid to the owners in respect of the development work which they did between August, 1945, and the handing over of the collieries on nationalisation—

3043. How is that money going to be repaid?—And the Coal Board pays us.

3044. Therefore, the Coal Board must get the money from the owners?—No, it is additional, you see, to the compensation paid under the Act. Under the Act there is compensation paid to the coal owners, but when you come down to the individual coal owner, if he pays a capital outlay that will be deducted from his compensation that he will get. It will be taken into account, really.

3045. Will it be deducted from the global sum, or will it be a sum payable to the Coal Board?—It will be deducted from the amount of compensation that the individual colliery company will receive. If he has a capital outlay refund, he will get so much less. I beg your pardon, may Sir Arthur Watson answer this?

Chairman.

3046. Yes?—(Sir Arthur Watson.) It is dealt with in Section 18 of the Act. The sums paid by way of capital outlay are additional to the compensation paid under the Act, but they are taken into account in reckoning the individual sums of compensation paid in accordance with the provisions of the section in the Act. They are a little complicated, but the Coal Board at the end of the day has to repay to the Minister both the total of the compensation money and of capital outlays.

Mr. Peter Roberts.

3047. On this 50-year terminable annuity?—That is the point, yes.

3048. Do you know the rate of interest on which this terminable annuity has been based?—(Sir Donald Fergusson.) It is the rate operating at the time when these annuities are fixed. They are fixed each year and the Treasury determine what the appropriate rate is.

3049. When we come to partial satisfaction payable to the owner it would be improper then, would it, to deduct these capital refunds from that partial satisfaction?—(Sir Arthur Watson.) The capital outlay refunds have already been paid in full to the owners.

3050. It is a question of paying them back?—The partial satisfaction is a partial payment on account of the compensation money which will actually fall due to them. It is additional. They are taken into account in making partial satisfaction payments in just the same way as the Act requires them to be taken into account in valuation.

3051. So, you are paying out partial satisfaction to the collieries each having, so to speak, a duty to repay their capital refund.

and are not making it as a reduction?—It is taken into consideration in the way the Act requires in connection with fixing the final amount of compensation to be paid.

3052. I see. It has not been taken into account when you deal with partial satisfaction? Now, I want to come to a question which I feel is related to the one we have been discussing on the question of speeding up proceedings. In paragraph 4 of his Report, which is on the last page of the Account, Sir Frank refers to the certificates which have been given "in respect of brick works, coke ovens, houses, &c." As I understand the paragraph, Sir Frank, is this right, that the total amount, not the certificates which have been issued, is £40 million?—(Sir Frank Tribe.) Yes.

3053. The total amount is £40 million. Can you explain to me, Sir Donald, how the Coal Board at the moment are financing that £40 million? To put it in another way, the Coal Board are working and operating the coke ovens and the brick works, which have a value of £40 million. Until they pay for them, are they virtually getting them interest free?—(Sir Donald Fergusson.) They are paying the interim income.

3054. They are paying the interim income based on these figures at what per cent.?—At what we are required to pay under this Act to the owners.

3055. As this figure is not yet assessed, how can they be paying interest on it?—(Sir Arthur Watson.) They are refunding the actual amounts which are paid by way of interim income to owners without interest.

3056. Without interest?—They pay currently, so to speak. They pay at the end of the year the amount which has been paid during the year.

3057. At what rate would that be? 3 per cent.?—That is paid at a rate which ultimately will be fixed according to the rates of interest which the Treasury fixes, but for the moment they are being paid at one-third of the comparable ascertained revenue of the companies.

3058. Therefore, would not it be fair to say that so long as the actual payment of these assets is delayed, thereby the Coal Board themselves are obtaining a financial advantage?—It is very doubtful indeed whether there is any financial advantage in it.

3059. Why do you say that?—They are paying interest in the form of interim income.

3060. Which is based on what?—On one-third of comparable ascertained revenue to be adjusted at the end of the day to a rate of interest fixed by the Treasury.

3061. Is not that expected to be less than the present rates, if this £40 million was borrowed?—I just do not know.

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[Continued.]

Chairman.

3062. Is it as likely to be above as below? Is that what you are saying?—I think so, Sir. (Sir Donald Fergusson.) I do not know.

Mr. Peter Roberts.

3063. I do not think I have really made my point clear, in that case. If the National Coal Board had to pay this £40 million out now, it would have to raise the money to do so from the Treasury?—(Sir Arthur Watson.) It would probably be a debt to be funded to the Treasury, yes.

3064. So long as they do not have to do that they are not faced with that charge?—That is true.

3065. Therefore it is equally true to say that the longer they can delay doing that the longer they put off that charge?—That is true.

3066. Sir Donald, do you think the Coal Board are holding up some of these non-T.S asset claims by putting in frivolous points of agreement?—(Sir Donald Fergusson.) No, I should not think so myself. As I said just now, I think they are very much more concerned not to reach agreement on matters where there is difference of view. They are concerned not to give anything away and the other side does not want to give anything away.

3067. Can you give the Committee any evidence of there having been in one district an argument, for instance, on housing, taking housing in association with the collieries, which has been decided against the Coal Board in one district, they have tried it on in another district and had it decided against them again, and tried it on in a third district and had it decided against them in each case? Have you any evidence of that?—I would not know that. I cannot answer that question. All I know is that the Coal Board do attach very great importance to that particular question of principle of valuation.

3068. Sir Arthur, do you know whether the Coal Board have taken such a thing from one district to another?—(Sir Arthur Watson.) No, I do not think that precise case occurs. As you probably know, there has been a recent submission to the High Court on this subject and there has been very great difficulty in arriving at decisions on points of principle connected with it, and the matter is not yet settled. I do not think what you suggest is quite the right way of putting it.

3069. How would you put it?—I would not put it at all at this stage.

Mr. Bossom.

3070. You were telling us that there are many brick works which have been taken over. Is the Coal Board now working the brickyards themselves or are they getting rid of them, selling them to other brick companies who can handle them with obviously greater ease than the Coal Board can handle them?—(Sir Donald Fergusson.) As far as I know they are running most of them themselves. They may have sold some, I do not know.

3071. I did not say "closed", I said "disposed of"?—Yes, sold, they may have disposed of them.

3072. They are not disposing of any of the assets like the housing estates, or the brick yards or anything of that sort, they are just keeping them all?—As you may remember under the Coal Act, there were a lot of options given with regard to these subsidiary assets. Both sides had options; the Coal Board had the option to take it if they wanted it and in other cases the owners had the option to make the Coal Board take it, and I imagine the question of whether the Coal Board disposes of any of these brickworks and other subsidiary activities would depend on two things, firstly, whether it is useful to them to keep them in connection with their main activities, if they fit in very well with the colliery activities, and secondly whether they can get a very good price for them or not. They will not sell them unless they get what they regard as a reasonable price, I suppose.

3073. In the Ideal Homes Exhibition at Olympia you had an exhibition of your brickyard products, and many of them were purely ornamental bricks which would not be normally required in connection with coal in any sense, and if you got the price they could probably be disposed of to the better benefit of the country. You do not know how they are being handled?—I hope you are not referring to them as my bricks; I have no responsibility whatever for the Coal Board's activities in producing bricks.

3074. They do not come under the Ministry at all?—They do not come under me, no.

Chairman.

3075. Sir Donald, we will not be able to complete our Agenda to-night, so I am afraid it will be necessary to bring you back on another occasion to deal with the Class IX Vote 5 Account?—If you please, Sir.

*The witnesses withdrew.**Adjourned till Tuesday, 22nd April at 4 p.m.*

TUESDAY, 22ND APRIL, 1952.

Members present:

Mr. Benson.
Mr. Blenkinsop.
Mr. Cuthbert.
Mr. Hoy.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. David Thomas.
Mr. West.

In the absence of the Chairman Mr. Hoy was called to the Chair.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mr. E. C. R. KAHN, a Principal, the Treasury, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 20-29 OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C., Permanent Secretary, Ministry of Transport, called in and further examined.

Mr. Hoy.] Will Members turn to the Treasury Minute on paragraphs 20-29 of the Fourth Report of the Committee of Public Accounts, 1950-51? That deals with

"Grants, etc., exceeding the cash needs of the year" and I have no questions to ask on the Minute. Has any Member of the Committee any questions?

CIVIL APPROPRIATION ACCOUNTS, 1950-51.
(CLASSES I TO VIII).

CLASS VI.

VOTE 13.

MINISTRY OF TRANSPORT.

VOTE 14.

ROADS, &c.

ROAD FUND ACCOUNTS, 1950-51.

LIST OF MAJOR WORKS ON TRUNK AND CLASSIFIED ROADS IN PROGRESS DURING 1950-51.

Mr. Hoy.

3076. May we now turn to Class VI, Vote 13, the Ministry of Transport Appropriation Account, which Members will find at pages 363 to 366 of the Civil Appropriation Accounts, 1950-51 (Classes I to VIII). On page 364, Sir Gilmour, taking items 10 and 11 under the heading "Details of receipts," do the fees for licensing of public service and goods vehicles and for the driving tests cover the costs to the Ministry of these various services?—(Sir Gilmour Jenkins.) For goods vehicles, yes, subject to this, that we have to make an allowance for the fact that the British Transport Commission are not liable for those duties and to that extent the fund is deficient. They have not got to apply for goods vehicle licences and the amount that is realised in actual cash from other people is, therefore, short to that extent, but otherwise that does cover costs.

3077. What is the position with regard to public service vehicles and driving tests?—On public service vehicles they do not cover at the moment, and we are revising those licences upwards. We are proposing to

revise the public service vehicle licences from £2 to £4 and certificates of fitness of vehicles from £3 to £5 for a period up to five years in the second case. That has been discussed with the Treasury and we are about to put those fees up. Then, they should cover the cost.

3078. What about driving tests?—As regards driving tests we are already up to the statutory maximum of 10s. They do not cover the costs, but we cannot put them up without legislation and we shall seek the earliest opportunity from Parliament to get sanction to increase those fees.

3079. On page 366, there is a reference to the Welsh Highland Light Railway Company. This company has been recorded as in liquidation for the past five years?—Yes.

3080. What is the position with regard to its liquidation? Is there any prospect of realising on your investment?—The line, as you probably know, has not been worked since 1936. The rails have been lifted for scrap and the Court made an Order in 1944 winding up the company. The liquidation

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[Continued.]

is still in progress; I do not think I can say more than that. I do not know what the prospects are. The prospects of recovering any of the money, of course, are practically negligible.

3081. You do not think we shall get anything out of it at all?—I should not think so, not a penny.

3082. When do you think the liquidation will be completed?—I do not know. It is in the hands of the Liquidator, of course. We have no influence over that.

3083. May I now turn to Class VI, Vote 14, paragraphs 115 to 117 of the Comptroller and Auditor-General's Report. On paragraphs 115 to 116 I have no questions, but on paragraph 117 I would like to ask what percentage of the District Auditors' Certificates and Reports on the motor tax transactions of local authorities for 1950-51 were outstanding at 1st January of this year and what were the reasons for the delay in rendering these certificates?—Generally speaking, we do not get the results each year of the collections by the local authorities which are done, of course, in a number of places. There is always a considerable amount outstanding from year to year and we keep a running account of it. We know what the figures are.

3084. Not even for 1950-51 as at the 1st January of this year, 1952?—I am not quite sure what the particular point is you have in mind, Sir, on that, I am afraid.

3085. You have the District Auditors' Reports and Certificates on the motor tax transactions?—Yes.

3086. I understand that they have got to be returned, and what I want to know is, how far back is the rendering of these certificates for 1950-51? Is there a long delay?—I have not got that in front of me, but we will look that out and put a note in if you require it.

3087. May I ask you, Sir Frank, what your information is?—(Sir Frank Tribe.) My information, Sir, is that up to the 20th February of this year only 20 per cent. of the certificates had come in for England and Wales. In other words, 80 per cent. were outstanding. (Sir Gilmour Jenkins.) That is for 1950-51? (Sir Frank Tribe.) For 1950-51, but in Scotland where the Ministry do the work themselves through their own auditors the position is very much better. There only 35 per cent. were outstanding. (Sir Gilmour Jenkins.) May we look at that and let you have a note on it, Sir? I am afraid I do not know.*

3088. I would be glad if you will, Sir Gilmour. May we turn now to pages 367 to 368 of the Civil Appropriation Accounts, the Roads, &c., Account. I would like to ask the Treasury a question. Were the con-

* Information supplied; not printed.

clusions of the Crick Committee on the form of government accounts that no useful purpose was served by retaining the Road Fund for what is essentially now a voted service?—(Mr. Milner-Barry.) Yes.

3089. What are the reasons why this finding was not accepted?—I think, broadly speaking, we did agree with the view of the Crick Committee that it was essentially a voted service and there was no particular point for retaining the Road Fund, but at the same time it was a matter which would have involved legislation and it was thought that, in practice, the Fund was doing no harm as it was and there was no very great advantage to be gained by winding it up.

3090. As it seems to serve no useful purpose, would not you agree that this should be taken out?—I think it well might be at some suitable stage. It was not a thing to which one would attach a high priority, I think.

3091. Would you agree, Sir Gilmour?—(Sir Gilmour Jenkins.) Yes, I agree with what Mr. Milner-Barry has said. There is no particular benefit in retaining the Road Fund apart from historical reasons. There is no damage being done, as the Treasury say, by leaving it as it is. The Vote each year is only an amount which is required for the year, it is not in the form of a lump sum of which the balance still remains in the Fund. In essence, it complies with the rules of a voted service that just the amount that is required is voted every year, and in fact in the Accounts you get rather greater detail than you would get in a voted service. To make it tidy and turn it into a Vote would mean amending quite a number of Acts of Parliament and we cannot face the administrative obligations of trying to do that when there is no urgency about it. At this moment we have to save, as you know, every man we can.

3092. May we now turn to the list of major works in progress in the course of the year 1950-51 with which you have furnished the Committee?—Yes.

3093. Would it be possible to publish details of major road works in the Estimates of the Roads Vote in a somewhat similar way to that in which the details of the work are published in the Estimates of the Ministry of Works or of the Universities and Colleges Votes?—Yes. We had thought that that might be a desirable thing to do when it was worth doing. At the moment there are practically no major works under construction. As you know, the amount of money that we can devote to that is extremely small, and at the moment it does not seem worth doing, but we would certainly consider that as soon as it becomes worth while and there is any substantial information which it is worth while giving.

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[Continued.]

3094. On page 2 of this list which you have supplied to us, for instance, I notice that the three largest sums involved are for road works in Wales. Is there any particular reason for that?—No, I think the general reason for it is that South Wales was extremely badly served with road access, generally, but mainly to the Midlands. Also the congestion round about the Neath and Swansea area was extremely bad. They were black spots.

3095. In deciding these things do you take into consideration, for instance, in addition to roads the question of the unemployment figures in these areas?—Of course, the amount of money is so small that we have not been able to take into account using road works as a means of abating unemployment which, broadly speaking, does not exist except in very special areas at the moment. These works were, of course, started some time ago but all we can do now is to try to deal with black spots from the road safety point of view, not much more than that.

3096. Turning to the Road Fund Accounts, 1950-51, and looking at Part I of the Accounts, could you arrange in future for the inclusion of the previous year's figures in that part of the Accounts?—Well, Sir, that would be quite contrary to practice on voted money. In the Appropriation Accounts generally, the previous year's figures are not given. The Estimate is given, the outturn is given, but the previous year is not given and there are practical difficulties in doing it. It means another column on a page which, as you see, is very congested already, but apart from that, it would, I think, confuse the issue. You would have to have notes as to differences, notes on the last year's accounts, and notes on the present account, which would congest the thing, and I think make it even less straightforward than it is now. Trading accounts are rather different, but this is, in effect an appropriation account.

3097. I do not think the practical difficulties are very great. What occurred to me was that this White Paper does not show any movement of figures, whether they have gone up or down compared with the previous year. Do not you think it would be advisable for the Committee and Parliament to see at a glance just how the figures compare with the figures of the previous year?—Well, an appropriation account is open to that same objection, that it does not show the movement, and so far as the Road Fund is concerned there is, practically speaking, no movement either. There is no movement to record when money is so tight as it is at the moment.

3098. For the future would you consider having a further look at this?—Would you like it substituted for the Estimate column? That would accord more with a trading

account and take it away from an appropriation account?

3099. I do not think so, I do not think that is necessary?—We will have another look at it in consultation with the Treasury, if you wish, Sir.

3100. I would be glad if you would. I think it might be for the benefit of the Committee if you do it in that way?—(Sir Frank Tribe.) Perhaps I might add, Sir, that the Crick Committee did suggest that all Government Accounts except the Appropriation Accounts should, wherever possible, show the corresponding figures for the preceding year. This is not an appropriation account published as such. It is a separate White Paper Account and it seemed to follow that the Crick Committee had in mind that this kind of account should give the figures for the previous year.

3101. That is what I thought. You would be aware of that recommendation, of course, Sir Gilmour?—(Sir Gilmour Jenkins.) Yes. I do not think, with respect to the Comptroller and Auditor General, that it really was intended to apply to a case like this where, in practice, we are following the form of the Appropriation Accounts, giving all the material which is given in the Appropriation Accounts: the Estimate and the outturn. If it were what its name implies and what it was at one time, a Road Fund fed by a block grant and was much more in the nature of a trading account I would agree, but as it is you pay into the account only the amount which is to be expended, we surrender the balance and this is, to all intents and purposes, although it is not in form, an appropriation account.

3102. In any case, you will have another look at it?—We will have another look at it, certainly. (Mr. Milner-Barry.) If I may say something on that, we will certainly have another look at it with the Ministry of Transport, but, provisionally, I agree very much with what Sir Gilmour has just said.*

3103. Turning now to Part II of this Account, Sir Gilmour, do you think that Part II serves any useful purpose? The payments and receipts in the year are negligible in comparison with the figures in Part I?—(Sir Gilmour Jenkins.) Yes. This is merely an account of projects which are held in abeyance. This is, broadly speaking, care and maintenance of projects which have had to be abandoned but which may at some time be taken forward. I do not think the Account does any particular good until we start to spend money. We would be quite prepared to drop that part of the Account.

3104. I did not think that served any useful purpose. You have a balance sheet

* The witness subsequently confirmed his provisional view.

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[Continued.]

on that page, but the rest did not seem to me to serve any purpose at all?—No, the amounts are negligible. They are merely care and maintenance. We could drop it until such time as one of them went ahead, if you agree, Sir.

Mr. Benson.

3105. On page 364 of the Civil Appropriation Accounts, Item 10, what services do you render for these rather large fees that lead to them not covering the cost of the service? Is it a check and overhaul of the vehicles?—No, it is the expenses of the licensing authorities themselves. They have to issue the licences. They hold public enquiries as to the need for new services for public vehicles, and such things, and those expenses are met from fees from the licences.

3106. Your function there is really to pay for the investigations as to whether a new service shall be run, and that only?—Well, that is one of the things, but the licensing authorities, of course, do a few more things than that. They issue the licences, they decide whether licences should be issued, and they have other functions which are all incidental to the control of road vehicles, both goods vehicles and passenger vehicles.

3107. What about the collection of the ordinary private car licences? The local authorities do that too. Where exactly is the charge against you for that?—It is in the Roads Account, Vote 14. The collection is actually done by local authorities who account to us and send the proceeds to us, and we pay their expenses. That is all set out on page 367.

3108. How do you estimate those? Is it a percentage, or do they estimate their cost?—No, they charge their actual costs and we check that, of course, and have a control to see that the work is done economically, but it is the responsibility of the local authorities to collect the money and we pay their expenses.

3109. On page 367, under Subhead E, "Festival of Britain, 1951, Road Works, &c.", you appear to have spent something in the neighbourhood of £½ million?—Yes.

3110. Where was that expenditure made?—A large part of—I am not sure whether it was all of it—was in London. I think we did discuss this last year. The arrangement was broadly this, that where road works and other works of the kind had to be done to facilitate the Festival of Britain, the local authorities concerned bore that part which had some permanent value. This Vote bore the part which is of use only for the Festival purposes and had no permanent value. So, you had it split up; taking the roundabout, for example, at Westminster Bridge, part of that was of

permanent value to the London County Council and it therefore was charged to their highway account. We paid 75 per cent. of that—it is a Class I road—and that portion which was only of interest to the Festival of Britain was paid from this Subhead.

3111. How much of that £½ million do you regard as of permanent value?—None of it. It is included here because it has no permanent value. If it has permanent value it is charged to the local authority and we pay a contribution from the Road Fund.

3112. There were only two sites where you would spend any large sum of money, the South Bank and the Pleasure Gardens, were not there?—There was the roundabout at York Road: in fact, there are two roundabouts in York Road. The other work is the construction of new entrances and subways at Waterloo and Charing Cross Underground Stations. Part of that was of permanent value to the British Transport Commission, part of it was solely Festival of Britain. In that particular case, if it is of interest to the Committee, the total cost was £450,000: of that the British Transport Commission bore £275,000 as being of permanent value to the underground railway system and the Roads Vote paid £175,000. That was a fixed grant.

3113. Out of this Subhead?—Out of this Subhead, yes.

Mr. David Thomas.

3114. I would like to ask Sir Gilmour one or two questions on page 367. How do the local authorities who collect these licences on behalf of the Ministry of Transport arrive at the value of the services which they render for the collection of those licences? Is it on a full-time basis as far as the staff is concerned, or are they partly employed in issuing licences and partly employed, say, by the County Council?—I think it will vary from place to place but, broadly speaking, the bulk of the staff on this work will be permanently and whole-time employed on this and nothing else. There will be a proportion of the time of higher staff and there will be a certain amount of expenditure of people who are not on it whole-time, but I think that the bulk will be whole-time people.

3115. That expenditure comes to £1,397,022 19s. 3d.?—Yes.

3116. Could you tell the Committee the value of the licences issued throughout the whole Country?—Yes, the total outturn is round about £60 million. The payment into the Exchequer was £61,357,000.

3117. Would you now turn to page 363, Subhead D of your Ministry's Account,

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[Continued.]

"Telegrams and Telephones". Is there every safeguard in your Ministry as well as, I would say, in other Ministries, that the telephones are used solely for the Ministry and are not used by any of the staff for their own private affairs?—Well, that is an extremely difficult thing to check. Every effort is made to 'accomplish that but, of course, you cannot go too far. It is reasonable that a man should be able to telephone his home and say if he is not going to get home until 8 o'clock when his wife expects him at 5. If he has to make a trunk call for that purpose he has to pay for it, but if it is a local call the accounting is so great that it has always been regarded as impossible and not worth while.

3118. That would apply to the ordinary working man, would not it, or to anybody working in an office in London? They might find themselves late at the office in the evening and unable to get home at the time they told their wives they would be home. It ought to be possible, I should imagine, by keeping checks in your offices the same as are applied in some other offices, that all these telephone calls are checked. If there is no check at all there is no difficulty in any member of the staff using the tele, hone not only for his own purposes, but for other purposes?—Well, as I said, in all cases where any substantial amount is involved in a call, in toll or trunk calls, that is done. The operator always asks whether the call is private or whether it is official, but I think that in every business house in London a member of the staff makes casual local calls of that kind without any question of having to repay. It is a matter partly of discipline in the office. It is up to the man in charge of a staff to make sure that his staff are not all the time telephoning on private account during the day, but I think there must be a reasonable give and take in such a matter, otherwise you get bad blood and you lose much more than you gain. Certainly, the amount at stake in private calls in trying to keep an adequate check would be far in excess of anything you would save by it. I am sure of that.

3119. In view of the fact that it is long existent?—Yes, and impossible to check.

3120. Is it questionable as to whether you can check it? If a private business can check its affairs and check its stamp account to the penny, really, there is no reason why a Government Department cannot do it?—No, but I would be very much surprised if private businesses do go to all that trouble to check private telephone calls by their own staff, that is to say, local telephone calls; I do not think they do. Stamp accounts and that sort of thing, of course, they do, as we do ourselves.

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Mr. Douglas Marshall.

3121. With regard to these road works in the Account on page 367 under "Festival of Britain", I did correctly understand you to say, did not I, that this actual expenditure of round about £½ million is an expenditure which is expended and has not left anything permanent?—Yes.

3122. In that case, presumably, the Festival of Britain cost, at any rate, £½ million more out of this Vote? Are there any other Votes in your Ministry which went towards the Festival of Britain, in any way?—No, this is the only one that I know of.

3123. So, your Department of State incurred an expenditure of £½ million over and above any Vote that was put forward on behalf of the Festival of Britain?—Yes, but this was voted for the specific purpose.

3124. Yes, for the specific purpose, but in your Department. In a way you must treat it as a subsidy to the Festival of Britain?—Certainly.

Sir John Mellor.

3125. I am not quite happy about your attitude towards the telephone calls. You said there must be some give and take about it. The only thing that is given or taken is public money and public time. Surely there must be in the Department some very precise rules as to what persons employed in the Department are allowed to do with regard to telephoning? Are there not precise rules in your Department?—There are no precise rules. There is, no doubt, something in the office instructions, but I am ashamed to say I have not looked at them for a little while. It is perfectly well known, of course, and is enforced by the supervising staff, that people do not abuse the privilege that they have of making an individual and casual telephone call as I instanced, to say that owing to official business, or whatever it is, a man will be home late, or cannot meet the man on semi-official business at lunch, or whatever it may be. That is a matter of staff discipline, and it is quite certain that the supervising staff will check any tendency of people to make telephone calls on private account except of that quite casual nature. Long distance calls, as I say, are checked separately. The point I was really answering at first, the first question, was whether it is possible to have a rigid system of check, and I do not think it is possible to do that. You must allow the individual supervising officer that amount of discretion and I am quite sure in my own mind that that is not abused.

3126. So far as the question of check is concerned, it is a question of payment, I take it, that you have in mind?—Yes.

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[Continued.]

3127. There are two quite distinct questions here, are not there, first of all use of office time and, secondly, the use of the public service of the telephones at public expense?—Yes.

3128. So far as office time is concerned, you say it is a matter for the supervisory staff to see that office time is not wasted?—Yes.

3129. Now, with regard to the question of the use of the telephone at public expense, surely there must be precise rules in all Government Departments as to how far the staff are permitted to use the telephone free for their private purposes?—No, I would not say there are precise rules. There is the general rule that time in the office is spent doing the work of the office and not in looking after one's private affairs, whether by telephone or in any other way, and the check on that is proper supervision of the staff by supervising officers.

3130. That is from the point of view of use of office time?—Yes.

3131. Now, on the other point with regard to the use of the telephone at public expense, I would be grateful if you would direct your mind to that for the moment. Surely there must be, I should have thought, in all offices, whether Government offices or commercial offices, some definite rule as to how far the staff are permitted to use the telephone at the expense of the office or at the expense of the public in the case of Government Departments?—The broad rule, of course, is that you do not use public facilities for your private purposes except to that small extent.

3132. You say "to that small extent." I want to know to what extent you are referring? You merely gave an instance of a man who was kept late at the office, having to telephone his wife to say he could not get home at his usual time, or something of that sort, but I am not dealing with exceptional cases. I want to know to what extent it is permitted?—As I say, I do not think reasonably you can lay down a rigid rule. You have the two things, the waste of public time if a man uses the telephone too much for private purposes, and you have the other thing, the cost of the telephone calls. Both those things must be checked by the supervising officers of the staff in question to see that that is within reasonable bounds. I do not think you can lay down what is a reasonable call and what is an unreasonable call, but the general rule is that people do not engage in their private affairs of any kind by telephone or in any other way during office hours.

3133. That being the rule, which I should have thought should be the rule, suppose there were an emergency, for instance

in the case of illness, and a member of the staff wished to make an inquiry, and one can think of a great many cases where it would be reasonable that they should be permitted to make a call for private purposes, would not it be right that in those cases they should just ask permission of their next senior officer?—The telephone is going the whole day long. I do not think that the good effect of that would outweigh the bad effect. Everyone is pretty hard at it and you are interrupting the ordinary work by a whole number of staff coming up to ask permission to make a telephone call. I do not think it would be reasonable and it would not be accepted by the staff as a reasonable thing to do that every local call which was not completely official should have to be checked by somebody else. I am quite certain the privilege that the individuals have of making an occasional call, and it is quite occasional, is not abused. I am quite certain that the supervising officers keep a close check on that and I do not think it is worth an elaborate machine to check it.

3134. Do you know whether in Government Departments they have, as I do know they have in some commercial company offices, for the use of the staff a telephone box with a slot machine in it?—No, everybody has pretty well got a telephone on his desk.

3135. To use at public expense?—It would be an expense which would not be worth while, I think, either to the Post Office or to the Departments concerned, and I do not think, with respect, that that is at all general in outside offices.

3136. Might I then ask Mr. Milner-Barry: is what Sir Gilmour has told us the rule generally throughout all Government Departments? Is the habit which prevails in the Ministry of Transport the general habit of Government Departments, so far as you know?—(Mr. Milner-Barry) To the best of my knowledge and belief it is the general habit, and I do, if I may say so, entirely agree with everything that Sir Gilmour has said on this subject.

3137. This rule applies to the Treasury?—Yes, it does apply to the Treasury.

Mr. Cuthbert.

3138. On page 367 we have Subheads A and B, the Road Fund and Roads Expenditure, a very large sum. Can you tell me what the real difference is between those two columns? Why should they be quoted separately?—(Sir Gilmour Jenkins.) They are quoted separately because the Road Fund bears the cost of current works for maintenance of roads and for new construction of roads. Subhead B arises out of war damage to the roads. It is the making good of damage

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to roads done during the war, and that is charged direct to the Vote and does not go through the Road Fund.

3139. In time, of course, that will disappear altogether?—That will disappear.

Mr. West.

3140. On the question of the telephones do I understand, Sir Gilmour, that the people who have telephones on their desks are generally responsible people, people who are recruited to the service of the Ministry of Transport whom you regard as responsible people and who would not abuse whatever privileges there may be?—Yes, broadly speaking that is true. Of course, there are a good many junior officers the nature of whose work involves that they have to have telephones and they are the people who are under supervision. Their supervising officers are responsible officers, as you say.

3141. Generally speaking, I think it would be fair to say that from their recruitment and from your experience and from the knowledge of the supervisors over them, that they are people on whom they can place some reliance, at any rate, that the privilege of the telephone on their desk is not abused by them?—Yes, I should have complete confidence in them.

3142. The point I am rather more concerned about, if I may say so, with regard to the long-distance telephone calls is that, and I know we are all subject to this weakness, instead of writing letters to distances away, it is much easier to take up the telephone and to speak to the person at the other end of the country with someone else doing the work than it is to dictate a letter. It is much easier to have a telephone conversation than it is to bother with dictating letters and seeing the letters and signing them, and all the rest of it. How far is that being carried on in your Department, that long-distance telephone calls are being used in the place of correspondence?—I should say very little where speed is not the essence of the whole transaction. There are many cases where it is essential to make long-distance telephone calls to deal with matters which are so urgent that they cannot be dealt with in any other way, but my own experience is that the tendency is rather to avoid the long-distance telephone than to use it, among officials generally.

3143. Is that your experience?—Yes, and it is fairly wide among my colleagues, naturally.

3144. I thought the experience was rather to the contrary. In dealing with one's own

affairs one always finds it a little easier to pick up the telephone and get a long-distance call than it is to bother with the dictation of letters. You do not find that that is so in your Department?—No, I think that is a tendency with individuals rather than with members of a large organisation who have a machine at hand to do the work of getting a letter out.

3145. Then there is one further point about the Festival of Britain roads. I am sorry I was not here at the beginning, and perhaps this point has already been dealt with. With regard to the expenditure on Festival of Britain road works, do I understand that much of the expenditure has resulted in improvements of roads of permanent value to the community?—Yes. There are three cases that I quoted, where the permanent value is quite considerable. There is the roundabout at York Road and Waterloo Road where the value of the permanent work is £360,000, and the roundabout at Westminster Bridge Road and York Road, that is, this end of the same thing, where it is over £200,000. That, of course, is not in this figure. This figure contributes nothing.

3146. Nothing of permanent value to the community?—Nothing of permanent value, but the doing of the work produces a work of permanent value. The only amount in that Subhead E is the amount which is of no permanent value.

3147. That would be in and around the Festival site itself?—Yes. There are a lot of things like car parks, the temporary bridge across the river and all those things which have no permanent value at all.

Sir John Mellor.

3148. Sir Gilmour, I think I have got this right, that you said that the Transport Commission were in an exceptional position in that they were not obliged to pay a contribution towards the cost of the licensing authorities. Did I correctly understand that?—That is so. Their vehicles have not got to be licensed and, therefore, they do not pay anything for the licences. They do not get licences.

3149. Because the vehicles have not got to be licensed?—Yes.

3150. That is a statutory exemption?—That is a statutory exemption. It applies mainly to its goods vehicles.

Mr. Hoy.] Are there any further questions on these Accounts? May I take it that the accounts are approved? (*Agreed.*)

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS 1950-51 (CLASS IX).

VOTE 4.

MINISTRY OF WAR TRANSPORT (SHIPPING AND WAR TERMINAL SERVICES).

WAR RISKS (MARINE) INSURANCE FUND.

Mr. Hoy.

3151. May we now turn to Class IX, Vote 4, the Account of the Ministry of Transport (Shipping and War Terminal Services), and the Comptroller and Auditor General's Report, paragraphs 32 to 42? From paragraph 32 it appears that on the 31st December, 1951, there were no certificates for 40 accounts rendered from 9 to 21 months earlier and for nine accounts rendered over 21 months previously. What is the reason for the delay in obtaining some of those accountants' certificates?—(Sir Gilmour Jenkins.) Practically all the accounts there relate to Dutch ships. It is the clearing up of an arrangement with the Dutch due, I think, to the fact that the Netherlands Shipping and Trading Committee had two offices, one in London and one in New York. The New York office was wound up and they have not sorted it all out yet. There is the figure of 105 mentioned in the last sentence, and of that, 98 were Dutch. They have been reduced to 80, and we have just had discussions with the Dutch which have cleared the only point of principle that was outstanding and we expect now that the arrears will be cleared very shortly.

3152. On paragraph 33, "Expenditure arising from Operations in Korea", as the Ministry of Transport is still a shipping department running ships both on Government and on commercial service, on what grounds has the cost of operating the store ships for Korea been excluded from the Ministry of Transport account?—We operate the trooping ships, we do not operate the cargo ships which are used for supplying the troops with stores and that kind of thing. Normally speaking the Service Departments themselves with our assistance deal with the question of shipping their own stores in cargo ships. We give them technical advice and it is done through the market with our help, but we never come into account for that. In the case of Korea, for these store ships we had to do something more because there was a great shortage of shipping at the time. We had to make quite exceptional arrangements with liner companies to get ships which were on charter to them into our service, and the only neat way of doing it was for us to do the whole business and charge the War Office so that we in that case, because of the exceptional circumstances and having the expert knowledge to do it, did it in effect as an agent for the War Office.

3153. I appreciate that this is only Korea that we are dealing with. Apart from that, do not you consider that it is anomalous for ships supplied and operated by the Ministry for conveyance of personnel and stores to be dealt with on a different basis in the accounts?—Well, no, Sir, that is partly historical. Before the war the Board of Trade operated the shipping programme and they did it entirely with ships chartered from private shipowners and the transactions did not pass through the Board of Trade Accounts. The shipping programme now is done partly with Ministry-owned ships and partly with chartered ships, and the right thing seems to be to bring those into account and give the House a full Appropriation Account of the work which we do in our Class IX Vote. But, with the cargo ships it is not so. We do not own any of them and normally speaking that is a day to day operation by which the Service Departments charter ships or charter space in ships for the purpose of moving their stores and the Department do not come in in the sense that we come in in trooping.

3154. Mr. Milner-Barry, what does the Treasury think of this arrangement? Do you approve of this arrangement?—(Mr. Milner-Barry.) Yes, Sir, Sir Gilmour has given what seems to me, if I may say so, a very convincing explanation of the difference between the two cases. We were consulted about it and we did agree that the stores transactions should be dealt with on an agency basis through suspense accounts.

3155. Turning to paragraphs 34 to 39, I note that the contracts are placed without competition. Have there been any developments since the matter was before the Committee two years ago towards adopting the competitive principle in ship repair work placed by the Ministry?—(Sir Gilmour Jenkins.) No. Any development has been in a backward direction. The chance of getting any offer from any ship-repairing company of a fixed amount for doing a repair or for building a ship is much further off at this moment than it was two years ago. There is no possibility of a ship-building company having any idea what it is going to cost them to build a ship today within very wide limits because of the continual rise in the cost of materials and labour, and while we have thought in the past that it might be possible to reach a

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[Continued.]

time when you could get a firm figure, that time is receding rather than coming closer at the moment.

3156. Is not it normal for a shipping firm to lodge a tender with a proviso covering any rise in prices?—I do not quite follow that, Sir, but it is quite impossible to go to a shipbuilding firm now, taking the simple case of building a ship, quite apart from repairs, and say: "I want to build a ship to certain specifications; how much?" It is quite impossible to get any shipbuilding firm to give you a figure at all. They must say: "Everything depends on the rises of prices and cost of labour during the time we are building the ship".

3157. I was thinking more specifically of repair work just at the moment. You remember that two years ago this Committee had some very caustic things to say about what happens with regard to the estimate and the ultimate cost of ship-repairing work. You say it is still impossible for these ship-repairing yards to give you tenders?—Yes, without variation clauses for upwards and downwards; but for repairs you can only get the best estimate that you can by the shipbuilders, by our own agents, who are the Salvage Association on this, and by the owners who generally have work to be done side by side with ours and who are, therefore, equally interested, as to what the cost will be, to make the best estimate we can. It is not possible to get competitive tenders.

3158. You say it is impossible to get competitive tenders?—Impossible, yes.

3159. For ship repairing work?—Yes.

3160. And for shipbuilding?—And for shipbuilding.

3161. Turning now to another point, although in the calculation of the fixed fees materials attract 10 per cent. profit, sub-contracts only attract 5 per cent.?—Yes.

3162. It would appear from paragraph 37 on page xii of the Report that the fixed fee contract does not define the distinction between materials and sub-contracts, and from paragraph 38 that no rules had been agreed with contractors to govern the allocation of costs between materials and sub-contracts, and that no procedure had been laid down for ensuring uniformity of treatment by different contractors. It is further clear from paragraph 38 that the procedure is not uniform. How do the Ministry justify the present position under which the remuneration of different contractors, under the same contract conditions, is fixed on a different basis?—Well, first of all, it is a very great simplification to think that it will be possible to lay down in detail a basis on which you can decide between materials and sub-contracts and such things. At the end of the war we were faced with a demand from the shipbuilders to get

away from the fairly rigid system which the Admiralty and we had used during the war for determining these matters and for deciding the cost of the work and the remuneration to the builders themselves. The builders refused to go on with that particular type of contract and a new type was made which in many ways is better; I should say almost in all ways it is better. It is a type of arrangement which leaves a good deal of margin one way or the other and which works like this; for a particular repair work the shipbuilders make their estimate of what the repair will cost. We independently, using the Salvage Association, make an independent estimate and it is done by people of great experience in this work, their whole life is spent in it, as much as the shipbuilders themselves. They make an independent estimate of what the work ought to cost and at the same time in almost every case the owner as well has work to do on the ship and the owner's representatives make an independent estimate. The fee is fixed on the basis of our estimate and the owner's estimate and the shipbuilder's estimate and that estimate is made halfway through. The fixed fee, which is the main point we are after, is made halfway through when the total cost is pretty well known. That has great advantages over a system whereby you tie down to an exact percentage of labour involved the difference between, say, materials which have to be worked up and sub-contracts some of which, as the Comptroller and Auditor General points out here, involve a great deal of work by the shipbuilder himself. There is a case here of the engines which were supplied, but the labour involved which was contributed by the shipbuilding yard was 55 per cent. of the total cost. In other cases an auxiliary engine might involve practically no labour by the shipbuilder. Now, it might be quite possible to lay down a percentage of work involved in a whole list of classes of case and possibly to get agreement with the shipbuilders, but in order to get agreement we should probably give away a great many cases which now attract the 5 per cent. and get them into the 10 per cent. class. We think—in fact we are quite certain—that by that amount of elasticity, doing the job as we are doing it, we get very considerable advantages in money over any rigid system where you would have the greatest difficulty in fixing your percentage and where you would almost inevitably have to fix your percentage too low. You might fix your percentage at 20 per cent. by agreement with everybody whereas now we are getting 30 per cent. or 40 per cent. quite freely under this system. The advantages of this particular contract I think you could sum up like this, that we have given a concession in the strict form about rates of profit and so on but we have secured the benefit of the goodwill which exists between the shipbuilder

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and the shipowner. We are working side by side with the shipowner, and the shipbuilder is going to give the shipowner a fair deal because he wants to attract his business in the future. We have got the benefit of the supervision of the shipowner's technical staff as well as that of the Salvage Association who are working directly for us, and we have got over the whole field a much better deal that way than we should have got by trying to work out a meticulous scale of percentages.

3163. But you would agree that there is quite a substantial sum which may be involved in this, represented by the difference between 10 per cent. and 5 per cent.?—In the particular case which is mentioned here the sum is £1,900 on a £½ million contract.

3164. But there may be many others over the whole field where there might be a substantial sum involved?—Yes. What I was trying to say earlier was this, that the sum you would lose would probably be greater than the sum you might save by fixing a percentage and trying to be too meticulous about it and getting prior agreement.

3165. Was it appreciated by your Ministry before the Comptroller and Auditor General raised this in his Report that these anomalies existed?—Oh, yes. It was part of the idea of making this fixed fee contract that we should not be meticulous and should not, in fact, ask for details of that kind of thing, that we should rely on the Salvage Association working for us and on the owners themselves working on their account to give us an estimate of what the total ought to be and on that total to base the fee. We think that we get a much better deal financially than if we had tried to do what you suggest and lay down meticulous percentages.

3166. Then, in view of this difference of treatment on finished contracts, are you satisfied that the nature of examination of contractors' costs carried out by the technical experts on the Ministry's behalf is adequate to safeguard public funds?—Oh, yes, certainly. We have the most expert people doing it and we have working side by side with them, as I say, the owner's people who are concerned with their own pockets. I am quite satisfied that the work is extremely well done.

3167. In the absence of any uniform principle of allocation are we to understand that the accounting check by the Admiralty officers does not extend to allocations despite the financial effect?—The Admiralty check is a costing check. They check the whole lot, we are quite satisfied with that and that works out very much in accord with the advice we get from the Salvage Association and from the owners.

3168. With regard to paragraph 37 one would have thought that, in a scheme providing for differential profit margins for

materials and subcontracts, expensive machinery items purchased from other contractors must be considered as subcontract. Would you like to explain why the amount of labour involved in fitting should affect the question of allocation, as labour attracts its own profit percentage in the fee?—Yes. What you are trying to achieve in the fee is a remuneration to the builder for the work he is doing. If 55 per cent. of the total work involved in installing and getting a particular machine to work falls on the shipbuilder, surely he is entitled to regard that not as a subcontract but as material, whereas if the engine only just has to be bolted down and he has no work to do, it is naturally a subcontract. The difference between the two in the amount of work he has to do is very substantial and, therefore, that difference ought to be taken into account in his remuneration.

3169. He already has a percentage on the machinery which he applies in addition to the percentage on the work that is done, surely?—No: it counts as material on which he gets a percentage, but that is taken into account when making the first estimate of what the total should be. It is then costed to see what the payment should be, but the point about this estimate is the fixing of the fee, how you are arriving at what the fee ought to be.

3170. What I am getting at is that there are two different things, there is the fee for the labour involved, and that attracts a certain percentage, 10 per cent., and there is already a percentage allowed for the machinery that is purchased. I cannot see why the labour costs should be involved in fitting the machine itself?—The arrangement is that when materials are supplied for the job 10 per cent. of the cost of the materials is due to the contractor. If a complete machine is supplied the cost of that attracts 5 per cent. What you have got to determine is whether a particular machine attracts 5 or 10 per cent. Is it, in other words, more nearly a finished machine or is it more nearly material, and if the total cost of installing the thing is 55 per cent. to the builder and 45 per cent. to the machine, it looks more reasonable to regard that as material than as a subcontract. The only way you could distinguish if you wanted to do this meticulously would be to find a percentage, and that percentage would be very much below 55 per cent. if we were to negotiate it.

3171. Mr. Milner-Barry, what are the Treasury views on this matter?—(Mr. Milner-Barry.) I do not think we pretend to expertise on this subject ourselves. As I think was explained to the Committee last year, it is for the Department to be responsible for any variation from accepted principles in fixing contracts. Of course, we are aware of and we fully accept the general arrangements under which fixed

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fee contracts are placed, but the actual details of working out their contracts are for the department.

3172. And the Treasury accepts the advice of the department and does not interfere?—We are always very glad to be consulted about contracts and to give what advice we can, but I do not think in this particular case that we did know.

3173. You will remember, Mr. Milner-Barry, that on the last occasion it was raised very acutely with the Treasury with regard to the right variations in the cost of repairs?—Yes.

3174. I presume that the Treasury did look into that matter along with the Ministry? You remember the concern it caused the Committee?—May I ask Mr. Kahn to say something on that, Sir?

3175. Yes?—(Mr. Kahn.) If I may say so, I think it might interest you to know that about a year ago, I think it was, just after the Committee had been into this, Mr. France, who was then the Assistant Secretary, went down and saw one of these jobs going on, had a very good view of the costing operations and was very impressed with the technical knowledge and expertise of the people working on behalf of the Ministry. He felt it was a very difficult problem and it was being dealt with as well as it possibly could be.

3176. On paragraph 39, Sir Gilmour, as the professional consultants can call for details of contractors' estimates where in their opinion the case calls for further examination and can apply their expert knowledge to such detail, why should they be at a disadvantage with a contractor before an arbitrator? Is not the value of the consultants' report rather vitiated if it will not stand against the contractor in arbitration?—(Sir Gilmour Jenkins.) Well, as it is explained in the paragraph, the contractor had very considerable advantages here. He had a great deal more knowledge of the details of the work than we had, but we also had the other parties side by side with ourselves accepting the shipbuilder's estimate. Our view was that if we went to arbitration we would lose. The owners who were equally interested with ourselves in the cost of the contract had accepted it as being right and the chances of success would have been very, very problematical. May I add one word on totals? The Committee have been concerned, and you have questioned me very closely, about the way our estimates are made. You might like to have the outturn over the whole period up to last December. The figures are these: the estimates which were made and which were accepted by the builders for fixed fee purposes amounted to £48,818,000. The final cost as it turned out was £51,863,000, an increase of 6.25 per cent. That means that the

fixed fees were fixed too low to that extent over the whole range. It is pretty close estimating, and I think it shows we have been very well served by the Salvage Association.

3177. That may be true, Sir Gilmour, but surely it is to the contractor's advantage under this type of contract to inflate his estimate? What percentage difference between the contractors and your consultants' estimates would you consider as justifying taking a case to arbitration, for instance. Have you ever taken a case to arbitration?—No, we have never taken a case to arbitration. Generally speaking, by discussion and negotiation we have got a figure which the builders and the Salvage Association and the owners, the three parties to this, all interested from different points of view, have agreed as reasonable.

3178. The outturn being 25 per cent. under the contractors' estimate as against the consultants' figure of 11 per cent. below the contractors' estimate, on what grounds did you come to the conclusion that the consultants' advice was satisfactory?—We can only go on the general competence of the consultants. The man who did this work for the Salvage Association has died since, but the Salvage Association have gone through the whole of his papers and we got an official assurance from the Salvage Association that they stood by the estimate which he had made as being reasonable.

3179. The 11 per cent. below?—Yes, that is right, the 11 per cent.

3180. Despite the fact that there was a difference of 14 per cent.?—Yes, despite that. That was after this had happened.

3181. You will agree that there is an appreciable difference between the 11 per cent. and the 25 per cent. and the payment of the fee?—Yes, it was so great, as I say, that we had to search round for an explanation.

3182. Do you know whether the owners, before expressing their satisfaction with the estimate, made any detailed examination, or were they content to rely on the investigation of the Ministry and the Ministry's consultants?—They used their own consultants and they agreed with the figure suggested by the shipbuilder. That is one of the reasons, the owners having agreed, which made our chances of success in proving it was wrong before an arbitrator extremely remote.

3183. May we turn now to paragraphs 40 to 42, "Cancellation of a Contract for Purchase of a Ship." The Ministry spent a further £360,000 in completing this ship and sold it for £325,000. I think you will agree that this does not appear to be very satisfactory from a business point of view,

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irrespective of the subsequent history. What is the reason for the low price realised?—I think that in dealing with these prize ships which we took in Germany you have got to take the transaction as a whole rather than the outturn on a particular ship. We got these ships, broadly speaking, as reparations, and we had to do the best we could with them to get them into shape and to sell them at the best price we could. Taking the outturn as a whole, we expended about £1,730,000, and in respect of five ships which we have sold and the current market value of three ships we have not sold, we think we should receive about £2,400,000. Of course, that will depend on the way the market goes when we actually sell. That means that, broadly speaking, we should be on the whole transaction about £670,000 up.

3184. I hope that will be realised, but we had two cases at a previous meeting of this Committee and these figures were not borne out. Would you like to say something further about this case, as to why it only realised such a small price in view of what had been spent?—There are special considerations, of course, about the work being done in Germany. It was done at a time when the Germans were only just getting back into their stride. It was done deliberately in Germany and not elsewhere for one or two reasons, the first and most important was for a political reason, that as an occupying Power it was necessary for us to give work to the German people, whom we were supporting anyhow, and for morale reasons to keep them occupied and to use their resources. The other reason was that our own yards were so full that we could not in fact have got these ships into operation, if we had had to rely on our own resources, in any reasonable time. For those reasons the ships, which we got for nothing, of course, were rehabilitated in German yards and it was a costly process.

3185. As the vessel was sold in the condition it was and subject to condemnation in the Prize Court, on what particular grounds was it considered appropriate to take the ship back and reduce the rate of hire?—We took the ship back because, really, we had not been able to carry out our part of the contract. We sold the ship subject to our being able to give the owner a good title to her which any owner must have, and we thought when we sold her that we could get the Prize Court proceedings out of the way and be able to give him a good title very quickly. In fact, that turned out not to be the case. The Prize Court proceedings went on and on and he was in the position that he could not do the repairs because he did not know whether he had a clean title to the ship or not, and he could not sell the ship although he had good offers for her, and

he was finding her difficult and expensive to run. It was only reasonable in those circumstances to call the bargain off.

3186. What was the reason for reducing the rate of hire?—That was because the rate of hire that was fixed in the contract, which was intended to be for a short while, just until he got a good title, was not appropriate to the longer period. The other thing was that she had proved not to be such a good ship as we thought she was, not so economical to run.

3187. But that was not quite your risk, surely?—She was really our ship, you see. We had not given him the chance of putting the ship right. We had not given him a title to the ship.

3188. Was there any provision in the contract for the payment of interest on the purchase money if the ship had to be returned to the Prize Court?—I do not remember whether it was in the contract, but it was obviously fair and right between the parties. We did not contemplate, of course, that it would be so long a time before we got title and would be able to complete the contract. We had made the contract on one assumption and it turned out that quite another assumption would have been right.

3189. You felt it fair to pay them 3 per cent. on the purchase sum?—Yes, we had been receiving interest, you see, in the rate of hire, the other way round.

3190. Could you say what has been the later history of the ship? Is its performance still unsatisfactory or does it sail? What has happened to it?—She is not doing too badly at the moment. Of course, since that time the freight market has gone up very much and she has been operating quite satisfactorily.

3191. Could you tell us why no note of these *ex gratia* concessions appears on the face of the accounts?—You mean, why this money was not paid into appropriations in aid and re-voted?

3192. Certainly?—I think that is a matter that is mainly for the Treasury. We have considered this in great detail. (Mr. Milner-Barry.) Yes, I think that is certainly for the Treasury, Sir. I think the point here is that the money was, so to speak, provisionally paid into the Exchequer in the first instance. It was always possible that something of this kind would happen and that something would have to be returned. It would, of course, have been possible to ask Parliament to re-vote the money to pay it back, but there did not, to us, at any rate, seem to be very much point in that particularly as we expected that in due course the ship would be sold and the money would once again return into the Exchequer. I would not deny that in the ordinary case once

money has been paid into the Exchequer it cannot be paid out again without proper Parliamentary sanction, but we did regard this as an exceptional case for the reason that I have given. There would, I suppose, have been an alternative way of dealing with this matter which would have been this, not to pay the money into the Exchequer at all but to hold it in suspense until such time as the matter was decided one way or other, but we thought that would have been a very unsatisfactory alternative and that it was much the best to pay it into the Exchequer straight away because, after all, the chances were that it had been paid in for good.

3193. Surely, in view of all the other things that took place with regard to this transaction such as the reduced hire rate, and payments of interest charges on the capital sum of £325,000, it would have been much better that the money should have been re-voted instead of being, so to speak, covered up in the general account?—What was done was done with no intention of concealing any facts from Parliament.

3194. I do not suggest that for a moment, but I do not think it is the sort of thing, for instance, that the Public Accounts Committee would like to see happen again. I think we would like to be able to look at the figures?—Naturally we are very much subject to your guidance about it, but we did think it was a reasonable thing to do and, I would just like to add one thing to what I have said, that supposing, for instance, the proceeds of this sale had been taken into the Vote in the first instance, if they had been credited to appropriations in aid and then subsequently it was found that they were not due and had to be repaid, then, under a very long standing rule the repayment would quite properly have been charged against the appropriations in aid either in the account of the year of receipt, if it was still open, or if it was not, against that of the current year. That is, I think, not a complete, but a fairly close analogy which provides some justification for the procedure which was adopted.

3195. Lastly on this, Sir Gilmour, have any other ships sold under these conditions been taken back or other concessions made in connection with them?—(Sir *Gilmour Jenkins*.) One was taken back because the purchaser could not find the funds to complete the contract, but that is a thing which may happen to anybody. There is one other case of a ship which was sold but had to be taken back because she was found to have serious defects. We have got that ship now. We have had to take out some automatic stokers and she is now running perfectly well. We have got her back and we shall resell her as soon as we have got title, but it is another case of these provisional sales. One

of the troubles that I have explained to the Committee before about these German ships was that the Germans had a passion for putting into ships machinery which was far in advance of their technical capacity to work them, and they had experimental engines of all sorts. We have had the most frightful difficulties with some German ships taken over for that reason, and this second ship is a case in point where they had the automatic stokers which did not, in fact, work. We took her back and we are working perfectly well now that that has been put right.

Mr. West.

3196. Sir Gilmour, with regard to the cancellation of a contract for the purchase of a ship, paragraph 40, I understand that there were a number of ships under construction in Germany which were seized in prize?—Yes, there were.

3197. I understand that sale agreements were made for more than one ship?—Yes.

3198. And it is only in one case that the purchaser has required the contract for sale to be cancelled?—Yes, except for the second one I was just talking about.

3199. Can you tell us the reason for that, if the other purchasers have not raised any objection to the title which they had to the ships?—It is not that they have not raised any objection to the title but that they have not needed, as that particular owner did, to have title to do what he wanted with the ship. You see, the owner said: "I cannot operate this ship reasonably unless I can spend money on her to put her right"—that is the one with engine trouble—"but as I have not got title to the ship I obviously cannot engage in a whole lot of expenditure on the ship which may not be mine." Therefore he said: "You ought to take her back," and we said, "Yes," after consulting the Treasury, because the whole contract was made on the basis that it would be a very short while and that he would be given title.

3200. I understand all the contracts were made on that basis?—Certainly.

3201. It is only in one case where you have been required to cancel the contract for sale?—Two cases.

3202. The other purchasers were quite satisfied with their title?—There are two cases.

3203. Two cases, one other apart from the one that is referred to here?—Yes.

3204. How many others were there, then, where the contract for sale has been carried through?—There were eight altogether. Of those two were condemned, which leaves six.

3205. With regard to the other six, if any major work were required to be done to

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those ships, can you still be required to re-purchase them?—We cannot be required, but if the owner were to come along and say: "I cannot do this, the contract is really being frustrated," we should have to consider with the Treasury whether the case was a good one.

3206. Over what period of time is this situation likely to arise, this state of uncertainty as to whether you have sold or have not?—It is until the appeals have been heard. What has happened is that the majority of these ships have been condemned in prize by the Prize Court.

3207. Yes, I understand that?—But the appeal is before the Judicial Committee of the Privy Council at the moment and we cannot hurry the Judicial Committee. We shall have to await their judgment.

3208. Assuming that the Judicial Committee on the appeal confirm that they be condemned in prize, what is the position then?—Then, title is clear.

3209. What about the two purchasers who have required you to cancel their contracts?—We have the ships. The ships are ours and we can sell them again. At the moment we cannot.

3210. Yes, but, apparently, at a loss, because you have expended more than you have received?—No, we think that if we could sell the first ship today on which we expended £360,000, we would get £½ million for her. She is in better condition than when we sold her before, and the market is higher. Quite how far the market may drop and what will happen will depend on the time the Judicial Committee take.

3211. If she is in a better condition, then, why did you reduce the hire rate?—She was not in a better condition when the purchaser had her. We have done some work on her since.

3212. You have expended £360,000 originally. How much have you spent on her since?—It is not very much; it is very little. I am sorry, I was mixing that up with the second ship. I should like to withdraw that and say that she is not in substantially better condition. We have done some small things to her, but not much.

3213. I gather that even so you would expect to recover more than the purchase price which has been refunded?—Yes, but that will depend on the way the market goes by the time the Judicial Committee give their judgment.

3214. I am not an expert on shipping but I gather, judging by shipping shares, that the rates are favourable at the moment because they are going up somewhat?—They are going down now.

3215. They are?—Yes, very rapidly.

3216. Can you tell me, then, why the rate of hire was reduced after the first six months by 20 per cent.?—Because we were convinced that the rate of hire which had been charged was too high.

3217. How does that rate of hire which you charged compare with the rate of hire you are paying on ships which are either on charter or requisition?—I do not know what it would be at that time. Of course, it is quite different from the rates now, but the reduced hire was 5 per cent. for depreciation and 3 per cent. for interest on the purchase price of £325,000.

3218. I gather that you pay on your chartering or requisitioning 10 per cent. on the capital value, do not you?—For some troopers that is so and that was the basis upon which the hire was first charged in this case.

3219. But with great respect I still do not see, and I am most anxious to try and understand, why when you are paying a 10 per cent. rate for the ships which you hire you are prepared to reduce the hire rate to someone else who hires a ship from you?—The 10 per cent. that you mentioned is not always paid. There are some on which we are paying 7½ per cent.

3220. That, I suppose, is when the ship is very old?—It may be for various reasons, not necessarily that. In this case what we did as part of the cancellation of the contract was to relate the rate of hire not to the price which the successful buyer had paid but to the next highest bid when the ship was put up. That is more or less broadly assuming that this owner had not bought but that the next bidder had bought her, and the result of that was a drop of 2 per cent. and that seemed a reasonable compromise.

3221. With regard to the granting of the contract to the German shipbuilders, I understood you to say that was partly political and partly because of the difficulties of getting the work done at home?—Yes.

3222. On the political considerations, were representations made to you by the Foreign Office for that to be done?—Yes.

3223. Who made the political decision in that case?—It was a general decision. I do not remember; at that particular time I was in the Foreign Office myself, as a matter of fact, and I do not remember exactly, but I think I am right in saying that the initiative was taken by us at the Foreign Office to get as much of this work as possible done in Germany. We were bearing the costs, you remember, at that time of feeding the Germans.

3224. Yes, I do indeed. Now, with regard to management fees of ships which you have on charter or for requisition, are those fees now uniform?—There are two different scales, one for emigrant ships and the other

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for troopers. They work out very much the same. The difference is that for emigrant services it is at so much per ton per month, 1s. 3d. per ton for the first 15,000 tons and 1s. a ton afterwards, and in respect of troopers it is 6 per cent. of the hire payable for the ship, and they work out very much the same.

Mr. Douglas Marshall.

3225. I gather, Sir Gilmour, from the answers that you have given, that the total purchase price for these ships came to round about the £1,700,000 mark, and taking the valuation of the ships still left, the total would come to £2,400,000, leaving a profit of £700,000. Then, that leaves the three ships which you have priced at more or less today's market prices?—Yes.

3226. You did use the term then that this was, you thought, quite right because the freight market had gone up. With the freight market dropping as it has, would you consider that these valuations are approximately what they are?—There is one point which I should make clear there. This was not purchase price. We paid nothing for the ships, they were prize. The expenditure was on reconditioning.

3227. Yes?—That is where the £1,700,000 went. We think at today's prices we should get £2,400,000 as a figure.

3228. You are taking into account present conditions?—I am taking into account what has happened up to now. The market may drop still further, and you cannot say what will happen.

Mr. Hoy.

3229. May I clear one point before the next question? With regard to the value did not you say that the £2,400,000 represented the ships sold plus the three ships left?—Yes, it is the ships sold, which are actual figures, plus the estimate for the other three. That is what the Hon. Member is asking me.

Mr. David Thomas.

3230. In paragraph 40 relating to the selling of the ships and the ships reclaimed by the Ministry, was there anything specific in the contract relating to the time factor? You did mention, I believe, that it was understood that negotiations would not take a very long time. Were those verbal statements made between the Ministry and the purchase of the ships or was there anything specific in the contract?—No, there was no cancellation clause in the contract and there was nothing specifically said at the time, but the assumption of both parties, our assumption equally with the assumption of the shipowners, was that we should get title to the ship from the Prize Court in a reasonably short time. That turned out to be a wrong estimate and it was only fair to relieve the injured

party of some of the results of the miscalculation. It was not his miscalculation, it was a miscalculation of both sides.

3231. So, in view of the fact that there is a falling off of the freight market, and ships might become cheaper, is there a danger of these purchasers coming along to the Ministry and saying: "Now that we have had two or three years' use of these ships, you have not completed the contract and we want it cancelled"?—There is a possibility of their coming along, but we should not feel ourselves necessarily bound to accept such a request. There were special circumstances which I have already explained. For one thing the ship had not turned out to be nearly so good as we thought and the owners thought. For another thing, the owners could have put her right by the expenditure of a very large sum of money which had she been their ship they would have expended, but having no title to her they would not do this because they did not know whether she was their ship or not. That being so, that was a special consideration which we thought was a reasonable cause for cancelling the contract, but if somebody who was running a ship quite successfully were to come along and say, "We want to break the contract for this reason" we should have to consider that very carefully.

3232. If I were buying a ship I should have engineers to inspect the ship and I would come to a conclusion as to whether or not I would buy the ship. The position between the Ministry and the purchaser, as I understand the Report, is that there was a contract—"we will sell for a certain price and we will have the negotiations completed in a reasonably short space of time"—but that has not come about. The question of the capacity of the ship did not enter into the discussions at all, they were satisfied with the ship when they bought it and afterwards if they decided to change part of the machinery, as you have changed it in some of the other ships, it would be a matter for the purchasers to do that?—No, if I were to sell you a ship and you were to say: "I am satisfied with the ship, I will take her at that price", and then you found she was not so good as you thought she was, then you stand the racket; that is reasonable, but if I say: "This ship is not mine, but I think some day she may be, but I will sell her to you and some day perhaps she may be yours", and then you find that the ship is not what was expected and you are debarred from spending a lot of money to put the ship right because you do not know whether she is your ship or not, that is a very different situation. If she is your ship you can spend money on her but if you do not know whose ship she is you obviously cannot, and that was the situation of the owner and that is what made it reasonable, in our view, to meet him and to take the ship back.

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Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

Mr. Douglas Marshall.

3233. May I ask one question arising out of this? You mentioned at the time, Sir Gilmour, that two have already been condemned in prize and a certain number at the present moment are at the Supreme Court *sub judice*. Actually, is there any difference in these ships? Supposing the Supreme Court came to a decision which reversed the condemnation, could those two condemned in prize be reversed or not?—Oh, no, those that are condemned are settled.

3234. No decision of the Court could influence those, because presumably they are in the same position?—They are not under appeal. Two have been condemned and that is settled and finished. One has not yet been condemned by the Prize Court, that is, the Court of First Instance, and five have been condemned, but the original German owners have appealed and those appeals are still before the Judicial Committee.

3235. The result of that appeal can have no effect at all on the two that are condemned?—No.

Mr. Hoy.

3236. I have only one further question on the Class IX Vote 4 Account, on page 39, Subhead F1. Why did you so badly underestimate the claims outstanding for costs of voyages in previous years?—This is a case where we were clearing up the old wartime transactions and it is extremely difficult to make a very firm estimate of what the expenses will be. The large excess, this £2,100,000, was mainly due to the difficulty in estimating the net sums which will be due to managers in settlement of outstanding voyage accounting. It is clearing up the old accounts.

3237. It is a pretty heavy sum?—A very heavy sum, but it was partly offset by higher receipts from managers, which were also under-estimated.

Mr. Hoy.] I have no questions on the War Risks (Marine) Insurance Fund Account. May I take it that the Class IX Vote 4 Account is approved? (*Agreed.*)

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51 (VOL. II).

MINISTRY OF TRANSPORT—COMMERCIAL SHIPPING OPERATIONS ACCOUNTS.

(Commercial Shipping Operations: Analysis of Trading Profit and Loss Account, 1950-51.)

(Ministry of Transport Trading Accounts: Letter dated 7th February, 1952, to the Chairman from Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.)*

Mr. Hoy.

3238. I should like to ask a question of the Comptroller and Auditor General. Sir Frank, would you agree that these Trading Accounts serve no useful purpose and could now be dispensed with?—(Sir Frank Tribe.) Yes. My view is that they did serve a very useful purpose at the time when the Accounts contained expenditure on the Scandinavian timber ships and the Baltic coasters and Canadian ships on charter, but the Ministry have now run down their fleet very considerably and I can, of course, always bring to the notice of the Committee in my report on the Appropriation Account any

point which should be brought to their notice. I do not feel that the Committee or Parliament would be deprived of anything really worth having in future if they agreed with Sir Wilfrid Eady's suggestion that the Accounts should no longer be published.

3239. You would agree with Sir Wilfrid Eady's suggestion to the Committee?—Yes.

Mr. Hoy.] Thank you. Are there any questions on the Accounts? May I take it that the Accounts are approved? (*Agreed.*) Thank you very much, Sir Gilmour.

* Appendix 7.

Sir Gilmour Jenkins withdrew.

CUNARD INSURANCE FUND ACCOUNT, 1950-51.

On this Account no questions were asked.

The Witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 24TH APRIL, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Cuthbert.
Sir Ralph Glyn.
Mr. Hoy.

Mr. Peter Roberts.
Mr. Scott.
Mr. David Thomas.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. J. P. HUMPHREYS-DAVIES, an Under-Secretary, Treasury, and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1950-51.

TREASURY MINUTE ON PARAGRAPHS 1-2, 3-8, 9-15 AND 16-20 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir JOHN LANG, K.C.B., Permanent Secretary, Admiralty, and Mr. J. E. B. FINLAY, O.B.E., an Assistant Secretary, H.M. Customs and Excise, called in and examined.

Chairman.

3240. May we begin with the Revenue Departments Appropriation Accounts, 1950-51, pages iv-v? I would like to ask Mr. Finlay a question on paragraph 10 of the Comptroller and Auditor General's Report. The first sub-paragraph deals with the new control system. Is that working smoothly, or do you find any difficulty in working it?—(Mr. *Finlay*.) From our point of view the control system has worked perfectly satisfactorily and I think it could be said to have had the result from the Customs point of view that we wished. There has been an appreciable drop in the number of smuggling cases. If it would interest the Committee, I can say that the number of offenders, both naval personnel and civilians, for smuggling offences has dropped very considerably. As illustrating that, if the Committee would wish to know, I can give the actual figures.

3241. Yes?—The position is, taking the half year ending 31st March, 1951, that is, before the new system came into existence, that the number of naval offenders was 94 and the number of civilians 53. That figure, or, perhaps, a little larger, had run for the previous two years. Following the introduction of the system, the figure for naval offenders dropped to 63 and for civilians to 14. That was in respect of the half year ending 30th September, and in respect of the following half year ending 31st March, 1952, the numbers were 54 and 10 respectively. Therefore, there was a substantial drop from somewhere in the region of 100 to 63 and to 54 and in the case of civilians from 53 down to 14 and 10.

3242. What in broad terms has been the financial saving from reducing the allowance and restricting the issue of tobacco to actual smokers?—That at this stage is rather difficult to say because the scheme only came into force from the 1st June of last year and, therefore, has only run for approximately nine months, but whilst it may be difficult to give any precise figure for the victualling yards owing to various factors which in such a short term make it impracticable to work out, one can say that there has been a drop in consumption of the canteen tobacco in a fairly substantial way. Here again, Sir, the figures would be—

3243. What I really wanted here was to get some notion of what the concession was now worth and what broadly, in very round figures, had been the financial saving?—Well, Sir, I could give you some figures but I must emphasise that they must be given with reserve. Last year I think Sir William Croft gave a figure of £9½ million as being the overall cost and taking into account a large proportion of rum which was some £4 million, that brought the total figure down to £5½ million and made the consumption of tobacco approximately £5 million. On the basis of the present figures, the figures for 1950-51, the total consumption was £6½ million which again, allowing for the rum, some £2 million, brings down the total figure to £4½ million, of which £4 million was tobacco. So, on the face of the figures it looks as though there has been a reduction but I would emphasise again, Sir, that that should be treated with caution because there are a number of factors such as stockpiling and the size of

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[Continued.]

the Navy increase which may make it possibly not too accurate a yardstick.

3244. On paragraph 11, on what basis do the Admiralty and the Customs and Excise divide responsibility for control and administration of the scheme?—The administration of the scheme is now primarily the responsibility of the Admiralty. We still do a fair amount of work, but we consider that the work is worth while having regard to the amount of the revenue involved. In the case of canteen stores applications are still made to our collectors who approve them and the rationing system is to some extent worked by us inasmuch as the coupons are returned to the collectors.

3245. If there are any losses, what account bears them?—Losses in coupons?

3246. Any losses of any kind? Where are they brought to account?—The Admiralty would be responsible for the final check.

3247. If somebody steals some cigarettes the Admiralty makes a payment to you?—Well, it may be that if there was a ship which we considered was not entitled to the higher scale allocation of tobacco and the particular commanding officer in error put it on the wrong list, we would subsequently expect the money back.

3248. I see. May I ask you one or two things about this, Sir John? Do you agree the list of shore establishments eligible for the concession?—(Sir John Lang.) With the Customs, Sir?

3249. Yes?—No, not now.

3250. How then is it devised?—The formula is referred to at about the centre of the second sub-paragraph of paragraph 10 of the Comptroller and Auditor General's Report, where he says: "Provided that at least half of the staff are borne on ships' books and subject to the Naval Discipline Act"; in other words we look at all the naval establishments and applying that yardstick and one or two other safeguards, we decide that this is an establishment which qualifies under the rules or, alternatively, of course, an establishment which does not qualify under the new rules.

3251. I take it that the personnel in H.M.S. President would not qualify?—They do not.

3252. I am interested in this question of the certificates for the habitual use of tobacco. I gave up smoking some two months ago with some difficulty. If I had been in the Navy, how long could I go on drawing tobacco if I had given up smoking?—So long as you remain in the ship you could continue to do so because you would have signed the form which

declared that you were a smoker and unless you chose to go to the ship's office and say: "I want to withdraw that form because I am no longer a smoker", you would continue to draw your tobacco. If you did not draw it, in fact, for, say, a month or two months or three months and then suddenly decided that you wanted to draw it again there is a fair probability that the canteen manager or the wardroom attendant, if you were an officer, would open his eyes and say: "I thought you had given up smoking", and if he were a very keen man on the subject of regularity of certificates, and so on, he may well ask you whether your certificate still stands. On the other hand, the moment you are moved out of that ship or establishment and go to another ship or establishment you will be asked whether you wished to sign again and you would, presumably, in those circumstances say: "Oh, no, I am not a smoker".

3253. What proportion of officers and men are habitual smokers, do you know?—The vast proportion. I should doubt whether more than 1 or 2 per cent. have not signed the form. That is one of the least satisfactory features of this system. We believed until the personal rationing system was introduced that the proportion of non-smokers was somewhere between 5 per cent. and 10 per cent., but it is certainly not a fact that 5 per cent. of naval personnel have not signed the form.

3254. How much tobacco does each coupon represent, and what is its value?—That depends whether you are in an establishment which is entitled to the pound and a half or the pound and a quarter or the three-quarters of a pound ration. One pound of tobacco gives roughly 400 cigarettes, so the rations may be construed as 600 cigarettes or 500 cigarettes or 300 cigarettes a month and, therefore, each coupon, the coupons being on a weekly basis, I think, thus gives you in effect one quarter of the 300 or the 500 or the 600 figure.

3255. So, a smoker on a sea-going ship would get concessions of well over £1 a week?—In terms of money?

3256. If it were put in money terms?—About £4 10s. a month as a maximum.

3257. I should like to ask you one or two questions now on the Treasury Minute on the Second Report of the Public Accounts Committee of last year. Looking at the Minute on paragraphs 9 to 15, could you tell the Committee what steps have been taken to tighten up your procedure for checking cash balances at Admiralty establishments?—We have completely revised the instructions which were discovered after the Llangennech loss to be inadequate, and in consultation with the Treasury we believe we have now got instructions which

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[Continued.]

if the inspecting officers do their task properly, will avoid any repetition of the way in which that fraud was carried out. We have emphasised that the checks are to be surprise checks at irregular and uncertain periods without previous notice and at least once a month. We have not so far been able, and that is principally on grounds of staff difficulties, to arrange for an additional inspection of the cash balances and the various books of accounts by a trained cash officer. We are still having to rely on using the heads of departments, superintendents of the store depots, and so on, as the inspecting staff, but having made clear to them the exact way in which they are to conduct their inspections and emphasised the surprise element in those inspections, we think we have now got a system there which is watertight.

3258. There was a reference here, Sir John, to the precise instructions for the use of checking officers not trained in cash accounting. Have you devised those precise instructions now?—Those were the instructions I referred to when I said they had been thoroughly revised. They are very much more detailed, and we make sure that the certificate given by the inspecting officer will state that he has read and understood the instructions which are to govern his procedure.

Mr. David Thomas.

3259. In addition to the tobacco allowance and the rum allowance given in the Navy, are there any other allowances in the way of intoxicating drinks, whisky and so on, issued to ships?—The wardroom messes are entitled to draw wines and spirits free of duty if they are in seagoing ships or ships with a seagoing liability.

3260. Would there be any possibility of some of those wines and spirits being transferred, say, from one of the naval ships to a smaller ship in the Navy and then the spirits sold if that smaller ship were to land in some port?—There is always the possibility of that, of course. It has happened very infrequently. Then, as Mr. Finlay told you, he expects us to pay the duty on the uncustomed wines or spirits which have come ashore irregularly. It is a crime in the naval calendar to do that kind of thing and inasmuch as the wines and spirits are held only by the wardroom messes, in other words, the officers' side of the ship, we do not think that there is any appreciable risk of leakages of that kind. The number of occasions on which it has happened are very few indeed. I certainly do not remember one during the last 18 months or two years.

3261. One question, relating to the tobacco allowance: those who receive a tobacco allowance, according to what has been stated this afternoon, receive in effect an additional £1 2s. 6d. a week, £4 10s. 0d. a month. Is there any allowance given to non-smokers by way of an addition in their pay or in any other way having regard to the fact that they are non-smokers?—Nothing at all, any more than happens in a merchant ship. Equally in seagoing merchant ships the crew have access to tobacco which is duty free, but in the Merchant Service there is no payment made to the non-smoker merely because he does not take advantage of the privilege.

3262. We have heard from time to time, I do not know how far it is true, that you might get one of the naval fellows, or many of them who are non-smokers, claiming their tobacco allowance and disposing of it when they are ashore. Do you think it would be a saving if some arrangement could be made whereby those who do not smoke receive some allowance rather than taking the tobacco allowance as all are entitled to if they sign their form? Supposing, if they are not taking the tobacco, it would mean half-a-crown a week or 5s. a week extra, that might reduce your tobacco consumption in the Navy? I do not know whether that is a proper question?—We do not think it would have any appreciable effect unless, of course, you put up the allowance to a figure that was as much as the dishonest person could achieve by trafficking in his tobacco, which would have to be a lot more than half-a-crown a week. We should give ourselves many headaches in trying to work out a scheme of that kind because we in our Service have got Royal Marines who do not enjoy this tobacco privilege except when they belong to a ship, and we also are conscious that the Army and the Air Force would immediately feel, if there were a money allowance paid instead of the tobacco privilege, that something should be done for them, too.

Sir Ralph Glyn.

3263. In an aircraft carrier occasionally you have on the books of the ship men of the R.A.F., do not you?—Yes.

3264. Are they entitled to any tobacco when they are serving in the ship?—Yes.

3265. Then, may I ask, does a Fleet Air Arm Station like Hornbill, or any of those, count as a ship for the purpose of the tobacco allowance?—They count as a stone frigate, as we sometimes call them, in other words, a ship on the shore, but the situation is certainly different there because the

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[Continued.]

Royal Air Force personnel who might be serving at a Fleet Air Arm airfield would not be under the Naval Discipline Act and, therefore, would not qualify for tobacco.

3266. But all naval ratings would have the same privileges at a depot like Hornbill as if they were at sea?—No, if they were at sea they would get this higher ration of tobacco of a pound and a half or in some circumstances a pound and a quarter. No shore establishment ever gets more than three-quarters of a pound.

3267. But they do get some allowance?—They get some, yes.

3268. Is it a crime under the naval calendar for a man to draw his tobacco and sell it to a person?—Yes.

3269. If a man is a non-smoker and he draws his tobacco what does he do with it?—He probably commits the crime, because it is an equal crime to give it away now. They may well have drawn their tobacco and merely given it to their pals as a friendly gesture. That was not a crime in the old days but it is now because the certificate which they sign to the effect that they are smokers makes it clear that they are to use the tobacco only for themselves and are not to give it away. Admittedly, it is one of the little absurdities of the system, because, strictly speaking, one naval rating cannot offer another naval rating one cigarette. Undoubtedly that does go on.

3270. You surprise me! May I ask one further question: is it a fact, as one knows oneself, that it is looked upon by the Navy as a great privilege? They know it is rather balanced and, therefore, is not it

a fact that everybody in the Fleet is particularly anxious that there are no scandals which might lead to the suspense of this privilege?—There is not the slightest doubt that the answer to that is "Yes". We believe that this very marked reduction in smuggling offences over the last twelve months or so is to be attributed at least as much to the emphasis which the Admiralty, and after the Admiralty the commanders in chief, and so on, have placed on the importance of not abusing the new tobacco regulations.

Mr. Peter Roberts.

3271. With regard to the duty-free stores, and particularly rum, is the rum held in bulk by the Admiralty before it is issued to the various establishments and ships?—Yes.

3272. Has there been any write-off or loss in the bulk storage during the period we are discussing?—I am not sure why you think there should be some loss in the bulk storage. Certainly there has not been any write-off in these accounts in respect of a loss of that kind.

3273. You are satisfied that the method of checking the bulk storage is adequate?—I think, yes.

3274. You are aware that there have been cases in service bulk storages of rum where large losses have taken place?—During the war, yes.

3275. During the war. You are satisfied now that that is not likely to occur again?—I am.

Mr. Finlay withdrew.

NAVY APPROPRIATION ACCOUNT 1950-51.

Chairman.

3276. May we now turn to the Navy Appropriation Account? I have a number of questions on the Comptroller and Auditor General's Report. I will start with paragraph 4. There is a reference in that paragraph to the surplus of £5,397,000 odd and the details of this, I see, are given in columns 7 and 8 on pages 3 and 5 of the account itself. I see from that that it includes under Vote 8, Section II, an underspending of £2,195,000 odd of the provision of £3,950,000 in the Supplementary Estimate of the 23rd January, 1951. What I want to ask you is, how did it come about that you only required about £1½ million of this £3,950,000?—Almost entirely because the stores and equipment production achieved in the last three months of the year, or thereabouts, fell quite seriously below expectations.

3277. Paragraph 4 has a reference to "Belated settlement of claims". Could you tell us something about these belated settlements? Can you give us some details of them?—That particular reference is very largely to settlements on contract prices which were negotiated during that particular year and, of course, more especially in the last few months of the year giving us rather bigger repayments than we had expected to get, and the same kind of thing was happening on Vote 11 with certain receipts which came to a head there. You were not asking about the Commonwealth and Foreign Governments, were you?

3278. I am only talking about the phrase here, "Belated settlement of claims for supplies made in previous years". I really want some detail of those?—You mean, in the way of a concrete example of how it would work?

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[Continued.]

3279. Yes, it is merely one of a number of items here. I want to have some idea of how it comes about that we get these belated settlements all, apparently, coming together in one particular year and so pushing up the amounts?—No, it is not a question of their coming in one particular year. There have been very, very large claims out against Commonwealth Governments, and some Foreign Governments, too, for supplies that were made to them either during the war or the years immediately subsequent to the war. We have been negotiating settlements of that very large number of claims during the whole of that time. What happened here was that when we made our Supplementary Estimate about January, 1951, we did not think that we were going to get settled by the 31st March quite so many of these outstanding claims as did happen. They are almost wholly in respect of ships or guns or ammunition or stores of one kind or another which had been made available to foreign countries.

3280. What lies behind it? Does it mean you have bad payers on your books, or what?—No, Sir, I do not think it does. What lies behind it is the fact that the claims are so large in the sense of so much a mass of detail that we took a considerable time in making the claims on the various authorities and they in their turn had to check the accuracy or otherwise of our claims and raise queries about them which we have had to answer, and those queries have usually involved a good deal of research into back records, and the thing has gone on, very, very, slowly, largely because of its magnitude.

3281. Would it not be possible to ask for advances when you agree to make these supplies so that the final settlement is marginal and not in total?—In a few cases, certainly in the last three or four years, we have had advances before the supplies were issued, but you do not ask for advances, in fact, when you are supplying the Commonwealth Governments, anyhow.

3282. How long a delay can you have here, how many years?—I should have said that some of these cases, not necessarily the ones that gave rise to the excess during that last three months, but some of the cases dealt with in the year, may well have been in respect of supplies that we made three or four years beforehand because they were made then under either war conditions or immediately after the war and with staffs coming down and changes in staffs and that type of thing claims tended to be put on one side, particularly where you were dealing with reputable authorities like Governments who would not turn round afterwards and say: "Oh, we cannot deal with that now, you have lost your chance of repayment".

3283. On paragraph 6, I understand from the second sub-paragraph that the Ministry of Supply overcharged you £1,540,000 in 1949-50 and £3,369,000 in the present year of account. Although these overpayments were adjusted in the following years, are not errors of these dimensions rather disturbing for your Estimates?—They undoubtedly are disturbing, but I think one must remember in that connection that this system is a comparatively new one and, at any rate so far as the first of the adjustments was concerned, all the officials concerned both in the Ministry and in the Admiralty were rather feeling their way in the working out of a new method. In the second year where the much larger excess has occurred you had an entirely new factor coming into play, because the Government's rearmament programme was beginning to get into its stride and in those circumstances where orders had been placed and a certain amount of work had been done on them it is much more easy for the authorities assessing what is the prospect of certain payments arising in the year to overshoot the mark and hope, and therefore say they will be able, to make bigger supplies than, in fact, proves to be the case. We would certainly reckon that, in any settled period when production was going along on a more or less even keel, the Ministry could get very much closer to the right figure in the January assessment on which we base the final payment during any particular financial year.

3284. How do you satisfy yourselves that the final charge is correct?—Do you mean satisfy ourselves when, after the 1st April, the Ministry say either "We have overcharged you" or "We have undercharged you"?

3285. Yes?—You realise that the very nature of this plan does mean that it is a broad adjustment between departments and nobody pretends that it is a meticulously accurate payment by the Admiralty for exactly the right number of units of supply which the Ministry have produced for us. Equally we are not entitled because of the broad nature of the adjustment to insist on meticulous checking of the account which they present. In the major items like the airframes or engines, and so on, both departments do keep quite an exact record of what the supplies are and what the cost has been so that in that field we can both put our hands on our hearts and say that the payment made is exactly the proper one. In the biggest zone outside those major items, that of air stores, the items are so multitudinous that it would be a tremendous work to aim at exactness. We understand that the system there is that the Ministry can over the greater part of the air stores work allot this contract to Admiralty account or that

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[Continued.]

contract to Air Ministry account; and it is only in the very small residue of something less than 5 per cent. of air stores that they are not able in that way to identify the customer who should pay for them. They have got their own particular method of deciding how that last few per cent. is charged to the several departments. In the general stores field like ammunition, a certain amount of clothing, textiles and so on, which they do for us, our departments do keep very good accounts of what they get from the Ministry of Supply. They are encouraged to keep in close touch with their opposite numbers in the Ministry so that when the Ministry send us a statement of what we have had and what the charge is going to be they are able to go and talk to the appropriate people and argue with them as to whether it looks about right or not. In practice we have not experienced any difficulty in reaching an understanding with the Ministry on what the charge should be. We are, therefore, reasonably satisfied that we do not pay for something that we have not had and we equally do not pay too much for something that we have had.

3286. May we go on, then, to paragraphs 7 to 11 of the Report, on a different topic. It appears from paragraph 8 that you seem to have waited until 1951-52 to recover about £25,000 paid out in 1949-50. Is this your usual practice?—I would like slightly to correct the impression given in your question that the amount was paid out in 1949-50. Certainly, some part of it would have been paid out in 1949-50 because the work was started during that year, but the account from the ship-repairer who undertook this work was not finally settled with him until December, 1950, and, therefore, all the payments had not taken place in 1949-50. The reason why we made no recovery against the Institute was that we just did not know how much their bill was going to be. We could not tell whether it was going to be £10,000 or £20,000 or even £50,000 and we felt the right thing, because this Institute is under complete Government control, was to wait until we knew roughly what the charge would be before we made a recovery.

3287. I am not clear, Sir John. Are you saying that, when you are going to incur charges on the reconditioning, as you did in this case of *Discovery II*, you really do not know whether it would be £10,000 or £50,000?—What I said, Sir, was that I did not know what the charge appropriate against the Institute would be. This was a rather involved business where the liability for the refitting of the ships was to be shared by the Admiralty who had had the use of the ships for part of the time during the war, to be shared by the Trinity House authority who had had the ships after the Admiralty had given them

up and, of course, to be shared by the National Institute. It is the division of the account between those three authorities, according to the particular jobs which fell into one or other of the liabilities, which was the reason why we did not know how much to charge against the Institute.

3288. Have you yet ascertained the expenditure chargeable to the Institute in respect of this reconditioning?—Not finally, no.

3289. When do you think you will finally settle it?—Certainly during the current financial year, but if behind your question is a wonder whether we shall have more money to recover, the answer is that we believe that the £25,000 is just a little more than adequate.

3290. I would like, if I may, on paragraph 9 to ask Mr. Milner-Barry one question. The grants to the Institute were fixed for the first five years; do you agree that under the quinquennial system a grant-aided body is told that Parliament will be invited to vote grants of stated amounts for the next five years on the understanding that these amounts are accepted as sufficient?—(Mr. Milner-Barry.) I think that is usually the case, yes, Sir.

3291. Do you know, Sir John, whether the Institute accepted that understanding?—(Sir John Lang.) I was a little shocked to hear Mr. Milner-Barry accept the understanding. (Mr. Milner-Barry.) I did say "usually". (Sir John Lang.) Because I am not sure that it is reasonable to say to the Institute: "Parliament will be invited to vote you a grant in aid of a certain sum of money provided you accept that it will be adequate." The Institute, either this Institute or any other, cannot say how prices, wages and so on are going to move over a whole period of five years.

3292. Do I take it from your answer that you are saying that the Institute did not accept the condition?—They did not accept it explicitly nor, in fact, I think, was it said explicitly. (Sir Frank Tribe.) Perhaps I might say, Mr. Chairman, that in their Fourth Report last year's Committee, dealing with the control of grant-aided bodies, say that the Treasury informed me "that, under the quinquennial system of grants in aid, a grant-aided body is told that the Treasury will invite Parliament to vote grants of stated amounts for the next five years on the understanding that those amounts are accepted as sufficient". That is what the Treasury told last year's Committee. (Sir John Lang.) Then I am sorry, I questioned Mr. Milner-Barry's statement. (Mr. Milner-Barry.) Is that from the Treasury Minute? (Sir Frank Tribe.) That is in paragraph 44 of the Fourth Report of the Public Accounts Committee, quoting what the Treasury had said.

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[Continued.]

3293. Despite the Treasury statement that is referred to in paragraph 10, I see from the end of the paragraph that the Institute applied through the Admiralty for consideration to be given to an increase?—(Sir John Lang.) That is so, Sir.

3294. What action has the Admiralty taken on that request?—We have considered the proposal and we have had discussions with the Treasury about it. The Treasury have not been very forthcoming in those discussions and we are now giving further thought to what we can do about it.

3295. Would you care to say anything on that, Mr. Milner-Barry? Could you tell us the attitude you have taken in this regard?—(Mr. Humphreys-Davies.) Could I speak on that? We are not taking any action at the moment.

Mr. Hoy.

3296. Before we go any further, may I interpolate? Exactly what does Mr. Humphreys-Davies mean by that reply? Does he mean that the Treasury are refusing to accede to the request of the Admiralty, or what does he mean?—Yes.

3297. You are just refusing to give them any more?—We have seen no reason to change our attitude in that respect. (Sir John Lang.) We have not accepted that as final.

Chairman.

3298. Now I have got some questions on paragraphs 12-14, "Unproductive Expenditure on Equipment", which is a matter of some importance. Sir John, can you tell us anything more about that?—I wonder whether it would help a little if I made a statement to you which will, I hope, get this problem into what the Admiralty would regard as the proper perspective? The first thing to state is that the prize offered by a successful piece of equipment of the kind described in these paragraphs was extremely large and the Admiralty were wholeheartedly behind the project at the time of its conception. In the two years leading up to the completion of the main outline design which is roughly speaking the end of hostilities, there was every reason to expect that the device would be successful. It was in that atmosphere that the production order was placed and, as described in the Comptroller and Auditor General's Report, we felt that we could not wait for prototypes to be tested out or else we should lose our place in the queue for production, with the result that we might well have lost two or three years. That would have been a serious disadvantage with new aircraft that we then expected to come into service and which depended on this equipment if they were to achieve their proper function. In retrospect there

is not any doubt that some of the difficulties that we were going to experience were not foreseen or, at any rate, they were not given their real value. Some of them, I think, could not have been foreseen at the time because they arose from changes in material policy that took place after 1945 and were not in any way connected with this particular piece of equipment. Then, the many changes in the design and development staffs that were engaged on this work were a contributory factor.

3299. Whose staff were they?—The Ministry of Supply's staff. I could not tell you whether there were changes in the staff of the firm that were engaged on it. I should be a little surprised if there were not, but the actual reference I had in mind was primarily to the Ministry of Supply scientists and engineers at Farnborough, who were the authority responsible for the success of the design. There were also changes, for that matter, amongst the Admiralty authorities who dealt with it, as you will realise from the very long time which the work took. We must agree that there was a lack of appreciation in the Admiralty and in the Ministry of Supply which, perhaps, amounted to a defect of judgment, of the way in which the several departures which were made gradually from the original outline design were likely to prejudice the performance in the ultimate equipment. Naturally we are very sorry that there should have been this lack of appreciation with the result that the equipment is now unproductive. When later we dealt with the placing of a second order in 1948 the need for the set was even more urgent and the scientific promise was still high. We were expecting, too, that the first production models would be available within a couple of months or so for service trials in the Fleet, and the importance we attached to the equipment and to that work can be seen from the fact that we made special arrangements to have extra aircraft available for those trials and thus to minimise any delay which might take place. We felt at that time that with the modifications that were then being worked on in connection with the equipment success would be achieved and we rather looked upon the early service trials with the first production models as a kind of insurance that would, at any rate, enable us, if contrary to our expectation the set was a failure, to have stopped down on any appreciable nugatory expenditure in the second order. Actually, the equipment, when in tune, does give the results desired. The whole trouble is that it cannot be kept in tune long enough to be acceptable as a piece of service equipment. It is one of these examples of scientific devices that in the present state of electronic engineering just cannot be made to function properly in practical conditions, but, unfortunately, we discovered

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that too late. I was not in my present appointment in the autumn of 1945 but I do know a great deal about the desire of the Admiralty that the Navy's aircraft should have the most up-to-date equipment. Much as I regret the outturn of our action in the present example I still think that we did the right thing in taking the risk of a production order. The Public Accounts Committee themselves have in the past accepted that there may be occasions on which such a step is proper and we believe that this is one of the occasions on which it was the proper thing to do. As the Comptroller and Auditor General states in his Report, the Service Departments are constantly having to face risks similar to what was involved in the present example if equipments that are designed for a particular machine are to be ready when that machine itself comes into service. We are constantly on watch for safeguards against what happened in the present example and we are satisfied, at any rate, in this field, that our procedure and our liaison with the Ministry of Supply are such that the risk of a repetition is slight.

3300. Quite apart from taking the risk, and I think it is a fair statement of the view that has been taken on previous occasions by the Public Accounts Committee, what sort of enquiries did the Admiralty make between August, 1945 and February, 1949, to take the reference here in paragraph 13, to assure themselves that nothing untoward was developing? It is a rather long period of time?—It was not a case of the Admiralty, as it were, making enquiries in the sense of, shall we say, waking up every two or three months and saying, what has happened here and what has happened there. Our people were in the detailed picture from a very early stage. There were no less than 31 meetings held on this particular equipment between October, 1944, and December, 1947, at which Admiralty representatives were present and, in fact, an Admiralty officer was the chairman of most of those meetings. Even after that date when that particular type of meeting became much less frequent, there was a naval team down at the establishment at Farnborough in which the work was being carried out and our people were concerned in the various testings and trials that were carried out on the development models.

3301. What is the position now? Have you got any alternative set actually in production?—We have had, of course, to swing over to an alternative which takes the form of an adaptation for naval purposes of something that was designed in the intervening years for civil aviation purposes.

3302. Does that mean that the alternative set has passed its Service tests?—No, Sir. There have been quite a number of tests with this since we discovered that this

particular equipment was going to be unsatisfactory and they have been sufficient to satisfy our experts that as far as one can ever be positive in this field the set will function but not the whole of the Service tests have been finished yet.

3303. I will go on to complete my questions on this Report. On paragraphs 15 and 16 on delay in settlement of contract prices, was there any particular reason for delay in these settlements?—No particular reason. I think the work was running true to form. The whole of the warships and the greater part of the gun mounting work and that kind of thing which has been done since the commencement of the war have tended to take a great deal of time and that is inevitable when you are not dealing with the equipment that is produced on a firm price contract because the firm have got to make up their mind what they have put into the job, they have got to satisfy our people of what has been put into the job and the two parties have got to negotiate together for a settlement. It is one thing to have a formula as we undoubtedly had for the ships that were completed in the 1947-49 period but the application of that formula to a particular ship is a matter of individual bargaining between our contract department authorities and the firms' representatives. Some of the ships which are, in fact, outstanding have presented very great difficulties indeed because you realise that the majority of these ships were built at a time when there was also the complication of cancelled orders. The contractors have naturally claimed that some part of their unbalanced labour force must be regarded as a charge against the Admiralty and they have not unnaturally worked that into their account for Admiralty production that they have been doing during the period in question.

3304. What about the period since 1948? Have you agreed with the industry yet on the matter of prices for ships completed since then?—Apart from the last month or two, there have been no ships completed since December, 1948.

3305. So you have not in fact made any settlements?—We have not, no. We know that the industry are reckoning to meet us on the subject of what is to be done for the ships which are just completed and those which are on the point of completion, but the discussions have not taken place yet.

3306. Going on, then, to paragraphs 17 to 19, I gather from this that you have abandoned the tendering for shipbuilding work. Have you also found it necessary to abandon tendering for other requirements?—Oh, quite a lot, yes. I think it is probably fair to say that in the majority

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of really intricate equipments where production is to a new specification we are not able to get firm price tenders at present.

3307. On the warship orders which I see are placed on the understanding that fair and reasonable prices will be agreed as soon as possible, at what stage of production is it ordinarily possible to agree? At what point in the production schedule of the warship?—We hoped when the current warship orders were placed that we should be able to agree prices with the industry at periods which ranged between six months as the smallest to 18 months as the largest from the date of the order. That hope has proved illusory very largely because the ships had not reached that stage in their construction by the expiry of the periods I have mentioned that had been expected when the arrangement was first made, and we are discussing with the shipbuilders now what alternative formula can be substituted. The real essence of the problem is that the design must be really consolidated and the actual work must have reached a sufficiently advanced stage in the builders' yards to enable builders to be pretty certain that the estimate they put forward will be a fair one. That, of course, is in our own interests as well as the builders' interests.

3308. But if you really leave it very late you are driven back almost on a cost-plus basis, are not you?—If you drive it to the ultimate extreme, yes, although even there we should still try and negotiate a settlement with the builders which was in the form of a lump sum for profit and not a percentage on the cost of the ship. We are not reckoning to leave it anything like so late as that but we are trying to find a formula which will define the stage which the ship should have reached in construction by which the firm can be reasonably expected to indicate what, in their opinion, is the proper price.

3309. Do you think that the new programme is going to mean that you are going to have even greater delays in the settlement of prices?—No; I do not. We shall probably have a tendency that way in respect of the first ships of the current programme to be finished if only because the shipbuilders and, perhaps, our officials, too, have not had to operate a great deal in this field over the last few years, but that will only be a very small factor and certainly by the time the second group of ships comes into the field for settlement we should reckon that if anything we shall be rather quicker than we have been over the ships of the last war programme, for the reason that the ships that we shall soon be negotiating about, like the Eagle and the Daring class destroyers, have all taken a very long time to build and there will be a considerable number of complications in the accounts rendered for the ships. With

the new programme of ships which we hope are going to be built at the optimum rate of construction, many of those complications will not exist.

3310. Now, one or two questions on store accounts. I see from paragraph 20 that you are having staffing difficulties but on the whole your accounting has gradually improved. Have you any idea as to when you are likely to attain your aim of full standards and, particularly, is the latest man-power cut affecting your programme at all?—If there had been no rearmament programme and if there had been no staff cut we should have expected, with a qualification about the two difficult fields of engineering stores and gun mountings, to have got our storekeeping system into shape within two years or so from now. That is not to say that we should have reverted entirely to the pre-war systems or levels of checking, but where we had departed from those we should have done so because we were satisfied that alterations were justified by the circumstances. In the two difficult fields of engineering stores and gun mounting we should have made quite a lot of progress within that two-year period, but I am not sure that we should hope to have achieved anything like the same satisfactory standard as we should by then have got in the main field of naval stores, and so on. The effect of the rearmament programme is undoubtedly going to be to tend to throw that thing back. It has already done so in the naval store field, where we have had to use some of our experts on store accounting and storekeeping to help in the Reserve Fleet; also the mere fact that the volume of stores which our people have to deal with over the next two or three years is going to be very much larger than it is today. It means that unless, of course, we can recruit extra staff and get them trained for the work, we might tend to go backwards a bit in this march towards a perfect storekeeping and store accounting system. The effect of staff cuts at the moment cannot be calculated because we are still engaged in discussing with the Treasury what should be the ceiling of civilian staff allowed to the Admiralty, but in the worse event, then, I think there is very little chance that we shall be able to escape from asking the Treasury for authority to relinquish some of the storekeeping and stocktaking procedures which we have built up over these last two or three years in that way and use that staff in what we should regard as the high priority services, not necessarily using those particular bodies, but using those numbers of staff in order to enter draughtsmen or engineers or scientists in the more important fields of Admiralty work.

3311. Quite apart from the purely financial accountancy aspects of this, of course, if I understand you aright, if you

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cannot get your storekeeping and your Reserve Fleet all right, in fact that has a very considerable importance in terms of how quickly you could bring the Fleet into service, is that right?—Yes. Strictly, of course, that element is not a factor in stock-taking and storekeeping but we have had to use men experienced in naval stores and the way they are looked after and that kind of thing, deflecting them from their normal duty to this working party that is engaged on Reserve Fleet work.

Mr. Peter Roberts.

3312. Going back to this question of equipment on paragraphs 13 and 14, did the suggestion that the firm should have a follow-on order come from the Ministry of Supply or from the firm itself?—It almost certainly came originally from the firm itself, in the form: "You should know that we are getting through the first production order and a time will soon come when either we shall have to use that labour and engineering capacity on some other work or, alternatively, you must give us a follow-on order if you want more equipment". The Ministry would have investigated that and satisfied themselves it was genuine and then come to the Admiralty and said: "You must consider whether you want to place a follow-on order".

3313. Do you find in this type of work that it is essential to have the Ministry of Supply between you and the contractor?—That is a matter of Government policy. The Admiralty does in many fields place its own contracts direct with the industry and no doubt if there was not a Ministry of Supply at all we should reckon to place our own contracts in this field as well. We did, of course, place such contracts in the years 1935, 1936 and 1937 before the Ministry existed.

3314. I do not want to go into a question of policy, but would you say that having to operate through the Ministry of Supply in this instance tended to blanket the delays which were going on and lessen the efficiency of the experiments?—No, I do not think it did. If there had been no Ministry of Supply we should still have had to work with a single Government establishment on the research side because it would be quite wrong, in my opinion, for the Admiralty to have a research establishment that dealt with electronic matters and for the War Office to have one and for the Air Ministry to have one.

3315. Now, returning to page vi, the delay in settlement of contract prices, can you first of all give me any idea of what the percentage of money unpaid on these contracts would be on an average when you are discussing? Do you pay up to 80 per cent. and discuss over the last 20 per cent.? Is it something of that nature?—I should have thought, frankly, we paid

something over 90 per cent., 90 per cent. to 95 per cent.

3316. So that the delay which occurs does mean that the firms are losing the use of their capital, but it is not likely to be serious if it is only 10 per cent.?—That is so.

3317. Now, referring to the full account on page 21, Vote 9, Naval Armaments, Subhead F "Guns, Torpedoes, Mines, Ammunition, &c.", am I right in thinking that there you have not spent the full grant which you are entitled to?—That is so.

3318. The explanation of difference in Subhead F, over the page, says: "Due to delays in production". I notice that that explanation is given in quite a general form on quite a number of these various figures. Is it due to production, do you feel, in the Ordnance factories themselves or in the engineering, or where would you say that the lag in production was?—In this example where you are taking guns, torpedoes, mines and ammunition it would be in, at any rate, three different fields: one would be in the Ordnance factories because the Ordnance factories do produce a fair amount of our ammunition, one would be in engineering firms either working for the Admiralty through a Ministry of Supply contract or working for the Admiralty on a direct contract, because they too would not have made all the progress with the particular gun or mine case or something of that kind that was at stake. The third field in which there would have been corresponding delays is in the torpedo factory at Alexandria in Scotland where they too were not able to produce torpedoes quite so quickly as we had expected when the Estimates were shown.

3319. The point I wanted to particularise—I do not think it would be helpful to do it now—was whether it would be possible to know whether the delay is more in the private section of industry than in the Ordnance factory section of industry? The reason I ask that is that I happen to come from Sheffield and my experience is that it has been more a question of waiting for orders than a holding up of production. I do not want to press that any further, Mr. Chairman, at this moment but if I could have a memorandum on whether these delays in production, which are referred to on page 22, are partly spread over the various sectors or whether they apply more in the Ordnance factories, that would be helpful when we come to consider the report.

Chairman.

3320. Can you do that?—Yes. It may have to be in rather general terms if only because this particular item will cover,

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perhaps, 10,000 different items of equipment.*

Mr. Peter Roberts.

3321. Of course, I appreciate that?—If you will let us do the best we can, we will try and help.

3322. On page 31, can you explain the delay, as I imagine it must be again, in keeping up to the grant for new married quarters? Again, the reason that I would like you supply the answer is that there are, of course, a number of people desperately anxious for married quarters and it is a little disheartening to find that the full allocation has not been spent?—It is really due to a whole series of items. In one or two examples it would be due to a need to look again at a project because of some change in the operational importance of the station at which we were planning to put up married quarters. I can recall at least one example of that. It would be due sometimes to shortage of staff in the drawing up of the plans for the development of these married quarters estates.

3323. Is it, therefore, really more a question of delay in the planning and progressing of it inside the Admiralty rather than in production by the builders?—Oh, definitely, yes.

Chairman.

3324. Might I just ask you on this, Sir John, do you go out to open competition for the tendering for these married quarters?—Yes, we do.

3325. On a fixed price basis?—On a bill of quantities basis. Quantities are taken out by surveyors in the building industry giving us the quotation for work of that kind.

3326. May I just take the married quarters point a little further? I wonder if you would let me have a statement showing the cost of these married quarters so that I can make a comparison between the cost of your married quarters and the cost of municipal housing? That is the kind of form in which I want it. I do not want it now, but perhaps you can put in something?—You are thinking of some reasonable comparison to what was said in the Comptroller and Auditor General's Report on the other two Services? If you would like to have it now, I can give it to you.

3327. If it is in the form of a statement you can put in, I suggest you do that?—I was merely going to give you a figure for

* Note by witness: The production delays occurred mainly on manufacturing orders on Royal Ordnance Factories.

each of two years, and that is 1949-50, £2,010 as the average cost of a married quarter and 1950-51, £1,912.

3328. That is the cost of the quarter including land?—I think so, Sir. It includes the site works etc. It is not merely the bricks and mortar and timber that go to constitute the building. It includes the running of roads and the putting in of services and that kind of thing.

3329. Do people ever, in any circumstances, pay rent for married quarters?—They all pay rent for them.

3330. Can you let me know the basis on which your rents are assessed in relation to capital costs of the houses?—They are not. They are assessed on a scale which was agreed between the three Service Departments and the Treasury and which fluctuates with the rank of the holder of the quarter rather than with the quarter itself.

3331. Could you give me the information to show the degree of subsidy, if any, that enters into your rents?—I should have to get that for you. The rental payment which an able seaman, for example, would make is, I think, 17s. a week which is clearly less than the economic rent of a building which costs £2,000, but if you want an element of real subsidy evaluated then I must get that for you.**

Mr. Cuthbert.

3332. In the previous Public Accounts Committee we all have been a little concerned about stores and stocktaking, and so on, and I see the Comptroller and Auditor General has got two or three paragraphs on them again. My point is this, that I see there is an improvement, but you still have staff difficulties and with the rearmament programme, apart from anything else, are you taking proper steps in fact to increase that staff? There are two points of view from the Committee's angle one of which is, of course, the correct keeping of stores and the availability of them, and so on, as far as the movements and operations are concerned. I was wondering what the position was like now because your work is going to increase, of course, by rearmament?—Yes.

3333. And it will mean more stores. How are you building up the staff who should be looking after that?—We are not, in fact, building up staff in this field at present. We are under threat that we may have to reduce the staff in this field because of the staff ceilings which the Government have imposed on all Civil Service Departments. We are still arguing with the Treasury as to what should be the size

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[Continued.]

of our staff ceiling and the extent to which we can maintain our present staffs in this work, or to which we may have to reduce them, will depend on the outcome of those discussions. I am quite certain that there is no chance at all of increasing the staffs engaged on this work except, possibly, in the two definite fields of the machinery and spare parts depots and the gun mountings depots where we are engaged on getting our records and so on into order, but in the ordinary field of stores, naval stores, engineering stores, armament stores, and so forth, there is no chance of any increased staffs. The threat is all the other way.

3334. In your opinion would that affect the Service at all in any way if it was suddenly mobilised?—We should undoubtedly concentrate whatever staff are available in the store departments on making sure that the availabilities were right and if anything has got to go at all it will have to be relaxations in the stocktaking and similar procedures designed to ensure that one does not lose stores or have them stolen.

Sir Ralph Glyn.

3335. Can you say, quite roughly, what is the proportion of the stores you acquire through the Ministry of Supply and what do you get direct yourselves of all kinds? What proportion of warlike stores and equipment generally can you still get yourselves and what proportion comes through the Ministry of Supply?—I cannot tell you now reliably: I will let you have that information.* There is a great deal which comes from both sides and it depends almost entirely on the nature of the store. Air stores, for instance, on which we spend some £12 million to £15 million in a year, come entirely through the Ministry of Supply. Equally, timber and steel and the majority of our wireless gear and radar gear, too, for that matter, do not come through the Ministry of Supply.

3336. That is the point I wanted to bring out, because you mentioned engines and airframes just now. Engines and airframes may be matched up, but if you have not got your electronics the Ministry of Supply cannot deliver that aircraft for Service purposes, and to what extent are your radar and electronic equipment obtained directly by the Admiralty and not through the Ministry of Supply?—Aircraft radio or radar does come through the Ministry of Supply. It is the ship-borne radio and radar that we do ourselves.

3337. Have you any idea whether there is any conflict in production in the manu-

* *Note by witness:* We obtain approximately 25 per cent. of our stores and equipment through the Ministry of Supply and 75 per cent. by direct contract or on our own manufactures.

facture of electronics between your priority for electronics for vessels and the requirement either for the radar screen or for aircraft?—There quite obviously could be a conflict in any firm which has orders in the two or several fields. The possibility of that conflict developing in an improper way is controlled by two procedures: one is that the Government have just set up a super-priority which covers electronic equipment for certain types of weapons and for the radar screen and the other is that there is a very close working liaison, I think, in fact, a formal Committee on which the Admiralty and the Ministry of Supply are represented, at which these potential clashes are ironed out

3338-9. The Chairman referred to those paragraphs 12 and 13 dealing with this type of equipment which was found unsatisfactory. Was that referred to Sir Henry Tizard's Committee before you went into production by Admiralty order?—Sir Henry Tizard's Committee did not exist when that production order was placed.

3340. It was placed so long ago as that?—It was placed in the autumn of 1945 and Sir Henry Tizard's Committee came into existence some time later, in January, 1947.

3341. Then, the repeat order which was placed; at no time was that device referred to investigation by Sir Henry Tizard's Committee?—I did not say that, Sir. You realise that Sir Henry Tizard's Committee does not deal with production matters at all. It deals with research and development matters. Undoubtedly, Sir Henry Tizard's Committee knew from the moment of its existence that there was being developed this particular equipment. They knew the progress that was being made with it and the faults it was showing. They must be presumed—I say that because I positively have not seen minutes on the subject—to have endorsed the importance which the Admiralty attached to the equipment, otherwise it would have been stepped down as a research service.

3342. The point I want to get is this, that the establishment of those Committees was to enable the Service Departments to refer to a specialist Committee all these devices, to get a report on them and to see that there was no clashing in the production, and the Ministry of Defence—correct me if I am wrong—had the duty of allocating to the different Services what was necessary in the opinion of each Service, all being graded as priority? Do you follow me?—Perfectly.

3343. It is a fact, is not it, that the Minister of Defence is the Minister responsible for allocation of these orders in order of priority?—No, he is responsible for ensuring that both the research services

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and the production services which are working for the three Armed Forces are properly apportioned between them, in other words, it is the responsibility of the Minister of Defence working through the Defence Research Policy Committee in the research field and the Joint War Production Committee in the production field to make sure that the proper priorities between ships and aircraft and guns and ammunition and all the various things which go to help those to fight are exactly in their right order, but what would have happened in the present example is that the Defence Research Policy Committee would have been responsible for saying: "This particular device is of a certain level of importance and it must be fitted into the programme in accordance with the level of importance as a research development project". Then, the Joint War Production Committee, the other half of the Ministry of Defence interested, would have been responsible for determining what importance attached to the production as apart from the research side and, again, the Joint War Production Committee undoubtedly had this as one of the items in the production programme over the several years. It would be wrong, however, for me to give the Committee the impression that the Joint War Production Committee would be likely to have given very close study to this one equipment. The Defence Research Policy Committee, I think, yes, naturally they are bound to go into much more detail in determining which research projects are started up. But on the production side it is a very much more complicated programme and to a large extent they must deal with the thing by way of broad brush treatment and not expect to have a very detailed picture put up to them of which they will study every little section.

3344. I do not know whether it is right to ask this, but could you tell the Committee whether you are quite satisfied that in the high priority plan now agreed by the Government in regard to the Gannet and other aircraft of the Fleet Air Arm you have got all the backing for the electronic equipment for those particular machines?—Undoubtedly, yes.

Mr. David Thomas.

3345. Reverting to the question of stores accounts, all the Services, I believe, pride themselves on having efficient officers in all departments. Why is it that on the question of storekeeping things were not anything like efficient? Do you think it would be false economy on the part of the Treasury—this might be unfair to you—to curtail your existing staff where I would suggest there are millions of pounds involved, as far as stores are concerned, in all departments of the Admiralty? In the concluding sentence of paragraph 22

there is the statement: "No forecast of the date of completion could be given, but the possibility of a substantial increase in the number of inspecting officers allocated to the work was being considered". What purpose is there in getting a large number of inspecting officers if all the stores are not efficiently and properly manned? My hon. friend suggested, I think, that you might find yourselves wanting a certain part of machinery and it might be found, due to inefficient storekeeping, that in a time of emergency you might not have that spare part available. It appears to me that it is essential, and I think you will agree with it, that the stores departments should be most efficiently carried out?—You have raised a fair number of questions there and I will try to answer them in the order in which you asked them. The first was, why is there such a mess in the storekeeping field. The answer at the moment there, Sir, is that there is not a mess in the storekeeping field in the sense of a very great untidy mess. Even on the engineering spare parts and the gun-mountings side we have got the thing into reasonable shape, though we do not pretend by any means that it is perfect. Having regard to the colossal value of stores that exist in the Admiralty's service the errors that occur in storekeeping, the losses and so on that occur, are comparatively trivial and one can never hope to have the system so complete that you will have no losses at all. The fact that there is something of a mess is due to the aftermath of war which we have been gradually recovering from over the last five years. The second question which you put was, would it not be a false economy to reduce the staffs on this work, and you went nearly so far—perhaps absolutely so far—as to make the suggestion that perhaps it would be a proper thing to increase the staffs on the work, and thus get it absolutely clean and efficient. I think it may well be a false economy to reduce the staffs engaged in this work, but time alone would show who was right over that. Obviously, if our discrepancies increased very materially because we reduce the staff or fail to increase the staff, then it would have been proved to have been the wrong thing, though I do not think a small fluctuation in the staff, whether it was by way of increase or decrease, would have a great effect on the efficiency or otherwise of the scheme. We certainly do not want to reduce the staff employed in this field at any rate until we get the whole thing cleaned up and tidy once again. If left to ourselves we should not make those reductions which I have implied may have to be made in the interests of the more important field of Admiralty work. In your third point you referred to the closing sentence of paragraph 22 and you said: "Why increase the number of inspecting officers if, in fact, the storekeeping

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[Continued.]

arrangements are not satisfactory". I think there is a slight misapprehension there. What we were doing there was using people who are normally inspecting officers to go into these Reserve Fleet ships and with their knowledge help the naval personnel over some adjustments in the stores of the Reserve Fleet ships. They would not be doing inspecting, and only after their Reserve Fleet task was complete would we then bring those people back to inspecting duties which might be over any ship of the Fleet. The fourth question, I think, related to a feeling that our store-keeping was relatively inefficient still. We do not think that it is. We think we have made very big strides since the date of the end of the war when admittedly we, and the other two Service departments, too, for that matter, were very uncertain where we stood, and I think the Comptroller and Auditor General's Report is really meant to be read in that form, that he is not really dissatisfied with the state of Admiralty stocks and the way in which the store-keeping arrangements have been brought up to a reasonable standard of efficiency. Actually, the Comptroller and Auditor General will speak for himself on that, but that is the way I read that Report.

Mr. Hoy.

3346. Mr. Milner-Barry, you know that this Committee has given some considerable attention to and expressed great dissatisfaction with the accounting and stock-keeping not only of the Admiralty but of all three Services. Do not you think it would be false economy, if you now get them into reasonable shape, to make cuts in those staffs and let them slip back into the mess they were in before?—(Mr. Milner-Barry.) Well, I think that is a very big question.

3347. A very important one?—Obviously it is a very important one. It is a matter of priorities. I suppose you must consider the man-power resources all over the country and not only in this particular field.

3348. You know that there are millions of pounds involved in this matter?—Yes.

3349. Merely to cut your staff down to a given number surely would be unfair to the important job of maintaining your staffs and accountancy, would not it? Would not the Treasury look at it that way?—I suppose it would be partly, at any rate, a question of what the man power saved would be doing if they were not employed on that particular job, but I can assure the Committee that we have that aspect of the matter very much in mind.

3350. You will remember that on a number of occasions the Committee have gone into this very fully because of certain

losses that were not revealed until after certain people had left the Services. I think we had one case last year, is that right, Sir Frank?—(Sir Frank Tribe.) I think so. It certainly has occurred from time to time.

3351. And the Committee stressed the importance of avoiding that?—(Mr. Milner-Barry.) Yes.

3352. Surely the one way to do it, even from the Treasury point of view is to have it staffed efficiently and thoroughly?—Yes. I do not think I can really add anything to what I have said on an earlier occasion and to what Sir John Lang said, which seemed to me, if I may say so, an entirely fair statement of the difficulties of the position with which he might be faced.

3353. May I ask you, then, Sir John? I think you would agree in the first place that the stores and accountancy were very bad until recent times? I am not seeking to apportion blame, but I think it was the same with all three Services?—(Sir John Lang.) May I answer that question before you go on?

3354. Yes, certainly?—They were extraordinarily good up to the outbreak of war. They deteriorated seriously during the war, inevitably, and in the immediate post-war years, 1946 and 1947, they were pretty bad. I do not think we in the Admiralty would regard them as having been bad for the last three years.

3355. It is the post-war period that I am dealing with? I think you are being rather conservative about the time following the war. We were dealing with cases here last year much more recent than 1946 and 1947?—Yes, certainly.

3356. Anyway, it will not affect the general question. You would say that the stores and accountancy are much better than they were a couple of years ago?—Yes, they are.

3357. Surely a great deal of that is due to the fact that you do employ more staff now?—I would doubt a little bit whether we literally employ more staff on store-keeping today than we did two to three years ago.

3358. And on stocktaking?—I am using the whole thing as one service, store-keeping, stocktaking and all the rest of it, one function. I do not think that the number of staff we employ on that work today is bigger, or if it is bigger, not appreciably bigger than it was three years ago, but there are two reasons for that: one is that the volume of stores has come down a good deal until the rearmament programme started and obviously fewer people are required; secondly, we have closed at any rate some store depots and

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[Continued.]

that again has reduced the numbers employed on the work and, thirdly, the numbers which we did draft into this work in 1946 and 1947 in order to get our house into order were rather more than we should have expected to employ had the situation been satisfactory. As they got the situation satisfactory we should have tended to reduce their numbers.

3359. Surely the excuse that was always given to this Committee was that you did not have sufficient staff to cope with your problem?—That was perfectly true in those opening years and it is still true in the sense that in the one or two difficult fields

that we have got you cannot go and pick up a trained storekeeper or store accountant very easily, but we have not over-emphasised staff difficulties as preventing us from achieving the completion of the tidying up process except in that moderate way.

3360. May it not be true that your staff is proportionately larger today than it was then because of the smaller number of stores which it has got to look after?—I think you are right there.

3361. And that would have the same effect?—Yes, that is perfectly true.

TREASURY MINUTE, DATED 11TH FEBRUARY, 1952, AUTHORISING THE TEMPORARY APPLICATION OF SURPLUSES ON CERTAIN NAVY VOTES FOR THE YEAR 1950-51 TO MEET DEFICITS ON OTHER NAVY VOTES FOR THE SAME YEAR.

Statement of New Works and Purchase of Land and Buildings.

(Secret supplement to Navy Appropriation Account, 1950-51, forwarded in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.)

NAVY DOCKYARD AND PRODUCTION ACCOUNTS, 1950-51.

(Secret Supplement relating to New Construction, 1950-51.)

(Secret Supplement relating to Repairs, Alterations, etc., 1950-51.)

(Secret Supplement concerning value of stocks of Naval Stores, 1950-51.)

Chairman.

3362. May we now take all the remaining papers? I have three questions, one on each of them. I have nothing on the Treasury Minute, but on the Statement of New Works I see there is a very big increase between the figures in column 3, the total estimates for new works to be started in 1950-51, and those in column 6. That is the column "Latest Revised Estimate for New Works started in 1950-51". Does this mean that your works rearmament programme has taken shape since you framed your 1950-51 works Estimates?—(Sir John Lang.) Definitely, Sir.

3363. That is the explanation?—That is the explanation.

3364. I have just one question on the Navy Dockyard and Production Accounts. The programme on pages 20 to 21 shows considerable differences on all the individual Subheads between Estimate and actual expenditure. If you take in particular Subhead D, Note (b) shows that you took a supplementary provision of £600,529, but actually underspent by £2,607,983. Surely at the date the Supplementary Estimate was

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prepared you should have been better aware of the probable expenditure by the 31st March, 1951, should not you?—We should have been but for the fact that that Subhead is the most difficult item in the programme to handle. It always has been one of the awkward headings and I am afraid, frankly, it probably always will be. You get difficulties from several sources: the first is at the stage at which you do your Supplementary Estimate and still more, of course, the stage at which you do your original Estimate. There is a great deal of uncertainty about what payments you will be able to make to contractors in the last few months of the financial year. It depends on their producing their bills for the repair work and so on that is done and you being able to examine them and pay them. The second complication is that the greater part of the Government's financial procedure is built up on a payments and receipts basis whereas these programme accounts have to be built up on an income and expenditure basis. Now, the Admiralty technical departments that are responsible for advising our Director of Expense

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[Continued.]

Accounts on what is likely to happen in their respective fields and, of course, there are 20 to 30 of them all told, are much more used to the ordinary form of estimates on the payments and receipts basis than they are to the income and expenditure one and in practice they do not prove at all successful in forecasting things like issues from stock that are to be built into these ships or deliveries from unallocated orders and so on that will go into the storehouse to start with and may come out and be built into the ship afterwards. In the particular year that you are mentioning here we had several very big variations from Estimates in things like submarine batteries. We had assumed when the Supplementary Estimate was made that something in the order of £600,000 of submarine batteries would be delivered for installation in submarines that were being repaired. In point of fact those batteries were not delivered in time and the examination which I have carried out on this particular point, sensing that it might be one that the Committee would ask questions upon, has shown that in the beginning of a rearmament

period that kind of tendency of major uncertainty as to what is likely to happen followed, of course, by figures that lead to great variations, is almost inevitable.

3365. I have just two points on the memoranda which you put in. The first point is: are you doing any work at present on the ships noted in the table on page 2 as "Construction Suspended"?—We are doing nothing at all with the three light Fleet Carriers, Hercules, Leviathan and Powerful, except preserving them, of course. With the three cruisers at the bottom of the page we are doing nothing on the hull or the engines of those ships, again apart from preservation, but we are spending some money during the current year on the armament which is to be built in those ships when they are started.

3366. You do think you are going to have a use for them?—We are definitely reckoning to finish the three cruisers. The aircraft carriers are still under consideration.

Chairman.] Are there any questions on these papers? Thank you very much, Sir John.

Sir John Lang withdrew.

GREENWICH HOSPITAL AND TRAVERS FOUNDATION ACCOUNTS, 1950-51.

On these Accounts no questions were asked.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1950-51.

VOTE 1.

CUSTOMS AND EXCISE.

On this Account no questions were asked.

The Witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 29TH APRIL, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Cuthbert.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. G. P. HUMPHREYS-DAVIES and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

TREASURY MINUTE ON PARAGRAPHS 1 AND 2, 3-8, 9-15, 16-20, 21-25, 26-29 AND 29-32 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir GEORGE TURNER, K.C.B., K.B.E., J.P., Permanent Under-Secretary of State for War, called in and examined.

Chairman.

3367. May we start with the Treasury Minute on the Second Report of last year's Public Accounts Committee? There are just a few questions I would like to ask on it. The first is on the Treasury Minute on paragraphs 21-25 of the Report. Could you please tell us the amount of the recoveries effected since the terms of settlement were accepted by the United Planters' Association?—(Sir George Turner.) The claim that we had was for £391,000 odd, but in addition there were over £½ million worth of advances which had been charged to the account in 1945-46 or in previous years. The Government of Malaya has arranged and negotiated a settlement with the Planters Association by which they will recover a percentage of the £½ million and the later War Office claim of £391,000 will be paid in full subject to certain accounting adjustments. The Treasury have agreed that the War Office claim should be met as a first charge and that any recoveries in excess of that figure will be paid to the Treasury as Exchequer Extra Receipts. The amount reported as recovered up to November, 1951, was £126,000.

3368. On sub-paragraph 4, what progress has been made in the recovery of other outstanding claims?—That, I think, is best seen by a comparison of the outstanding balances in our account now. The outstanding balances were quoted in the Report of the Comptroller and Auditor General on last year's Account and, if I may read eight figures quickly, the sum outstanding in respect of transactions in Malaya and Singapore was £792,896 at the end of March, 1950, which has been reduced to £690,169 at the end of March, 1951. In the case of Borneo, the corresponding figures were £363,911 reduced to £331,418 ;

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Hong Kong, £203,926 reduced to £7,069, that is, almost completely cleared and, in fact, the balance stated as outstanding has been received since. Burma, £24,570 reduced to £19,207.

3369. I go on, then, to the Minute on paragraphs 26-28, "Territorial Army". I notice that you were not able to carry out the Committee's recommendation to review each Association's need before the grants for 1951-52 were issued in full. Would you care to say something about that and the steps you are now taking in this regard?—Yes. You will see from the record of this Committee last year that it was represented that the balances outstanding in the accounts of the Territorial Associations were open to question and, contrary to the arguments advanced by the War Office, which, broadly speaking, were in favour of leaving the Associations with any gains that they could make out of the grants subject to review at a future date, your Committee still felt that we ought to take account of the larger balances—I purposely avoid the phrase "excessive balances" because we have not really established what the right balance should be—in the grants made in the immediately coming years. The simple explanation of why we did not do that in 1951-52 was that the letters announcing the grants based on estimates received from the Associations had actually been issued before your recommendation was received. It would have been, I suppose, physically possible for us to make adjustments afterwards but we felt that on the whole the Associations might be held to have been committed to the basis that we had notified and, indeed, they have expressed themselves rather strongly in that direction. We, therefore, took steps to ascertain the facts about the

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balances and, of course, the Committee's recommendation will be applied in full in dealing with the grants for 1952-53. The Committee may like to know that we have sent a questionnaire to the Associations in order to establish what the position is regarding their balances, what are their proper needs, and to make a move towards this problem of deciding what is a correct balance for them to hold. It is, I think, recognised by everybody that they want something in the way of, shall we say, a combination of a reserve fund and working capital. We ourselves wish them to carry out capital services such as the furnishing of new Territorial Centres in an economical fashion and that means that they should have some play between one year and another. We recognise that we have got to establish what a reasonable basis for those purposes would be. We have, therefore, as I say, issued a questionnaire to the Associations. We have got full returns from them and the position is being examined in the War Office in preparation for conclusions. We hoped before you could ask any question about this to have carried out our promise to issue what is always referred to as the "Williams Return" and nothing but printing difficulties has prevented us from getting it out before today. It is at the moment in a state of proof awaiting signature and laying on the Table of the House and should be available to Members of the House and to Members of this Committee in the course of a few days' time. It is of no great value to you at the present time because it is simply a mass of figures but this is the return that will be laid. (*The document was handed to the Chairman.*)

3370. Is this very much in the form of the return that we used to have before the war?—Yes, Sir, almost exactly.

3371. If this is to appear soon we can look at it when we get it, I think. One last question on that paragraph: is the Home Guard organisation being financed through the Territorial Army Association?—Yes.

3372. So you have got to take that into account?—We shall repay them their expenses on the basis of actual expenditure subject to a maximum. It is rather early to say anything about what they have done or what they are going to do, but we should have been in an extremely difficult position in dealing with the Home Guard if it had not been for the existence of this machinery.

3373. Now, a final question on the Minute on paragraphs 29-32 on "Storeholding organisation in East Africa". Has it again become necessary to consider supplementing existing storage depots?—Not in that area. In that area we have virtually completed the removal of stores from Mackinnon Road and as far as immediate

future plans are concerned the arrangement made for store depots in East Africa in substitution for Mackinnon Road is proceeding. In the Middle East generally, of course, the whole situation is in confusion as a result of the state of affairs in the Canal Zone where our principal other bulk storage is situated.

Mr. Benson.

3374. You said that the local Territorial Force will finance the Home Guard, subject to a maximum figure?—It is one of those arrangements which was referred to last year whereby we repay actuals subject to a maximum estimated total.

3375. I should have thought the expense would have varied with the recruitment from district to district?—It varies considerably between those districts where we are going to raise the Home Guard only on a cadre basis and those where it will be on a full basis, but there is an allowance for clerical and storekeeping work by the Association employees and we are also providing a civilian adjutant and quartermaster combined in all cases. For the units which are to operate fully we are in addition providing a clerk. These arrangements are subject to review and unless things develop more than we expect in the near future it may be possible to reduce some of those permanent overheads on the Home Guard. That is a matter on which we shall naturally take the advice of the Territorial Army Associations who will actually know what is the work required.

3376. Is it a global maximum or is it a maximum per recruited person?—It is a calculation based on the number of units that the Association have to deal with.

Mr. Douglas Marshall.

3377. In the Minute on paragraphs 26-28 of the last year's Committee I see that the Treasury say the "They recognise, moreover, that the size of the funds is affected by fluctuations in the market value of investments and in miscellaneous income and expenditure not covered by grants". What actually is the position as to what investments are held in that case, and who actually advises?—The Association Accounts are audited by professional auditors and on financial matters such as the investment of balances they, presumably, finally take the advice of their auditors, but the Command Secretary and financial adviser in Commands is available to advise them if they wish.

3378. The financial secretary?—The Command Secretary, that is, my staff in Commands is available to give financial advice to them if they wish it.

3379. Does the Treasury advise at all or not?—No.

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[Continued.]

ARMY APPROPRIATION ACCOUNT, 1950-51.

Chairman.

3380. May we now turn to the Army Appropriation Account, 1950-51? I begin with some questions on the Comptroller and Auditor General's Report up to and including paragraph 21. On paragraph 1, does this mean that, technically, His late Majesty for about a month maintained a larger Army than Parliament had authorised?—Yes, I think it does. It means that we covered it by a Supplementary Estimate just after the event.

3381. On paragraph 5, "Adjustments with Ministry of Supply", when was the Estimate made on which the initial payment for 1950-51 deliveries was calculated?—I am not quite sure of the date on which the Ministry of Supply provided the estimate, but it was provided in time for us to fix the amount of our Supplementary Estimate, and you will see that, if account is taken of the Supplementary Estimate, the outcome of the account on this heading affected by the Ministry of Supply claim is pretty nearly correct. It is Vote 7. The Estimate, with the Supplementary Allowance was £69,997,000 and the outcome £70,106,000. There was a difference of about £170,000 on the gross expenditure. That accuracy of outcome is due to the fact that we made the Supplementary Estimate after we had got the final Ministry of Supply figure and that figure has been used as the basis of the financial adjustment. It is subject to adjustment in the following year which will be, I think, something like £9,433,000.

3382. It is that adjustment that I am really interested in. You get a considerable difference between the initial payment and the finally assessed value involving this figure of approximately £9½ million, which is the difference. What I am really interested in is why we should get such wide differences as this?—That is a question which, I suppose, really you ought to address to the Ministry of Supply, but under present circumstances, with a rapidly rising programme and with the very difficult process of bringing new production into operation which was indeed occurring for the first time at the date of this Estimate, it is not surprising for a Supply Department to be as much as 10 per cent. out. We ourselves and, I think, the Treasury have expressed concern about the size of this error and, of course, it is wrong from the point of view of the Army account that we should be overcharged to that extent in one year, but it is, you will remember, two sides of an adjustment between Government Departments, and I do not think public funds are in any way penalised by this difference of adjustment as between one year and the next.

3383. Do you take the Ministry of Supply's word?—Yes.

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3384. You do not apply any War Office check at all?—No, it would be an unjustifiable expense for us to set up a checking machine for another Government Department's work.

3385. Are you satisfied, Sir George, that all the goods covered by this adjustment are brought on charge in Army store accounts so that you can track them all right the way through?—Yes. There is no difference in the mechanics of that from the time when the supply function was in the War Office. The main feature was that purchases were brought on charge in an Army account from the stores point of view. Although the purchase is now made by the Ministry of Supply the mechanism for delivery and inspection and so on is just the same as when it was in the War Office and they have continued to use the old procedure in the same way that they always did. If there was one thing fairly safe about the accounts I should have said it was that of taking contractors' deliveries on store charge.

3386. I will go on, then, to paragraphs 6 and 7. On paragraph 6, has the formal agreement been concluded?—Regarding the pooling arrangements in Korea?

3387. Yes, it says: "Pending the conclusion of a formal agreement". I am asking if the agreement has now been concluded or not?—The agreement has been settled.

3388. What Governments are participating in it?—This country, Australia and New Zealand.

3389. Can you say what percentage of the pool account would represent United Kingdom liability?—We think, probably about 80 per cent. The accounts for supplies and so on when received in Korea, in so far as they are delivered into British Army stores as part of the British Commonwealth Division, are accounted for in the ordinary way by the British Army, but a statement of what they have received is notified to the accountants of the pool account. Certain other stores go into common use and they are accounted for entirely through the pool account.

3390. What happens in respect of any issues to any Commonwealth or other Governments that are not in the pool, if, for example, the Canadians were involved, as I believe they are, but were not in the pool arrangements?—In so far as their transactions come into the pool account they have always got to be dealt with through the same machinery, although they are not really parties to the agreement, but I think the reasons why the Canadians have not so far found it necessary to fall in with the same arrangements is that their

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[Continued.]

supply organisation overlaps on the American side far more than on ours. They are, of course, to a very large extent using American types of equipment and they would probably be justified in having some sort of pooling arrangement with the American Forces. I am speaking rather away from the facts. I merely know that the Canadians have got that special connection with the Americans and assuming that that is the reason why they have stood out. They have very few transactions with us whereas, of course, the Australian and New Zealand people work very closely with us.

3391. Will the store accounts and the pool account be subject to audit by the Comptroller and Auditor General in the ordinary way?—Those accounts below the pool, which are in the British Forces, will, of course, be audited in the ordinary way. The actual pool account and its Australian subsidiary accounts are, as I understand it, subject to audit by the Australian auditor.

3392. What part does this War Office financial representative play, the person who is referred to at the end of the third sub-paragraph of paragraph 6?—He is the financial adviser. First of all, there is one attached to the Korea Forces, and there is one attached to headquarters in Japan, and they have had a hand in discussing the detailed accounting arrangements, but they are not concerned with the audit.

3393. Are we talking about the same thing? There are two people here, one of whom is called the financial adviser to the Commander-in-Chief of the Commonwealth Forces?—He is an Australian.

3394. I am talking about this man referred to in the last sentence of the third sub-paragraph, which reads: "He is assisted by the War Office financial representative"?—That is my normal financial adviser with a force, to wit, the Korean Forces.

3395. He has only an advisory function?—He has only an advisory function on the Pool Account.

3396. Has any apportionment of pool expenditure yet been made?—No, Sir.

3397. Finally on that, on paragraph 7, the amount here put down is provisionally estimated at £7 million. Can you give any estimate now of the proportion of this £7 million which is expenditure incurred on account of the War Office?—That figure of £7 million was given some time ago by the Chancellor in the House of Commons. It was said that it covered the extra cost to the United Kingdom up to the 31st March, 1951. At the time that estimate was made to the best of our ability we assessed about half of it as Army,

£3,500,000. I think, without wanting to make a statement in substitution for a ministerial announcement, it would be as well for the purpose of this Committee if we said that the total United Kingdom expenditure at the present time for all three Services is running at about £14 million a year, of which approximately £10 million is the Army's share. The £10 million is divided as to £5,500,000 on what we call normal costs and £4,500,000 on extra costs, but you will realise that these are estimates particularly difficult to make at the present time because we have got complicated lines of communication crossing several fields of cold war activity and it is pretty nearly impossible to break down extra costs as between one area and the other.

3398. May I go on then to paragraphs 8-10? On paragraph 8, has the formal agreement with the Corporation been concluded?—Yes. The agreement, I should explain, in this case, Sir, is one embodying the basis of the accounting settlement. No agreement is necessary as to the services that the Corporation perform for the Army because that is laid down in its Charter.

3399. When this matter was last being discussed, last year, Sir George, you mentioned the prospect of the quarterly investigation of the Corporation's books. Is that going to happen?—We have put a financial representative on the managing authority.

3400. Is he one of your own people?—Yes, and we have settled most of our differences on accounting matters with the Corporation. There has been a considerable change in their own internal arrangements, particularly over accounting, and I would say that on the whole the situation is fairly satisfactory.

3401. I come now to the question of the provision of married quarters on which I have rather a lot of questions to ask you. First, on paragraph 13, can you explain how the percentages that are laid down in paragraph 12 were fixed?—You mean the scale of quarters that were provided for?

3402. Yes. The percentage varies; it says, from 100 per cent. for Lieutenant-Colonels and so on down to 6 per cent. for the rank and file?—There always has been a scale of quarters in the Army and it is based on a statistical assessment of the amount of marriage in the various ranks. We had a reassessment recently on the basis of some new census figures and that to some extent confirmed the figures we had worked on previously, but, in any case, where it did not, adjustments are being made. It is an interesting calculation because the peculiar fact is that although we have got a very large number of National Service men in the Army nowadays, who are by the force of circumstances mostly under 20 and, therefore, presumably unmarried, there are,

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in fact, just about the same percentages of rank and file married as there used to be when we had no National Service men; how long that will go on I really do not know. However, you see the figure for rank and file is a very small one, and the figures that really affect the number of quarters that we build are those for junior officers and those for n.c.o.'s. The building takes so long nowadays that there is plenty of time to adjust these figures if they are found to be moving in the wrong direction.

3403. On paragraph 14 are the entitled personnel bound to live in official quarters? Are the people who are entitled to live in official quarters bound to do so?—If quarters are offered to them, yes.

3404. What sort of scale of rents do you charge? On what basis do you fix them?—There is a regular rate of stoppage for quarters, the main items of which are that we charge 15s. 6d. and 17s. for other ranks. We charge £100 a year for a Major and below in the officer rank and £135 a year for a Lieutenant-Colonel.

3405. What do they get for that?—A quarter, furnished.

3406. A furnished quarter. Does that include rates?—That covers all charges for the quarter.

3407. Including fuel?—Including rates but not including fuel.

3408. Not including fuel?—No.

3409. Or light?—No. It includes rates but not extras.

3410. The figures you have given are the figures furnished?—Yes.

3411. What abatement would there be if they were not furnished?—In the case of unfurnished quarters, of which I do not think we provide many at home, the officer figure of £100 comes down to £70.

3412. I wonder if you could let us have a complete schedule showing us precisely what is covered and the various rates? I think it would interest the Committee, because we are interested in this in other connections. I, at any rate, want to bring the material together. If you could let us have that schedule, I think it would be helpful?—I can certainly do that. I have got it readily available.

3413. Is it possible for you to make any estimate of the degree to which you may be said to be subsidising these rents? That is to say, how far is the cost of the house covered by the rent element, the cost including the rates or whatever else is involved, of course?—When the quartering rates for the Army were established they were not primarily intended to be economic rates fixed on the rent value, because the officer was liable to be posted from one

place to another, and variations between these various quarters were very serious in the old days and are even more serious now, but I think the point to bear in mind is that we take this into account in fixing the pay of the Services.

3414. Oh, yes, I understand that. The point of my question is really to ask you whether in the War Office you are able to say what part of the cost of your quarters, including furniture, lighting, rates and everything, is met by the contribution which those occupying the quarters have to make? That is really the point of my question. I am not asking on policy, I am merely asking as a matter of fact?—Yes, it is a point we have looked at ourselves time and again because these figures are rather interesting. The thing that comes to my mind immediately as giving some idea of the extent to which these rates meet the cost is to take what has happened on the hiring scheme which is mentioned in the Report in paragraph 21. There, with Treasury authority, we have been allowed, pending the building of the houses, to hire furnished accommodation in certain cases where the requirement was pressing. We have been given maximum rates, but we have not necessarily used all those maximum rates and the cost of the service to date is fairly well known. It is established in the account. We could, I think, give a figure for the amount recovered against that by quartering charges.

3415. Would you consider how much information you could give us illustrative of the point I have made?—Yes.

3416. And then we will see if there is anything in supplement which we want to ask?—Yes, I will do that.*

Mr. Cuthbert.

3417. May I ask one question now, Mr. Chairman, because I have a son-in-law who is really in this position. Is it not the fact in the Army, especially with officers who have to live out in the town where their barracks are, that they cannot get married quarters supplied to them and only get an allowance?—Yes.

3418. For instance, my son-in-law gets an allowance of two guineas, I think, but he has to pay five guineas or so for quarters?—Yes.

3419. That does not quite follow from what we are getting at, does it? There is a stated allowance only for these married officers?—Yes.

Mr. Cuthbert.] It is not that the Army say: "All right, we will rent a furnished house and we will pay the rent and rates of it." It is not that at all, those officers have a stated allowance given to them

* Appendix 9.

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[Continued.]

which really only covers about half of their expenditure on the house and quarter.

Mr. West.

3420. It depends on their barracks, of course?—It depends entirely on where they are.

Mr. Cuthbert.] Let us take Canterbury, where this son-in-law of mine is. He is a Major stationed there. He has a very tiny place which you or I would not pay more than four or five guineas a week for, but he has to pay six because he must have the quarters, and he gets an allowance of only two guineas.

Chairman.

3421. This is not a quarter in the sense we have been discussing. This is the case of a man who has not been provided with quarters but has been given an allowance in lieu of quarters?—An allowance to get accommodation.

Mr. Cuthbert.

3422. Which is only about half of what they have to pay?—The prices such as you have mentioned and such as we all meet in London have got to be brought into comparison with what we actually manage to get at these fixed rates mentioned in the hiring schemes paragraph.

Mr. West.

3423. If I may put this, following on that point, I think the question is, of course, that when the Army authorities are themselves negotiating for the tenancies of properties which they want to let out to officers or men, they are undoubtedly able to get much more favourable terms than a man is who has to negotiate himself?—They should be.

Mr. West.] I suppose that the officer who does arrange accommodation for himself, if the rent he pays is excessive, has a right to go before the Rent Tribunal?

Mr. Cuthbert.] Yes. In these cases it often happens that there is no alternative accommodation and they just have to have it, and I think the Government trying to get that house or quarter would be in exactly the same position as an officer, because they know they are so short. I thought that might have some bearing on what you were asking, Mr. Chairman.

Chairman.

3424. Yes. I think, Sir George, as regards my question, it was about the quarters provided by the War Office, Mr. Cuthbert's questions are about the accommodation that officers obtain for themselves?—Yes. Before you leave that, I would just like to point out that, regard-

ing this scheme of hiring furnished quarters which has been approved as a temporary arrangement while building is picking up, I think, in the light of what you have said, the facts given even in this paragraph which are for the first year of the scheme show what an enormous benefit it is to the Army because it does provide a way out for some very difficult cases, particularly in London.

Mr. Cuthbert.

3425. You mean in building quarters?—Yes.

Chairman.

3426. Could I go on now to paragraphs 16 and 17? I would like first of all to ask the Treasury a question. When delegating authority to the Service Departments in 1947 and in 1948, you fixed an upper limit of £1,800 exclusive of external services. That might be, say, another £250 on the average for War Office quarters, but as stated in paragraph 15 of the Comptroller and Auditor General's Report on the Air Services you authorised the Air Ministry to spend up to £1,725 for air-men's quarters inclusive of the cost of external services. Does this mean that you have agreed that the Army should have more expensive quarters than the R.A.F.?—(Mr. Humphreys-Davies.) No, there is no such intention. The idea was that the quarters should be broadly comparable. The £1,800 figure given in paragraph 16 applies only in exceptional circumstances, as stated in the Report. The normal figure is £1,750, which is only £25 apart from the Air Ministry figure. The size of house, and so on, is very much the same.

3427. If I may interrupt you, I do not think you have got quite the full force of the question. As I understood it, whether we take it as £1,750 or £1,800, that was a limit which excluded the external services, whereas, as I understand the Comptroller and Auditor General's Report on the Air Services, the £1,725 figure included the external services, so that we are not talking about a £25 difference, we are talking about a difference of something in the order of £250?—Subject to correction, Sir, I think in both cases it is intended to cover the cost of external services within the curtilage, as the phrase has it. That is to say, it covers the drains and so on down to the garden gate, but nothing outside the garden gate.

3428. Perhaps the simplest thing would be for you to look into this and let me have a paper which shows precisely what is included and what is excluded in the two cases, and then we should know whether, in fact, there was any real difference. Could you do that?—Yes, Sir, certainly.*

* Appendix 1.

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[Continued.]

3429. May I come back to you, Sir George. From these figures it looks as though the War Office houses, although somewhat smaller, are costing more than those of the Air Ministry?—(Sir George Turner.) Yes.

3430. Can you make any suggestion about that?—I think so, and I think it is desirable that the point should be faced. The Army, generally, is involved in greater expense. I think that was taken into account in dealing with these limits because it builds smaller groups of houses, it builds in more remote and on more difficult sites with higher charges for external services and it has a scale of fitments which is not allowed for in the local authority or, as far as we know, the R.A.F. houses, which is estimated at about £60 a house. That refers to fitments such as cupboards, geysers, and so on. Of course, the other part about this calculation which I am sure the Committee will recognise is that there are very serious faults in averages of these kinds. They are adding together a series of very substantially varying prices, and when you have got the answer I am not sure that it is necessarily comparable with another average. What you really want for this sort of thing is something, I think, that they call a median. Individual comparisons, of course, you can really analyse, but you cannot analyse these averages. I do not know whether the Comptroller and Auditor General feels that the averages he has used are particularly satisfactory, but our impression is that they are open to objections.

3431. Do you really know what the building of your houses or quarters costs you?—I think so, yes. The only feature in our accommodation building which is open to any doubt is the value of the land when we are building on land which has been held by the War Department for a long time, but the contracts are complete.

3432. Let us take this figure of £1,875 which is mentioned in paragraph 16. That is not the total cost, is it?—That is the total cost for what the contractor is asked to do.

3433. What would you need to add to that in order to provide us with a figure for the total cost of the whole job?—Land only, I think.

3434. What about all the services that the Ministry of Works. When they did them, charged 12½ per cent. for?—That was for their services as a contracting department.

3435. That would include the services of architects, quantity surveyors, clerks of works and so on, would not it, which you now do yourselves, presumably?—Yes, it is the preparation of the contract and all that sort of thing. It is the overheads of the Ministry of Works. Strictly speaking on that basis

you would say we add something for the overheads of the War Office.

3436. What would you want to add, have you any idea?—I do not know, but certainly not 12½ per cent.

3437. You would not put a figure on it?—No, I would not offhand.

3438. So, you do not really know, Sir George, what your houses cost you?—If you are going to pursue me into overheads, I do not.

3439. Even after deducting the agency fee, of course, the cost of housing built by the Ministry of Works is higher than under War Office direct contracts. Have you any idea what the difference is due to?—They had four big contracts, one of which was in Wales, one near Chester, one near Harrogate and one at Barnard Castle. In each case they were very difficult sites indeed; they were built on War Department land in order to save the time of making arrangements for other sites and they were very expensive from the point of view of all the costs of services.

Mr. Benson.

3440. May I ask, Mr. Chairman, these are the houses which cost £1,875?—No, we are talking about the ones built by the Ministry of Works. The ones built by the Ministry of Works are stated to be at an average cost of £2,333.

Chairman.

3441. Including an agency figure. On paragraph 18, you told last year's Committee that this type of house, similar to those provided for civilians, was a modest one appropriate to the lower ranks of officers. The reference is question 3852. Why did the Department come to discard it in favour of the larger types that are referred to in paragraphs 19 and 20?—The house that I think you were referring to was the Harwell type of non-traditional house. It was accepted by the Army quite definitely as an interim measure until such time as they could establish their normal requirements on a post-war basis and until the necessary designs had been prepared by the Army. The Harwell house was accepted as something which they could make do with for the time being but they did not like it. Particularly did they object to certain features of its size and it was stated rightly or wrongly that they were cold in winter. This is a very difficult point about the special requirements of the Service in houses, but I think that in the years immediately after the war everybody felt that if there was a house like the Harwell type which could be put up fairly easily we ought, at least, to take it for the time being regardless of the fact that it was not entirely what we wanted.

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[Continued.]

3442. So you have gone on to these other types which are referred to in paragraph 19 which I see are intended for officers of the rank of Major or below. What is the justification for houses of this size, 1,480 square feet and four-bedroomed houses of 1,650 square feet in size, when, after all, we are here dealing with ranks of Major or below? What is the justification for houses of that size?—I have asked myself that question several times and in the long discussions which we have had on this I think the Treasury and other Departments have faced it also. Perhaps the best answer one might give is to refer you to the limits for civil building which, I understand, are at the moment 1,500 square feet with exceptions, some of which have been approved, up to houses of over 1,700 square feet. The exceptions stated are for people like doctors, managers and managerial classes who make the same claim as is made in the Army, that they have a liability for entertainment.

3443. Of course, you appreciate I am talking here about the houses which it is said are intended for the rank of Major or below?—Yes.

3444. Mr. Milner-Barry, can you tell me any cases where the Treasury have authorised houses of this size for any other purposes?—(Mr. Milner-Barry.) No, I cannot, Sir.

3445. If you were building a house for a senior official, a director of the Ministry of Supply Research Establishment, what standard would you provide for him?—(Mr. Humphreys-Davies.) There is one case I know of authorised at a certain Ministry of Supply Research Establishment in rather peculiar circumstances in excess of 1,500 square feet.

3446. I was round a research place not very long ago in the Berkshire area and I went to a new housing estate, a Ministry of Supply housing estate, and I do not think I saw any houses of 1,650 square feet?—No, I think that is correct. By and large they are not in excess of 1,500 square feet.

3447. Why did the Treasury authorise this scale in the case of the Army?—For one thing at the time when this scale was authorised, which was three years ago, there was not quite the same insistence on a 1,500 square feet limit, which the Ministry of Housing now set as the general target, and for another thing these sizes of houses are a very considerable reduction on the pre-war standards, the houses which have been constructed during the years in the past, and the Services naturally felt strongly about a substantial reduction of the standards to which they were accustomed.

3448. Would you agree that these standards are actually in excess of the normal civilian standards which any civilian would be entitled to get?—I should very much doubt that, Sir, because, of course, the normal civilian of the Major or better station in life, if he can get a house at all, would buy one and probably it would be about this size, or perhaps bigger.

3449. We are not talking about buying. If I get a licence to build at the moment I would not get a licence to build a house of more than 1,500 square feet?—Unless you were a doctor or a manager or a clergyman. (Sir George Turner.) I am told that there are actually a number of houses built in the New Towns of over 1,700 square feet, for what they call their managerial grades. (Mr. Humphreys-Davies.) Could I just add to what I was saying that, as regards the size of house for officers, the Treasury hold very strongly that these figures are greater than we can justify, particularly with present building costs, and discussions have been going on for some considerable time on cutting them down.

3450. What would be the position of people above the rank of Major? What scale is a Lieutenant-Colonel and above entitled to?—(Sir George Turner.) At the moment we have only got, I think, as far as negotiating price value scales for them and we have not got very far with that. We have not, in fact, built any larger accommodation, but we have done it entirely by purchasing existing properties.

3451. I have one other question I would like to ask the Treasury on paragraph 19. Do the Treasury agree with the War Office view that they were entitled without further authority to exceed the limits which the Treasury laid down?—(Mr. Humphreys-Davies.) These were the earlier limits, were not they, Sir, the original limits which were expressed in terms of average costs, rather than as a definite ceiling. I think in that case the War Office were entitled to exceed those limits by moderate amounts though we naturally expected to be consulted if they had to go miles above what we had in mind. The limits we laid down definitely, those referred to in paragraph 20, were intended to be actual limits, though, I think, you cannot be too hard on a department if the tenders, when they actually come in, are a few pounds over. They are very largely in the contractors' hands.

3452. Are you propounding a new doctrine, that the Treasury must not be hard on departments?—Oh, no, Sir. But we are surprised by our own clemency sometimes.

3453. Going on, then, to paragraph 20, Sir George, an excess of £567 over the prices fixed by the Treasury in April, 1951,

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[Continued.]

means, as I understand it, that four-bedroomed houses will cost over £4,000 without a garage. Are you taking any steps to revise the dimension or standard of any later buildings?—(Sir George Turner.) Yes. Those were cases where we were clearing off the houses that had already been designed and planned when the higher limits were in force. We have got the department working on the production of designs which will, as far as they can say, fit in with the new limits, but those mentioned here were really the clearing off of houses which had been designed and planned before.

3454. I understood from an earlier reply that quarters were furnished by the War Office. Is that so always or are there some cases where these houses would be furnished by the officer?—Some of these new houses are being allotted furnished.

3455. If you were to furnish them, what, approximately, is the cost of furnishing a house like this?—I could not say offhand. As a matter of fact, I do not think we have really established it because we have to a large extent issued from stock and the cash provision post-war has very often been furnishings. The actual furniture put in the house has often come from stock.

3456. A final question on paragraph 21: last month, some time, the Secretary of State said that 3,343 hirings of furnished quarters was in force. This means that the hirings have nearly doubled in the last year. Do you still think that the peak figure will not exceed the £851,000 mentioned in that paragraph?—I doubt if it will exceed it, but it will probably be reached later than the date which is stated.

Chairman.] I think it might be convenient to take questions from Members up to this point, that is, up to and including paragraph 21 of the Comptroller and Auditor General's Report.

Mr. West.

3457. Sir George, which would be the cheaper to the War Office, the hiring of houses or furnished quarters for officers or the payment of the living-out allowance?—It would be cheaper to the War Office to pay the allowance to the officer.

3458. That means that the living-out allowance to the married officer is not adequate in the circumstances?—It is not sufficient to meet some of the higher charges that occur in places like London.

3459. I wonder if you could tell me something about the houses which are erected by the Ministry of Works. I gather that their agency fee is debited to the War Office and is credited to their accounts, is that it?—Yes.

3460. And then they bring into their annual accounts a credit which comes before us as having been debited to the War Office?—Yes.

3461. Has it ever occurred to anybody that that is a good or a bad idea?—All the Departments that pay think it is a very bad idea; the Ministry of Works, I believe, thinks it is a perfect arrangement, and I believe have justified it, if not to you, to the Select Committee on Estimates.

3462. Have any local authorities ever been invited to build the houses in their localities for the War Office?—No, very few of them actually build houses; they simply go to contract. We go to contract ourselves.

3463. I know you go to contract direct in some cases. I want to come to that in a moment, but you also go to contract through the Ministry of Works?—We did because it was represented to us after the war that the Ministry of Works were the big building authorities for the Government and there was a tendency on the part of all Government Departments to take their building work to the Ministry of Works. The Service Departments have their own building organisation; in the case of the Army it is the Royal Engineers and in the case of the R.A.F. it is a Civil Works Directorate, but we were nevertheless urged to use the Ministry of Works where practicable. In order to assist ourselves, because, after all, we were overloaded, to take advantage of what we thought was a good offer from the Ministry of Works and at the same time to see whether the arrangement was satisfactory, the Army put to the Ministry of Works two big liabilities, one being a very big job of rebuilding Tidworth Barracks where very special considerations arose. The Ministry of Works, as you know, had the advantage in the post-war years of a mobile labour force of their own and in the case of Tidworth the use of some such force was the only practicable method of getting the work done. Also we gave the Ministry of Works a number of cases where fairly large groups—large from our point of view—of married quarters were required where one could say: "Here is an estate; will you build it?". Those that we gave do not sound to be very large estates in comparison with what a local authority would handle or what the Air Ministry would handle. They consisted, in the case of Chester, of 40 quarters, in the case of Harrogate, 58 quarters, and in the case of Barnard Castle, of 67 quarters.

Mr. Benson.

3464. Might I interrupt here and ask whether "quarters" in this case are actually separate houses or semi-detached houses?—Mainly semi-detached houses.

3465. Not flats?—These are not flats. We have got some flats, however.

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[Continued.]

Mr. West.

3466. What is your present policy? Is it to utilise the Ministry of Works or to do it through your own Department?—We have not as yet said that we are not going to the Ministry of Works again, certainly not because of the cost. It has very largely been a question of whether we could undertake the job ourselves or whether we needed their assistance, but recently they have indicated to us that they cannot take on more work for us and, indeed, I am not sure that they can take on the equivalent load which they have already done.

3467. How do you propose to manage in those circumstances?—We shall do exactly as we did before, that is, do the contracts ourselves. But we could not have very well done without their assistance in the Tidworth case, for example.

3468. Does that mean that in the past there has been a more rapid expansion than you are anticipating for the future?—It was the post-war peak.

3469. Really the immediate post-war tendency was to run down rather than to increase, was not it?—Yes, but there were all the arrears of building. No permanent building was done for the Army during the war, everybody was put into temporary accommodation, and there was an enormous demand for various forms of building for the Army relative to the amount of resources that we could make available to ourselves. I do not say that the total quantity of building was greater. What I say is that it was big in relation to the facilities available to us.

3470. I take it that your programme will be accelerated now, will not it?—Yes, but then there are more facilities available to us.

3471. You mean you have more personnel to cope with it?—And we have got larger technical staffs to deal with it, and we get a better share of the building resources of the country.

3472. Did you start to recruit the additional technical staff as the result of the indication you had from the Ministry of Works that they were not capable of dealing with it?—No, we were engaged in any case on building up our technical staff which, of course, is a slow process, and the two supplements which the Ministry of Works offered to us would have been of advantage to us in any circumstances.

3473. Now, with regard to paragraph 17 and the comparison between the houses built for airmen's quarters and those built by local authorities, there is very little difference between the relative cost of those two types?—Yes.

3474. Do you know whether any permanent married quarters have been disposed

of either by the War Office or by the Air Ministry since the end of the war?—We have not.

3475. You would not know anything at all about the Air Ministry, would you?—No, I doubt very much whether they have. They may have disposed of a few quarters as part of the disposal of a big airfield installation, or something of that sort, and we may have disposed of out-of-date buildings. But with regard to quarters as such, we have not disposed of any and, indeed, we have clung to every one whether it was in a suitable place or not; they are very short.

3476. Did I understand you aright when you said in reply to the Chairman that the officers who are granted married quarters have to make a contribution, as it were, towards the rent?—Yes, they pay a quartering charge.

3477. Did I understand you to say that the amount which is calculated for the payment towards rent includes the percentage of capital costs, the percentage of furnishings and the general outgoings, including local rates?—It covers all charges of that kind. The relationship between the figures that we use and a present day calculation of those costs is at issue and we shall be putting in a statement to the Committee showing what the figures are as a result of the Chairman's request.

3478. The only point that occurred to me upon that was that I was rather surprised to hear the statement that local rates were being charged, because are not Her Majesty's properties exempt from the payment of local rates?—In most cases there is a Treasury contribution to the rates in lieu of the detailed rate payment.

3479. Is that debited to the War Office Vote?—No, I think you will find it is in the free services. (Mr. Humphreys-Davies.) By the Rating of Government Property Department. (Sir George Turner.) It is shown as a free service in the Estimates.

3480. I wonder if you could say how many of the officers who are occupying four-bedroomed houses have any family apart from their wives with them?—Oh, they have got large families. In that connection, may I say that there has been a proposal recently that we should have two types of quarters for junior officers, one of which would be for officers with a family and one for those without a family. Now, how in the name of fortune anybody thinks we are going to post on that basis, I really do not know, and are we going to throw them out as soon as the family arrives?

Mr. David Jones.

3481. Or change them over?—Change them over, but it is really making a complication which is hopeless from the point of view of an army.

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[Continued.]

Mr. West.

3482. Do I understand, then, that a married officer with a wife but without children gets no chance whatsoever of having a married quarter?—Quarters are allocated on a points system and the people who are available in the district when a quarter becomes free take it according to who has got the highest points; the points take into account the size of the family, how long they have been out of a quarter and so forth in the same way that local authorities do, but on a different scale of points. The number of children is one of the features which enters into this assessment of the scale.

Mr. Cuthbert.

3483. I have only one question. May I go back to page v, paragraph 7 of the Comptroller and Auditor General's Report where, Sir George, you mentioned that our share would be in the region of about £14 million, but you also said that some had to be divided between normal costs and extra costs. I wonder if you can explain to me what is the difference between normal costs and what you would call extra costs in that sum? That is on the Korean expenditure?—The distinction for this purpose is that normal costs are pay, allowances, normal movement, etc., computing at capitation rates what we should be expending in any case on the troops if they were not in Korea. Extra costs are the extra sums of stores including, for example, the ammunition fired, the usage of equipment, which is very high in Korea, incidentally, additional movement, the long journey, the gratuities, and so on which have been authorised for Korea and various extra allowances. It is a term which, I think, probably is wrapped in tradition as far as the Public Accounts Committee is concerned. We have from the early days of the Committee time and again been asked to make statements on extra costs and nobody quite knows what it means from year to year.

Mr. David Thomas.

3484. Just one question. Is there any reason why the War Office should not invite tenders from building contractors for the erection of the houses they require for their officers, in view of the great disparity between the prices of comparable houses erected by the Ministry of Works as compared with the price paid by the local authorities for erecting houses, and also, if you like, if it were possible, the Ministry of Works should tender as well; because it does appear that the Ministry of Works houses are costing in relation very much more money than houses of a comparable size built by local authorities?—The Ministry of Works houses mentioned in this account are, of course, only a fraction of the number of houses that we have built.

Up to the end of March, 1952, we had completed 3,570 houses and the Ministry of Works contracts were for a relatively small number of them, I think under 300. All the rest were obtained in exactly the way that I think you mean; we went to contract for them but, of course, we go to contract on the basis of competition amongst local contractors for a local job.

3485. Did the local contractors have an opportunity of erecting this small number of houses which you are referring to now?—The Ministry of Works houses?

3486. The Ministry of Works erected them, but did the local people tender?—The Ministry of Works, presumably, in all these cases did it by contract. They have not got a building department of their own with direct labour except in the case of that mobile force which they use for special purposes. For all other purposes they are merely a contracting department.

3487. So you could not say, then, why the contractors' prices for Ministry of Works purposes are very much higher than the prices which they would get for erecting houses for the local council?—That was the reason why I challenged this question of comparing averages. If you could compare a local authority contract with the Ministry of Works contract in one of these particular places, Manorbier, in Wales, for example, on the same hill as far away from the local drains as this site was, I doubt very much whether you would have got a different price, except for that element of 12½ per cent.

3488. The prices excluding drainage, etc., are higher?—No, these contract prices are not excluding that. The limits which the Treasury laid down exclude externals, but the Ministry of Works contract prices are for houses complete with all outside services.

Mr. Benson.

3489. In the case of those houses at Manorbier it is practically impossible to get a level site?—Yes.

3490. Reverting to paragraph 7, have I got it quite clear that the Korean War is costing us an additional £14 million a year only?—Additional?

3491. Additional over what we should have had to spend had the Korean War not broken out or had no soldiers gone overseas?—The £14 million is the total estimated cost of the operations in Korea at the present time.

3492. Including all shipping and all stores?—Yes. The extra cost element in that I can only give for the Army. It was £4½ million out of £10 million for the Army.

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[Continued.]

3493. It must be the cheapest war on record?—Well, do not forget it is not a very large force.

3494. Is the number of the force we have there public? If it is not, it does not matter?—I do not want to give a figure without being quite sure about that. The position is that we have got a brigade and two-thirds out of the Commonwealth Division. Slightly more than half the Division is British, U.K. troops.

3495. A Division is about what, 8,000 or 6,000?—No, I suppose with all its ancillary troops it probably amounts up, to, say, approximately 18,000.

Chairman.

3496. I go on now, Sir George, with just a few questions on the rest of these paragraphs. On paragraph 22, I notice that 25 per cent. of the sales made in 1951 were to Colonial Governments who set up this sales organisation. How are the selling prices fixed in this type of sale?—The sales direct to the Governments have been fixed on assessed prices, that is to say, the ordinary vocabulary price has been taken, if there is one, or purchase price, and adjusted for depreciation. The sales to individuals or companies other than the Governments themselves are sales by auction.

3497. It looks as though these sales cannot have put the Disposal Board to very much expense. Do you think it reasonable that the War Office should pay the full 15 per cent. selling commission?—They have now decided to give us a share. In the initial stages it is not thought that they made very much out of it. This was a difficult operation to carry out because they had no real idea as to how much business they would have to transact. As you will remember from the previous evidence, the process of disposal had been very nearly complete and was running down to a very small figure when we decided to move out of Mackinnon Road, so that there was then a revival in the business of disposals. It is that period of revival which is mainly represented in this account but substantially the process of disposals is in sight of completion now and from that point of view I should have said that this Disposals Board Organisation will probably be wound up in the not far distant future and I do not think it will have been excessively paid for its services. I think that was the view of the people who negotiated on the spot and it was certainly the view expressed when we inquired into it last year.

3498. On paragraph 23, the gross proceeds from vehicle sales were £93 apiece?—Yes.

3499. This seems a rather low average price, but perhaps you could give us a little more detail of the prices realised for

the various types?—This is another case of an average being slightly misleading. The numbers involved, of course, are not very large. Taking the 1,400 vehicles mentioned in this Report, the prices ranged from £195 for four-wheelers that were runners down to £37 for motor-cycles, of which there were a number, £25 for trailers, and even lower figures for what were, in effect, wrecks, non-runners. Having regard to the comparable price elsewhere I do not think those were very low figures.

3500. Do you think the 1939 selling price still provides a reasonable basis to work on?—I am not sure. There are special circumstances in East Africa due to the fact that the local Governments wished to control the process of disposal. There is nothing extraordinary in them doing that or in us conceding it, because, after all, it is exactly the same line as we took here in this country in regard to, shall we say, the disposal of American stores. The British Government say: "Look, we are going to do that because it affects our economy". It would be very difficult unless the situation had gone to extremes for the War Office to ignore local Colonial requirements in this case, particularly bearing in mind that the figures involved in this operation in East Africa are relatively very small. So, I would hesitate to say that that basis was wrong for the special circumstances of East Africa though one might be a little doubtful about it if anybody attempted to apply it generally.

3501. On paragraphs 24 and 25, the difficulty in the Far East seems to be two-fold, the absence of stocktaking and the shortage of audit staff to examine the store accounts. Have any steps been taken to improve the position in the Far East?—I think the position shown by this Report is, broadly speaking, one of progress in spite of persistent difficulties. We have not overcome the shortage of staff, but during that year there was an improvement in all fields. There was an improvement in the technical storekeeping staff, which is an important thing, and an improvement in our own audit machine, but we are still short and, of course, as you will see from indications elsewhere, an enormous amount of our effort has been thrown away by the situation which has developed in the Middle East this last year; and I am very much afraid that you will find, not so much in the 1951-52 Account, but in the 1952-53 Account, a very bad picture as far as Middle East accounting is concerned, in fact, even worse than it was when we started to improve.

3502. As regards East Africa, when do you expect to get proper accounting for stores?—East Africa is proceeding all right. They have got rid of the difficulties which arose out of the redistribution of the stores at Mackinnon Road and I do not think that there is any reason why there should be more than normal deficiencies in East Africa.

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[Continued.]

In West Africa, as you will see from one or two other references, they did run into a general accounting setback due to a strike of locally engaged personnel, and what with the business of replacing those civilians and being very short of trained military store-keeping staff, we have got into grave difficulties in West Africa.

3503. On paragraph 27, is the increase in quantities and types of stores resulting from the rearmament programme likely to affect store accounting?—Yes, in a few cases. You may see it in connection with these abandoned accounts and in various details relating to the losses. There have been instances of a very large increase in the number of items in receiving depots which has provided quite a problem from the point of view of expert staff. The increased load of material coming into the home depots does not seriously affect the accounting standard, but the range of items is important.

3504. On paragraph 28, why is it taking so long to restart proper accounting at the large Ordnance depot referred to here in the United Kingdom?—That is the depot at Bicester.

3505. Why is it taking so long?—That depot is one of the worse cases in this country of a very large organisation in a place where there is not very much labour, and we are in consequence always short of staff at Bicester. But, having got into the post-war period with a big war-time depot there and not being able for general financial reasons to give it up, we have set about rationalising it and it is now a depot with four separate functions involving four sets of accounts. As was reported, I think last year, the whole of the accounts virtually had to be restarted and three of the main groups of accounts are now properly based, stocktakings having established proper stock. The fourth one deals with what you might call the arrears of war surpluses, large masses of stores almost entirely in crates which have not been opened, many of them dating from Lend-Lease times, and that must by the nature of it proceed slowly, but it is proceeding.

3506. What is the position now at Tel-el-Kebir?—At Tel-el-Kebir while it is true that the incidence of losses in the Middle East is very high at present, nevertheless it had improved considerably and, secondly, stocktaking had taken place and the accounts were getting to something reasonable. But, of course, at the beginning of the present situation, quite apart from the emergency itself, the whole of the labour walked out on us and I do not know where we are with Tel-el-Kebir; all we can say is that the depot has not been working for the last few months. The workshop facilities have been idle, the work which should have been done there has had to be back-loaded to this country; in the case of the depot the stores are said to have been properly recorded but they are not recorded in sufficient detail to enable the full accounting checks to be applied. We shall be drawing the attention of the auditors to the accounting arrangements in connection with the emergency, and I do not want to give too gloomy a view of it, because they may manage better than we expected, but I do not think we can avoid the fact that there has been a period with no labour and, of course, tremendous reinforcements into that area and every conceivable feature short of war.

3507. In general, Sir George, has the recent cut in Civil Service manpower affected your store accounting and stocktaking process?—No, as far as my own audit staff are concerned, I have made a small reduction recently, which I suppose in the end will reflect itself in a percentage reduction of checking and other forms of audit, but it is not appreciable, and I do not think I could claim that we have been going back in recent years very much. Indeed, we have been rather the reverse, because we have had a more settled staff and, of course, much of it which was relatively inexperienced immediately after the war, is achieving experience.

3508. I suppose a good deal of this accounting and stocktaking is in the hands of Service personnel, is not it?—Yes.

TREASURY MINUTE DATED 20TH FEBRUARY, 1952, AUTHORISING THE TEMPORARY APPLICATION OF SURPLUSES ON CERTAIN ARMY VOTES FOR THE YEAR 1950-51, TO MEET DEFICITS ON OTHER ARMY VOTES FOR THE SAME YEAR.

New Works Statement: Secret Supplement to Army Services Appropriation Accounts, 1950-51, forwarded in compliance with Paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.

Chairman.

3509. I have no questions on the Treasury Minute authorising the temporary application of surpluses on certain Votes to meet deficits on other Votes, but I just want to ask one question on the New Works

Statement which you were good enough to give us. On the front page, regarding this new Vehicle Reserve Depot, what is that going to be used for? Is it for storing of new vehicles?—(Sir George Turner.) Yes. Covered storage for vehicles is one of the

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[Continued.]

main problems arising out of the rearmament programme for the Army. We built hardly any new covered accommodation during the war and we are, therefore, from the point of view of covered vehicle storage, really back to the position of an only partially mechanised army before the war, and the estimated deficit we have to meet is something well over 20 million square feet. This one which is mentioned in the confidential appendix is the first big instalment which is being erected in Staffordshire, and it is partially complete already and, indeed, some of the new vehicles that are now coming in this year from the rearmament orders will go into it. It is the one big example up to date in which we have started a

completely new depot. Most of the other instalments have been increments to existing vehicle depots.

3510. Is the work on the quarters and power stations in Egypt still proceeding?—No. We were actually building a certain amount of additional storage in Egypt when this emergency started, but nothing has been done since. It stopped because the labour is not there.

Chairman.] Those are all the questions I have. Has any Member of the Committee any questions? Then I think that is all we have to ask you, Sir George. Thank you very much.

Sir George Turner withdrew.

ROYAL HOSPITAL, CHELSEA, ACCOUNT, 1950-51.

On this Account no questions were asked.

The Witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 1ST MAY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Cuthbert.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall
Mr. Scott.
Mr. David Thomas

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. MILNER-BARRY, O.B.E., Mr. J. G. OWEN and Mrs. P. M. ROSSITER, a Principal, the Treasury, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS IV.

VOTE 1.

MINISTRY OF EDUCATION.

Sir JOHN MAUD, K.C.B., C.B.E., Permanent Secretary, and Mr. B. L. PEARSON, C.B., D.S.O., M.C., Under Secretary for Finance and Accountant General, the Ministry of Education, called in and examined.

Chairman.

3511. May we take the Civil Appropriation Accounts, paragraphs 22-26 of the Comptroller and Auditor General's Report?

I would like to start, Sir John, with paragraphs 22-23, which deal with "Grants to Local Educational Authorities". Could you give any general explanation to the

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[Continued.]

Committee for the fact that the cost of administration and inspection has gone on rising although I think as far back as 1949 your Department was telling the local authorities that there was room for considerable retrenchment?—(Sir John Maud.) I think the main reason is that as the scope of the education service expands in a County or a County Borough it is very difficult to keep the percentage that administration and inspection represent of the total expenditure even constant, particularly with rising salaries. I think that in many cases authorities have done well to keep the percentage from year to year constant. In fact, as the Committee will see, there was a very slight reduction in 1950-51 on 1949-50, and perhaps the Committee would like to know that our estimate of what the percentage will be in 1951-52 is 4.6 compared with 5 for the year 1950-51, and a still more tentative estimate of what it will be in the year 1952-53 is 4.5.

3512. Following the figures which are set out in paragraph 23, there is a paragraph which gives some figures of the percentage variation. How do you account for the very wide difference between authorities in the ratio of administrative costs to total expenditure?—If I might just mention the very obvious point as between County Borough and County, the County has under the 1944 Act responsibilities for sharing its work with the Divisional Executives and Excepted Districts within the area and that certainly in many cases tends to put the percentage of administrative expense up as compared with the County Borough. Within the group of Counties I think a concentration of population makes it easier for an authority to administer economically. Some parts of the country where you have a very wide spread I think have an excuse for saying their administrative expenses are bound to be a little higher than in those areas where there is a more manageable concentration of school and adult population.

3513. Have you got any way of comparing the costs of various Authorities and then leading to an investigation of the high cost Authorities?—Yes, we have recently asked all Authorities to give us a return which will enable us to know in greater detail what the expenditure is on the various parts of administration, and we did some little time ago issue a White Paper which set out for each Authority what its percentage was in respect of administration compared with total expenditure so that there is for all to see the comparison between one Authority and another.

3514. Am I right in thinking that at one time you published this regularly? You had an annual return which showed this?—(Mr. Pearson.) We did not publish them

each year before the war, we used to publish them at intervals, though not at regular intervals.

3515. When was the last one?—The last one was published in 1950.

3516. When will the next one be published?—I could not say at the moment.

3517. Probably 1952?—Well, when we can get the material and the staff to get it together. It is rather a big job.

3518. Sir John, do you in any sense enlist the aid of the District Auditors to tell you of any cases of high cost or to give you any indications of extravagance?—(Sir John Maud.) We certainly get help from the District Auditors. To my knowledge we do not actually invite a particular District Auditor to give us advice on a particular Authority.

3519. Would you ask them to pay special attention to certain things? For example, would you feel it right to say to them: "Look, we would like you to consider particularly services shared with other local authority departments", or anything of that kind?—(Mr. Pearson.) May I say, we do ask the District Auditors to look at particular items of local authority expenditure at times. For example, the apportionment of administrative costs against the School Meals Service is an obvious one, and when the auditor sends in the audited report it is open to him and he very frequently does put down notes for our information and any action that we may think it necessary to take, and he would deal with any point that we had explicitly asked him to deal with.

3520. Is it any part of the function of the Inspectors to keep an eye on costs of things and to note any extravagant provision?—(Sir John Maud.) Of Her Majesty's Inspectors?

3521. Of your Inspectors, yes?—We are extremely reluctant to use Her Majesty's Inspectors for other purposes than their main one, and we have done our best not to turn them into anything that could be called administrative officers but, on the other hand, they are in constant touch with the schools and the places where education is carried on and it is very definitely part of their duty to let their colleagues in the office know of any point in which they think improvement is possible on the administrative side.

3522. On another point, Sir John, to what extent has advantage been taken of provisions for delegation by County Authorities to Divisional Executives and Excepted Districts, and so on?—It is very wide. It varies, as you know, from Authority to Authority. In each case we have approved their arrangements and in

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[Continued.]

discussion originally about their scheme of delegation we have used our influence to see that delegation was as scientific as possible, designed both to save manpower and also to serve the purposes of the Act and give the local community the opportunity of sharing in the work.

3523. If you did not have that do you think the service would cost less, that is to say, both in terms of manpower and other resources?—That is a very disputed question, and part of the reason for the particular request that I mentioned earlier that we have made to all local authorities is to discover how much their divisional administration in each County is costing, and until that return has come and been analysed I should be reluctant to do more than suggest that, undoubtedly, some Counties do think they could administer education more cheaply if they were not asked to use divisional administration.

3524. Are there any cases where you have had to reject any proposals by Counties for economies of this kind?—Yes, Sir, we did. The economy circular that was issued, I think, on 28th October, 1949, which is referred to here and which asked them to review their administrative expenses, gave them a lead in reviewing the work of divisional administration and asked for a revision of their schemes if they thought necessary, but in at least two cases where they were contemplating a very widespread change we, when consulted informally, advised them that it would not be consistent with the Minister's interpretation of the Act to do as they were suggesting. It is also true that in one or two cases we did agree to changes in the system of divisional administration in the interests of both economy and efficiency.

3525. I go on, then, to paragraph 24. Would it be correct to say that the solvency or otherwise of the schemes can only be judged by reference to the statutory Revenue and Expenditure Accounts prepared by the Department and the Government Actuary's Reports?—Yes.

3526. Is that the only way you have of finding out?—Yes.

3527. Has the question of establishing a separate superannuation fund been considered in the light of the experience since 1925?—No, at the time that the Bill became the Act it was under consideration. It was very carefully looked at.

3528. On the 31st March, 1948, what did the Revenue and Expenditure Account show? Was there a surplus or deficiency in contribution?—I wonder if Mr. Pearson could answer that question, Sir?

3529. Certainly?—(Mr. Pearson.) You are referring, Sir, to the existing report of the Government Actuary. That showed a deficit on the accounts.

3530. I do not think you have understood my question. What was the state of Revenue and Expenditure Account, was there a surplus or a deficiency of contributions?—The revenue was exceeding the payments out.

3531. To what extent, can you put a figure on it?—(Sir John Maud.) Could we let you know that? I am sorry I have not got the figures. (Sir Frank Tribe.) Perhaps I could say, Sir, a £167 million surplus.

3532. If there is a surplus of this kind, am I right in supposing that this has been accruing to the benefit of the Exchequer over the years, although it really belongs to the superannuation scheme? You have not got a separate fund, this has just come into the Exchequer?—(Sir John Maud.) That is true, yes, Sir.

3533. When it is said that there is a deficiency of £102 million, that takes account of this surplus on, if you like, income and expenditure account?—Yes, indeed.

3534. Have you any idea whether the actual deficiency is likely to have increased since March, 1948?—(Mr. Pearson.) Yes, it has.

3535. Have you any idea, roughly, by how much?—(Mr. Owen.) Could I answer that, Mr. Chairman? £146 million as at the 31st March this year, in the four years

3536. £146 million?—Yes

3537. So that means it is £44 million higher than it was in 1948?—That is the accumulation of £102 million at 3½ per cent. interest for four years with salary increases.

3538. This actuarial deficiency is a really potential liability on the Exchequer?—Most certainly.

3539. Is that shown anywhere? I know now because I have asked you, but if I had not asked you, would Parliament ever have known?—(Sir John Maud.) It is shown very clearly in the Report of the Actuary. (Mr. Pearson.) Which has been presented to the House.

3540. Otherwise it is not shown in any of the Accounts?—No.

3541. Did the Government Actuary estimate what additional income would be required to produce solvency or did he make any recommendations or suggestions?—(Sir John Maud.) He made no recommendations this time.

3542. Finally on that, Sir John, have any conclusions been reached in your discussions with the Treasury that are referred to here?—No, Sir.

3543. Have you any idea when conclusions are likely to be reached?—I think, very soon.

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[Continued.]

3544. I would like to ask the Treasury, these funds, which are purely book funds, attract a book interest rate of $3\frac{1}{2}$ per cent.?—(Mr. Owen.) $3\frac{1}{2}$ per cent., yes.

3545. Is that rate likely to be altered?—Not without legislation. That is the rate of interest laid down in the 1925 Superannuation Act.

3546. In view of the present trend of interest rates, do you think it is likely to be altered?—I should have thought not, Mr. Chairman. It is not likely to be changed because it is essentially a very long-term rate and one should not take account of comparatively temporary fluctuations in interest rates which even themselves out over a long period of time.

3547. Now, just a few questions, Sir John, on paragraphs 25 and 26. It was originally thought that these huts would remain in use for only five or six years. Why, then, was the original arrangement for payment of only 8 per cent. per annum?—(Sir John Maud.) It was the result of very close discussion between my Department and the Treasury and I think the general conclusion was that 8 per cent. was about as much as you could ask the local authorities to pay.

3548. How long after the first huts had been completed and handed over did the first complaint come in?—I should say it was about three years after the first were finished.

3549. Do you think the complaints were justified?—I think so, yes, Sir, in many cases.

3550. Was anything done to remedy the defects in design and specification before building further huts?—I am afraid it was too late by then, Mr. Chairman.

3551. What proportion of the original capital cost now falls on the authorities, taking the Exchequer grant into consideration?—May I put it this way: the total expenditure, I think, is estimated, apart from the 10 per cent. Ministry of Works establishment charge, at £11,380,000, and the 8 per cent. receipts, assuming that they will go on on the average for eight years each, will bring it down to something in the neighbourhood of £8 million on which we pay grant amounting to, shall we say, £4.8 million. Therefore the total cost of £11.38 million will be divided as to, shall we say, £3,200,000 falling on rates and the rest on the Exchequer.

3552. Why should not the authorities pay the full capital cost subject to the Exchequer grant as in the case of school buildings generally?—It was a Government decision, Mr. Chairman, that with the importance of getting this particular operation conducted in the only way that the

Government thought it could be successfully operated at that time when one was having to get the buildings ready by a particular time, which was at a very short distance, under conditions of great shortage and of great pressure on building resources, the only way to do it was to use this altogether exceptional method of asking the Ministry of Works to do the job, and that in those circumstances the exceptional benefit that would accrue to the local authorities by only contributing this proportion was justified.

3553. It is similar, in a way, to the substantial capital subsidies for prefabricated houses and at about the same period of time, I assume?—I think so, yes.

3554. I have just got one or two points on the actual Accounts. May we turn to page 188? I would like to ask the Treasury about this Milk-in-Schools Scheme. In the discussions on the Treasury Minute of the 4th January, 1951, on paragraphs 108 and 109 of the Fourth Report of the Committee of Public Accounts for 1950, that Committee was informed that it had been decided to transfer financial responsibility for the scheme from the Ministry of Food to the Education Departments and that legislation would be necessary. The Committee have since been informed by a letter of the 8th February, 1952, which we have had circulated, that the proposed transfer of charge had been considered by the Government but that it cannot be carried out at present owing to pressure of Parliamentary business. I wonder if you could tell me if you have any idea how long the necessary legislation is likely to be delayed?—(Mr. Milner-Barry.) No, Sir, I do not honestly think that I could. At the moment, it is fairly congested, of course.

3555. On page 192, coming back to you, Sir John, on Subhead Q, "Buildings and Equipment for School Canteens", can you say what was the estimated cost of the original scheme?—(Sir John Maud.) I am sorry, I am not quite sure that I have got the question?

3556. You see this Subhead "Buildings and Equipment for School Canteens"?—Yes.

3557. What I really wanted to know was what was the original cost of the scheme and what is the total estimated cost now?—There was no one single scheme nor is there now. This was an arrangement whereby individual schools requiring to have the addition of a kitchen or a canteen could be the subject of a request by the local authority to that end and the Ministry of Works executed the work on behalf of the authority. That is the building part of the scheme. The equipment part was simply a device for enabling the authorities at a time when equipment was very scarce

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[Continued.]

to use a pool of supplies acquired by the Ministry of Works as they required equipment, whether heavy or light.

3558. You have not got an overall figure?—No, Sir. We could very easily seek that information. It would be a matter of adding up all the various accounts. (Sir *Frank Tribe*.) Perhaps I might say, Mr. Chairman, I have tried to do that sum and I make it in the nature of £40 million to date. The Ministry of Works, I think, in their original estimate back in 1943, though it was only a provisional estimate, thought it would be about £8 million.

3559. This £40 million, I suppose, includes the expenditure by local authorities, some of which will rank for grant at 100 per cent., is that right?—(Mr. *Pearson*.) The position is that the provision of premises and equipment for the School Meals Service ranks for grant at 100 per cent. If the authorities build the building and provide the equipment themselves they would get 100 per cent. grant on it, but in view of the difficulty of building labour and the difficulty of supplies since the war it has been found more convenient and more quick and more economical to do it through the Ministry of Works. The local authority indent through us on the Ministry of Works for a building or for equipment of any kind and if we approve the indent then the Ministry of Works supply it and we repay the Ministry of Works through this Subhead of our Vote, but it is not a scheme limited in time as far as I know. It will have to go on as long as there is this extreme shortage of equipment, otherwise you would get all 146 local authorities bidding against one another in the market and putting up the cost. (Sir *John Maud*.) Perhaps I might add that the building part of it, at any rate temporarily, has stopped for reasons of general economy in capital expenditure.

3560. I have one last question: this is a small point, but it concerns the general field of interest of the Committee at the moment. You see on page 195 there is the Science Museum Purchase Grant. Is there any reason why this grant has been allowed to accumulate? The balance at the Science Museum now is more than four times the annual Grant in Aid. Is there any special reason why you should go on paying in order that they may hold that?—As a matter of fact, it has practically been consumed since this account was published, and I think the reason was that previous directors were a little slow in using it.

Mr. *David Thor*

3561. Just one question on the Milk-in-Schools Scheme. The whole of that expenditure, according to the report, is covered by the Ministry of Education. Are you perfectly satisfied that the whole of

the milk which is ordered by the schools is being used every day, or do you conduct examinations, say, here and there, at the termination of the school hours to ascertain as to what quantity of milk might be left unused and wasted?—This is a matter on which I do not want to be dogmatic or complacent, because it is impossible for us to know exactly how much, if any, is wasted on any given day, but it is a matter which for that very reason we have kept under very close observation from the beginning of the scheme; and, particularly when any complaint arises we have always made a point of inquiring into it. Our broad conclusion is that the teachers, who are really chiefly responsible for avoiding waste, are a very conscientious profession and that there has been surprisingly little waste of milk. Where for reasons that are either good or bad more milk has been ordered on a particular day than is required for one-third of a pint, of course it is possible that the children will have been allowed more than one-third of a pint on that day. The original scheme did provide for two-thirds of a pint and we had to cut that down some years ago so that, as distinct from waste, there is a certain amount of what you might describe as over-consumption.

3562. And under-consumption as well?—In the sense that the children do not take the milk that they ought to take?

3563. That is right?—Well, of course, there must be on some occasions.

3564. I have not seen a refrigerator in any of the schools. Do you think it would be advantageous if all schools had refrigerators in which they could store the milk unused on one day and therefore reduce the order for the next day?—I think in present circumstances it would not be feasible to envisage the capital expenditure required or the call on the production of refrigerators for the purpose. The normal procedure, as you know, is that the milk is delivered in the morning and consumed in the morning.

3565. Yes, but my point is that it may not be consumed. I realise, of course, that expenditure would be exceedingly heavy if you launched on a refrigerator programme for the whole of the country, but would not it be wise to try it out in half-a-dozen schools and ascertain from the half-a-dozen schools as to whether or not they have saved any milk from going to waste?—Well, our present experience is that there is so little waste from milk going bad through under-consumption or for any other reason, that I do not think we at present would say it was justified even to experiment in the purchase of refrigerators.

3566. Not in even, say, one school, then, a school of 400 or 500 pupils? The cost would be infinitesimal as compared, of

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[Continued.]

course, with the cost of the free milk service?—Yes.

3567. I am not suggesting that great quantities of milk go to waste, but I am positively sure that some go to waste. Now another question regarding the issue of certificates for examinations. This question has troubled me because in the case of my own children, after they had successfully passed certain examinations, they had to produce the certificate before they entered the university. If I remember rightly I had to pay two or three guineas merely for a piece of paper after they had passed their examinations, and that applies, I believe, to every university student. Why should the student be asked to pay all that money to the university? The question I want to put is this: does the Education Ministry receive those payments made by students for certificates? Are they handed over to the Education Ministry, or are they kept by the universities? Take, for instance, the higher certificate having been achieved, or the examination having been passed before the student enters the university, the London Matriculation Certificate must be obtained or the Welsh Matriculation Certificate, and the students have to pay a fee for that certificate after having passed the examinations. Why should the child be made to pay for its certificates?—The charge is not made by the Ministry. I think that is, perhaps, the first point to make.

3568. By the university authority, then?—Or by the examining bodies.

3569. There is no charge made unless an application is made for the specific certificate. I can imagine certain students who are not going to the university not bothering about the certificate, but when the young student goes to the university, he has got to pay two or three guineas for that slip of paper?—(Mrs. Rossiter.) May I intervene to say that I think that what Mr. Thomas has in mind is the fact that in order to satisfy the requirements for matriculation holders of the Higher Certificate, and so on, have to present their certificates to the university to show that the standard for matriculation has been reached; and I imagine, though I do not know definitely, that the fee is charged for the administrative expenses of the university in certifying that matriculation standard has been reached.

Chairman.] In any case, I think the answer is that it is nothing to do with the Ministry of Education.

Mr. David Thomas.] I sec. I will follow it up in another quarter.

Mr. Douglas Marshall.

3570. I have only one or two questions, Mr. Chairman, primarily leading out of

your questions. On page xi, on the questions that the Chairman asked you just now about the Pension Fund and the notional reserves which, presumably, are allocated against that fund and the answer of the Treasury with regard to the interest which those notional reserves did in fact earn, as far as I can see from there being at one moment a surplus and the next moment a deficit, and so forth, is there really any actuarial calculation in the normal sense as to a solvent pension fund, or is it by guess and by God?—(Sir John Maud.) Technically, of course, there is no pension fund.

3571. I said “Notional”?—But the only point at which an actuarial examination is made is when the Government Actuary makes a report. My department does not between reports make any attempt to see how far the notional fund is or is not getting in the red.

3572. So, it would be right to say that this is completely unreal and although you said from the report that Parliament could, if it went laboriously through every single report, get some idea as to the outstanding liability, there is no real way of stating what that liability is clearly so that Parliament in looking at the accounts of the Ministry of Education can realise that it is an outstanding liability?—The Act provides for only the periodic actuarial review, and when there is such a review, as there was recently, I think Parliament is given a perfectly complete and fair account of the state of the notional fund, but between those times I would not claim that there was any means of anybody seeing whether the fund was getting redder or less red.

3573. Could I ask you this question arising out of that answer—I hope it is not too difficult and I will readily understand if you do not want to reply to it. Would you think that it would be more reasonable if the Act was amended in any way so that that actual liability to your department did clearly show?—I think that would require amending the Act so that the notional fund became an actual fund and I do not think we in the Department have felt that that would be an improvement. What, undoubtedly, is under consideration at the moment is whether the Act should be amended in order to prevent the position revealed by the Actuary's report deteriorating.

3574. I see that. Arising out of that answer, if I might ask the Treasury one question as they did deal with it before, I understood the Treasury to state that the interest that it bore notionally—again, we are dealing notionally—was 3½ per cent. and then, I think, it was a little airy-fairy, if I might say so, because it was a long period that any kind of odd percentage which appeared to have some form of

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[Continued.]

reality would in fact do. It does not bear any actual relation to the monetary rates of the time or the period with which that notional fund is concerned?—(Mr. Owen.) This again will be related, so far as we can do it, to the whole period, to the life of this scheme. At the time of the Act of 1925 there was strong pressure that it should not be $3\frac{1}{2}$ per cent., but a rate of interest which was more in keeping with the rates of that period, say, 5 per cent. But $3\frac{1}{2}$ per cent. was, nevertheless, chosen as being reasonably long term in the sense of a 40 year rate. I quite agree that it is not the rate of interest at this moment or, perhaps, at any fixed period, in the whole of the term, but over the period in the view of the Treasury, it is about right.

3575. The Treasury would agree that you might have a world climate as opposed to a United Kingdom climate of quite different interest rates which would make this a nonsense?—It is quite possible.

3576. Turning to paragraph 25 on page xii, there is one point I wanted to make sure of, arising out of a question that the Chairman asked. I wonder, Sir John, if you could give us advice on this particular point: as far as I gather as the percentage charge of 8 per cent. bears no relation to the life of the property, this in fact is a hidden subsidy. Is there any easy method whereby the total cost of that service to the taxpayer can be readily assessed if this type of subsidy is hidden away, or does it show in some other way? As that capital is not written down, does it show in any way, can anybody find it out for himself if we had not been able to ask you?—(Sir John Maud.) It could be found by adding up the items in successive years in the accounts of the Ministry of Works and, of course, a special account could be produced quite easily of the kind of which I gave a summary in my answer to the Chairman of what the total expense was.

3577. If I were not a Member of Parliament or a Member of this Public Accounts Committee having a facility and opportunity of asking you, would not I be left with this difficulty that if I studied the Ministry of Works and studied your Report, then I would suddenly find a depreciation of capital and I would find it very difficult to realise that the depreciation of capital had started off from the very start of the erection because it was not possible in the light of the capital to redeem it?—(Mr. Pearson.) The receipts from the annual payments to the local authorities are shown under the Appropriation in Aid in our Vote so that Subhead M shows what we pay to the Ministry of Works in annuities, and then we show under the Appropriation in Aid Subhead what we get in from the 8 per cent. payments, so the payments by the authorities are shown.

3578. May I then put this question to you: would you say that it was simple for taxpayers readily to understand that they were paying more than the global figure and easy for them to understand that the original transaction had taken no account of the real depreciation of the capital?—(Sir John Maud.) No, I do not think it would have been at all easy.

3579. So it is, in fact, hidden although it may in fact be there?—I think that is a perfectly fair summary, Mr. Chairman.

3580. If I could then turn to page 187, there is a point of fact here that I wanted to ask you about which appeared to me slightly interesting. Under "Inspection and examination" I notice in Subhead B1, "Salaries, &c.", dealing with the grant figures, because the point I want to make is in relation to those, the grant figure is £645,000 odd and the travelling and incidental expenses are £151,000 odd. Is the proportion of travelling to salaries and incidental expenses in "Inspection and Examination" high, or would you consider that not so? The expense ratio appears to me to be rather on the high side?—Yes, I agree that it does appear to be so. I would myself say that it was right that it should be as high as that because the character of the work of Her Majesty's Inspector is so very peculiar, and the essence of the job is that the Inspector should be in and out of the schools and really on the move all the time, and that means that in a quite peculiar degree the Inspector must be spending money, as well as on his or her own salary, on the expense of movement.

3581. I realise that, and I think that is the explanation, which I am very grateful to you for having given me. Has the percentage of the expense ratio to the salary increased or decreased during the course of years?—I could not answer that question.

3582. In comparison let us say, with 1939, the expense ratio in percentage as opposed to the actual global figure?—I am afraid I do not know the answer.

3583. Would it be possible to have a note of that?—Perfectly, yes.*

3584. I would be rather interested from 1939 right up to the Account we are studying purely expressed in percentage on expense ratio, not at all in respect of the global figure?—Yes.

3585. Two little points on page 190 under Science Museum. I see "Printing Post Cards" has against it a certain very small sum. Are they sold?—Yes.

* Information supplied; not printed.

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[Continued.]

3586. Where is the credit?—(Mr. Pearson.) In the Appropriation in Aid, Subhead Z.

3587. The credit appears in that large global sum?—Yes.

3588. Is it a profit?—(Sir John Maud.) On page 193, halfway down the page, under "Details of Receipts: (5) Science Museum: Sale of photographs, postcards &c." we expected to get £1,200 and we in fact got £1,276.

3589. So, post cards are a very profitable venture for Her Majesty's Government?—(Mr. Pearson.) Yes.

Mr. Cuthbert.

3590. I have one question on paragraph 23. You will remember that when you answered the Chairman you gave us information about the years to come and you said the reduction there of expenditure, as we see it from the percentage, was quite small? All I wanted to ask was, as that reduction has obviously been done by going through your organisation, does it affect the efficiency side of the organisation itself or possibly have any effect on the education programme—(Sir John Maud.) Is that referring to divisional administration?

3591. Yes. Does it affect either the efficiency of that or does it also have any reaction towards the education side?—Yes. I think that if it is proper for me to comment on what Parliament did in the 1944 Act in this particular respect, they were very wise to ensure that in a large County area there was sure to be an opportunity for the interest of the smaller groupings of population within the County to be shown in the day-to-day work of education, that is, in addition to the work of the managers and governors of individual schools and institutions; so that from the educational point of view I think that there is distinct advantage in divisional administration. I think it is also fair to add that it varies very considerably from one area to another and I would not myself like to say that in all cases it has got an educational advantage or an advantage from the point of view of efficiency, but it is a matter on which I think none of us in the Ministry would be prepared to be at all dogmatic at present, although it is a matter on which we are constantly trying to form an informed view in case any question of changing either the divisional system in a particular county or, indeed, the Act itself should arise, and our Inspectors do from time to time give us confidential reports on the working of divisional administration in the different areas.

Mr. Scott.

3592. On page xii, paragraphs 25 and 26 of the Report, with regard to the pre-fabricated schoolhouse which certainly

seemed to cost a lot of money and was not been a great success, I would like to ask Sir John if one uniform type was used all over the country irrespective of the different climatic conditions and whether the expense of upkeep has been greater in certain parts of the country than in others?—The answer to the first part of that question is, one single form of hut. It was the essence of the operation to get the advantage of mass production. I am afraid I cannot give you an accurate answer to the second part of the question. It is true, though, that complaints have not been uniform from all parts of the country, but whether that is due to climatic conditions or other conditions I do not know.

3593. Do you think there could have been a greater financial saving if special types had been designed, say, three main types to suit different climatic conditions?—I do not myself think that it would have saved, but if I may be very frank, the consultations which were held between the various partners concerned before the particular hut was fixed on were conducted in an atmosphere of considerable ignorance about what would be most suitable from an educational or maintenance point of view. (Mr. Pearson.) And, of course, there is also the point that at that time, 1945, it was not expected that the huts would be required for more than about five years and so the cheap finish was obvious.

Mr. Hoy.

3594. Regarding the huts, it may be true that they were not expected to last more than five years, but surely the complaints came in in less than half of that time? Is that right, Sir John?—(Sir John Maud.) My earlier guess was that it was about three years after the first hut was erected and there is no answer to your question except to admit that in so far as those complaints were justified it was no excuse to say that the hut was designed only to last five years.

3595. May I ask who were the people who took part in the discussions about the design and build of these huts?—The responsibility, of course, was with the Ministry of Works, but I would like to share in the responsibility because there was very full consultation with the Ministry of Education in deciding on the form.

3596. There used to be a Committee, I am sure you have heard of it, the Burt Committee, which were approving building designs. Was this submitted to the Burt Committee?—I think not.

3597. What was the reason for the increase in price by approximately 50 per cent. from £10½ million to £15 million?—

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[Continued.]

Partly bad estimating, partly the rise in building costs during the period, and I think partly the difficulty of getting contractors to erect the huts quickly and get the labour for them for the contract price.

3598. Bad estimating on whose part, the Ministry of Works?—The formal responsibility would be with them, but there again I would like to share in the responsibility.

3599. Yes, it is your Department. Were the Ministry of Works paid their usual percentage for supervising the building of these huts?—10 per cent. establishment charge.

3600. So they got £1½ million out of it from the Education Department, is that right?—Yes, not only from the Education Department because in so far as the local authorities paid their 8 per cent. they were contributing to it too.

3601. Yes, but it was all being met out of the Education Vote, surely?—Not only the Education Vote, but the Local Authority Accounts, too, that was my point.

3602. In view of the fact that you got so little back from the 8 per cents., your Department had to carry the main burden?—Yes.

3603. Did you ever suggest to the Ministry of Works that, in view of the fact that they got £1½ million out of this, they ought to spend a part of it in putting this bad workmanship right?—No, we did not suggest that. What we did was to ensure that, in so far as a local authority had to spend money to put it right, they could claim grant from us at the ordinary rate.

3604. With all due respect, that is not very much of a cure, that your department has got not only to pay the original £1½ million of commissions to the Ministry of Works, but you have also to bear the burden of the bad workmanship. What I am suggesting to you is that you might even have suggested to the Ministry of Works that they ought to do something about it because they had the job of supervising this £15 million worth of work? You paid them £1½ million for doing so?—May I say, though perhaps it is not a direct answer to the question, that we were constantly in touch with the Ministry of Works throughout this operation, and the main thing that we were pressing them to do was to get the huts up in time. There was the greatest possible importance in our view in having the huts there and ready in order that the school age might be raised at the time that Parliament had said it must be, and that was the main consideration though not, of course, the only one, I think in our minds and, perhaps, in the Ministry of Works' mind, too, because we were at one in this. I would like to say

that we did feel that we had very fine collaboration indeed from the Ministry of Works and we do not regard ourselves as having been ill-treated by the Ministry of Works.

3605. May I then ask you, did the Ministry of Works actually build any of these places or did they, in fact, only deal with the tenders from private contractors who were building according to the specification?—The latter in by far the largest proportion of cases, though I think there were occasions when the Ministry of Works directly employed labour and put on their own flying squads in order to get a job finished on time.

3606. Did the Ministry of Works supervise the others or did its job finish after it had accepted a tender?—No, it was responsible up to the moment the hut was handed over to the local authority.

3607. Did the Ministry of Works ever bring to your attention defects in the building?—No.

3608. May I ask the Treasury if they have gone into this matter about this expenditure and the bad workmanship which ensued and the corresponding loss?—(Mr. Milner-Barry.) We were certainly consulted by the Ministry of Education when these complaints came to light and we agreed with the revised basis of payment by the local authority.

3609. Did not the Treasury have some consultation with the Ministry of Works about the losses which were incurred as a result of the bad workmanship?—No, I do not think we did. (Sir John Maud.) Could I just say this, because I think it is relevant, that I would not say myself, though, no doubt, there were instances of bad workmanship, that there was any general complaint of bad workmanship. The complaint was that in a particular case the specification and design of the hut was not appropriate and did involve the authority in a higher rate of maintenance than it liked.

3610. Surely, Sir John, that must have been the responsibility of the Ministry of Works who designed it?—Yes, the design and specification was the responsibility of the Ministry of Works, but only after the fullest consultation with us and anybody who could advise them; both on the educational and the other aspects of the problem.

Mr. David Jones.

3611. I have one or two questions. Originally, when you drafted this scheme, was the local education authority through their Federation consulted about the design?—Yes, they were.

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[Continued.]

3612. So that they were quite clear in their minds before they agreed to this as to the type of thing that was to be provided?—Yes, but if I may just be quite clear, it was not the responsibility of the local authorities.

3613. Oh, no, but any suggestions from them for an alteration in design would have been sympathetically received, I gather?—Except that the trouble was that here you did have to make up your mind once and for all on the design and specification and once the decision had been taken I think it would have been impossible to amend it.

3614. From paragraph 26 it would appear that the defects were in design, in specification and construction. You said in reply to Mr. Hoy that the bulk of these were erected by private contractors. How far has either the Ministry of Education or the Ministry of Works or both made representations to the contractors that they got money out of the State by false pretences?—I think no such representations have been made.

3615. None at all?—Not to my knowledge.

3616. You have accepted the whole responsibility for the added cost and made no attempt at all to recover any of the additional cost from the contractors, who must have had a pretty good rake-off from this £15 million?—As far as my knowledge goes, no, but, of course, it would have been the Ministry of Works and not my Department who would make it.

3617. That is so. Did I understand you to say in connection with the expenditure on administration and inspection that it was your view that this could have been

done more cheaply and more efficiently if there had not been the Divisional Executive provision written into the 1944 Act?—Yes. I was rather careful in my reply, but I definitely do think that looking at it purely from the point of view of finance it would have been cheaper not to have divisional administration at all.

3618. But would it have been more efficient?—I am not prepared to be dogmatic about whether it would have been more efficient.

3619. So you probably would have had cheapness of administration at the expense of efficiency in education?—It might well have been so.

3620. Could you tell me whether the percentage of expenditure of the late lamented Part III authorities had any relationship to this proportion when they were in existence?—No, I have not got any information on what the corresponding percentage in respect of the old Part III authorities was.

3621. Do you think that the administration might have been cheaper in the Counties if greater powers had been delegated to Divisional Executives than had been delegated by a large number of Counties in the country?—Well, that is a matter of opinion. I have no doubt that in some cases the answer was "yes," and in others "no."

Mr. David Jones.] Perhaps I ought to have declared an interest in Divisional Executives, Mr. Chairman, before I started. That is all the questions I have.

Chairman.] Thank you, Sir John, that is all we wish to ask you.

Sir John Maud, Mr. Pearson, Mr. Owen and Mrs. Rossiter withdrew.

Mr. L. PETCH, an Assistant Secretary, the Treasury, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 84-85 and 86-90 OF THE FOURTH
REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

CIVIL APPROPRIATION ACCOUNTS, 1950-51.

CLASS VI.

VOTE 8.

MINISTRY OF AGRICULTURE AND FISHERIES.

ACCOUNT OF DEVELOPMENT FUND SCHEMES FOR FISHERIES SERVICES.

VOTE 9.

MINISTRY OF AGRICULTURE AND FISHERIES (FOOD PRODUCTION
SERVICES).

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[Continued.]

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51 (VOL. II).

BRITISH WOOL SECTION ACCOUNTS.

COUNTY AGRICULTURAL EXECUTIVE COMMITTEES ACCOUNTS.

NATIONAL STUD ACCOUNTS.

WHEAT FUND ACCOUNTS, 1950-51.

Sir DONALD VANDEPEER, K.C.B., K.B.E., Permanent Secretary, Ministry of Agriculture and Fisheries, called in and examined.

Chairman.

3622. May we start with the Treasury Minute on the Fourth Report of last year's Public Accounts Committee, paragraphs 84 and 85?—(Sir Donald Vandeppeer.) Yes. I have it before me.

3623. You have been reviewing arrangements for financing agricultural research. Can you tell me what fundamental changes you have in mind and whether you have yet reached any conclusions?—The system of paying grants to the research stations has been under review, as is stated in the Treasury Minute, between ourselves and the Treasury and the Agricultural Research Council. The question under discussion is the extent to which we and the Agricultural Research Council respectively should be responsible for the affairs of these agricultural research stations. We have not reached any conclusions yet. Memoranda have been passing between the Agricultural Research Council and ourselves and there has been some delay owing to the absence for, I think, about three months, of the Secretary of the Agricultural Research Council who has been in Australia. The discussions are proceeding but no conclusions have yet been reached.

3624. May I ask the Treasury, is it intended to continue the policy of incorporating these Institutes under the Companies Act?—(Mr. Milner Barry.) Not more than we can help, Sir, as is said in the Minute. If necessary we would consider it, but only on the understanding that if there were any legislation later on to set up statutory bodies, these companies could be brought within the ambit.

3625. Meantime, have you completed the arrangements to give the Comptroller and Auditor General access to the books of the Institutes?—They have been completed, I think, yes. (Sir Donald Vandeppeer.) I could answer that, if you wish. I have written to the Chairmen of the governing bodies of the 14 stations. In 10 cases the governing bodies have agreed to make the accounts available for inspection and we have informed the Comptroller and Auditor General. The four outstanding cases present rather special features, but I see no reason why satisfactory arrangements should not be made in their case as well.

3626. I go on to the Minute on paragraphs 86 to 90. Again to the Treasury, on the second and third sub-paragraphs of the Minute, it looks as though the Treasury reject a general estimate of the capital employed in farming and also it looks as though they reject the extension of the university investigations to cover capital. Does this mean, then, that the requirements of the Act that prices shall be at a minimum consistent with an adequate return on capital investment is to be ignored?—(Mr. Milner-Barry.) May I ask Mr. Petch to speak to that Sir?

3627. Yes?—(Mr. Petch.) The Treasury view on that, Mr. Chairman, is simply that the requirement of the Act that the return on capital is to be taken into account is just one of the several requirements in that Section of the Act, and it is also the Treasury view that it is virtually impossible to assess with anything like precision the capital employed in the agricultural industry and that even if we could assess it, the return on capital employed is only one of the factors we would have to take into account in forming a broad view on what is the right amount which the farmer should get as a result of the annual price review.

3628. It is one of the factors which the Act requires to be taken into account?—Yes.

3629. Does your answer mean that you do not know how to take it into account?—We have a broad picture of the degree of capitalisation, so to speak, of the farming industry, but we do not attempt any precision.

3630. Could you explain to the Committee what this broad estimate amounts to?—It is almost a matter of judgment rather than of precision in estimating. You have to take into account not only this factor of the amount of capital but, as I say, the other things, the amount of income which is flowing to the farmer, and so on.

3631. Yes, I understand that perfectly. I understand that there are a number of factors and I quite appreciate that some of those factors you may be able to estimate, but I must press the question: here is a requirement of the Act that, among

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[Continued.]

other things, you must take into account the adequate return on the capital invested. Does that mean anything at all in the price review except a hunch?—I think the Ministry of Agriculture have a picture of, roughly speaking, how much has been put into the agricultural industry and it is one of the things which would be taken into account.

3632. Am I to understand, then, that the Treasury is perfectly satisfied that the requirement of the Act is kept that you are fixing prices in such a way that they are the minimum consistent with an adequate return on capital invested?—Yes, we are satisfied on that by and large, as far as we can do it.

3633. Would you give me the most general and overall estimate you could of the capital invested in the industry? Can you give me an estimate?—I cannot give you the estimate offhand, Mr. Chairman, no.

3634. Could you provide an estimate?—I think the Ministry of Agriculture could provide a very rough one.*

3635. What do you say to that, Sir Donald?—(Sir *Donald Vandeppeer*.) For the reasons stated in the Treasury Minute, Mr. Chairman, it would necessarily be very rough. I think our statisticians would be very reluctant to have an estimate like that published to which they would be held, but if the Committee would like to have a very rough estimate, I am quite sure we could give them some idea.

3636. I think the Committee would be very interested to have any estimate?—May I ask that you would give consideration to it being confidential to the Committee?

3637. We would bear in mind any views you had on the point but I would not say in advance?—No, I am putting the point that people like statisticians and economists with the responsibilities of advising Ministers and Members are very nervous about giving figures which, when challenged, they could not substantiate except on a very rough basis.

3638. May I ask you a few more questions now, Sir Donald, about these figures? Last year the Public Accounts Committee recorded their view—it is here in the Report—that the larger low-cost producers were admitted to be making large profits. This is a view which you gave in answer to a question by Mr. Jones, I think, last year and which has been recorded in paragraph 89 of the Public Accounts Committee's Report. I suppose that you were then referring to net profits. Have you any idea what these profits would amount to in terms of percentage on turnover?—No, Sir.

* Appendix 17.

3639. Have you any way in which you can form any view about profits?—We have no statistical basis on which we can ascertain the profits of any particular section of the industry. We do know, as I said last year, that a system of uniform prices must inevitably mean that the high-cost producer can just about get by and the low-cost producer must increase his profits, but for many years we have been attempting to solve that problem and the only way, really, of dealing with it is the one that was emphasised by the Public Accounts Committee last year of putting some part of any Government assistance in a form in which it will go direct to assist the particular enterprise that the Government wishes to help. That really means direct and selective subsidies, and by and large that is the direction that the Government has taken this year.

3640. As I understood it, earlier on it was said that we could not get any notion of profits on the basis of capital employed and failing that, the only other way that I think one could do it would be by looking at it in terms of turnover. It is obviously of some importance. Would it be possible, do you think, for you to get figures for us on any voluntary basis, for example, from the National Farmers' Union, to show what was broadly happening, a return in relation to turnover?—I should think it quite likely that the reports that we get and, indeed, that are made public by the agricultural economists attached to the universities, would throw a good deal of light on that. These reports are, in fact, among the data that are taken into account by the Departments in conducting the negotiations, but I have not that information with me at the moment.

3641. Would you, at the same time that you give us the other estimate of capital employed, do what you can to help us to form some idea of the profits in relation to turnover?—Certainly. As you will know, the Government has promised a White Paper within the next two or three weeks. That is in preparation now, and that might throw some light on it, but in any case I have taken a note of your request so far as this Committee is concerned.

3642. Dealing with the fourth sub-paragraph, have you any further information for the Committee on the withdrawal of the "capital injection"? Was anything included for this in your recent price review?—No, Sir. The view taken this year by the Government was that the aggregate net income of the industry was no more than sufficient to enable the industry to carry out the task which the Government was putting before it and the broad objective of the review this year was at least to maintain that aggregate net income. That being so, the question of any withdrawal

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[Continued.]

of the remainder of what is called the "capital injection" put in in 1947 was not considered appropriate this year. The award was made in a way designed at least to maintain the aggregate net income.

3643. Have you made any changes as a result of your experience since 1947 in this whole business of how you should arrive at the total net income?—Certain modifications have been made as a result, first of all, of a Committee, which I think I referred to last year, under the chairmanship of a senior officer of the Central Statistical Office and comprising members of my Department and all the other Departments concerned. They produced some useful comments and suggestions on the methods of calculating the aggregate net income, many of which have been adopted. Some of them, as I think I mentioned last year, were of a continuing nature, that the Department should continue to study some broad statistical aspects of the problem, and that is being done. There has been no fundamental change in the methods of calculation, but we in conjunction with the other Departments and, in particular, the Central Statistical Office, keep them under review.

3644. Finally on this, again to the Treasury, could the Treasury assure the Committee that the £569 million paid by the Ministry of Food in 1950-51 for home-produced food was not more than was fair and reasonable?—(Mr. Petch.) Certainly, Mr. Chairman, we can give you that assurance.

3645. I am asking for a Treasury view, not the view of the Ministry of Food?—Yes, that is the Treasury view.

3646. Could we turn on now to the next papers on the Agenda, the Civil Appropriation Accounts. I have one or two questions on paragraphs 112 and 113. First of all, again to the Treasury, do you agree that, technically, there was a departure from the terms of the Estimate?—(Mr. Milner-Barry.) Yes, Sir, I agree that technically there was.

3647. Sir Donald, why should not provision have been made in the February Supplementary Estimate in anticipation that the Order would be approved by Parliament?—(Sir Donald Vandeppeer.) Well, Sir, this amount could have been dealt with in the way which Mr. Milner-Barry has said was technically right, but after consultation with the Treasury we felt, as they did too, that it would cause an unnecessary complication by expanding enormously by a sum of about £9 million our receipts in the year 1950-51 and then having to set the matter right by a Supplementary Estimate of a similar amount in the new year. It seemed to be cumbrous and unnecessary, and the method of a suspense account

was, in fact, adopted after consultation with the Treasury and with their full approval merely as what seemed to be a common-sense procedure.

3648. May I again come back to the Treasury? This Order which became effective on the 30th April, 1941, had retroactive action financially back to the 1st May, 1950?—(Mr. Milner-Barry.) Yes.

3649. The beginning of the wool year?—Yes.

3650. Is it usual to have retroactive clauses in statutory instruments?—I should not have thought it is, Sir. I think it is a very exceptional one.

3651. On the whole, you would agree that it is undesirable?—Yes, I think I would.

3652. Could you tell me, Sir Donald, how the £9 million was used by the Board?—(Sir Donald Vandeppeer.) The £9 million went into the funds of the Board in accordance with the arrangements made between the Government and the Board to deal with receipts from wool sales. The arrangements were that on the setting up of the Board the receipts from the 1950 clip should be paid to them and credited to their account and that thereafter the whole of the wool transactions would be conducted by this Producers' Marketing Board. Concurrently wool was added to the schedule of guaranteed products under the Agricultural Act, 1947. The arrangements that I refer to, provide for the Board taking into its own account 10 per cent. of the profits in any one year and putting into a suspense account the remainder of any profits. That suspense account runs for a period of five years, at the end of which any remaining surplus, the five years being treated as a whole, becomes the property of the Board for its own purposes and can be used, if they desire, as a bonus to the wool producers or for reducing prices in future years.

3653. Are the accounts of the Board to be presented to Parliament?—I think not. As from the establishment of the Board it becomes a matter between the wool producers who produce the wool and sell it to their Board and the Board itself.

3654. I have one question on the accounts themselves on page 352, Sub-head N, "Assistance to the White Fish Industry". How long do you expect this subsidy to continue?—It has just recently been extended by the present Government until July of this year and whether it is to be continued after that will be a matter for the Government to decide in the light of the financial condition of the industry at that time. It is a Government decision.

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Sir DONALD VANDEPEER, K.C.B., K.B.E., and
Mr. H. D. VIGOR, O.B.E.

[Continued.]

3655. What is the statutory authority for this subsidy?—The annual Appropriation Act.

Mr. H. D. VIGOR, O.B.E., Vice-Chairman, Wheat Commission, called in and examined.

Chairman.

3657. I would like to ask one or two questions now on the White Paper, Wheat Fund Accounts, which are before the Committee, which Mr. Vigor is here to deal with. What functions has the Commission exercised since 1940 when the scheme of quota and deficiency payments was suspended, Mr. Vigor?—(Mr. Vigor.) The main administrative functions have been the keeping in being of the local organisation throughout the United Kingdom which has been used by the Ministry of Food in connection with the administration of the Orders dealing with home-grown cereals. In addition to that, while so many of the staff of the Commission were on active service in the forces, a small staff has been dealing with the question of keeping trace of them and seeing into questions of the balance of civil pay which was paid to them, the same as in Departments, on entering into the Services. Those are the two principal matters which have held the attention of the Commission in this period.

3658. Since 1940 it has cost something like £61,000 to keep it in being. Is there any chance of recovering any of that from the registered growers?—In the event of the Commission resuming its active functions they would automatically have to deal with the recovery of this sum of £60,000 from the registered growers after they commenced operating. The £60,000 is equivalent to about one year's administrative cost before the war and a halfpenny per hundredweight on wheat that came before the Commission for subsidy, so it would not be a very serious burden in the event of the Commission resuming to recover the whole of the £60,000 in the course of, say, three or four years.

3659. In 1950-51 the cost was £3,376, mainly for salaries. Would you tell the Committee what staff are employed and what they do?—The staff working for the Commission consists of four whole-time employees and the Commission also has the part-time services of their secretary and finance officer who, however, are working mainly within the Ministry of Food. The duties of the staff deal with the keeping in being of the Committees, Members of which are constantly leaving by reason of death or resignation, and it means appointing new Members. They also deal with staff matters and attending such meetings of the Commission or its Committees as take place from time to time.

3660. Do the meetings take place often?—The Executive Committee meets about

3656. There is no specific authority?—No specific authority, no.

three times a year and in addition there is a Committee which meets with the staff side of the Joint Staff Council, at varying times in the year according to the amount of business which the staff bring before us.

3661. When you talk about "the staff", what staff are you referring to?—The staff has now fallen from about 160 to 34, of whom 30 are in the Ministry of Food and four in the Wheat Commission's own office.

3662. Would not it be possible for some more economical arrangements to be made until future policy was decided?—Well, we have thought about that question from time to time and a certain amount of work must continue to go on, such as looking after the organisation of the Committees. There is this point which shows the present organisation, I think, to be quite economical, that ever since the Commission was set up these 54 local Committees in the United Kingdom with their 658 members do their work without remuneration or expenses of any kind paid to the members, and the Ministry of Food gets the benefit of that entirely voluntary service. The only expenses which are paid are those of the secretaries. I am quite sure that if the Committees were made into Committees of a Department they would come under the same rules as all departmental appointments of this sort and the members become entitled to claim expenses, travelling allowances, which while not claimed by the whole of the 658 would certainly be claimed by some, and there would be a set-off against any other kind of economy which might be affected.

3663. Does it follow that you would have to have a body which did this and nothing but this?—We think it would be unlikely to get the work done inside a Ministry with a smaller staff than four people.

3664. Do you think, Sir Donald, that this is the most economical way of doing what is needed in present circumstances?—(Sir Donald Vandeppeer.) I think it would be unfortunate if the organisation of the Wheat Commission were dispersed, certainly at the present moment—after having been kept in being for this long period—just at a time when it may be that the Government would decide to change the system of providing the guaranteed price for wheat. I do not know at all whether that is likely in the next year or so, but it is possible, and here, perhaps, may I draw the attention of the Committee to one paragraph in the announcement

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Sir DONALD VANDEPEER, K.C.B., K.B.E., and
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[Continued.]

made by my Minister last week: "The Agricultural Act provides for varying the methods by which its objects are achieved. By this award we are fixing prices for livestock products up to 31st March, 1953, and for the 1953 crops and we shall shortly be fixing minimum prices up to 1956. In respect of any of these prices it may become possible and desirable to vary the methods of implementation." That is what we have to bear in mind as a possibility and although it is strictly speaking a matter for the Ministry of Food, I suppose that had a long period of years been foreseen, some other arrangement might possibly have been thought more economical. I agree, however, with Mr. Vigor that if as a matter of policy it is considerable desirable to keep the organisation in being with a view to its possible resuscitation, this is about as economical a method as you could have had. To disband the Committees now and change the system before it is really decided whether or not the Wheat Act system of guaranteeing prices is going to be revived, would, I think, be rather unfortunate.

Mr. David Jones.

3665. The Treasury in sub-paragraph 3 of the Minute on paragraphs 86-90 of the Report conclude, first of all, that it would be impracticable to compile an assessment of capital employed, and if it could be compiled, then it would not be much use. I would like to know why they think it would not be any use, if it were possible to compile such an assessment?—I could, perhaps, answer that. The two things are connected. The reason why it would not be much use would be that it would be so untrustworthy.

3666. Would it be more untrustworthy than the present system?—I suppose it could be said to be better than nothing at all, but the main argument here is that in these discussions there are so many factors that one has to take into account that it is extremely difficult to single out any one of them for special statistical importance. The whole thing is set out, of course, in last year's White Paper. The process starts with a task set before the industry by the Government. The negotiators then have to do the best they can on the basis of all the information, statistics and data available to arrive at recommendations, which they make to Ministers, which are related to the task and provide a reasonable remuneration in the terms of this information.

3667. I take it that the intention of the whole thing is to produce the maximum possible amount of food from the soil of this country and in return to give to the producers of that food a reasonable return?—That is so.

3668. You say that there is no possible method of determining a means by which the high-cost producers can be guaranteed a minimum income without giving an exorbitantly high income to a big proportion of the producers?—No, I did not say that, if I may say so. I said there is no possible means of doing that by price only.

3669. You said in reply to a question that I, I think, put last year to you that the high-cost producers are eliminated from the assessment. Could you give us any idea what the proportion is of low-cost producers to high-cost producers?—I think I mentioned last year that of the 350,000 producing units, the farmers in this country, something like 80 per cent. are occupying holdings of 100 acres or less. That is an indication of the number of small men that there are in the industry. It does not follow, of course, that all the small men are small marginal producers. There are horticulturists occupying small areas who are cultivating their land very intensively and, quite likely, very profitably, but nevertheless it is one of the big problems of this review to take full note of the character of the industry which is by and large an industry of small producing units.

3670. Has the course ever been considered of dividing the country up into regions for the purpose of determining prices?—It has been considered, but it would be quite unrelated to this particular problem because the agricultural industry is so diverse, it is so varied in this country, that you really cannot take one district and say that the conditions there are uniform. Unlike many countries abroad conditions in regard to the class of soil, climate, altitude and all those things vary not only from county to county but from parish to parish and in some cases from farm to farm.

3671. I suppose that is true, excepting, I suppose, that you would agree that there is a fundamental difference between farming in Lincolnshire, for example, and in the uplands of Mid-Wales?—Yes, that is true, but in Lincolnshire itself you will get the difference between farming on the wolds and farming in the fens.

3672. It would be possible to draw a distinction between the farmers of Mid-Wales, for example, and the farmers of Somerset?—Not so easily. The farmers of Somerset on Exmoor have very similar problems to those in Wales or Northumberland.

3673. There are not so many farmers on Exmoor in comparison with the total number of farmers in Somerset?—No, but you could not draw a ring round Somerset and say all the farmers in it are subject to uniform conditions.

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Mr. H. D. VIGOR, O.B.E.

[Continued.]

Mr. Douglas Marshall.

3674. Reverting to the question the Chairman asked on the Treasury Minute on paragraphs 86 to 90 of last year's Committee's Report, as to whether a rough and ready figure could in fact be given relating to turnover and as to the total global capital which is invested in the farming industry, when that subject is approached, how is the total capital value of the land itself taken into account? Whereas certain rents are in fact static other land values have increased, and is it not nearly an impossibility to arrive at the total capital value or is it readjusted as to the capital value that is in fact in the farming industry?—I am very sorry, but I do not feel competent to answer a question of that sort. May I take note of your question and deal with it so far as it can be dealt with in the memorandum I have promised?*

3674A. Certainly, I quite understand. Turning now to the Civil Appropriation Accounts, page xl of the Comptroller and Auditor General's Report with regard to the question of wool, I do not know whether I ought to be asking this question. With regard to this question on page xl, or perhaps I have gone on to the Trading Accounts, as it might appear under either, the Chairman will stop me if I am out of order. What happens to the surplus under that agreement, is it invested or does it just bear a certain rate of interest from the Government?—You are referring to the arrangement that the Wool Marketing Board has in operation now?

3675. Yes?—It becomes the responsibility of the Wool Marketing Board; no doubt they invest it. They make their own financial arrangements with their banks and it is held in a suspense account and if, for example, there were a deficit the year after next, that deficit would be met by drawing on that suspense account with a view to a balance being struck at the end of the quinquennium.

3676. What I mean is, in the case of a surplus, not a credit facility for deficit, is that surplus invested or is it purely held by some banker on deposit?—That I could not answer offhand. They have their arrangements with their banks for financing their operations, and I could not give you offhand what the details are, but I can supply it.

3677. The point I want to make is, we are dealing with this account of 1950-51 in which there undoubtedly were surpluses and in the case of the surpluses was every opportunity taken to see that the money accruing to the producer was fully employed while resting in reserve?—I have

no doubt that the producers to whom their own Board are responsible will take great care that the Board—

3678. They have the power?—Yes.

Chairman.

3679. May I ask a question, Mr. Marshall, to bring out what I think is the position? You now have the £9 million odd, whatever it is?—Yes.

3680. Having handed it over you have neither control nor any responsibility for that at all, it is now for the British Wool Marketing Board and they are not subject to any control from your department?—Except in the sense that under this five-year arrangement we have some responsibility to see that they do not fritter that away. We must be satisfied that the suspense account is kept healthy or, at least, is dealt with prudently from our point of view, because at the end of the five years we should want to see that the final balance when struck did not in any way involve the Government in unnecessary losses.

Mr. Douglas Marshall.

3681. I am much obliged by the Chairman's question, because he has put so clearly to you the point that I was making. There is a point of responsibility here and that is why I was asking you the question. If that Board did, in fact, invest in, let us say, a long dated security which had deteriorated by 30 per cent. and, therefore, it definitely follows, has a deficit against that surplus, then you would feel a point of responsibility with regard to that finance?—Undoubtedly. I have no doubt that the arrangements are—I just cannot quote chapter and verse—that the way in which the Board deals with this money which goes into the suspense account must be subject to the approval of either my department or the Treasury.

3682. Is the Treasury responsible for the investment policy?—No, I correct that, it is my Minister. If they want to invest monies in the suspense account they would have to get our consent.

3683. On page 348 of the Appropriation Accounts there are just two points that I wanted to raise. I see on the debit side, for the cleansing of mussels at Conway, there is £921, and at the same time receipts, for mussels, at any rate, were £1,100, which shows a profit there. Is it more or less run as a profitable concern, as I believe I am right in saying that all mussels have to go through a purifying plant before being supplied to the public?—I have no doubt the intention is to run it on a self-supporting basis making as little profit as is practicable.

* Appendix 17.

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Sir DONALD VANDEPEER, K.C.B., K.B.E., and
Mr. H. D. VIGOR, O.B.E.

[Continued.]

3684. Does the same thing apply to oysters?—We do not cleanse oysters. Are you referring to the oyster breeding experiments?

3684A. Oyster breeding, yes. As far as I can see there is only a debit side to it?—Yes, I think that would be the case. The cleansing of mussels is a service to the mussel fishermen of the Conway district to enable them to purify their mussels before they are sold.

3685. Is the oyster breeding not a service?—The oyster breeding experiments are part of the research work done by the Fisheries Division.

3686. Is there no charge at all against the oyster producers? We have not gone into State oyster production yet, have we?—No, it is research on the breeding and cultivation of oysters, work on oyster pests and oyster biology, shrimp and scallop investigations. That is normal research work which is conducted by the Ministry in view of the general national importance of the shellfish industry of this country.

3687. I notice there are a certain number of charges on that page for certain investigations, and the rest of it, and for laboratories. Is Plymouth laboratory completely self-supporting?—Which item are you on now?

3688. It is one that is not there and, therefore, I wondered whether it is completely self-supporting?—Plymouth laboratory is a Marine Biological Association concern and not on my Vote at all.

3689. On page 342, Sub-head Q.4, I see the original Grant for fishery research generally was £97,000, and the expenditure was only £79,000, £18,000 less than granted. I wonder whether you could throw any light on that because if you take the total figure of the amount of the research of the fishing industries it at all times appears small, and I wondered why that was less?—There is a footnote under Sub-head Q.4. Have you seen that?

3690. Yes, all it says there is: "Saving mainly due to maintenance of the research vessels costing less than expected". That might mean that the research vessels were not at sea as often as expected and, therefore, the maintenance was not as great. It does not convey an awful lot?—That is not in my mind at the moment. I might be able to turn it up if you will give me a moment.

3691. I thought that was a general explanation, whereas there might be a specific one?—I am sorry, I cannot give a specific answer to that question.

Mr. Marshall.] I fully understand that. Thank you very much, Sir Donald.

Mr. David Thomas.

3692. Reverting to paragraph 112 of the Report, with reference to the 1950 wool clip, I would like to ask whether the British Wool Marketing Board was in being when the Treasury bought the 1950 wool clip?—We bought the 1950 wool clip.

3693. I am sorry, when the Ministry bought the 1950 wool clip?—At that time the arrangements for setting up a Wool Marketing Board were very far advanced and it was, in fact—I think I am right—set up in October of that year so that the answer to your question is that the Ministry, carrying on the arrangements which had taken place over the previous four years, continued to requisition—as technically it is, I think—the wool clip of 1950 in anticipation of the setting up of the Wool Marketing Board and that, in fact, took place in October, 1950.

3694. That is to say, they carried on the work as they had done in former years for the reason that the Wool Marketing Board was not quite ready to take over its functions?—That is so.

3695. The question I should like to ask, I do not know whether it should be addressed to the Treasury representative or not, is: why is it that the Treasury handed over to the Wool Marketing Board this colossal figure of £9 million? They would not have made the profit were it not for that increase in wool prices throughout the world. That increased price was paid by the buyers of the wool and that increased price passed on to the consumer of the finished article. You talk about the five years, but what if during the next three or four years the Marketing Board holds its own or makes a loss or indeed, it might make a profit, does it mean to say that the Wool Marketing Board would have retained those balances all the time subject, of course, to the supervision of the Ministry after the five years as to how they expend this money? It seems to me, and I end with this, that the Treasury, having made that profit due to world prices, should have retained that and if the Marketing Board required a grant to start off, the Ministry should make application through the proper channels for a grant to enable the Wool Marketing Board to be set on its feet rather than give them this enormous sum of £9 million to put in a suspense account?—This was not a matter of departmental responsibility, it was in accordance with a statutory instruction which was put before and approved by Parliament.

3696. Yes, but Parliament surely did not tell you that if you make a profit this year

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Sir DONALD VANDEPEER, K.C.B., K.B.E., and
Mr. H. D. VIGOR, O.B.E.

[Continued.]

on the wool that you pay it over to the Wool Marketing Board?—May I turn to the Statutory Order. If you refer to Order No. 744 of 1951, which is called the British Wool (Guaranteed Prices) Order, 1951, laid before Parliament on the 16th April of that year, you will see one of its provisions was: "This Order shall have effect in relation to the period of twelve months which commenced on the first day of May, 1950, as though any average price for wool fixed in respect of the said period by the Ministers before the coming into operation of this Order"—I am afraid it is rather technical but the effect of it is that the Minister proposed and Parliament approved the arrangement that you are referring to.

3697. One question concerning the fixing of the price to the farmers throughout the whole country: how are those figures assessed? Is it taking the average submitted by the whole of the farmers for all their products? I do not know whether I have put it clearly enough to you. You pay them guaranteed prices for what they produce the next year and the following year. How are those prices arrived at?—That was described in great detail in the White Paper* which was issued about this time last year. The whole procedure followed in regard to these annual reviews and the fixing of prices was set out in very considerable detail in that White Paper. Briefly, the first phase is an assessment of the aggregate net income of the industry for the current financial year. Then Ministers decide whether or not it is adequate, insufficient or excessive, and we are instructed as to whether, having regard to the task that the then Government is putting before the industry, we should negotiate on the basis of the maintenance or the reduction or the increase of that level of aggregate net income. That is taking the United Kingdom as one big farm, but on the basis of those instructions we get the best bargain we can for the Government, bearing in mind all the time what the industry is being asked to do. If agreement is reached it is reached on the basis of a change in the aggregate figure of £10 million, £20 million, or whatever it is. At that point we then start to break that aggregate figure down into a schedule of increases of prices—if it is an increase as it has been for most years—for the respective commodities, again bearing in mind the emphasis that the Government wishes to place on, we will say, meat in particular. That was the outstanding problem for this year. Also taken into account

* Cmd. 8239.

at that time, in addition to price increases, are any specific subsidies that the Government may consider appropriate in relation to the problem that is before the industry. There were three or four on this occasion which were announced by my Minister last week—the continuation of ploughing-up subsidy, the continuation of fertiliser subsidy, the maintenance of feeding stuffs prices at their present level—and all those proposals of the Government are related to the increase in the income to the industry and may be taken out of this aggregate figure which we have already agreed. That is broadly the process. It was described in more detail in last year's White Paper.

Mr. Douglas Marshall.

3698. I would just like to clear a point by one question, if you do not mind, Mr. Chairman. So far as I understand it, under the agreement which is come to between the producer and the Minister over the question of the amount of surplus with regard to the wool price, the Government then acts as a trustee in order that that is a cushion on a long dated policy, but the actual moneys reserved for it belong to the producer. They do not belong to the Government?—Well, it is a mutual arrangement.

3699. Yes, certainly?—Suppose the Board had not started their operations in a period when there were substantial surpluses. Under the arrangement, had they started off with a loss, the Government would have reimbursed them for that loss. Then, if the following year they had made a profit, the money originally paid in to them would be set off against that so that at the end of the period what the Government had found it necessary to pay in order to keep the Board in funds and what in some other years the Board had acquired by way of surpluses would be balanced, and if there should be a surplus it goes to the Board and is distributed to the wool producers. If there is a deficit the Government faces up to it, the Government pays it.

3700. The objective, then, is to act as a cushion against world prices, over which we have no control at all and, therefore, to give a long-term policy to the wool producer?—Absolutely. That, if I might add, is the explanation of the connection between adding wool to the schedule of commodities which are receiving guaranteed prices, and the setting up of the wool marketing scheme. The two things were concurrent.

Chairman.] That is all we have to ask you, thank you very much, Sir Donald.

Sir Donald Vandeeper and Mr. Vigor withdrew.

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[Continued.]

AGRICULTURAL LAND COMMISSION ACCOUNTS, 1950-51.

On this account no questions were asked.

LAND FERTILITY (RESEARCH) FUND ACCOUNT, 1950-51.

On this account no questions were asked.

SUGAR INDUSTRY (RESEARCH AND EDUCATION) FUND ACCOUNT, 1950-51.

*On this account no questions were asked.**The witnesses withdrew.**Adjourned till Tuesday next at 4 p.m.*

TUESDAY, 6TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Sir Ralph Glyn.
Mr. Hoy.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. Peter Roberts.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E.,
called in and examined.

MINISTRY OF DEFENCE APPROPRIATION ACCOUNT, 1950-51.

Sir HAROLD PARKER, K.C.B., K.B.E., M.C., Permanent Secretary,
Ministry of Defence, called in and examined.

Chairman.

3701. Sir Harold, we will take your Appropriation Account. I have some questions I would like to put to you on the Report of the Comptroller and Auditor General. Dealing first with paragraph 2, this paragraph indicates that only some of the expenditure incurred by the United Kingdom on the Western Union Defence Organisation was shared between the member States. Could you tell us what types of expenditure are shared and what types are not shared?—(Sir Harold Parker.) Yes, Sir. What is not shared are the emoluments, very largely of the Service personnel. What are shared are such things as the cost of accommodation, transportation, stationery, and a very small amount under the heading of Ordnance Stores.

3702. And all the rest is?—The rest, which is very largely the pay of the Service personnel who were associated with these organisations, was borne by the country to which the people concerned belonged.

3703. Are the other members claiming for settlement in the pool account only the same types of expenditure as those that the United Kingdom claims?—Yes.

3704. Exactly the same, the same basis for everybody?—It is the same basis for everybody, yes.

3705. Who audits the expenditure coming into the pool account?—It is audited nationally in the same way as the expenditure which we incur is audited by the Comptroller and Auditor General, so any expenditure incurred by one of the Continental countries would be audited by their equivalent of the Comptroller and Auditor General.

3706. So that in our case our Comptroller and Auditor General audits the claim on the pool?—Yes.

3707. Has any financial settlement yet been made?—Yes. One was made some time last year, I think it was in August of last year, and the broad effect of it was

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SIR HAROLD PARKER, K.C.B., K.B.E., M.C.

[Continued.]

when we came to look at the shares, what was our share of the divisible expenditure came to very nearly the same as what we had ourselves spent on those particular items which fall to be divided.

3708. Then, on paragraph 3, it seems from the 1951-52 Supplementary Estimate and the 1952-53 Estimates that for the years 1951-52 the various departments of N.A.T.O. are budgeting for their expenditure and the United Kingdom is contributing a share of the budget. Could you give us an outline of the financial arrangements which are involved?—Things, of course, have changed somewhat with N.A.T.O. as compared with Western Union and, of course, the nature of the expenditure has also changed somewhat. There has been considerable expenditure in connection with N.A.T.O. over the last 12 or 18 months on what you might call capital account, such things as S.H.A.P.E. headquarters, and matters of that kind. The arrangement is that the services have been carried out by the host country and then the total expenditure is pooled and is divided, our share being, as is shown in paragraph 3 of this Report, 22½ per cent. of the total.

3709. Did I understand you, Sir Harold, to imply that the cost of S.H.A.P.E. was part of the N.A.T.O. expenditure?—Yes. When I say the cost of S.H.A.P.E., I meant the cost of completing the premises in which they work.

3710. But not including the cost of any troops in that field?—No, the troops whether they are actually part of the headquarters organisation or part of what is known as the supporting troops, are paid for by the country to whom they belong. In the case of S.H.A.P.E., of course, a very large proportion is, in fact, United States troops paid for by the United States.

3711. Does this really mean, Sir Harold, that it is only common services that are the subject of claims, that all the rest is met by the individual participating Powers?—Not quite that, less on the strictly military side and more on the civilian side. If you take, for example, the International Secretariat of N.A.T.O., or, again, what was the International Secretariat of the old Defence Production Board, those are paid on a common basis subject to adjustment for local allowances and things of that kind, and that expenditure is also pooled.

3712. So, you get the expenditure of these particular heads which is incurred, say, by the United Kingdom, and then the United Kingdom claims from the organisation. Then on the other side the United Kingdom will be paying its share of the total cost of the organisation, is that it?—I think really this is a better way of putting it, that the various N.A.T.O. organisations prepare a budget and that is then debated by an international body known as the Budget Committee on which all the participating

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nations are represented. That budget having been agreed, the various contributing countries pay their share into the pool. In other words, they finance them on the basis of global figures representing their contribution for the time being towards the total expenditure of the N.A.T.O. organisation and the N.A.T.O. organisation then spends the money. In fact, if it is a project in a particular country, it may well use that country's machinery as its agent for doing the work.

3713. Then, it would be necessary for the country to make a claim on the organisation?—It would if that system were adopted. Of course, so far as the United Kingdom is concerned, there has not been anything substantial in the way of capital expenditure, because when the N.A.T.O. organisation was accommodated in London they were accommodated not in premises which had to be built, but leased accommodation in Belgrave Square.

3714. What means have you or the Treasury got of satisfying yourselves that the United Kingdom is paying not more than its fair share and that everybody is, as it were, budgeting and dealing with the whole business on the same basis?—Well, the formula was arrived at after very protracted and difficult negotiations. The principle which underlies it is that the contributions of the various countries are related to what is termed their capacity to pay, subject to the proviso that, as in the case of U.N.O., there is an adjustment so far as the United States is concerned because if the sum was done purely on a national income basis the United States contribution would become, well, an even larger one than it is at present, and a very large one indeed.

3715. Who audits the accounts of the organisation?—(Mr. Milner-Barry.) There is to be a panel of auditors, Sir, three in number, I think, who will rotate from a group of the countries composing the organisation. I think each year one of the auditors will change; of the first three, the first is appointed for three years and the second for two years and the third for one year, so there will always be one new man each year. It is being staggered.

3716. It is a joint audit, then, of three?—It is a joint audit, yes, by Government auditors.

3717. Are you one of those auditors, Sir Frank?—(Sir Frank Tribe.) No, Sir. (Sir Harold Parker.) I think they have not actually started the arrangement yet, have they? I know they have been discussing the details of this on what was the Council of Deputies only quite recently. (Mr. Milner-Barry.) I believe the first auditors have actually been appointed. (Sir Harold Parker.) But only just, I think. (Mr. Milner-Barry.) Yes.

3718. May I go on, then, to paragraphs 4 and 5? Could you amplify for us what

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is meant by "infrastructure"? Is it what we might call military works, or does it include any provision for civil requirements? Does it include maintenance costs?—(Sir Harold Parker.) Infrastructure is essentially capital expenditure on such things as war headquarters, airfields and signal communications; those are the main items. It might be extended later to include such things as maintenance bases, storage depots and port facilities, but the big items in the three slices, as they are called, which have so far been negotiated, have been airfields and communications in the broadest sense.

3719. Is there any part of this that could be regarded as for civil requirements?—Well, you could regard some of the communications work as having some benefit to the civil economy of the country in which the work is being carried out and that was a factor which was taken into account in determining the share to be paid by the various countries concerned towards the total cost. It is not, of course, something which you can evaluate very precisely. You can say that if you double or treble certain kinds of communications in France, those are, potentially, at any rate, of some benefit to the civil economy of the country. It is more difficult, of course, to quantify the precise value and, perhaps, even more difficult still to try and say exactly when the benefits from the point of view of the civilian economy begins to mature and at what rate.

3720. I see from this paragraph that it is the estimated cost of works that is to be shared in agreed amounts between the Brussels Treaty powers. What is to be done about variations between actual and estimated costs?—Under the Brussels Treaty arrangements the provision was, as you said, Sir, that payment was made on the basis of estimates. If, in fact, estimates were exceeded, then the excess became the liability of the country carrying out the work. That arrangement does not apply to the second and third slices of infrastructure, where the division will be related essentially to actual costs rather than to estimated costs.

3721. Have you any way of satisfying yourself that the estimates are not excessive?—Well, there is this point that they are carried out by the country in which they are to exist and as that country is paying a very large share of them they have a very definite incentive to keep the costs down. There has also been a great deal of discussion on that point particularly as regards airfields. There has been a good deal of discussion and in the result certain reductions have been effected in the standards to be adopted, whether you should have X thousand feet of runway or X minus Y, and I think one can say that these

various infrastructure works which are being carried out are being carried out on an economical basis. There is the further point which has a definite effect, I think, in that direction and that is that the total programme of requirements is extremely large. In fact, it is pretty clear that it will be some time before all the necessary financial provisions can be made and, therefore, there is the incentive to economical working that if you are economical you will, in fact, have the capacity to do more of the total programme.

3722. Can you tell, on the basis of schemes completed so far, how costs are comparing with estimates?—As regards the first slice, the evidence which we have got is that through nobody's fault, actually, expenditure is exceeding estimates, largely because the works have been proceeding now for a period of a couple of years, during which time the price of raw materials and labour costs have increased quite substantially.

3723. Can you put any figure on it?—I cannot.

3724. Could you?—I do not know. I will make enquiries. I just do not know whether we can, but if we can, perhaps I could let you have a note.*

3725. Yes, if you would. Do you periodically see reports of progress?—Yes. Reports are prepared periodically and there is now in existence a body known as the International Infrastructure Committee on which all the countries of N.A.T.O. are represented. For the last few months a member of my staff has been the U.K. representative and the Chairman of the Committee, and they spend a great deal of time going into the details of cost and progress and things of that kind. In addition periodical reports are rendered to S.H.A.P.E. as regards the progress made. Reasonable progress is being made although I suppose it is only right to say that as with other major constructional schemes the dates of completion are, at any rate in a certain number of cases, proving to be a little later than the original targets fixed.

3726. There has been heavy expenditure in this country on airfields for the accommodation of the United States Air Forces. As I understand it, this has been borne entirely by the United Kingdom and the United States Governments?—Yes.

3727. Was it ever considered whether these works should be treated as infrastructure?—A little thought was given to that. It is a matter on which I think the Air Ministry would be in a better position to speak than I am, but by and

* Information supplied; not printed.

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[Continued]

large one came to the conclusion that probably the best arrangement would be to treat this particular matter as a bilateral negotiation between the United Kingdom and the United States. There is this always to be borne in mind, that the more you increase the number of people whom you have to bring into a discussion, the more difficult do your discussions and negotiations become, and it was felt that this was a matter which it would be reasonable to treat as a matter for direct settlement between the United Kingdom and the United States.

3728. So this expenditure was not taken into account at all when you were estimating the proportions that should be paid for infrastructure?—No. There is, of course, a further point that should be borne in mind which is that the N.A.T.O. infrastructure programmes relate to facilities required for the common use of Forces assigned to N.A.T.O. military commanders. I am not quite sure that one could argue that certain, at any rate, of the United States Forces would fall strictly within that definition. They are in the general global effort, but that is a somewhat restricted definition.

3729. On one special project, we were told on the 25th March in the House about the British base in Belgium which was estimated to cost £8½ million. Is this an infrastructure project, or what are the financial arrangements about it?—No, that again has been a matter of direct negotiations between this country and, I think, primarily Belgium, but I believe the Netherlands come into it to a small extent as well. That is not in the infrastructure programme.

3730. What are the financial arrangements, then, for that particular project?—I cannot give you the answer in detail offhand. The expenditure actually will not fall on the Ministry of Defence Vote, it will fall on the War Office Vote and it is only just being incurred. I could find out, but I would not like here and now to give a detailed answer on the point.

3731. Perhaps you would let us know?—Yes.*

3732. I have just one or two points on paragraphs 6-8. What are the arrangements for the control of these contributions?—There are regular discussions with the United States authorities on this matter and they do, in fact, supply us with a considerable amount of information and detailed figures showing what has been the expenditure which they have incurred, and account has been taken of that in fixing the contributions for succeeding years. Over the three years, that is, from 1950-51 to 1952-53 inclusive, we shall have pro-

vided in Estimates about £550,000 and as far as we can see the expenditure by the United States will be about £555,000. In the first year the United States authorities had to make an estimate, and, in fact, partly owing to the fact that their build-up was slower than they anticipated, the expenditure in the first year was less than the provision made. In the second year it about balanced, and in the present year, that is, the year 1952-53, the contribution which we are making is fairly substantially less than their estimated expenditure, so that we shall just about get right after three years. But it is a field where it is not easy to estimate what will be the expenditure. It is not only a question of the rate at which the staff will be built up, but it does include such things as the sterling cost of the return passages of the American pilots who have brought the B.29's over here. When the arrangement was first negotiated no one quite knew at what rate they would come over and, therefore, there had to be an element of uncertainty. I am advised by officials who have had dealings with the Americans on this that they have been furnished with very full details as to how the charges are made up and that they are satisfied that the expenditure which has been logged up against us is reasonable.

3733. What amount of the £250,000 is, in fact, deemed to be unspent on the 31st March, last year, and carried forward into the next year?—£89,000.

Mr. Benson.

3734. With regard to works carried out under the infrastructure programme, I do not know whether you can give the figures? Do you notice that costs of comparable work vary much from country to country?—No. I do not know that.

3735. On paragraph 2, under the Western Union Defence Organisation, the United Kingdom bears one-half of certain of these services?—Yes.

3736. What were they?—Under the United Kingdom arrangement those were very largely the kind of services which would appear if you turned to the Estimates under the Allied Services, that is to say, such things as accommodation, stationery and matters of that kind.

3737. How came it that we were charged with half of them?—The arrangement under which we paid 50 per cent. was negotiated between the Foreign Ministers of the countries concerned and they had regard, amongst other matters, to national income or capacity to pay, call it which you will, and it is the case that the national income of the United Kingdom is very much the same as that of France and the Benelux countries put together.

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Mr. *Bossom*.

3738. Has a fairly complete programme yet been made of the infrastructure works that are going to be undertaken?—There is quite a complete programme of the works included in the three slices which have so far been agreed, that is to say, the slice which is referred to in the Report in paragraph 4, the slice which was agreed at Ottawa last October, and the third slice which was agreed at Lisbon a month or two ago. There are also in existence plans and proposals and schemes prepared by S.H.A.P.E. showing what is felt is necessary for the whole scheme to be completed. Those are still at the planning stage because I think it is felt that one now has got three slices of infrastructure involving very substantial sums of money, the first slice being £33 million, the second slice about £79 million and the third slice about £157 million, and one may as well get on and get that work done before starting to think in any detail about the fourth and succeeding slices, but S.H.A.P.E. have prepared a statement of what in their view will ultimately be necessary.

3739. Has a time and progress schedule been made of that programme, that is to say, when a certain item shall be started and finished? You have the amounts of money approximately arrived at. Has the time and starting and finishing the various items been arrived at yet?—A good deal of work has been done on that. I think it probably would not be fair to say, as regards all the items in the second and third slices, that anybody could at this juncture give you a close estimate of when the work is likely to be completed. There are problems which to some extent are new to some of the Continental countries. There are considerable problems, particularly in connection with airfields, in regard to land acquisition.

3740. Of course, naturally, you have got the total. You have generally arranged the programme. Have the various prices been set aside that Britain will have to pay? Has it gone as far as that yet, or only total cost?—Well, what we have said is that, as regards the second and third slices, of an expenditure of £79 million we will, in fact, contribute £14 million and of an expenditure of £157 million we will, in fact, contribute £20 million. So that one does not allocate the United Kingdom's share to specific projects and it is the case that as the programme proceeds there are inevitably adjustments in it and modifications, and so forth. What has really been agreed is the share which the United Kingdom will contribute towards a total expenditure by, as it was at the time, the twelve N.A.T.O. countries.

3741. Where these structures are being erected on the Continent shall we have to

pay rent for them, the same as you remember had to be done after the First World War on certain things that were done in France?—No, we shall not have to pay any rent for them.

3742. No one will pay rent to those countries for the use of that land?—No, the position there is that host Governments have to provide outside these figures entirely for what are known as land and utilities. On the other hand, if a user country wants what I might, perhaps, colloquially describe as "frills", they have got to pay for that.

3743. Do the Americans pay us any rent for the structures that have been built here in England in the way of airfields?—As regards the airfields, I speak subject to correction and the Air Ministry would know better, but my recollection is that we have shared with the Americans the capital cost of those airfields and I think in other cases the Americans pay us the extra expenditure to which we are put by virtue of their being here. It is some arrangement like that, but Sir James Barnes will be better in a position to tell you than I am. That is my impression of the broad idea.

Sir *John Mellor*.

3744. With regard to the formula adopted for sharing certain categories of N.A.T.O. expenditure, was that really arrived at upon any serious attempt to calculate capacity to pay or on any principle? Was not it a matter of hard bargaining?—Well, I think one can say this, that it started undoubtedly on the basis of various theoretical arguments and approaches of principle, bearing in mind this underlying issue of capacity to pay. I think it is also true to say that in the later stages it inevitably became a matter for negotiation and for a certain amount of give here on the part of one country and for a certain amount of give there on the part of another. I think it was, having regard to the novelty of this particular thing, certainly in the military field, quite a tribute to the various negotiators, and the negotiations went on for a very long time, that in the ultimate they did get an allocation amongst the twelve countries on a basis which was acceptable to and accepted by all of them.

3745. What principles did they start with?—The main principle with which they started was what I have referred to previously as capacity to pay, in other words, the relative national income. One had, of course, in that connection to bear in mind that the bulk of the work was in Western Europe and it was very largely connected with defence in that particular area and from that point of view, when one was considering in particular the American share, to have regard only to the relation between the national income of the United States

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and that of the European countries including our own was a consideration that you could not push too far.

3746. By "national income" do you mean the income of the respective Governments or the income on a wider basis?—No, "national income" is a term which the economists use; it has got nothing to do with the national budget, it is what is calculated as being the national income of the whole country.

3747. Is that related to any balance of external trade, or is it concerned with the internal transactions?—I am no economist myself but as I understand it, I think it is in fact an estimate of the total value of the product of goods and services of the country concerned.

3748. They started with calculations of that sort, did they, for each calculation?—They started with calculations of that kind.

3749. When they finished up did their negotiations bear any relation to what they started from?—Well, I think it would be fair to say this, that the broad order in which the various countries contributed bore a reasonable relation to what we might call their relative national incomes, but it would not be fair to say that there were any precise arithmetical equivalents between the statistical appreciations of those national incomes with the precise percentages worked out.

3750. Did we come off better or worse?—We came off a little worse, but not very much worse, than if it had been purely on a straight national income basis.

3751. We did not come off any worse than usual?—No.

Mr. Cuthbert.

3752. I have only just one point, really following what Sir John has said. Having made your estimates of how much has to be collected from a nation, as we see from here, what guarantee have you got that the nations will all pay up? We have had an experience in the past, as you must know yourself, in the League of Nations where we had a lot of expenditure and finally we were landed with most of it. What safeguards have we got that all nations will contribute, or do you collect the money beforehand for this expenditure?—Well, it may be that we are more fortunate in N.A.T.O. than we have been elsewhere and we may have got a collection of good payers, but I can say that that particular problem or difficulty has not arisen, and I have no reason to think that, in fact, it will.

3753. I am not casting any reflections on any of the nations that they do not wish to pay, and so on, but circumstances may

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be such that it may be financially impossible for this or that country to pay. Have we any safeguard in that respect, that they should pay beforehand and not just pile it up as an account and pay after three or four years?—What does happen is that as the organisation wants the money, they put in their claims on the countries concerned. There were one or two cases where the money did not come in, perhaps, quite as quickly as one might have wished, and it was said: "Well, the work cannot be started until everybody has ante'd up their contributions", and through the machinery as it then was of the Council of Deputies, through the machinery as it now will be of the new style Council, I have no doubt, that pressure will be exercised to ensure that anybody who might be dilatory is not so dilatory as to prevent, at any rate, progress being made.

Mr. West.

3754. With regard to infrastructures, I understood you to say that the excess which was incurred became the liability of the country carrying out the work and that you had some evidence that expenditure was exceeding the estimate. Can you give us some idea as to what extent the expenditure has exceeded the estimate, and is it really to be understood that the country which has been carrying out the work will be making no further claim upon the fund?—I cannot give you any estimate of the amount of the excess. At the moment that point has not been raised internationally and there is no particular reason why we should stimulate anybody to raise it.

3755. Is the reason that the matter has not so far been raised that the estimate, in fact, has been equal to the expenditure?—No, it has not.

3756. Or have you any definite evidence which indicates that the expenditure has far exceeded the estimate?—Yes. I have made enquiries on this and whilst I cannot quantify it, nor would I necessarily say "far", all the information which we have got has been to the effect that the actual expenditure under the first slice will prove to be greater than the figures in the original estimates.

3757. Do I understand that the information that you would get would be from the auditors' Reports?—I think it is more accurate to say that it is the sort of information that you get from the very close contacts which now exist between the various nations, and the United Kingdom officials are in constant contact with the officials of the other countries, and they get a pretty good idea of what is happening.

3758. But, surely, for one to get any reliable idea at all as to what the expenditure upon infrastructure projects would be

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would require a great deal of intimate knowledge as to the work that is proceeding, would not it? You just could not get it from general contacts, you would want to have an investigation into it, surely?—Under the first slice our liability was limited to the payment of so much money in respect of a number of specific projects to be undertaken on the Continent. Our concern is to see, and that we can see, that the projects are carried out. Provided they are carried out satisfactorily we have fulfilled our bargain in that we have paid our share which we contracted to pay. We are not particularly concerned with the excess which may have fallen on some of the other countries as part of their bargain.

3759. I really thought that that was the position. The position would be this, that the contribution would be made, the country performing the work would undertake to do this work at the estimated cost, and if it makes in the process it does not have to account to anybody for the profit that it makes. If it loses in the process it does not call upon the fund for the loss that it has sustained, but that only drives me back to the question, who are the experts who are engaged by us to price the job, to decide what is our fair contribution and whether the total estimate is a fair and accurate one?—The responsibility for, shall we say, building an airfield in France is the responsibility of the French Government and it is their responsibility to ensure as for any other service which they undertake that proper accounting procedures are followed, that they place the thing out to contract and all the rest of it.

3760. Yes, but if it goes out to contract, that comes before the organisation, does not it? The organisation considers the estimate and approves the estimate and the member countries are then called upon for their contribution. That is as I understand the position. Is that right?—We are going back a good two or three years now and I would like to check up on that point. What happened was to the best of my recollection that the programme was approved, that the Finance Ministers were satisfied that the estimates were broadly reasonable as regards the total cost and that the division was then agreed. Whether the country undertaking the work submits to the other countries detailed estimates of the work to be done I am not sure. I do not think they do. I think that that is regarded as the responsibility of the country undertaking the work. Two of these airfields were in fact under the first slice built in the Occupation Zone in Germany and it was our responsibility to satisfy ourselves that the costs were reasonable and that proper procedures were followed, but to the best of my recollection we did not have to submit the details to any international body.

3761. I suppose it would work out in this way: the body decides that certain works have to be carried out and provided that they can get a rough idea as to what it is likely to cost, even though it is on the generous side, they are prepared to sanction a rather generous sum to get on with the job, is that it?—No, I would not say that. I would say that such evidence as there is tends to show that the original estimates throughout of this infrastructure programme were tightly rather than generously drawn. In fact it may well be that we shall not get in the ultimate for the money to be provided quite as many things as we had originally hoped.

Mr. Hoy.

3762. Did I understand you to say, Sir Harold, that the carrying out of this work was supervised by a Committee on which your Department was represented?—Not the physical carrying out of it, but there is an international Committee which is now watching the progress of the scheme and deciding when further contributions should be made by all the member countries to the common pool and, of course, the authorities at S.H.A.P.E. are very much interested in the physical process of the work. But, as regards detailed execution, that has been regarded as primarily the responsibility of the national Government carrying out the work.

3763. Would it be true to say, then, that this Committee does not get a report of the stage the work has reached and its cost up to that date compared with the estimate. Is that left to the national Government concerned?—No, I think it is more than that. What this international Committee which is called the Payments and Progress Sub-Committee does is that it keeps in touch with the progress of the work and it controls quarterly financial transfers between the contributing and the host countries. The host countries render to the Committee quarterly statements showing the progress of the work and the funds committed and these statements form the basis upon which after detailed examination by the Committee transfers of funds between countries are authorised. That Committee, I know from the amount of time that my officer is giving to it, is not a Committee which meets once a month or something of that kind, it is meeting several times a week.

3764. What I would like to know is, do these progress reports that are being sent in show the cost up to date as compared with the estimate for the work undertaken?—I should think they did, but I would rather, if I might, confirm and let you know the answer to that.

3765. What I was going to suggest was this, that it might be from these reports

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that you would be able to tell this Committee just how much was being overspent compared with the estimate?—Yes. If I could let you have a note on that point, I will.*

3766. You do say that we are making a contribution, if my figure is correct, of £7½ million to the first slice of the £33 million, is that right?—Yes, it is £7,150,000.

3767. So that no matter what the final cost of the first slice comes to, we cannot be called upon to pay any more than the sum we have already agreed to?—That is unquestionably the position under the agreement negotiated between the financial Ministers of the five countries concerned.

3768. You are not quite so certain, are you, about the second and third slices in view of the rise in prices and labour?—In the second and third, the arrangement was not the same. I was very careful to say that that was the arrangement with regard to the first slice. The arrangement with regard to the second slice is that contributions will be related to expenditure rather than to estimates.

3769. Then, it is all the more important, is not it, that the Ministry of Defence should know exactly what expenditure is being undertaken or else work will be going on and you are not going to know what situation you are going to be in as a department?—We do know what work is going on. I think this is the point; N.A.T.O. as a body has not sought internationally, shall I say, to proceed on the basis that the country actually carrying out the work is not exercising the normal and proper procedures of its country for ensuring that the work is being economically done, but we do know how much is being spent on the various projects and how work is progressing.

3770. Following up Mr. Bossom's question about tenders, if these prices or these tenders are, in fact, going to be exceeded unduly, do you know as the work is going along just how that sum is piling up?—Yes, they would know that. What it means, of course, is that if under the second and third slices of infrastructure prices prove much higher than they were estimated to be, we shall not get as many airfields for the money.

3771. Does it mean, then, that you would restrict the work?—Under the second slice the agreement was on how an expenditure of £79 million would be divided. It was hoped that that expenditure would provide so many airfields, so much communications and the like. We have not reached this stage yet because the work is only just getting under way, but if in fact the expenditure on

the items included in the two slices of infrastructure proves to be greatly higher than the estimates, one of two things will, I imagine, have to happen, either the number of things will have to be reduced or the Governments of the twelve countries concerned will have to get together and say: "There is now an excess of so much on the original proposals; are we going to share the excess, or are we going to say that the programme must be curtailed".

3772. I see?—All that is looking a little to the future because we have really only just started and, of course, I have no doubt that all sorts of changes and improvements will be made as time goes on. This idea in the defence field of an international effort of this kind is of great value, but it is quite novel. No one had ever thought of it until the last two or three years.

3773. It is because of that that the Committee thinks it ought to be watched very carefully; there are large sums involved?—Yes.

Sir Ralph Glyn.

3774. I have always understood that it is S.H.A.P.E. who states the requirement and the amount necessary?—S.H.A.P.E. states the requirement.

3775. But who is responsible for carrying out the requirement? Does not that rest with Lord Ismay's body in Paris?—They are the men with whom rests the responsibility for carrying it out.

3776. To see that it is being efficiently carried out without extravagance (because unless you have that under the second slice there is no reason why the host country should not be very excessive in what they put in and so take a larger proportion of the international slice) was, I understood; the duty of the Three Wise Men; was not that the Committee?—Yes.

3777. Did they go into this at all? I think they have just reported?—They did not go into this in any detail.

3778. Were not they supposed to be going into the contributions made by different countries towards the general scheme and what each country could afford to bear?—They did. That was on the broad question of what each country could afford to bear in the shape of their total defence effort.

3779. So, it is a part?—Yes, a very small part.

3780. But still it does run into a great deal of money?—Yes, but the Wise Men exercised their concern with what was the total defence effort which this country could bear, whether it was paying soldiers in this country or helping to provide airfields in France. They did not go into the question of the allocation as between those two heads or any other heads

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3781. Then, are we wrong to assume that N.A.T.O. is not the body responsible for seeing that work carried out in different countries is efficiently done?—I would have said that S.H.A.P.E. is primarily responsible for seeing that the military works in the approved programme are carried out according to schedule and according to the plans laid down. I think that it is quite likely that the N.A.T.O. organisation in its new form in Paris will take over certain functions which in the past in this and other spheres have been performed more by Committees of national representatives. In other words, one is working from the Committees of national representatives in the direction of a greater degree of work by an integrated international staff.

Mr. West.

3782. May I ask one question following on that? Sir Harold, is the position this, that S.H.A.P.E. decides the policy as to what it wants done, and N.A.T.O., in fact, gets it done?—It is not quite true to say that S.H.A.P.E. decides the policy. S.H.A.P.E. recommends to the Standing

Group the policy and the policy would be determined by the Standing Group in collaboration with what are known as the military representatives of the nine non-Standing Group countries. I think you are right in saying that at that stage it becomes more a responsibility of the civil side of the N.A.T.O. organisation to watch progress to ensure that there is no extravagance and things of that kind. What S.H.A.P.E. are primarily interested in is in laying down requirements and seeing that those requirements are ultimately met. What Lord Ismay's organisation is interested in is seeing that the necessary finance is provided to meet those requirements in so far as they have been approved by the Council of N.A.T.O. and to ensure that the works which are carried out are carried out in such a way as will ensure that the maximum economy is secured, or to put it another way, to ensure that for the money which is available we get the maximum in the way of things, whether they be airfields or communications.

Mr. West.] Thank you very much.

Sir Harold Parker withdrew.

Mr. G. P. HUMPHREYS-DAVIES called in and examined.

TREASURY MINUTE ON PARAGRAPHS 1 and 2, 3-8, 9-15, 16-20 and 33-37 OF THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir JAMES BARNES, K.C.B., K.B.E., Permanent Under-Secretary of State, and Mr. W. DEANE, C.B.E., Director of Accounts, Air Ministry, called in and examined.

Chairman.

3783. Sir James, we start with the Second Report of the Committee of Public Accounts of last year and the Treasury Minute on it. I have only one question which I want to ask you on that, and that is on paragraphs 33-37. Have the Singapore Government and the Ministry of Civil Aviation paid up their respective shares of the nugatory expenditure which was involved in this airfield?—(Sir James Barnes.) The Ministry of Civil Aviation, Sir, have paid in full. As regards the Singapore Government, I am afraid we have not yet finalised the arrangements. There is a sum of about £99,000 outstanding. They have paid £57,000. The sum of £99,000 is outstanding and, of course, there has been a good deal of discussion about that and we are doing all we can to bring it to a conclusion.

Chairman.] That is all I have got on the Treasury Minute.

Mr. Benson.

3784. I would just like to ask how far the checking of stocks is progressing?—Is that on the Treasury Minute?

3785. The Treasury Minute on paragraphs 16-20, "Maintenance of Stocks." How far are you in control of your stocks?—I do not think that I can say that this has in any way advanced beyond the position where it was last year. As you remember, it was to be reviewed in about two years' time and the same kind of difficulties that were explained last year still operate; I do not think it is possible really to get to grips with the requirements of the Public Accounts Committee until things have changed a little. But, of course, as you realise, we are committed to review the matter very soon, but I cannot say that there has been any progress as yet.

Mr. Hoy.

3786. Might I just ask one question followed that? Is it in any way due to a cut in your staff that you are unable to undertake this task?—No, not as regards this one. It is due to other and more basic causes that, I think, were explained to the Committee in some detail two years ago.

3787. Does it mean, then, that you are not going to be able to complete this task

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[Continued.]

which was agreed to last year on the Public Accounts Committee? Is it really going to be undertaken in two years' time?—We shall have a further review as soon as possible. We were given two years, and, as I say, the same basic difficulties are still there and, obviously, we shall have to do

what we can in time for the further review but it would have been quite useless, in my view, to have done much up to now because the same conditions still exist. The Committee appreciate the difficulties, I think. They were fully explained; they are the same.

AIR SERVICES APPROPRIATION ACCOUNT, 1950-51.

Chairman.

3788. May we now turn to the Appropriation Account? Starting with the Comptroller and Auditor General's Report, the first question I have is on paragraphs 3 and 4, "Outcome of the Account." The Supplementary reduced the Estimate of the Appropriation in Aid, Vote 7, by £3½ million. The explanation to the Supplementary is: "Due to reduction in issues of aircraft and stores and to the exclusion of sums unlikely to be received before the end of the year." What were these sums unlikely to be received by the end of the year? Why were they unlikely to be received?—(Sir James Barnes.) May I just look, if I may, at the Supplementary Estimate? Would you kindly give me the reference in the Supplementary Estimate?

3789. I have not got the Estimate in front of me. I am looking at the footnote?—I think the sum we are explaining is £3½ million, is not it?

3790. That is right, yes?—It was in connection with the arrangements we had with the Governments of the Netherlands, India, Sweden, Switzerland, Belgium and Pakistan, the bulk being from the Netherlands Government. In some instances there were delays in settlement.

3791. I did not understand why they were unlikely to be received. What was the trouble?—Well, all these negotiations with foreign Governments are apt to overlap in the years as regards the bringing of them to account and, of course, the actual arrangements that the financial settlement refers to are apt to be varied; in this case a requirement for Meteor aircraft involving nearly £2 million was cancelled, and I think that accounts for the bulk of the sum.

3792. What was the amount of claims for issues on repayment from this and other Votes outstanding at the end of March last year and at the end of March this year? Can you say who your largest debtors were?—I think the main ones under Vote 7 were Belgium and Pakistan. Apart from the normal delay in settlement, changes in circumstances affect the budgeted receipts for certain supplies. As I say, in the case of the Netherlands, there was a cancellation of a rather large order.

3793. Could you let the Committee have a statement of those countries who were your debtors on those dates in sums of over £½ million?—Certainly, Sir.

3794. Of the amounts due and the reasons for any delays in recovery?—Certainly, Sir.*

3795. Then, on paragraphs 6 and 7, "Adjustments with Ministry of Supply" how do you satisfy yourself that the charge to you is a correct charge for the deliveries made to you? What is the nature of your check on the Ministry of Supply claim?—The main basis, of course, is that we are supposed only to pay for deliveries. These are assessed in January. For something like 60 per cent. of the total orders we have adequate records of deliveries. These relate mainly to aircraft, engines, main radar equipment, motor transport, and so on. Of the remainder, the 40 per cent., although, of course, we have records of deliveries, they are not centralised; they are scattered in a large number of accounts and to have an accurate check would mean the employment of staff that we just have not got. Therefore, what happens in relation to the remaining 40 per cent. is that we are in very close touch with the Ministry of Supply as a continuing process and not merely at the time that we are making our provisional estimate towards the end of the financial year; in the middle of the next year when we are reassessing it, and there is a comparison of records, the records are not on a wholly comparable basis; we know the requisitions that we have placed, and there are a variety of by and large checks which we apply to see that on the whole we do not pay for stores that we have not received. It is not 100 per cent. accurate.

3796. In 1950-51, the Ministry of Supply overcharged you, apparently, £2,392,000. The amount will be adjusted in 1951-52, but are not errors of this size very disturbing to you for your Estimates?—Well, yes, but they are a relatively small percentage. It is, I think, 2.7 per cent. in that year and something under 1 per cent. in the previous year; of course, we should prefer, if it were possible, to have an exact reconciliation, but I do not think

* Information supplied; not printed.

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[Continued.]

it is possible without the employment of a great deal more staff in both Departments. The result, by and large, is not very far out.

3797. Could the Treasury tell me how they calculated that a further £½ million was due to the Ministry of Supply for 1949-50?—(Mr. *Humphreys-Davies*.) At that time, of course, there was a difference of opinion between the Air Ministry and the Ministry of Supply. It had been greatly narrowed by the processes to which Sir James has referred and the Treasury took a meeting and discussed it in even greater detail with the two disputants and came to the conclusion on the evidence offered that this was an equitable arrangement though, of course, we did not pretend that this was 100 per cent. accurate any more than either of the Departments did, nor, would I say, did we seek 100 per cent. accuracy. We would greatly deprecate the employment of additional staff in order to iron out minor discrepancies of this kind which are of no real significance from the accounting point of view. (Sir *James Barnes*.) If I might add to that, I think, broadly, the position was this, that after a great deal of argument we had provided in the Estimate for that year the provisional sum of £66 million, I think it was, and after a detailed discussion with the Ministry of Supply we came to the conclusion that the sum that we should be charged was about £¾ million less than that, £65¼ million. The Ministry of Supply were claiming £¾ million over the provisional sum of £66 million. It was very difficult to get agreement on detail and the suggestion that we made was that the sum that had been provisionally put in the Estimates should be allowed to stand, namely, the £66 million, but when the Treasury listened to the arguments of the Air Ministry and the Ministry of Supply they decided that the fairest arrangement would be for the Air Ministry to pay another £½ million.

3798. What grounds had the Treasury for considering that this payment would result in greater accuracy in appropriation of Parliamentary Votes?—(Mr. *Humphreys-Davies*.) None, Sir. I do not think we were striving after accuracy, we were striving to achieve a figure which would show the same on both sides of the Account. We obviously could not have different figures on each side of the Account, but I cannot pretend we attached great importance to whether it was £½ million more or less. It does not make any difference from the point of view of Parliamentary control, of course. The money has been spent and the stores have been received.

3799. What do you say to that, Sir Frank? You have reported on this matter?—(Sir *Frank Tribe*.) This is a comparatively new scheme, this basis of adjustment

between the Service Departments and the Ministry of Supply. I am bound to say that I do not think it is working out with the degree of accuracy which the Treasury led the Committee two years ago to expect, but I am rather inclined to agree that unless you spent a lot more in manpower on these adjustments you never would be able to obtain a very great degree of accuracy. (Mr. *Humphreys-Davies*.) Could I just reply to Sir Frank on the allegation of bad faith on the part of the Treasury, Sir? We never pretended that this would be accurate. We said it involved a large degree of estimation, or something of that kind.

3800. Is not it a pity, though, that a lot of time of senior people should be taken up in this kind of thing if, as you say, it is really neither here nor there?—I am not sure. It is very arguable, of course, that there should not be any adjustment at all, which was the position which obtained after the war, but, on the whole the view is that there should be this adjustment in order that it should be brought home to the Service Departments with reasonable approximation what proportion of the national resources they are using up within the total of the Defence Budget.

3801. Now, may I turn to paragraphs 8-10? Sir James, why is it impossible for the R.A.F. to undertake the training of Auxiliary Fighter Control Units, presumably mostly at week-ends? Why is it impossible for the R.A.F. but possible for the civil operators to be in a position to carry out these various functions?—(Sir *James Barnes*.) You are referring, Sir, purely to the Fighter Control Units?

3802. Yes?—Our broad policy is to use civil resources where, on the whole, we think it would be more economical both of resources and also financially.

3803. Would you say that the R.A.F. resources are fully employed, for example, at the week-end when this work would need to be done, for the most part?—I can only say, Sir, that in every single instance of the use of civil resources a careful examination has been made as to what load the R.A.F. can carry, and it was decided that it would be a more economical arrangement to use civilian resources.

3804. Is it your intention that in the end these services shall be provided by the R.A.F.?—Not unless circumstances change.

3805. Is there any other reason why it should be done by the other bodies? Are you anxious to use them and is this one of your ways of fostering civil aviation as a sort of war potential?—Throughout and in every use of civil aviation that is an underlying consideration, but the consideration has never been given weight to enable us to use civil aviation resources in

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any field unless we were satisfied that, on the whole, it was a more economical arrangement.

3806. On the next paragraph, Sir James, what are the latest comparative costs of air and sea trooping?—That is a very difficult question to answer, Sir, with any degree of accuracy in detail; but one can say with confidence in these contracts which have been let for a two-year period on an experimental basis that, comparing like with like, not only is trooping by air cheaper from the point of view of actual cash but also it saves a great deal of time and trouble and reduces the number of people who are in the pipeline; by that I mean that we have in establishments to make an allowance for people who are non-effective and, of course, if we use air trooping they are non-effective for a considerably shorter period. So, in the three contracts which may be conveniently taken as a basis of comparison, I may say that the rates are definitely cheaper than trooping by sea.

3807. Do these calculations exclude, for example, the cost of feeding in the sea costs in excess of the air travel for a period?—Feeding in excess of the air travel?

3808. Does the sea cost exclude the cost of feeding in excess of the air travel period?—We have endeavoured to compare like with like as far as possible and weight the cost of sea travel by everything that we possibly can in order to strike a fair comparison. For example, we have actually discounted our estimates of saving by including in the case of sea travel the separate cost of the conveyance of baggage and that kind of thing.

3809. I think we would like to see that, and perhaps you will be good enough to put in a note on this* so that we can have a look at these figures with the basis on which they have been arrived at?—That is for the existing experimental contracts?

3810. Yes?—Certainly, Sir. I could, if you like, give you figures but I have satisfied myself that in each case they are actually cheaper as conditions are now without taking account of the saving of time. They are cheaper actually in cash, with the result that we are at the moment considering a very considerable extension of trooping by air.

3811. Then, with regard to these airfields overseas used jointly by the R.A.F. and civil operators, what amount, approximately, has been spent on the provision of capital assets in these airfields during and since the war?—I hope you will be prepared to take a very rough calculation. I should

* Information supplied; not printed.

say, at a rough guess, something under £3 million.

3812. Have any final settlements now been effected?—Yes. We are responsible as an Air Ministry for only three final settlements in regard to joint user. They relate to Nicosia in Cyprus, Khor-maksar at Aden and Benina in North Africa, and we have completed the only settlements for which we are responsible.

3813. Can you comment on the last sentence but one of paragraph 12? Does this imply that you out of Air Ministry Votes are subsidising Colonial Governments?—No, Sir, we are not. In the only three agreements we are concerned with that has not been taken into account and in the other settlements for which the Ministry of Civil Aviation are responsible that will be a matter between the Ministry of Civil Aviation and the local Governments. They will not be subsidised from Air Votes.

3814. Sir Frank, perhaps you will tell us what this sentence "In assessing the contributions of local Governments the state of their finances may be taken into account" means?—(Sir Frank Tribe.) The Accounting Officer mentioned Nicosia, I think. I understood that substantial concessions were made to the Government there in Cyprus prompted by considerations of their ability to pay, and similarly proposals for another settlement near Aden had been abandoned entirely in face of the plea of poverty of the Government of Aden. (Sir James Barnes.) What I am saying, Sir, is that the state of local Government finances has not been taken into account by the Air Ministry.

3815. Even in the first case that Sir Frank has quoted?—In Nicosia, that is my view, yes, Sir.

3816. So even in that case it is the Ministry of Civil Aviation, if anyone, whose Vote is subsidising the Colonies?—Yes. We do not intend that our own settlements should be worsened by the extent, if any, to which the local Government is unable to pay.

3817. May I go on to paragraph 14, dealing with additional married quarters? I see that all your quarters qualified for charge to Vote 11 and the procedure under it. Does this mean that no quarters were built in isolated situations?—No, Sir, it means that the quarters that were built in isolated situations were, I am glad to say, fortunately regarded by the Ministry of Health, as it was at the time, as suitable for civil occupation if we gave them up, and that, of course, is a diminishing asset because in the programme for the succeeding year which is just over, 1951-52, only 64 per cent. of the houses have been reported as meeting the requirements of ordinary local housing.

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3818. May I ask the Treasury, how did you satisfy yourselves that the whole of the construction in 1950-51 qualified for financing under the local procedure?—(Mr. *Humphreys-Davies*.) We took the opinion of the appropriate housing Departments which those days were the Ministry of Health and the Department of Health for Scotland. It is the Ministry of Housing now.

3819. So, no one present takes any responsibility?—Of course, we certainly take the responsibility. We are responsible for deciding and we decided on the advice of those people.

3820. You had no information of your own, it was purely a matter for the Ministry of Health?—No, Sir, it is not a thing one can easily exercise an independent judgment on.

3821. Sir James, on paragraphs 15-20 would you be good enough to let the Committee have a statement showing the financial arrangements which you made with the tenants, what percentage of the cost of the houses the various ranks pay as rent whether directly or by reduction of allowances, what they get for their money, fuel, lighting, the rate equivalent, if that is in, a statement that will show the degree to which you as a department are subsidising the house as against the total cost and bringing into account if there is any question of furniture what the arrangements are for that? I cannot do it by question and answer, but I would like you to do what I have asked the other Service Departments to do on that, to give us a comprehensive account of the financial ramifications of this so that we can compare and really see what the economic situation involved is?—(Sir *James Barnes*.) Certainly. I could give you a broad picture now, but if you would prefer it I will put in a paper.

3822. I have asked the other Departments for a paper and I think it would be better for the Committee if we have all the papers together?—I can very readily do that.*

3823. There are some questions on cost which I should like to ask. On paragraph 15, why was the original estimate for contractors' extra costs, £25 as it was, so badly out, necessitating increases to as much as £200?—I think that is, perhaps, a slight overstatement. I have been into the matter a little more carefully than was possible at the time we replied to the Comptroller and Auditor General, but, broadly speaking, we did on an average pay per house £135 for payments under the national working rules for travelling time, guaranteed time and subsistence allowances, which resulted mainly from the need to

import labour, which, of course, we have to do for our isolated projects; and in the Girdwood Report, which I have looked quickly through, I find the corresponding local authorities' liability there to be only £4; in addition to the figure I have quoted of £135, we had a comparable sum, that is to say, for payments under the national working rules, travelling, and so on, of £24 for external services. That is because of the isolation of our stations; for imported labour we have got to pay district rates that are in force at the centre from which the men come where they are higher than local rates; we have got to pay fares when they join and leave the job and when they pay periodical visits home; we have got to pay for daily conveyance of the men to the site, travelling, subsistence, and sometimes labour camps. If I might draw the attention of the Committee to this, I did see in the Second Report of the Select Committee on Estimates, 1951-52, which dealt with the effect of the importation of labour on the cost expected to be incurred by local authorities for providing houses for defence workers, the allowance for importation of labour was £200 per house.

3824. As regards the actual costs, Sir James, the Comptroller and Auditor General gives in his Report on the Army Accounts a cost of £1,875 for quarters completed in 1950-51. Can you give a corresponding figure for airmen's quarters completed in that year?—1950-51?

3825. Yes?—(Mr. *Humphreys-Davies*.) If I could intervene, it is in the last paragraph of our memorandum which we circulated.** I do not know whether the Committee has just received it? An estimated figure of £1,800 is given there.

3826. Do these figures include services outside the curtilage?—Yes. If I could just read the relevant paragraph, the Army figure, as you say, Sir, is £1,875 including costs outside the curtilage. "The Air Ministry estimate their costs for the corresponding period at £1,800 per quarter including 'outside the curtilage' costs but excluding the £40 to £50 in respect of equipment referred to in paragraph 4 above." That equipment is equipment which the Air Ministry account for separately.

3827. What about contractors' extra costs, are they included or excluded?—Everything is in, Sir.

3828. May I, while I am on this, just ask the Treasury about the comparisons between the War Office and the Air Ministry, about the price limits? The latest figure given in the Comptroller and Auditor

* Appendix 10.

** Appendix 1.

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General's Report on the Army accounts is £1,750, excluding services outside the curtilage and contractors' costs?—That is right, Sir.

3829. Now I gather that the figures of £1,700 and £1,800 in paragraph 15 of the Report on the Air Services Account include both these items?—That is right, Sir, yes.

3830. I am right about that?—If I might just add a gloss on that, I do not think these figures of £1,725, £1,700, £1,800 were specific Treasury authorities, they were rather estimates by the Department at the beginning of the year of the sort of average figure which was likely to emerge and which the Treasury accepted without demur.

3831. But if we take these figures, the £1,700 and the £1,800 figures here in paragraph 15, including both the services outside the curtilage and the contractors' extra costs, can you tell me how much they are?—I cannot tell you how much they are on the average. Sir James gave you the figure of £135, I think, for the contractors' extra costs.

3832. If you cannot give me them now, perhaps you can let me have them? I want this for the purpose of the comparisons, and I do not think this is given in your document?—I am not quite sure, Sir, now, which figures you are asking me about, because it is very confusing. They happen to be all the same figures, more or less, but some include and some do not.

3833. In the case of the Air Report which includes services outside the curtilage and contractors' extra costs, I want to know what each of them amounts to?—£135, I think Sir James said just now, on average. (Sir James Barnes.) I gave the contractors' extra costs. If you take the figures referred to in paragraph 16, for instance, which gives the total costs for the programme of three years, 1946-47, 1947-48 and 1948-49, that comes to an average of £1,828. Of that figure £1,545 is for the house itself and £283 is for externals.

3834. Perhaps the Treasury would just check up on this so that we are sure we get the right figure, and if need be Sir Frank would come into it?—(Mr. Humphreys-Davies.) The difficulty arises, if I may excuse myself, because we in the Treasury now work in terms of within the curtilage costs and the Comptroller and Auditor General has been working throughout including the external costs.

3835. Have you any idea of the cost of proper planning and supervising of the schemes, Sir James, that are borne by your works branch?—(Sir James Barnes.) Yes, it works out at about 2 per cent. of the capital cost of the whole work all in and, surprisingly enough, that produces a figure

very similar to the figure for professional fees in paragraph 16, of about £36 if you take a house at a completed cost of £1,800; it is entirely fortuitous because actually our overhead costs, if you take the works' department as a whole, are definitely higher than that, because our maintenance is extremely high; but in so far as you can segregate professional costs in relation to houses, it does work out very, very closely to the figure quoted in paragraph 16 of the local authorities' figure for professional fees.

3836. That includes all your architects, quantity surveyors, clerks of works, and everybody?—Yes.

3837. Only 2 per cent.?—Yes.

3838. But, of course, the £36 also includes land, does not it?—No, Sir, I think the land is in the figure in the column to the left of that, £122 and £158.

3839. I beg your pardon, yes. What figure would you want to put in for the average cost of land?—I did attempt a detailed comparison for my own information to see what were the reasons why we were higher than local authorities' costs, and in that comparison which I did for my own purposes took a figure of about £20 per house.

3840. Are the Treasury fully satisfied that the difference in cost between these quarters and local council houses is entirely justified?—(Mr. Humphreys-Davies.) Well, Sir, it has been a great help to us to have had these figures produced by the Comptroller and Auditor General of local authority houses. It has been a matter of extreme difficulty to obtain any figures of cost of local authority houses which could be regarded as at all representative but in the light of these figures I think the Treasury is fortified in its view that in general we can rest well content with the cost of other ranks' quarters, certainly for the Air Ministry, and also for the Army and, in fact, as I think I said last week, our efforts have been bent rather more to the question of officers' quarters than other ranks' quarters. (Sir James Barnes.) If I might add to that, I have done a detailed analysis very recently and I am satisfied that, in so far as you can compare like with like, the two figures are very comparable, and that any difference in cost arises from reasons which I shall be able to specify, arising out of considerations that apply to Air Ministry works and do not apply to local authority works.*

3841. I am sure we would be very interested to see that. On paragraph 19, is not it rather a reflection on your planning arrangements that you overlooked the

* Appendix 11.

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items of stores from stock estimated at £200 for each quarter?—Is this paragraph 19, "Quarters for officers"?

3842. Yes?—I am afraid I can offer no further comment beyond the fact that is stated there, that it was omitted.

3843. Here you have a very large difference between the cost of these houses, £2,350, and the local authority house of the same size, £1,515, have not you?—As regards officers' quarters, I think rather different considerations apply. The detailed comparison which has been made previously was between airmen's houses and council houses where, broadly speaking, the design and specification were comparable, but in the case of officers' quarters you have a different design and a different specification. We submit that, granted those requirements, we have built economically and we have received Treasury approval for each estimate for officers' quarters.

3844. We are now talking about the houses normally provided for warrant officers at an estimated cost of £1,800 each?—Yes, that is about the average that we have been referring to previously for three-bedroomed houses comparable to the airmen's quarters to which we have been referring.

3845. Which cost you £2,350?—(Mr. *Humphreys-Davies*.) That is all-in cost, not the figure authorised by the Treasury.

3846. I should have thought it was broadly comparable with the local authority house of the same size?—About 1,050 sq. ft. which was rather larger than the airmen's quarters.

3847. If we take your officers' quarters proper, Sir James, the ones dealt with in paragraph 20, for what ranks of officers are these quarters costing well over £3,000 in total?—(Sir *James Barnes*.) Squadron Leader and upwards, Squadron Leader, Wing Commander, Group Captain and Air Commodore. We have built very few for the higher ranks.

3848. You have thought of this, that for these ranks of officer it was proper to build houses which it was impossible for the ordinary civilian to build under licence?—It is, of course, true that the provision is better than the houses which are now built under licence, yes.

3849. What grounds would you advance for the view that Squadron Leaders should have better houses than any civilian can have at the present time in Great Britain?—The only considerations I can put forward are that the construction which we are now undertaking is considerably lower than it was pre-war, rank for rank, and is being still further reduced at the present time.

3850. You would agree, Sir James, that that is also true of a very large number of Members of the Committee?—Certainly.

3851. I have only two other things to ask you. First, on paragraphs 21-25, "Store Accounts" are you satisfied that you have got adequate staff for proper store accounts?—The difficulty, of course, is not so much numbers but of gradings. We are rather short of junior N.C.O.'s, particularly corporals and, of course, we have a large number of National Service men. The problem is not so much numbers but of quality, particularly in regard to supervision.

3852. Finally, on paragraph 25, will this be the last dispensation from normal procedure allowed to these depots?—As regards the works' depots, yes, which is your question in regard to paragraph 25, but I do not think I would be fair to the Committee if I did not point out that it will not be as regards the main depots, because we have two depots where difficulties have arisen.

Mr. *West*.

3853. On paragraph 7, you will see that it is stated that the Ministry of Supply claim that the value of stores actually delivered to the Air Ministry in 1949-50 was £67,058,000 odd?—Yes.

3854. You consider that you have only received stores to the value of £62,580,000?—Yes.

3855. Was that difference between you and the Ministry of Supply on the question of pricing of the goods supplied?—Partly but mainly in regard to deliveries.

3856. Do I understand, then, that £4½ million worth of goods which the Ministry of Supply say they have delivered have not been accounted for?—No. On further discussions between the Departments, the issue was very considerably narrowed until in the end we took a provisional figure of £66 million. We did advance in further discussions with the Ministry of Supply on that figure of £62,580,000 by something over £2½ million when we had further detailed discussions and examined their accounts.

3857. I gather that you do not consider it very important to be accurate about the goods which are delivered? Do I understand that the Ministry of Supply are not very accurate either as to the goods which they send out?—With respect, Sir, I do consider it important.

3858. I thought I understood you to say that you regarded a 2 per cent. error as not disturbing in any way?—No, Sir. What I intended to convey was that ideally, of

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course, we should like complete accuracy but failing the provision of staff that I am sure cannot be supplied at the moment, we cannot get 100 per cent. accuracy. I said that under the present conditions the percentage of error was relatively small.

3859. But I understood that the dispute was not a question of price, the dispute was as to whether you had in fact received the goods which the Ministry of Supply said they had delivered?—Yes.

3860. If you are not in a position to say that you actually received the goods and that you contended that you had only received £62 million worth and £4½ million worth of goods were not accounted for, you cannot be certain today that you ever received them?—If I may say so, on the £62 million figure which you are taking, as I say, on further examination in regard to the deliveries we did admit an additional claim of upwards of £2½ million, narrowing the gap. We have only centralised records of deliveries over about 60 per cent. of the field. For the remaining 40 per cent., though there are records of deliveries, they are scattered in such a way that it is impossible without more staff to say precisely and agree with the Ministry of Supply what has actually been delivered.

3861. Do I understand that your answer means that whilst you have to accept what the Ministry of Supply or their agents or delivery people have to say with regard to the goods which are actually delivered, you are not in a position accurately to affirm that you have, in fact, received those goods?—We are not in a position to affirm with 100 per cent. accuracy that we have received the goods for which we are charged. The only claim I can make is that we get pretty close to it.

3862. But, surely, do not you regard it as most alarming—I am afraid I do—if you in the course of a year cannot account for, say £2½ million worth of goods? The £2½ million worth of goods may be misappropriated for all you know?—No, I do not think it is that we cannot account for the receipt of them. What I am saying is that the assessment of the charge for deliveries by the Ministry of Supply in consultation with us produces an arbitrary figure.

3863. Let us be quite clear on that because I understood you to say in answer to my first question that, in fact, the dispute between you and the Ministry of Supply was as to the delivery of the goods and not as to the assessed charge, because my first question was upon the assessed charge, whether the dispute between you was a question of price rather than a question of delivery?—I thought your question was dividing deliveries from price, and what I was intending to say was that the main

discrepancy related to the financial assessment of what goods had in fact been delivered, the Ministry of Supply assessment being one thing and the Air Ministry assessment being another.

3864. It does not really very much matter, I suppose, within 2 per cent. as to whether it is accurate or not. Is that the view you take?—With a qualification, obviously, that as Accounting Officer, I should prefer a system that was 100 per cent. accurate if it could be achieved, certainly. I am sure the Committee would not suppose, when I said that the percentage of error was small, that I was in any way belittling the desirability of obtaining accuracy. I am not by any means. I should like greater accuracy. I am saying that in a bulk settlement of this kind which has been introduced as an experiment, I do not think it is very disturbing if we are able to get as close as we have, given these arrangements.

3865. May I put this very simple question to you: have you received all the goods which the Ministry of Supply say they have delivered to you?—Yes.

3866. You have received all the goods that they have delivered?—Yes.

3867. What then is the dispute between you?—The dispute between us is that there are not centralised records to enable us to assess them financially with complete precision. The records of centralised deliveries, which are the only ones that can be used in discussions with the Ministry of Supply, only cover about 60 per cent. of the field but from the point of view of ordering a particular type of equipment we have adequate store accounting records to ensure that that is delivered, and if we had enough staff to go over all the vouchers and centralised them then we should be able to get much greater accuracy for the purpose of the financial agreement with the Ministry of Supply.

3868. If you admit that you have received all the goods and the Ministry of Supply put a certain price upon the goods which have been delivered and which you admit, do you want a very large staff to be able to compute the value of the goods which you have actually received?—Yes, because the records of the goods that we have actually received are scattered over so many units.

3869. But you have already made your investigations to satisfy yourself that you have already had the delivery of those goods?—That is the duty of the units who are receiving the goods.

3870. It is the duty of you or someone in your department to collate all the information in that way to satisfy your-

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[Continued.]

selves that all the goods have been delivered and received?—We have found it impossible to have a centralised record which can be used and compared under comparable ledger headings with the Ministry of Supply over more than about 60 per cent. of the field.

3871. Very well, I will not pursue it further. The next question I have to put is with regard to the use of civil aircraft for trooping purposes. You say that they have been chartered at competitive rates. Will you tell the Committee what you mean by "competitive rates"?—I mean that we specify a particular requirement of carriage of such and such numbers of personnel over such and such routes under such and such conditions and go out to open tender to any company that we adjudge to be capable of undertaking the task.

3872. Does it matter where the company may be located, must it be a United Kingdom company, a British company, or can it be a foreign company?—No, a British company.

3873. Would you have many companies of the size and capacity to carry out your trooping arrangements to compete with one another?—Oh, yes.

3874. There are more than one?—Oh, yes.

3875. Would you consider that, perhaps, the Air Ministry itself might not undertake this work? Have you considered whether it might not be an advantage to develop a trooping service of the Air Force?—We certainly have, and the sole reason that we are using civil aviation resources is because we cannot afford to do it ourselves consistently with maintaining the front line that we are endeavouring to maintain.

3876. Notwithstanding the fact that you are anticipating a very considerable extension of trooping by air in the future?—Certainly.

3877. Have you any figures which you could place before the Committee upon which you base your opinion that it would not be worth while for the Royal Air Force to undertake the trooping services direct?—I do not think it is so much a matter of figures, unless you go into the whole root of government policy. We are allotted a particular sum each year and, as you know, it is a matter of Cabinet decision as to how those resources shall be used. It has been decided that we can only afford a Transport Command of a particular size which will not enable us to undertake trooping requirements of this character.

3878. I understand, then, that it is Government policy that the Royal Air Force is not to undertake trooping services

and that you must go out to private companies for chartering?—Well, let me put it this way: suppose for the sake of argument that we were to receive an allocation of money which is hardly conceivable at the moment, it would be perfectly feasible for the Royal Air Force to do its own trooping.

3879. Looking ahead to the future, we realise, of course, that there are ships which are chartered for trooping purposes, considerable expense is being incurred in that direction, and you are now going into civil aviation and chartering civil aircraft for trooping purposes. Do not you think that, perhaps, a transport branch of the Royal Air Force would meet the needs of trooping with all the advantages which you described a little earlier?—Of course it could, but we have not got enough aircraft or personnel to do it consistently with the other obligations which we have undertaken.

3880. Is the real difficulty, therefore, then, a difficulty of supply of aircraft and manpower?—A difficulty of financial resources and manpower.

Chairman.

3881. Would you say, Sir James, on that, that air trooping by civil operators creates a war reserve at less cost than by a corresponding increase in the R.A.F.?—Certainly. The basic reason was the need to build up a substantial reserve of air transport resources. For example, when the Berlin air lift ceased, the charter companies were threatened with a very serious lack of business. It is also true that the cost of maintaining an air transport reserve of this character in the R.A.F. would be very much greater than the arrangements we are now undertaking. What we have done is to take existing air transport capacity which, without wasting additional capital because it is already there, enables us to indulge in the experiments which we are now undertaking. As you know, we have placed contracts to the value of £1½ million with aircraft operators as a pure experiment to watch the degree of success and the cost.

Mr. Bossom.

3882. You mentioned two or three times the shortage of staff. Is that due to economy or to inability to get people?—The only time that I remember mentioning shortage of staff was in connection with store accounts where I said it was not so much a shortage of numbers as a shortage of the right kind of person, namely, junior supervisors and that kind of thing but, of course, taking it over a wider field into the realm of audit and other things, then, of course, we are in difficulties because we are working to a staff ceiling that has been imposed; we are not increasing our global figure and we have considerably expanding responsibilities. There, what we have endeavoured

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[Continued.]

to do is to cope with that expanding demand by corresponding reductions elsewhere.

3883. It was not done with the intention of economy, you did not have a shortage of staff to try and make economies, you just simply could not get the people of the experience you wanted?—I am sorry, I perhaps have not explained it clearly. As regards the particular question we were discussing, namely the general arrangements for control of stores by the Equipment Branch of the Royal Air Force, there was not a shortage of total numbers, it was a shortage of junior N.C.O.'s mainly. The additional explanation that I gave related to a shortage of civilian staff where we have a ceiling, a considerable shortage not so much from inability to get them but because of the desire to limit the total number that a Department will employ.

3884. Would it have paid you to have got a few more?—I think we can always employ more staff.

3885. To do the job efficiently? You have referred several times to the fact that you could not check up because you had not got the staff?—I mentioned that in the context of the adjustment with the Ministry of Supply where in my view, and I think in the view of anyone else who has studied this problem, the number of additional staff that you would have required to get precise accuracy in inter-departmental accounting between the Air Ministry and the Ministry of Supply would have been quite prohibitive.

3886. There is the question of that differential that you have talked about so much. Was it a bookkeeping affair between yourselves and the Ministry of Supply, really, or was it actual money paid out of which there was a certain lack of knowledge?—It is a bookkeeping matter.

3887. As to the matter of the use of civil aviation for trooping, is not it a matter of policy of the Air Ministry to develop or to encourage civil aviation in that way?—Certainly, as far as we can. We, of course, are primarily concerned with economy, but quite obviously relating it to Government policy, we are only too anxious to do what we possibly can to stimulate civil aviation.

3888. Now, just a few questions on the quarters. Did you actually let them by contract or did you build them by cost-plus with your own works department?—No, we let them by contract in all cases.

3889. Then, why did they vary? In paragraph 15 I can see you informed the Treasury that the allowance that had been £25 was likely to amount to £200, and now you say it was actually £135?—They vary because the contract is for basic price with certain variables, and one of the major variables, of course, is the extra expense that

contractors will be put to by sending their men to outlying places

3890. Any contractor has that same variable, and he surely should have put that into his contract price?—In our type of contract that is not done.

3891. Well, it should be done, should not it?—It is done by local authorities in the R.I.B.A. contract, but our system has been very recently reviewed by the responsible authorities, the Contracts Co-ordinating Committee, and they have very recently reaffirmed that our method of contracting is in relation to our circumstances economical.

3892. Of course, the Girdwood Reports reflect very largely on the Air Ministry, do not they?—No.

3893. As to the figures here at the bottom of the page, in paragraph 16, for the cost of your house, which our chairman has gone into with great detail and we have dealt with that, are you now going to continue spending as much as this for this type of house, because the price of certain houses has now been definitely reduced? This type of house is now being built more cheaply than the figures you are giving here?—We are reducing our specifications and we are at the moment reducing the size of our airmen's and officers' quarters.

3894. Your houses are a certain price here, but now houses are being built according to the Dudley Report, which you comply with, at a reduction of £200 or £300 per house, even as much as £400 per house, less than the figures you have got here. Are you taking advantage of the so-called people's house, for instance, that has been designed by the Ministry of Housing?—Yes, we are doing all we can as regards what are called non-traditional houses, certainly.

3895. These are not non-traditional. These are what are called the people's house, they comply with the Dudley Report but at the same time they cut out 10 per cent. of the size of the cube that has to be contained by bricks and mortar and it saves anything from £200 to £300, and that is being done all over the country at the present time and it would be awfully good for the Air Ministry to look into that to see what they can do for the future houses they have to build?—Without answering that specifically I can say we are constantly reducing the superficial area of our houses and, in regard to the Girdwood Report that you referred to, a lot of the economies recommended in that Report had, in fact, been adopted by the Air Ministry before the Second Report was issued.

Mr. Douglas Marshall.

3896. I want to clear one point, if I may, with regard to the question of chartering

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[Continued.]

air transport. When you used this term "charter at competitive rates", the answers that you have already given would lead me to suppose that you found competitive rates more in the private companies than in the State-operated companies. Is that a fact, or have not I gathered correctly your answer?—The nationalised corporations are allowed to tender and we take the cheapest.

3897. You would rather not reply to the question I have put?—I am sorry, would you repeat the question?

3898. I said it would lead me to suppose that you have found that the private companies could, in fact, tender more cheaply than the State operated companies?—In regard to these particular contracts, yes.

3899. The reason I am asking that is so that I can follow up a question and clear the point, and the point that I want to clear is this: in answer to a colleague of mine you agreed that part of the policy was to encourage and develop civil aviation?—Yes.

3900. But apart from encouraging and developing you also stated in answer to another colleague on the Committee that if we had the money we could run our own Transport Command, but is it not possible, in exactly the same way as ship-operating companies are employed for movements of troops, that it would not in fact be as economic as utilising the charter companies?—It would not.

3901. Thank you, that is the point I wanted to make clear there. Then turning to the end of page v, the Chairman was asking you a question as to how you compared like with like, and he asked you whether you had taken into account the feeding during the actual movement of these people. I think you said you would give the Committee a full report on that, and you rather gave me the impression that you were not quite certain whether feeding would come into it or not, but I would also like to know, when you are giving that full report, whether the insurance risk also has been taken into account and, therefore, like is with like in connection with the risk on either the notional pensionable fund or the actual pensionable fund, whichever you may have? Have I made myself clear?—Yes, I think so. As you realise, these comparisons of costs are very complicated matters and in each statement one looks at there are discrepancies, and that is why I have not been able to summarise very clearly what they are, but I do reaffirm that, taking all the considerations into account, including those that you, Mr. Chairman, have mentioned, I am satisfied that for these particular experimental contracts which have been let they are actually cheaper as conditions are now with regard

to freight rates and personnel rates and so on.

3902. Thank you very much, I have only one last question and that is on page 22, Vote 9, and it is only a direct question of fact. Sub-head J of Vote 9 is "Banker's Commission". What exactly is that?—I would prefer Mr. Deane to answer that. (Mr. Deane.) We have to buy money orders and postal orders involving poundage charges and also in Iraq to pay banker's commission for the provision of facilities,

Sir Ralph Glyn.

3903. I would like to ask Sir James one point with regard to the Armed Forces (Housing Loans) Act?—Yes.

3904. From this paper which has been circulated, Mr. Chairman, and I apologise if you put this when I was out of the room, I gather that the bulk of the houses are built under that Services Loans Act, are not they?—Yes. Which paper are you referring to?

3905. I was referring actually to the reference to it in paragraph 13 on page vi. It is only a small point. You see the opening paragraph?—Yes.

3906. It refers to the Armed Forces (Housing Loans) Acts?—Yes.

3907. As I understand it you have been more successful in the Air Ministry in providing the buildings than some of the other Service Departments have been?—That is so.

3908. You have completed about 70 per cent. of your requirement, is that right, or something of that nature?—I will accept that, broadly. I have the figures here.

3909. The only point I want to make is that it would be rather ridiculous, because they have done rather well in getting this very important building programme through, if they should run out of their quota of this loan, would the Treasury give you power to get more beyond what you had demanded so as to continue with your programme?—We shall run out this year, before the end of the year.

3910. Will you get a renewal so as to continue your work and complete your programme?—We were hoping to, very much.

3911. Is not this Housing Loans Act a very much cheaper way of doing it than any other? It has proved more effective because it is spread over the entire picture?—It is spread over the entire picture.

3912. Therefore, it is a far better way for you to do it, is not it?—That would be our desire.

3913. Have you any reason to believe that the Treasury would not give their consent?—(Mr. Humphreys-Davies.) Yes, Sir!

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[Continued.]

TREASURY MINUTE DATED 15TH FEBRUARY, 1952, AUTHORISING THE TEMPORARY APPLICATION OF SURPLUSES ON CERTAIN AIR VOTES FOR THE YEAR 1950-51, TO MEET DEFICITS ON OTHER AIR VOTES FOR THE SAME YEAR.

New Works Statement : Secret Supplements to Air Services Appropriation Account, 1950-51, forwarded in compliance with Paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.

- (i) New Works Services of £100,000 or more (Vote 8).
- (ii) Purchases of Lands and Buildings over £10,000 (Vote 8).
- (iii) Programmes for Construction of Married Quarters of £100,000 or more (Vote 11).

Chairman.

3914. I have nothing to ask on the Treasury Minute of 15th February, but may I just ask you one or two questions on these secret documents which have been put in? In this paper, may I suggest, would not it be better to substitute for the column that is headed "Total Estimate for Work", that is, the first column, two columns, one showing the original estimate for work and then another showing the latest revised estimate for work? If you could do that, then the Committee, I think, would be in a position to follow up the movement in estimate figures on the important works?—(Sir James Barnes.) I think it would be better. We will do that, certainly.

3915. Then, included on a number of pages here are items apparently estimated to cost over £14 million on airfield facilities for the United States Air Forces. On some the Estimate for the year is largely exceeded, no doubt, I assume, due, to acceleration of the work. By whom is this expenditure finally borne, by the United States, or is it shared between the United Kingdom and the United States?—For the initial programme of work which, quoting from memory, was something like £35 million, it was shared on a fifty-fifty basis, but, subsequently, the American requirements very greatly increased and it is a matter of negotiation now under consideration as to what arrangements shall be made. We are hoping that we shall pay very little for the remaining American requirements which are very heavy.

3916. So, on page 21 of the Accounts, where you get £270,000 odd put down as contributions towards the cost of works services, does that include repayments from the United States?—Yes, it does, but the low figure I imagine is because of delay in this particular year, but quite clearly any contributions the Americans are paying would be taken as an Appropriation in Aid under this Subhead.

3917. Do you know whether the payments are up to date?—We have never had any difficulty.

Mr. Douglas Marshall.

3918. I have only one question on this. Do you, Sir James, think that this should be secret?—Well, as you know, before the war we used to show this in detail in the Estimates and again, speaking from memory, this was debated, I think, after the war with the desire to give the Committee the maximum amount of information while maintaining as much security as we could and it was accepted at the time as desirable to have it done in this way.

3919. Do you see any reason for it being secret? Secret from whom? Certainly, if the enemy wants to get to know any of this information, it would be very easy, or is it just secret from us, the British?—It is obviously not secret from you, otherwise it would not be here.

3920. No, from us, the British, as a nation; I did not mean the Committee?—I am sorry, when you say "us, the British", what it does mean is, I do not think we can differentiate, if it is broadcast in the community at large, then, quite obviously, it is easy for certain persons from whom we should prefer to withhold it, to get it, and it is very difficult in any isolated case to be sure on this; there is no absolute rule about this, but it does make it easier for an enemy trying to find dispositions and that kind of thing to see the kind of programme we are doing.

3921. May I put this one point and then I will leave it, because I quite realise this does not always affect your Department of State: there is always a hangover after every war, we are always security-minded during every war, quite rightly and properly, so there is difficulty in getting the jig-saw together, to get the pieces?—Certainly.

3922. Once the war is over there is a lag and a desire above all else to keep things secret and unnecessarily secret? Do not you think that after all these years it is perhaps worthy of further consideration within the department?—(Mr. Humphreys-Davies.) Could I speak on that, because it

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[Continued.]

is a general question, as Mr. Marshall has pointed out. It has been debated at great length—in this Committee here, I think, certainly in the Select Committee on Estimates with Sir Ralph. And it has been a matter of a number of high ministerial decisions, I should say at least six, since the war and it has been gone through with the greatest possible care. I think, with respect, that if you wish to raise this question again, Ministers would be bound again to decide that we should not go back to the pre-war system of putting out in the Estimates the whole of the dispositions of our Forces as we did before 1939. As Sir James said, of course, on any particular project, it is easy to say, well, what on earth does it matter if people do know, but when they see the whole thing, and it is so difficult to draw a distinction between one case and another, it does give away a great deal of information. (Sir James Barnes.) It is something we should very much like to have in the reverse case.

Mr. Douglas Marshall.] That is the argument at all times about a secret document. I have heard that for years.

Sir Ralph Glyn.] Mr. Marshall ought to be quite satisfied, this is only a secret document, it is not top secret.

Mr. Douglas Marshall.] It is not top secret, no.

Sir Ralph Glyn.] And it is not top secret star, which is the next stage, but as a matter of fact, Sir James, you are aware, are not you, that all the detail of these airfields was given in the Report, which I have got, to the Congressional Committee in Washington? All the items on here have been most carefully stated to the Congressional Committee and I have no doubt

you have see it in *that* print, but, of course, it is all right to keep it secret here so long as it is publicly reported in Washington.

Mr. Douglas Marshall.] Might I just ask a question of the Treasury? This is all rather vague, it has been debated in this Committee, it has been debated in the Committee on Estimates on which Sir Ralph is Chairman, and ministerial decisions at some nebulous times, may be six or seven months ago, but how can one actually do it other than by the questions I have put to Sir James, and I put it to the Treasury that this should be reconsidered again now.

Chairman.] That, I think, is a matter for me to say. If we want to discuss that and to represent that view, then we will do so.

Mr. Douglas Marshall.

3923. Thank you, that may be in our Report?—(Mr. Humphreys-Davies.) I can only assure Mr. Marshall it has been considered most sympathetically by the Treasury as much as by anybody else, because from our point of view, of course, there is every advantage in having the whole thing set out in Estimates. It would make our lives much easier.

Mr. Bossom.

3924. What happens to these airfields that are being built for the Americans after the present situation is over? Do we get them back as a gift or do we have to remove them, or what happens to them?—(Sir James Barnes.) I think that is now being considered and, of course, very divergent views are taken by Her Majesty's Government and by the Americans.

Chairman.] Thank you, Sir James.

The witnesses withdrew.

Adjourned till Thursday, at 4 p.m.

THURSDAY, 8TH MAY, 1952.

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Sir Ralph Glyn.
Mr. David Jones.

Mr. Douglas Marshall.
Mr. Scott.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. G. P. HUMPHREYS-DAVIES and
Mr. P. E. MILNER-BARRY, O.B.E., called in and examined.

TREASURY MINUTE ON PARAGRAPHS 91-95 OF THE FOURTH REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir ARCHIBALD ROWLANDS, G.C.B., M.B.E., Permanent Secretary, Ministry of Supply,
called in and examined.

Chairman.

3925. May we start with the Treasury Minute of the 29th November, 1951, on the Fourth Report of last year's Public Accounts Committee? I think it might be convenient if the Comptroller and Auditor General would comment on the Treasury Minute and explain this matter to the Committee?—(Sir Frank Tribe.) Mr. Chairman, this is a subject which has been under examination by successive Public Accounts Committees since they took the Accounts for 1935. During the war a system was established under which the Comptroller and Auditor General did have access to the books and records of the Ministry of Supply and could report and did report to successive Committees upon whether, in his view, the prices paid by the Government for iron and steel products were not more than fair and reasonable. This question was considered by last year's Committee because that wartime system had been brought to an end, and the Committee recorded the fact that no information had been made available to them to show whether or not the prices paid for iron and steel products by the Government since 1945 had been fair and reasonable. They recommended that the Ministry of Supply should make available to the Comptroller and Auditor General all the information they had regarding the reasonableness of the prices of iron and steel products. The Treasury in their comments which are before this Committee accept the view that it is my responsibility to assist the Committee in judging the reasonableness of prices paid by Government Departments and say that I am entitled to be furnished by the responsible Ministry with all the documents necessary for that purpose. Nevertheless, they go on to doubt the necessity for me to be furnished with such information in the case of iron and steel products bought by the Government because the Minister has a statutory obligation to fix maximum controlled prices for iron and

steel products generally and it is a main part of his duty to ensure that the consumer does not pay an exorbitant price for them. The Treasury add that they think the Committee would not claim a right to investigate the fairness of controlled prices generally, but the Treasury do not deny that the Comptroller and Auditor General has a right of access to the results of the Ministry's investigations in cases where the Ministry or the Government is the predominant purchaser of the goods in question. That, Sir, I think is a short summary of the Treasury reply which I have tried to give objectively. There are, I think, one or two points which this Committee may like to consider on that reply. In the first place I think, perhaps, one ought to point out that the controlled prices fixed by the Ministry are maximum prices; they are not general controlled prices but maximum prices, and the Committee may like to consider whether there is necessarily any presumption that these prices are reasonable in any particular instance. After all, the Government contracts are often placed with the larger and more efficient firms whose costs, presumably, are below the average and it seems at least possible that it would be only right that the Government should pay rather less than the maximum controlled price for products of the industry generally. But, even if controlled prices were fixed and not maximum prices, it would seem to me on the whole a novel doctrine that, because these prices have been fixed by a Government Department under statute, therefore the Public Accounts Committee is bound without information or inquiry to assume them to be fair and reasonable for Government contracts. If, however, the Committee are disposed to accept the Treasury proposal, I think a real point of difficulty arises, namely, how am I to know which prices I am entitled to investigate under the formula which the Treasury have suggested? So far as I know, the various orders and deposited

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[Continued.]

schedules do not specify prices for Government purchases or indicate that the articles they refer to are mainly or largely bought by the Government. I am not an expert in these matters, but there is such a thing as shell steel. I am told that in spite of its name it is also used for non-Government manufacturing, but there is another article called gun billets. The price of these is nearly three times as great as that of shell steel, and whether or not all gun billets are used by the Government I do not know. Under the Treasury formula I presumably should have the right to enquire but it would be rather a lengthy process if I had to enquire whether or not all the prices related to products which were predominantly bought by the Government.

In short, I think the Committee would like to consider whether the statutory fixing of controlled prices for the purpose of safeguarding the general consumer creates a presumption that such prices can be accepted as reasonable for Government contracts; secondly, if the Public Accounts Committee is to be prevented from investigating the applicability of controlled prices to Government contracts, whether some other means can be found of satisfying the right which successive Committees have claimed of requiring information to show that the prices paid by different Government Departments are not more than fair and reasonable; and lastly, whether there is any practical means of carrying out the Treasury suggestion and of giving me the right of access to the books and records, whereby the prices of predominantly Government goods are fixed without necessarily involving access to the whole of the material on which the general controlled prices are fixed.

Mr. Benson.

3926. I should like to ask the Treasury one or two questions on this. In the first paragraph of the Minute the Treasury say they fully accept the responsibility for the Comptroller and Auditor General to assist the Committee in judging the reasonableness of prices fixed by Government Departments. That is pretty categorical. You then say in your next paragraph: "My Lords do not think the Committee would claim that they had a right to investigate the fairness of those prices". That is just what we did, is not it? We claimed the right to investigate the fairness of these prices?—(Mr. Milner-Barry.) I would say on that, Sir, as is explained in the Treasury Minute, that we would fully agree that the Comptroller and Auditor General must assist the Committee to judge of the reasonableness of prices paid by Government Departments, subject to this, that we say that where there is a *prima facie* case for assuming the reasonableness of the prices because they are fixed in some other way under statute,

it should not be necessary for him or, indeed, we thought with respect, for this Committee, to go further into the matter by investigating the particular data.

3927. It is a general assumption, I believe, that this Committee is not concerned with policy?—Yes, Sir, certainly.

3928. We are not here raising a question on the policy of the Government as to whether they should or should not fix prices?—No.

3929. But it has always been a function of this Committee to investigate how a Government carries out a policy, has not it?—Yes, broadly speaking, I agree.

3930. In that case, then, surely the prices fixed fall into the category of how a Government is carrying out a policy? We are not challenging the policy. I do not think any question was raised last year on the question as to whether the Government should fix prices. It is rather a question of why the particular prices were fixed and, surely, that falls well within the ambit of this Committee's activities?—Well, Sir, I think the logical conclusion of what you have been saying would be to carry us rather far, would not it? For instance, the Government is a fairly substantial consumer of a very large number of goods and services such, for instance, as electricity supply and gas and coal and other things of that kind, railway fares even, and those, of course, are not bought under conditions of competitive tender or anything of that kind, but I do not think this Committee has felt, just because the Government is a consumer of those products and a pretty substantial consumer, that it has the right to investigate the data on which those prices are fixed.

3931. That is perfectly true, but as you said yourself, gas and electricity are not sold on competitive tender?—No.

3932. Iron and steel are, and the Ministry of Supply fix specific prices, not the minimum price at all. What this Committee finds is that the maximum price has also become the minimum price, and under these circumstances where there is supposedly competitive tendering but, in fact, there is little or no competition, then, surely, this Committee is charged with the duty of investigating? I think you have got the cart before the horse, have not you?—I think Sir Archibald Rowlands is probably in a better position to deal with this particular question of maximum prices than I am, but as I understand it, maximum prices are, in effect, the standard prices.

3933. They are bound to be?—But the Government, as any other large consumer, is entitled to seek to negotiate prices below the maximum in cases where it is justified, supposing their order were of a sufficient size, and so on. Whether that has in fact

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been done I do not know. I believe it has not, but, anyway, there is that option just as any other large consumer would, for instance, in bulk railway travel, or something of that kind, seek to negotiate.

3934. Yes, but we may have a shortage of a given article and where competition has ceased to operate, then the question of the Government getting favourable terms for a large supply ceases to operate, as Sir Archibald's evidence of last year showed?—Yes.

3935. In that case, again, that argument of yours falls down?—Yes.

3936. To use the words of the Treasury Minute, the Committee could not do this without appearing to challenge the basis upon which the Minister is seeking to carry out his functions. But there again, surely, that is our essential function, to challenge each and every Ministry on how it does its work?—Well, no, Sir, with great respect, I do not think that can be the case. It would be very impertinent for me to lay down what the Committee is or is not entitled to do, but as I understand it, anyway, they are entitled to expect the Accounting Officer to be able to assure the Committee that Government money is not being wasted, that due conditions of economy are being observed where Government money is laid down, and so forth, and the Committee expects the help of the Comptroller and Auditor General also in carrying out his functions there. In the case under review, so far as the Treasury is concerned, we would have thought that the Accounting Officer of the Ministry of Supply is justified, so far as the iron and steel prices are concerned, in pointing to the fact that these prices are fixed in the way which is laid down by statute by the Minister and is laid down not only for Government Departments alone, but for the consumer generally. The Government Departments still represent relatively a quite small proportion, possibly 10 to 15 per cent. at the outside, I daresay, of the total consumption of the iron and steel products in the country. That is an entirely different state of affairs from other cases which the Committee have had before them last year in connection, for instance, with spectacle frames and lenses. If you compare the Treasury Minute on the two subjects you will see the basis of the distinction which we have sought to draw. In that case the great bulk of these products is bought for the public services. The Government is not, as it is in this case, a marginal consumer.

3937. Would you say the Government was a marginal consumer of steel if you take into consideration not merely direct purchases but the residual purchases? The Government is, I should think, incomparably the largest buyer not merely of iron

and steel, but of iron and steel products now, when you take the whole range of the rearmament programme?—I am not at all sure that that is true. (Sir Archibald Rowlands.) May I help the Committee on that. It is not by any means true. The total amount of steel bought by all Government Departments we estimate as not more than 15 per cent. and of that not more than 1½ per cent. represents what I call direct steel purchases, that is to say, steel in the form in which it appears in the Price Control Orders.

3938. Does that 15 per cent. include steel for the Ministry of Works and building?—Yes, all steel, all Government Departments.

3939. 15 per cent., surely, is pretty much?—Spread over innumerable orders, some of which are placed by competitive tender with all sorts of engineering firms.

3940. It is a pretty large percentage of the price on a large product?—As I said, only 1½ per cent. represents steel as such in the form in which it appears in the Price Control Orders.

3941. The price of steel?—It is one of the factors that enters into the price of the article.

3942. It is one of the factors that enters into the price, and as the Comptroller and Auditor General mentioned the question of special steels, what about special alloys, which are controlled, are not they?—Yes, very much so.

3943. What is the percentage in the case of purchases of special steels?—Gun billets was one referred to, where we are the main purchasers by a long way, and we fixed a special price for that after a special investigation.

3944. Is there any particular reason why the Comptroller and Auditor General should not investigate that?—I do not mind his seeing the special investigation carried out on gun billets because, on representations from the industry, it was proposed to remove control from gun billets altogether because the prices were unremunerative. It is about 3,000 to 4,000 tons.

3945. I gather that the Comptroller and Auditor General has no trouble whatever in getting all the details for the fixing of prices for agricultural products, would you agree? Is there any particular reason why the Ministry of Supply's activities should be exempt whereas other Government Departments do not meet the same difficulties?—(Mr. Milner-Barry.) I do not think that that is the case. I think that in so far as there is a difference, it is the difference which I have tried to explain to the Committee between the marginal

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consumer and the case where the Government is buying, virtually the total output. I think that, certainly, applies in the case of the Ministry of Health and the same sort of consideration applies with the Ministry of Food, and it also, of course, applied very broadly to the Ministry of Supply during the war when the Treasury and the Ministry agreed that it was entirely proper and right that the Committee should have this information.

3946. Just one final question: are there any other functions of a Government Department carried on by a Government Department that the Treasury think this Committee should not investigate? I should like a list of them?—I do not think I could answer that one off hand.

Mr. David Thomas.] I have one or two questions, but before I ask the questions, not having been on the Committee last year, from a reading of paragraphs 91-95 of the Fourth Report, I think the Committee were acting quite reasonably and fairly with a view to ascertaining whether or not the Ministries were carrying out their work as efficiently and at as low a cost as possible. Indeed, I am a bit alarmed to read the Treasury Minute which, to me, is very resentful. They are not willing at all, as I read it, for the Committee to know exactly how these contracts are placed and what prices are paid to the Government, and if this Committee is to function properly, as I understand its functions to be, then I think that all Government Departments should be ready at all times to provide all the information whenever any enquiry is made by the Comptroller and Auditor General, because he does not make those enquiries for his own personal use at all but for the use of the Committee and to present his Report. It seems to me, and I think it would seem to anyone else reading the Treasury Minute, that they are not willing for anyone to know what prices these contracts were placed upon. The Treasury also state in the Minute relating to the contracts, that "they would agree that the prices paid as a result of tenders in the circumstances described by the Committee cannot be regarded as truly competitive, though a significant element of competition remains in that the contracts are placed with the firms quoting the earliest delivery dates." These Reports, I take it, will eventually become public, and all that these steel firms need do if they are given a chance to tender and the Ministry tell them the earliest date upon which they require the goods, is to submit their tenders. That does not mean to say in every case, and I venture to say this this afternoon, that a date fixed by any firm to deliver its goods is not always carried out, indeed, very rarely carried out, and I fail to see, therefore, Mr. Chairman, why there should be such resentment.

Chairman.] May I say, Mr. Thomas, that I think it would be more convenient if we did not argue the case now; we shall have plenty of time to do that when we meet alone. I think it would be better if you put what you have to say in the form of questions to one or other of the witnesses.

Mr. David Thomas.

3947. I thank you for that guidance, Mr. Chairman. The first question I would like to ask is this: are the great steel firms in the country allowed to tender when the Ministry require supplies?—(Sir Archibald Rowlands.) Certainly.

3948. Are they given a date upon which to deliver their goods as suggested in the Treasury Minute?—They are not given a date necessarily; they are sometimes, when we are very anxious to get steel by a particular date, but normally they are not. We do not order the steel much further in advance than we need it.

3949. Am I to understand, then, that if a firm puts down an early date, it is likely to get the contract?—No.

3950. Whatever its price, provided it is below the controlled price, fixed by the Ministry of Supply?—If it is the lowest price.

3951. Not if it is the lowest price?—We are not bound to accept the lowest price if other considerations enter into the acceptance of a tender. The normal practice, of course, is to accept the lowest price. If a firm were to say: "We will quote £x a ton for a delivery, say, in June and another firm says: "We will charge £y a ton for delivery in May", we would not necessarily accept the lower tender; we would then have to balance whether the earlier delivery was worth paying for. The normal rule is to accept the lowest tender in all cases except where special considerations arise. Obviously, where the tenders of price are equal, we then accept the better delivery.

3952. I suggest it is those other considerations that the Committee would like to investigate, but as the position now is, of course, the Comptroller and Auditor General cannot possibly get that information?—Oh, no, Sir, I think there is a misunderstanding there. The Comptroller and Auditor General has full access to our contract documents and prices we pay. (Sir Frank Tribe.) The difficulty, as I reported last year, was that, as far as I could see, all the tenders were exactly the same in price and the only difference was in date of delivery. (Sir Archibald Rowlands.) I dealt with that, I think, in my evidence last year. I can repeat it if necessary.

3953. Of course, it is obvious from paragraph 92 that some of the steel firms as a

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result of the price they obtained for their goods made fabulous profits from 1946 on?—No, I do not think that is true at all.

3954. According to these figures, nobody will deny that. May I read from that paragraph? “For example, the profits on capital employed of the three firms in one section whose results for 1946 are known rose in that year from 1.8 to 15.8, 2.8 to 32.1 and 0.8 to 16.5 per cent. respectively”?—The presumption is that that was due to Government purchases, which is not true, of course. In most of those cases it is due to export premia, which do not enter into price control at all.

3955. Except this, that you gave the Committee the information that Government purchases amount to approximately 15 per cent.?—Spread over an enormous field.

3956. It is one-sixth of the output. Surely the contribution made by Government Departments in the purchase of steel certainly helped those colossal profits?—I think I explained that the percentage of steel purchased as steel controlled in the Price Control Orders was 1½ per cent.

3957. So it is only 1½ per cent.?—As steel, yes.

3958. But there are steel products, of course?—Yes, that comes into it, of course.

3959. That is the 15 per cent. It is not only steel they were supplying you, they were supplying you with the finished article?—Labour and overheads. (Mr. Milner-Barry.) May I just say two sentences very briefly in reply to Mr. Thomas's earlier remarks? I do want to dispel any question that there may be that the Treasury has been exhibiting resentment on this subject. Nothing was further from the Treasury's thoughts, and I can assure Mr. Thomas of that. If the Treasury Minute in any way gave that impression, I am afraid that I am very much to blame, but I hope that it does not. I believe that I did last year start off by saying that the whole presumption and bias of the Treasury was in favour of seeing that this Committee was given all the data and all the information to which it was entitled and, therefore, you may be quite certain that the line which was taken in the Treasury Minute was not taken without very careful deliberation indeed, and purely as a matter of principle.

Mr. Bossom.

3960. Were these contracts made on a fixed price basis or were they on a cost-plus basis?—(Sir Archibald Rowlands.) Which contracts, Sir?

3961. Any of the steel contracts?—The steel contracts, as steel, are on an open competitive basis.

3962. Fixed price, in other words?—No, open competitive basis.

3963. Very often on an open competitive basis an arrangement is made before the contract is signed whereby the price shall not exceed £X, and the profits shall not exceed £Y. Is that the basis?—That is for a fabricated article.

3964. Yes, for a fabricated article?—We have that system now depending upon the article you are buying.

3965. Would you mind explaining if that system was adopted here and a fixed percentage allowed for profit?—In so far as contracts for steel products, and I am talking about steel in the form of engineering products, are placed on other than a competitive tendering basis, we do argue with a firm as to what element of profit they should have. That system still persists.

3966. Is there, the same as, say, in the building industry, a sort of measuring-up system in the finish when you check it up to see that there is proper economy exercised or proper profit?—Oh, most emphatically. We have technical cost people who examine everything.

3967. You do measure up afterwards?—We measure up in the course of the production of the article.

3968. And as it goes on, of course?—Yes.

3969. Then you do know how much profit was made?—We know how much profit was made in respect of that contract. We do not know how much profit a firm makes on their total activities, they do not tell us.

3970. That is not your business, they may make other profit on other contracts, but on your contracts you know how much profit is made?—Yes, we agree with the firm a profit in respect of a price which we do not fix on a competitive tender basis.

3971. Is there any approximate percentage for that profit?—Yes, we work to pretty consistent rules about that.

3972. May we hear what that rule is?—Somewhere about 10 per cent.

3973. In other words, following the question of one of the other Members of the Committee who was asking you about this, it normally works out that they get in the neighbourhood of 10 per cent. profit?—Yes.

3974. Am I right?—Yes, that is right.

Mr. Cuthbert.

3975. Having been on the Committee for many years, and we are always pegging away at this, I do want to get down to

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brass tacks here. With regard to this reply from the Treasury: "My Lords do not think that the Committee would claim that they had a right to investigate the fairness of those prices, nor to examine the precise methods by which the Minister may seek to exercise his statutory responsibility", and so on, all I would like to ask is, why? Why do they think that? This is a straight and direct question. We are here as a Committee and it is our job to try and find out through the Comptroller and Auditor General anything that we feel is right and proper for the House to know. It is not policy at all. It is purely factual. What is the answer to this query which has been put here, which my colleague over there says is resentful. I do not say it is resentful at all, but I should like to get down to what is the reason?—You are addressing the Treasury, are not you?

3976. Either Mr. Milner-Barry or yourself, one of you. Do you want to pass the buck? I want it from one of you?—I do not want to pass the buck at all.

3977. It would interest me, and I am sure the other Members of the Committee, to have that question answered?—I tried at very considerable length under very heavy cross-examination by last year's Chairman and I think, by yourself, to explain that this was entirely a question of principle. We were fixing prices not to establish how much we were paying for steel products ourselves, which was very marginal and fractional; we were fixing prices in discharge of the Minister's statutory functions imposed upon him by Parliament to fix prices of steel products for the community generally, and it did not seem to me that the Comptroller and Auditor General had any particular right to examine that. We do place all our contracts on a competitive basis where competition is available, and if we were placing a very large order for steel we would certainly try to negotiate a reduction below the controlled price but we do not place them in quantities sufficient to justify that, so far, anyhow. If it came to war it would be different, we would be the main buyers of steel.

3978. I may be particularly dense over this, but I am still not satisfied as to the reason why. I have listened with very great care to Mr. Milner-Barry's opening on this and, honestly, I still could not get down to the reason?—I do not think I have very much to add to what I said last year. I did express myself at great length.

3979. Would you repeat that very briefly for the new Members here, because I am sure that that is what is puzzling them, judging by the remarks of my colleague over there?—I explained that we fixed the controlled price not with a view to establishing how much the Government should

pay for these products but as what is fair as between the consumer and producer generally. The Government is only a very marginal consumer. If in fact we were charged with the duty of fixing iron and steel prices under Act of Parliament that way and if actually the Government bought no steel at all there would be no claim that the data on which the Ministry of Supply had fixed the statutory prices should be investigated by the Comptroller and Auditor General.

3980. Your point is this, then, really, it would be useless for the Comptroller and Auditor General to go into this at all because he would not have the data which you had based the prices on?—He would get the data all right, but with great respect I do not think he would do much more with them than has been done.

Mr. West.

3981. I understand the position to be, and I hope you will correct me if I am wrong, that with regard to contracts which are placed out to competitive tender they are for the supply of iron and steel products. They are the finished articles which are being put out to tender?—No, we buy steel as well, as steel.

3982. Shall we separate it then for a moment and deal with the iron and steel products? There are maximum prices fixed in respect of those products?—No, Sir, not at all.

3983. I understand, then, that paragraph 91 is not quite accurate?—It depends in what sense you are using the word "products". I am afraid the term has been used in two different senses. It has been used to mean the products of the steel industry and I think you are using it now in the sense of engineering goods—

3984. That is what I want to be quite clear about?—Of which we buy a very large quantity.

3985. When the expression "iron and steel product" occurs in the Report you mean iron and steel?—Yes, the products of the iron and steel industry.

3986. And not the finished commodity?—That is so.

3987. The maximum prices are fixed by the Ministry in respect of iron and steel, the production of the industry?—Yes, that is right.

3988. And when the Government Department wishes a contract it sets out to competitive tender for the supply?—Yes.

3989. I suppose it is technically possible, is not it, for one tender to be lower than another although a maximum controlled price is fixed?—Oh, definitely, it would be possible.

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3990. If it is technically possible for a lower price to be tendered, then, is it not within the power of the Comptroller and Auditor General to ascertain whether, in fact, a contract has been placed at the lowest price?—But he does. He has full access to my contract documents and to all the bills we pay.

3991. The point of objection is this, that in every tender the price which has been quoted has been identical in every case, and the only matter upon which there has been any competition whatsoever has been on delivery date?—That is so, because of the small quantities we are placing.

3992. So, notwithstanding the increases in profits, whatever may be the causes of the increases in profits of the companies concerned, to which Mr. Thomas referred, we have this fact that it is really the dates only which are the competitive matter with which these concerns are dealing?—In respect of the small purchases of iron and steel products which we make, yes.

3993. Why do you say that is so, why should not there be some variation in prices?—Because we do not ourselves buy iron and steel products in quantities which would make it *prima facie* reasonable that the companies producing the iron and steel should quote a lower price. They normally do not. The maximum controlled prices become almost universally the average price. It is an average price itself, you remember. The price is arrived at as an average. If we were placing an order for 500,000 tons of steel with a single steel works which enabled them to produce it much more economically, than their normal run, of course, we would try to negotiate a lower price.

3994. I gather the view of the Lords of the Treasury is that the maximum controlled price is the price which the Comptroller and Auditor General should accept as fair and reasonable?—Yes, certainly, that is the point in respect of the small quantities we obtained.

3995. Why should that be so if it is a maximum controlled price and it is technically possible for a tender to be given at a lesser figure than the maximum controlled price?—He is quite entitled to challenge any Government Department buying iron and steel products in such quantities that appear to be reasonably large enough to attract a lower price than the maximum price, to ask why we did not do it.

3996. If that is so, why do the Lords of the Treasury say they do not think it right that the Committee should claim to investigate the fairness of the prices?—The fairness of the iron and steel controlled prices, not the fairness of a price

in the case you have, I think, in mind, where the Government Department is obtaining, shall we say, half million tons of rolled products, from, shall we say, Whiteheads, and they can have a long run on that and therefore might be expected to make it very much more cheaply than they would in their ordinary run of products. We would certainly negotiate and press them to give us lower than maximum prices and if we did not do that, the Comptroller and Auditor General would be quite entitled to challenge us on that and report it to the Committee.

3997. Immediately you concede that it is technically possible for a price lower than the maximum price to be tendered for, surely it then becomes a matter for the Comptroller and Auditor General to have a right to investigate as to whether the price was, in fact, fair and reasonable?—No, I do not think so at all; it is competitive tendering.

3998. But there is no spirit of competition here, except the date of delivery?—Because the amount that you buy is so small.

3999. That again is another matter which on investigation and open report the Committee would have to consider as being justified or not?—I quite agree.

4000. But until we have the report of the Comptroller and Auditor General on that aspect of the matter how can we reach a conclusion?—The Comptroller and Auditor General knows the amount of steel we are buying because he has access to our contracts and our payments and if in his judgment the amount we are buying ought to have attracted lower than maximum prices, he is quite entitled to raise the point. You cannot force these companies to quote a price lower than the price they wish to quote at.

4001. But it is most extraordinary that all the people who tender, tender at the same price, the maximum?—They do that to everybody for quantities such as we are considering. That is a matter which the Comptroller and Auditor General wished to investigate.

Mr. West.] That is obvious.

Mr. David Jones.

4002. Just one or two questions: the point, I gather, is that the Minister fixes what he considers to be a fair price having regard to all the circumstances?—That is so.

4003. And because the Minister fixes that price then you consider that any prices which are submitted to the Ministry for their purchases, providing it is at the maximum controlled price, seem to be fair and

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reasonable?—For the quantities asked for, yes.

4004. Because of the quantities asked for. You said earlier on in evidence, I think, that the controlled price is an average price?—That is right.

4005. If it is an average price, then it must be somewhere between the lowest price and the highest price, as it were?—Certainly.

4006. So, if you have some of the higher producing steel firms quoting for you they are, in fact, quoting on the controlled price at a lower figure than they can produce at?—Getting the reward of their efficiency, of course.

4007. Might one not then assume that the cheapest producing steel firms should determine an average somewhere between the highest and lowest and not in common fairness tender at a figure below the controlled price?—If they thought it worth while, yes.

4008. And they do not do it?—They do not do it.

4009. You take the view, because you do not get that, that the Comptroller and Auditor General is not entitled to investigate whether or not, in fact, the arrangements which you make for fixing the price are fair and reasonable?—That is one of the reasons, yes.

Mr. Benson.

4010. I think you said in reply to me that you were quite prepared to show the figures of the costings of gun billets to the Comptroller and Auditor General?—That special investigation, yes.

4011. I think you gave as your reason that the steel firms were jibbing at that particular product?—That is why we had a special investigation. That is why I offered it to the Comptroller and Auditor General.

4012. Are we to assume that you are not prepared to show the figures where the steel firms do not jib, but only where they do?—Not at all. I am not prepared, unless directed by Parliament, to make available to the Comptroller and Auditor General data which is obtained for an entirely different purpose; in relation to Government purchases the prices fixed on this data are, in our judgment, fair and reasonable for the quantities we order.

Chairman.

4013. May I just try and get this straight in my own mind by asking one or two questions of the Treasury? You accept that the Comptroller and Auditor General is entitled to be furnished with all the data

necessary for judging the reasonableness of prices paid by Government Departments? You have said that?—(Mr. Milner-Barry.) We say that, yes.

4014. How then do you suggest that the reasonableness of the prices they have paid for iron and steel goods can be judged without any information at all about how they are fixed, except the bald statement that the Minister has fixed them?—Well, it seems to me that that is the way in which Parliament has laid it down, that iron and steel prices should be fixed over the whole field in a certain way. If that has been done, it does not seem to us to be right that particular investigations relating to purchases made by Government Departments should be investigated from that point of view. You could not, in fact, do that fairly, I should have thought, without in effect making an investigation into the whole method by which the price fixing not only for Government Departments but for the country as a whole was done; and it seems to me that if Parliament wished such an investigation to be made, then, as is suggested at the end of the Treasury Minute, it would be for Parliament to authorise that in whatever way it thought fit. But I should have thought it was approaching it from the wrong angle to do it partially through this Committee in respect of one quite small section.

4015. Would you take the same view about articles bought by the Government which were only comparatively recently price-controlled by the Board of Trade?—I think there we certainly should take the same view, yes, except in the cases where it happens that the Government is the predominant purchaser. That is, in fact, the case with the spectacle frames and lenses, the price of which is fixed not as a matter of fact by order but as the result of an agreement arranged by the Central Price Regulation Board with the trade.

4016. What arrangements have you got in mind for determining the particular types of iron and steel goods on which under your principle the Comptroller and Auditor General would be entitled to have access to the results of the investigations?—I am bound to say we had only been thinking of this, so to speak, in a broad way and I had not previously considered the Comptroller and Auditor General's point that you might be able in some way to split this up into sections according to the types and specifications of goods. I think it would be more for Sir Archibald Rowlands to say whether it is possible to make that sort of distinction.

4017. I am now talking about your Minute, in which you say that you do not deny that the Comptroller and Auditor General ought to be involved and to have access where the Government is the predominant purchaser of the goods. I think

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somebody or other has got to say how and when those arrangements come into operation. There must be some relationship with the Departments that puts the Comptroller and Auditor General into the picture, surely?—I should have thought, Sir, that the point, so to speak, at which it becomes clearly right and proper that investigations of this kind and access to the relevant data should be conceded, would be a matter that you would have to consider *ad hoc* as each case came up. At present, in our view, iron and steel prices quite clearly fall on one side of the line and the spectacle frames and lenses and certain other things on the other side of the line. Clearly, you might get a borderline case where the Government were consuming 50 per cent. or something of that sort, and then we should have to think very carefully and no doubt consider it with the Committee.

4018. Why, then, do you consider that if the Public Accounts Committee questions the fairness of a particular price in relation to the special circumstances, say, of a particular Government purchase, that would necessarily call in question the reasonableness of the prices paid by other consumers in, possibly, entirely different circumstances? Why should it?—I do not see how you could do the one without doing the other. You would, in fact, be calling in question, presumably, the whole basis on which the prices were fixed.

4019. Am not I right in supposing that the Minister could, if he liked, fix actual prices?—Could Sir Archibald answer that? (Sir Archibald Rowlands.) In the discharge of any statutory powers he had, certainly.

4020. He could fix actual prices, but the Minister fixed maximum prices?—(Mr. Milner-Barry.) Yes.

4021. Then if we as a Committee were to say: "Here is an important contract where, really, the Government Department ought to have been able to get an economy because of its purchases", why, if we were to take such a line, would that in the terms of your Minute call in question the reasonableness of the prices paid by the consumers as a body?—(Sir Archibald Rowlands.) I thought the point was, if I may answer that question, that the purchases were so marginal that there would be no justification for calling in question the reasonableness of the price being the controlled price without calling in question the reasonableness of any purchases by the consumer generally. You may remember, Sir, that this Committee ten years ago were very exercised by the price paid for Anderson shelters, which was a very large order indeed, and they thought there should have been a special investigation. If we were embarking on anything like that now we would certainly negotiate a price below the controlled price.

4022. The Treasury Minute implies that it would be unfair to give Government Departments the opportunity of negotiating prices below the maximum?—Yes, the point I was trying to make was for the quantities we were then discussing.

4023. I wonder what you say to that, Mr. Milner-Barry? Why would it be unfair to give Government Departments the opportunity to negotiate prices below the maximum?—(Mr. Milner-Barry.) It may be a bad argument, I do not know, but the way it appeared to us was that it would put Government Departments in an unfair position *vis-à-vis* consumers generally if advantage were taken through this Committee to seek, as it were, to drive down the price in respect of certain particular contracts, relatively small ones, in relation to the consumption over the whole field when the man in the street, or the purchaser in the street, so to speak, would not be in that position.

4024. There again that in itself I find a little hard to understand. Why should you suggest as you have done in your Minute, and you do again now in what you have just said, that the Government is laying it down that the private consumers must pay the maximum price? Why should such an assumption be made? Throughout everything that is said here the implication is that the prices fixed by the Ministry of Supply, which are maximum prices, should be standard prices, and that it is quite right that the private consumer should pay the maximum price as the actual price. That is implicit in the Minute and implicit in your answer to me just now?—I do not think, with respect, that that is true, because, as Sir Archibald has explained, it is perfectly possible to envisage circumstances in which it would be proper for a lower price to be negotiated and paid, and there is no reason whatever why that should not be done presumably either by a Government Department or by, shall we say, a big shipbuilding firm or something of that kind.

4025. And yet if the Public Accounts Committee criticise a particular price we may call in question the reasonableness of the prices paid by the body of consumers?—Would you not be doing that?

4026. Do you then, Mr. Milner-Barry, contend that it would be likely to be unfair to other consumers if the Public Accounts Committee were offered the means of satisfying ourselves that there was no such unfairness to taxpayers in the present pricing arrangements? Take the gun billets that the Comptroller and Auditor General referred to. Is it really unfair to other consumers if we try to satisfy ourselves that we have not been paying more for these things than we need have done or should have done?—I

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[Continued.]

still have a feeling that it does place Government Departments in a position which other consumers are not able to adopt, and whether that is unfair or not I do not know. I am not entirely happy about that sentence in the Treasury Minute, but I do not think it affects, in fact, I am sure it does not affect, the general argument which we have developed.

4027. Could you, Sir Archibald, give the Committee any information about the general basis on which you fixed prices since 1945?—(Sir Archibald Rowlands.) Oh, yes. We get from a very large cross-section of the industry their costs of production. Allowance is made for a margin of profit and that is done product by product, it is not done firm by firm. It is done product by product, and the result is the controlled price.

4028. Would it be true to say that you are not forecasting the production of particular products, but you are having regard to the overall trading results, or do you disregard overall trading results?—No, what we do is to try and allocate the capital employed to the various products where the firm is making more than one product.

4029. Is your policy about prices at the moment designed to enable particular firms to keep in production regardless of efficiency on the assumption that you need the output of all the firms?—We do need them all, but, of course, some firms have been closed down in the last year or two, as you know.

4030. Are there any arrangements comparable to the old prices fund for subsidising?—No, none at all.

4031. On the business of the products predominantly bought by Government Departments, if I understood it, you accepted the notion that here the Comptroller and Auditor General should have right of access to the results of your investigation. How is the Comptroller and Auditor General to know?—He can have full access to the enquiries made by an independent auditor, Peat, Marwick, Mitchell & Co.

4032. Would the cases he mentioned, gun billets or shell steel, be examples?—Gun billets would be because we are consuming practically the whole of them.

4033. Would not it be right, even when you are not the predominant purchaser even though you were a large purchaser, that similar considerations ought to apply?—We would negotiate a lower price with them if there were a very large purchase of a particular thing. Here, as I say, the complaint was that the controlled price was not high enough, in fact, we removed it from control at one stage.

4034. Would not it be very difficult, in fact, to give the Comptroller and Auditor General the information on which he could advise about a particular product and say as to whether prices were fair and reasonable without, in fact, giving us information about the industry as a whole?—Well, if the conclusion of that argument is that if I am willing to concede the gun billet price data it would be illogical not to concede the rest, I would like to withdraw my offer to show him the special investigation about the gun billets.

4035. That is not quite a definite answer. I am asking whether, in fact, if you take one product you are not involved in considerations affecting the whole industry?—I do not really think so, because the gun billets we are talking about, the higher priced gun billets, the price of which has gone up very much because the price of molybdenum has gone up because molybdenum is so scarce, are consumed almost entirely by the Defence Departments.

4036. May I give you an example? My comment on it is, will not one of the considerations you have to have regard to in your price policy be, for example, reserves companies ought to be able to accumulate and the like? Will not you have any regard to new capital formation in the industry?—Oh, yes, we do, we take that into account.

4037. So, in fact, even if you are taking a particular product, you will have to have some regard to blocks of the industry?—Most emphatically, so, yes.

4038. So if you were to give the Comptroller and Auditor General material of this kind you would be giving him some general information as well as particular?—Very much so, yes.

4039. I wonder if in the light of what has been said today, Sir Archibald, you would be willing to look into the matter again to see if there is any way in which you can go further in meeting the wishes of the Committee by providing the Comptroller and Auditor General with the sort of information that would enable us to judge whether Government Departments are really being treated fairly without trespassing on any special responsibility you may have to consumers as a whole?—I would be willing to discuss it with the Comptroller and Auditor General, certainly.

4040. Do you think, Sir Archibald, you could put in a paper which would give in a little more detail and more precisely state the general basis on which you work in fixing prices?—Yes, I will willingly do that.*

* Appendix 23.

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASS IX).

VOTE 1.

MINISTRY OF SUPPLY.

Chairman.

4041. May we turn now to the Civil Appropriation Accounts, Class IX? I think it might be convenient if we take the Comptroller and Auditor General's Report up to and including paragraph 17, on which section I would like to ask a few questions, and then go on from paragraph 18 onwards on a second round, when we get into somewhat different considerations. I have nothing to ask until paragraph 8, which states that the more extensive public services set out in the 1947 Act to cover promoting production and fostering exports, were not specifically applied to the exercise of your Ministry's powers. Was there any special reason why Parliament was not asked to apply this extension to your Ministry as they had the previous one?—(Sir Archibald Rowlands) I think it was considered that we had all the powers we needed already.

4042. Have you found any practical difficulties?—None whatever. Section 6 of the 1945 Act gave us the extension to do the things we were doing.

4043. On paragraphs 10 to 12, "Out-turn of the Account", paragraph 11 refers to the production subheads and presents the same general features which previous accounts have shown. This year you seem to have failed to reach your original production target by some £18 million. Can you account for this regular falling short? Is it that you keep on hoping, despite previous experience, that you are going to get speedier delivery, or what is the explanation?—Perhaps I may be allowed to make a short statement? I have, probably, a wider experience of departmental estimating than anyone in Whitehall, having served not only in four Departments here but also in two different Departments in India and have been closely concerned with departmental estimating in all of them. Supply has been by far the most difficult department in which to form a good and accurate estimate of the probable trend of expenditure. We met with particular difficulties in the last year or two and in this year of account, for example, after the Estimate was prepared the war broke out in Korea, which led to an all-round shortage of raw material, and we could not get the things we needed in order to make the things that were in the Estimate and that was one of the special reasons. In a period of full employment and in normal times most people are not very keen on taking defence orders. If you are just dealing with the original Estimate and not the Estimate in the Supplementary, that is all I have to say at this stage.

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4044. If you take, for example, paragraph 13, dealing with receipts payable to the Exchequer, you get there this very large excess over a number of years in the amounts realised?—I have said on a previous occasion that the amount likely to be realised by the sales of surplus stores is not an estimate at all, it is a "guesstimate". We sell stuff coming to us from other Departments and we do not know what in the course of the year Service Departments will throw up.

4045. May I go on, then to paragraphs 14-17, "Adjustment with Service Departments". I gather from the Reports of previous Committees that are referred to here in paragraph 14 that they accepted the principle of bulk adjustment on a broad basis rather than detailed accounting, but did not quite like the broad basis as it was first adopted, and as a result you very much modified the scheme to provide for an adjustment which was to bring the estimated amounts charged in the previous year into line with the value of the actual deliveries in the year and so over a succession of years to make a more accurate appropriation of moneys voted by Parliament. It seems from these paragraphs that this object has not yet been attained, partly because the estimates have not been too good, partly because the records do not show the bulk of the actual deliveries. You would think that that was broadly the correct way of putting it?—Except for the second part which I do not think is correct, that the records do not show over a period the value of deliveries, I would accept what you say.

4046. Would it then be possible over a period of years to reconcile your payments on supplies for the Service Departments to what they pay you for them?—Yes.

4047. For what sort of period?—I have done an exercise over the last four years where about £700 million was involved and we are only about £10 million out.

4048. The main difficulty as I understand it has been in ascertaining the actual value of deliveries because of the form of records of minor stores?—It is possible to exaggerate this factor. It may well be that in a particular year the actual deliveries will not correspond with the amount that we recover from the Service customer, but over a series of years it certainly will. In respect of spare parts and general stores although we know on whose behalf we are incurring the expenditure we do not know accurately as to the last item how

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[Continued.]

much has been delivered into the Service Departments corresponding with the payments we are claiming from them. In point of fact, it is very often the other way round, that is to say, the store may be delivered into a store of the War Office in March and we will not pay the bill until April. We shall not have charged the War Office for the delivery into store in March, we will take it up next year, so the carry-in and the carry-out tend to cancel themselves out.

4049. You say, do you, taking this particular case, although your January, 1951 forecasts included eight months actual delivery, they were as much as £15 million worth out?—Yes, that was a bad one. I think I can explain, or, at least, give some reason in mitigation of the censure on that. The eight months expenditure which was what we had to go on when we prepared the Supplementary Estimate was not a very good guide as to what was likely to happen during the remaining four months, since about that time the Government had decided to embark upon the rearmament programme and had announced two initial instalments of £100 million each, if you remember, Sir. Naturally there was a rush of optimism to the head of the production people that with this announcement of the Government decision, delivery of stores would be accelerated to an extent which in the event was not justified.

4050. So in this particular £15 million case you regard that as quite exceptional?—Quite exceptional.

4051. You will have to do better than that?—If I may say so I shall be very surprised and disappointed if the outcome of the account just closed, 1951-52, as revised by the Supplementary, was more than 0.25 per cent. out gross, and it should be less than 0.1 per cent. net.

4052. In the case of the Air Ministry, I think the figure was about 3 per cent., so we are now going to get down to something less than 1 per cent.?—Yes.

4053. All in?—That is with the Supplementary, of course.

4054. Are you satisfied that short of full detailed accounting there is no way of arriving at more precise adjustments?—I think, as a matter of fact, we in the Ministry of Supply have succeeded in introducing new techniques. We have given a special study to it. My Organisation and Methods Branch have studied it very closely and we are perfecting techniques which I think will enable us to give a very much better control, anyhow over the forecasting of expenditure over the course of a year, and in consultation with our customer Departments I hope we will get a better estimate, too.

4055. We have considered this from the angle of the Service Departments already and I think it is important that we should be quite clear about precisely what the arrangements are. I wonder, therefore, whether you could put in a paper which would show in some detail the classes of stores and the methods of assessment that are involved. I think it will help the Committee in later deliberations if you will do that?—I will certainly do that. I would at this stage like to remove one impression: we do not charge the Air Ministry or the War Office or the Admiralty anything but a small fraction of precisely identifiable expenditure on stores delivered to them in the course of the year. It is only when you get a store common to, say, a Spitfire and a Seafire where you do a certain amount of estimation which might mean that the Admiralty got charged a bit too much and the Air Ministry too little or vice-versa.

4056. Perhaps you would let us have that information which we may, if we felt like it, then put out. It is a matter on which we should be clear what the arrangements are?—Yes.*

Mr. Bossom.

4057. You say the maximum price is settled and the award is made on the date of delivery?—Which paragraph are you on now?

4058. That is, as I understand it, your testimony, that you award a contract because the one contractor says he can deliver quicker than the other, and he gets the contract usually?—That was on the Treasury Minute, was not it?

4059. Yes, I know, I want to follow it up. Could I have the answer in writing?—Yes, indeed. I will certainly give you a note.†

Sir Ralph Glyn.

4060. Is not it a fact that the process of manufacture of the ever-increasing and complicated equipment required by the Services is bound to spread over a longer period?—Certainly, yes.

4061. Therefore, as long as our Estimates are framed on an annual basis it is extremely difficult, is not it, to get any accuracy? What you really want is something on a much longer term basis because the process of manufacture has increased with the complications of research and development?—Yes, there is a difficulty, too, when you place a contract for, shall we say, 12 aeroplanes at the beginning of one particular year, you know that no aeroplane of that kind, unless it is a small type, will be delivered in that year. It will come

* Appendix 25.

† Not printed.

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[Continued.]

in the next year, but we do make progress payments. We have a very shrewd idea as to the stages at which progress payments will be claimed and we have to provide them in the estimates. We cannot get anything back from the Air Ministry—I am now talking about aeroplanes—until we have delivered the aeroplanes. If that aeroplane is not delivered until 1953-54, we have a shrewd idea how much will be paid in 1952-53 by way of progress payments and how much the balance will be in 1953-54. The real difficulty of the three years estimating is that, if you are confined to a single year estimating, you cannot programme properly.

4062. What I am trying to get at is this, that it is really a fact that when you place an order to meet the requirement of a particular Service you know well enough that that order will never be completed and delivered off your care and then you get an Appropriation in Aid back from the Service on delivery two or three years after it is placed?—Yes, that is quite true, but some are coming in from previous years.

4063. The progress payments you make are not shown as an Appropriation in Aid?—No, we do not recover until we deliver.

4064. So, you are carrying all the progress payments all these years before you get delivery of the article on which you get your repayment?—That is true, but I have made progress payments in a previous year and I will not have to make so much payment in the year of delivery because I have already paid for most of it, whereas I recover from the Service Departments the full cost of the article in that year.

Chairman.

4065. I think it would be convenient now to take paragraphs 18 to 24 of the Report, which are all on the subject of "Expenditure on Civil Aircraft." Since this Report was written we have heard that work on the second Brabazon and on two of the three Princess flying boats has been discontinued until the Proteus III engines are available?—That is so.

4066. Is there anything to add to that or is there anything more up to date?—No, there is no modification of that position. It will involve a little expenditure in wrapping them up, but not very much.

4067. On the Brabazon it is said that it was expected that there would be a demand for, say, a dozen of these aircraft, but later consideration of production orders for possible B.O.A.C. operations related to three only. Was it in mind that B.O.A.C. might take others or that some other operator would come in?—That was in the very early days. Nobody knew what the post-war world was going to be like from

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the aviation point of view. I think later on the B.O.A.C. got a bit anxious. They were losing a lot of money and they were not satisfied that this was going to be a remunerative aircraft to fly.

4068. Last year you said you thought this aircraft might be a very successful operational aircraft. Are you still of that opinion?—Yes, very much so. The tendency is to go in for big aircraft now.

4069. Do you mean by that that it would be manufactured and operated on an economic basis?—Yes. I will tell you why I think so, if it is of interest to the Committee. After all, people are becoming more and more air-minded and there is this demand for tourist traffic. There is also owing to the congestion at airports a demand for a less number of aircraft to land and take off from the same airport because of traffic congestion in and over the airport, and a lesser number of aircraft which can accommodate a given number of passengers will ease up your position on the ground.

4070. Quite apart from that, though, is it still your view that for the Air Ministry to carry out its functions properly it is essential that you should secure the further scientific knowledge which you expect to obtain from completing and testing the second prototype, and that you think that the £2 million mentioned here in paragraph 20 is a fair price to pay for this extra knowledge?—I should think so, Sir, yes. Modern aircraft are very expensive things, as you know.

4071. Do you think this £2 million estimate is a fair one?—Yes, I think so. I have no reason to challenge it.

4072. When, for example, will the Proteus III engines be available?—1955.

4073. How much is it going to cost you to store the second prototype in the meantime?—Practically nothing.

4074. Just a word on this building at Filton. Does the site belong to the Ministry?—We have acquired it, yes. I do not know whether the actual documents have been signed, but I know we have acquired it. We have safeguarded all our interests there.

4075. On the building mentioned here in paragraph 21, would not it have been possible to have had a structure merely for assembling two prototypes? Why was it necessary to have a building on this scale?—It was contemplated at the beginning that there would be more than two prototypes produced and provision was made, in fact, for five aircraft being built there, three on the main centre line and two on the wings. It is a sort of "T" shape.

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[Continued.]

4076. Is all the free space being used at present by the B.O.A.C. and the firm mentioned here?—Yes.

Mr. Benson.

4077. One general question on the subject of both the Brabazon and the Princess flying boats. There seems to be a very considerable amount of uncertainty as to what is going to happen to these particular planes for some considerable period. We were told they were building eight Brabazons and the flying boats after you had spent some millions on them, apparently, are not going to be completed. Who is responsible for initiating a particular type and who is responsible for finally deciding the programme which would involve abandonment?—Well, in the case of the Princess the Ministry of Civil Aviation ordered three without going to the prototype stage on behalf of the operators, but that is not to say that we would not regard ourselves as responsible for developing new types of civil aircraft. In this particular case the Ministry of Civil Aviation definitely ordered the three aircraft; they were production orders to their requirements.

4078. Then it was said, presumably by you, as the builders, that the design was largely conventional?—To this extent, that we knew a great deal about the seaworthiness of a flying boat, we did not have to carry out experiments peculiar to the fact that it was a flying boat. We had built fairly large flying boats before, the Shetland, for example.

4079. That was in 1946. By 1950, instead of the three costing £2,800,000 the cost had jumped up to £10,800,000 and B.O.A.C. had agreed to have them and the B.O.A.C. had refused to have them and the Air Ministry had agreed to have them and the Air Ministry had refused to have them. There seems to be a considerable amount of change of opinion?—Yes, I agree about that. The Princesses were ordered as a requirement of the B.O.A.C. transport organisation, but were about to be given up when the British South American Airways came into the picture. Their new General Manager, Air Vice Marshal Brackley, was a very great flying boat enthusiast; unfortunately he was drowned afterwards. He said: "I am sure they will pay on the South American route," and they ordered seven or eight, but the B.O.A.C., after having had a further look at them, decided they did not want them, and the question was whether all the money which had been spent should be abandoned or whether any alternative use should be found for them, and the Air Ministry thought they could find a use for them as a troop-carrying aircraft. They recently have decided not to do that, principally because they find difficulty in accommodating the £2 million they would

have to pay within the sum placed at their disposal for the Royal Air Force and there is the further point that, as I say, we do not think it will be as good an aircraft as it should be until the Proteus III becomes available.

4080. What have the three boats already cost in total?—So far? I have the total cost somewhere.

4081. It is very difficult to disentangle. You may be able to by some careful analysis, but there was the cost of £10 million if they were finished, one does not know how far they were finished, and then there is the £2 million repaid to the Ministry of Supply. I do not know if the £2 million includes the £750,000 which had been spent? That is in line 1 of paragraph 23. It is very difficult to find out what it has cost the Ministry of Supply and what the Ministry of Supply is going to get in compensation from the four sources who have ordered the boats?—We have spent or we have committed ourselves to an expenditure of £7½ million on the Princess.

4082. When you say "committed", that is expenditure that you cannot get away from?—That is right.

4083. You are to have £2 million in compensation, is that correct?—You are thinking of the £2 million the Air Ministry were going to pay us?

4084. That is what I mean?—We are not even going to get that now.

4085. I take it the boats are not now going to be built?—Anyhow, the building of them is going to be suspended until the Proteus III is available which will not be until 1955.

4086. Even then you do not know whether you will have a purchaser for them?—We shall not go on with them unless we are pretty sure we will get a purchaser for them.

4087. You have already let yourselves in for £7½ million and so far got nothing but a potential purchaser?—The public has.

4088. Whom?—As I say, these aircraft were ordered by the Ministry of Civil Aviation on behalf of the operators.

4089. What I want to get at is this, that somebody gives you an order and you start building and then whoever has given you the order changes their mind. On whom does the cost fall, the Ministry of Supply or on the orderer?—In the case of a civil aircraft, not the Ministry of Supply, except that we would regard ourselves, as the Ministry of Supply, not only entitled but in duty bound to try and develop an entirely new type of civil aircraft for which there was no requirement, but if a requirement

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[Continued.]

is foreseen, the responsibility for payment normally is with the orderer; and as from about 18 months ago all orders by the aircraft operators are now direct by the operator on the firms and we do not come into it.

4090. Have I got it straight that you develop a particular type? That is your job, to develop a particular type?—That is so.

4091. The operator gives an order to the firm making it?—Yes.

4092. And you are cut out completely?—That is right.

4093. Are you in any way compensated?—Yes, we have an arrangement with all the makers of aircraft and engines that we recover over the price of the aircraft sold as production aircraft an element to recoup in part or in whole the amount we spend on developing that type.

4094. It is pretty complicated to take in by question and answer. Can you let us have a paper giving the general picture?—You mean the recovery?

4095. How you recover, yes?—That is a development charge. As I say, normally in future we will not come into the production.

4096. Perhaps you will give us details of how you are going to recover on the Princesses?—Well, there may be a large blank page there, I think. We cannot look into 1955 and beyond, but I will gladly put in a note about our method of obtaining, through the price of the production aircraft, some payment in respect of our development expenditure.*

Mr. David Thomas.

4097. If I have understood you correctly, you did say that you personally have every confidence that eventually the Brabazon will be put into commission?—Yes.

4098. Do you still hold that view having regard to the performance of the latest Comet airliner?—Yes, they are for different purposes. To begin with, the Brabazon will hold about three times as many people as the Comet. The Comet, at present anyhow, cannot fly the Atlantic, whereas the Brabazon could, and although the Comet is a very remarkable aeroplane and I should be the last to decry it in the slightest degree, it is not necessarily going to be a very economical aircraft in its present form although it will fly much faster than the Brabazon, because it is a pure jet and the Brabazon is going to be a jet-propeller aircraft, a turbo-jet as we call it. The consumption of fuel is much greater in a pure jet aircraft than in a turbo-prop, that is,

an aircraft having a propeller driven by a jet engine, but the latter, although slower, can travel much further without coming down. The Comet has to come down about five times between here and Johannesburg.

4099. The Brabazon now is waiting for the fixing of a jet-propeller engine?—That is right.

4100. Therefore she is not airworthy at the moment?—Oh, she is airworthy, I have flown in it, and I think you have. Members of Parliament did?

4101. I did not have the opportunity. If that is so, then, what is the reason for keeping her, in fact, lying in Bristol?—Because it would not be economic to fly her at present. It is doubtful if she could regularly fly the Atlantic non-stop with the present engines. We are waiting for an engine to fit into it, a jet-propeller. At the moment the existing Brabazon has the piston engine, the Centaurus, in it, eight of them.

4102. I am correct in saying, then, that she is not airworthy at the moment?—She is airworthy. That means you can go up in her and come down not in flames.

4103. You are going to fix a new engine and you are in process of doing that?—No, she is flying at the moment.

4104. So it is on economic grounds?—Yes.

4105. What hope is there, later on, then, if it is uneconomic now, that she will become an economic proposition?—By the fitting of these new engines which will not be fully developed until 1955.

Sir Ralph Glynn.

4106. May I ask you about this Saunders-Roe business and draw your attention to the fact that the Estimates Committee made a very long report on it. You may remember, or perhaps you do not, in February, 1948, they heard evidence on that and when you read the evidence which was given it appears, I think, quite clear that whilst the order for these aircraft was given there was great difficulty about getting any answer from the Ministry of Supply in regard to the type of engine that these aircraft were to possess. I do not know whether you can say whether the difficulties of procuring the engine had anything to do with the cancellation of the orders for these boats by B.O.A.C. and by the South American Corporation?—No, I do not think so at all. The real reason why I think the operators, the B.O.A.C., are not keen on flying boats—they like them as machines—is that, of course, unlike the landplane they have to provide all their terminal facilities in nearly every country

* Information supplied; not printed.

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[Continued.]

they go to. So far as landplanes are concerned, the country in which the aeroplane lands on payment of a small fee provide all the facilities for landing, taking off, servicing and so on. With a flying boat you have to provide your own and that makes it uneconomic.

4107. With regard to the proposal of the South American Airways, I think it was from Air Vice Marshall Bennett, if I remember rightly? He was Chairman of it?—He was, but then he left and he was replaced by Air Vice Marshall Brackley who was very keen on the flying boat.

4108. Who gave the impression that if work did proceed on these boats they would be acquired by that air line?—Air Vice Marshal Brackley.

4109. He did?—Yes, definitely.

4110. It never went further because my information is that you had a lot of people at work at Cowes all the time. The last figures were for 1950, I think, but actually the work was only suspended this year on some of these aircraft and there has been continual expenditure although there has been no obvious purchaser or acquirer of the aircraft. Is not that so, it is only this spring that the manufacturing capacity of Saunders-Roe has been turned over to the more routine work of rearmament?—Oh, no, they have been doing sub-contracting work for Vickers and De Havilland for a long time.

4111. When you say "a long time", who has been paying for that work they have done on the flying boats until just recently?—They quoted a fixed price for them.

4112. Do you mean there is no liability? They put in a detail as to the capital expenditure in connection with the S.R.45 contracts and that only amounted to £90,407, and in the original contract the firm undertook that they would bear all the first capital expenditure? If that is the only part they are bearing and you say it has cost £7 million odd does it mean that Saunders-Roe get the difference between that figure you quoted and the £90,407?—No, by no means. The figure that I think was quoted to you in 1947 and 1948 I do not know, I have not the evidence in front of me.

4113. I do not mean the evidence, you have quoted it now?—It related to the flying boat as a whole, not the engines, and the engines are in the figures that I quoted.

4114. They never got the engines?—In the quotation, I said.

4115. But, in fact, no engines were delivered, were they?—Well, they expect to get the Proteus II for that first boat, they are ready. The intention was to have the Proteus II, not the Proteus III, but the

Proteus II has been disappointing as an engine, it has not developed the power they expected it to develop, so they are going to wait, if we decide to go on with the three boats to completion, until the Proteus III are ready for the second and third, but they are going to fly the first Saunders-Roe which is complete with the Proteus II.

4116. Without any alteration to the hull?—Yes.

Mr. Bossom.

4117. In paragraph 21 there is the sentence "The total cost of the project, originally estimated at £8 million, is now expected to exceed £14 million". Who would be responsible for that very bad estimate?—I do not think anybody is responsible in that sense. There have been changes of requirements, rises in prices, changes of design and difficulties that were not anticipated when the first estimate was made, which emerged afterwards.

4118. In other words, you cannot rely very much on the original estimates?—No, neither technical estimates nor financial ones. The cost of the building, for example, was greatly under-estimated by a firm of consulting engineers.

Mr. David Jones.

4119. On paragraph 20, the second subparagraph, I see you said last year, and I think I remember it, that "the experiment was being proceeded with in order to learn aero-dynamic and other lessons about very large aircraft"?—Yes.

4120. Are you still as optimistic as you were then that the lessons have been well worth the cost?—Yes, I think so, because we are entering into a field we have never been in before in these large aircraft and all sorts of problems in aerodynamic construction turn up. We do not know even now everything about it, we are learning all the time and as I told you last year we developed about 100 different instruments inside it recording all sorts of things about it.

4121. You do think we know as much as and more than most countries in the world?—I think so.

Chairman.

4122. Sir Archibald, as I understand it, the Ministry of Civil Aviation and B.O.A.C. have at some stage or other committed themselves on these flying boats?—Yes.

4123. But they have got out of their commitments and you are holding the baby?—That is right.

4124. On what ground do you regard it as proper that the expenditure is chargeable against your Vote?—Well, we consulted the Treasury about this. It was

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Sir ARCHIBALD ROWLANDS, G.C.B., M.B.E.

[Continued.]

agreed to convert the conception of the boat from a real requirement by the operators into a research and development aircraft and I think it was this Committee, or was it the Select Committee on Estimates, which laid down that there was a clear line of division between ourselves and Civil Aviation. They were responsible for operational things and we were research and development, and "operational" includes the production of aircraft. May I say that this superficially sad story of these two aircraft was considered not merely in the Ministry but at Ministerial level, in the case of the Brabazon not less than 13 times, and in the case of the Princess 77 times, so it has not been something which has been going on between officials alone.

4125. The great part of the increase in costs, as I understand it, has been in the cost of engines?—Yes.

4126. And modifications to the airframe because of the changes in the type of engine to be used? Has that really been the main trouble?—Yes, you are quite right. I do not know how you discovered that from the figures, but that is so. The original estimate for the engine in the Princess flying boat was only £407,000. I may say that related to an engine which did not exist except on paper. The final estimate of the engine for the flying boat is nearly £5 millions, £4,920,000.

Mr. Benson.

4127. Is that for the prototype engine?—Yes.

4128. Then, once you start developing that engine in production, what is the cost for the Proteus II engine?—I could not tell you that. The Proteus II will never go into production. The jet engine, of course, is a very expensive engine compared with the old piston engine, not per horsepower produced, but in the absolute.

Chairman.

4129. I was not very clear from what you said earlier as to what final use you have in mind for these flying boats?—I myself believe that operators in the world generally will take on the flying boat again. That is a personal view of mine about the flying boat. I have flown in a good many

parts of the world and I have much more comfort in a flying boat where you can walk about, you are not cooped up in a seat, you can stretch your legs, have a bath, and have a shave, which you cannot get in a small aircraft.

4130. Just as a matter of technical interest, you did say just now that anybody who flies these boats has got to provide his own terminal facilities?—Yes.

4131. That would not be true in South America, for example, would it?—I am not quite sure about South America, and that may be why British South American Airways wanted them, because they have a lot of flying boats there.

4132. I have gone on a flying boat from Buenos Aires to Montevideo and certainly I imagine the facilities there could be used by any incoming boat?—I would not be sure about that. I know, for example, at Karachi the flying boat base there was paid for by B.O.A.C., not by the Pakistan Government.

Sir Ralph Glyn.

4133. May I just ask what Sir Archibald says about the cost of this engine when it is delivered? Is that to be added to the total figure?—No, it is in the figure.

Chairman.

4134. What is the final up-to-date estimate, including the expected cost of storing the two boats until the Proteus III engines are available?—You can ignore the cost of storage. It only amounts in the case of the Princess to about £30,000 altogether and in the case of the Brabazon, practically nothing. On the total latest estimate I have got, the entire project of the Brabazon is £14,720,000 and the total for the Princess flying boat, £13,253,000. That is, if they proceed to completion.

4135. I am afraid it was inevitable that we should have to have two days with you, Sir Archibald?—I am at the disposal, of course, of the Committee.

Chairman.] When we see you next time we will take up the story from paragraph 25. Thank you very much.

The Witness withdrew.

Adjourned to Tuesday next at 4 p.m.

TUESDAY, 13TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson,
Mr. Blenkinsop.
Mr. Bossom.
Mr. Cuthbert.
Mr. Hoy.

Mr. David Jones.
Sir John Mellor.
Mr. Peter Roberts.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mr. L. PETCH called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASS IX).

VOTE 3.

MINISTRY OF FOOD.

TREASURY MINUTE ON PARAGRAPHS 96-98 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir HENRY HANCOCK, K.C.B., K.B.E., C.M.G., Permanent Secretary, and Dr. E. E. BAILEY, C.B., C.B.E., D.Phil., Principal Finance Officer, Ministry of Food, called in and examined.

Chairman.

4136. May we take first the Civil Appropriation Accounts, Class IX, paragraphs 29-31 of the Comptroller and Auditor-General's Reports? On paragraph 29 I would like to begin by asking a question or two of the Treasury. Food subsidies in 1950-51 differ from the budgeted Estimate by only 2½ per cent., but the Appropriation Account was out by 30 per cent. on the net figures. Do not cash differences from Estimates running well into £100 million on one Vote alone have a very substantial effect on budgetary considerations?—(Mr. *Milner-Barry.*) Well, yes, I think they must, Sir.

4137. Do you agree that these enormous differences in the cash position make it pretty difficult for Members of Parliament, or members of the public, for that matter, to understand the Accounts?—Yes, Sir, I think it is very unfortunate.

4138. Would you agree, Mr. Milner-Barry, that the proposals contained in the interim and the final Reports of the Crick Committee suggesting the setting up of a Food Trading Fund would meet many of these difficulties?—Yes, Sir, I think that they would. I think from an accounting point of view and from a Parliamentary point of view they have a lot to commend them.

4139. How far have you got in your study of the proposals of the Crick Report?—The position is that we, both the Ministry and ourselves, have studied them very extensively over the last year or two, but the position now is, I think, that Government policy is more in the direction of

going out from public trading as soon as possible, and that being so I do not think that there is any prospect of legislation which the setting up of a fund of this kind would require. You see, the Crick Committee recommendation did, I think, refer to the setting up of a fund of this kind for what it described as large and permanent operations of Government trading.

4140. Yes, but this Government trading has been going on for some time, has not it?—Certainly, it has, Sir, and if it had been accepted that it was going on as a permanent or quasi-permanent feature of Government operations then I think the proposal would have been proceeded with.

4141. Have you any views on this, Sir Henry?—(Sir *Henry Hancock.*) Well, Mr. Chairman, we would feel with the Treasury that it would need a major recasting of our accounts and a major operation in legislation to bring about the position in which you could adopt a system of this kind, and the question that occurs to us is, while the question of going out of Government trading, as Mr. Milner-Barry has said, is very much in the forefront, is it the moment to bring about a fairly big recasting of our accounts which would be in itself a major operation? As you know, I have had some experience of fund accounting of one kind and another and the intricacies which you have to overcome are very considerable. It is not a simple operation.

4142. Does this really mean, then, that you can see the end of State trading and, therefore, it is not worth your while to

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[Continued.]

do it?—I would not like to say that, but while we are operating on a policy of looking towards the end it hardly seems to be appropriate to do something which rather presupposes that it is a continuing and permanent operation.

4143. One special point on paragraph 29. I see that when you framed your Estimate you thought stocks were going to increase but, in fact, they were run down very considerably. What were the main reasons for that?—The biggest single item, of course, was the meat item, the cessation of shipments from South America which continued from the 1st July, 1950, and throughout the period of the account. That by itself accounted for the running down of stocks of something between £40 million and £50 million.

4144. On paragraph 30, why was your expectation of the yield of sugar from the 1950 harvest so far wrong as late as February, 1951?—There was a combination of factors really that led to that, I understand. The estimated yield figure which the Corporation gave us was 650,000 tons. The actual outturn in sugar, of course, depended on a variety of factors, the extraction rate, the length of the campaign season and the weather during the campaign season, and all those presented us and the Corporation with a set of factors of which they had no strictly relevant experience in the past. The campaign season in this autumn, for instance, lasted for 138 days. The normal period is 90, and it had been feared that if you extend the campaign season into a period when the weather is liable to give you periods of hard frost and very substantial changes in temperature that in itself might have a serious effect on the deterioration of the beet. But, in fact, everything worked the other way, the extraction rate was high notwithstanding the fact that it was a wet summer, the weather during the campaign was benign and in the end the yield was almost phenomenally high and none of those factors really could have been in any way precisely foreseen when the estimate was framed.

4145. Not in February?—Even in February it was difficult to foresee the outcome of these factors.

4146. Turning to the account on page 35, Sir Henry, there is a figure of £100 million on milk including, I assume, the Milk-in-Schools Scheme, which is the statutory duty in the main of the local education authorities. I noted from page 48 of the Trading Accounts that the sum involved was over £7½ million. Have you any statutory power to provide this milk on your Vote?—Statutory powers, no, Sir, and if we were to continue to provide this milk through the Ministry of Food we

think that legislation would be required to regularise the position.

4147. Are you seeking the specific statutory authority?—For the moment, of course, the Appropriation Act is the authority. As regards the future, as I think this Committee knows, it has been suggested that the work of accounting for this milk in schools should be transferred to the Ministry of Education, and that has been accepted in principle, but the Ministry of Education would also need legislation and after careful consideration it was decided there was not time in this year's legislative timetable to fit in the necessary legislation. That is where the matter stands at the moment.

4148. Do you expect to be able to get this settled fairly soon?—I hope so, sincerely.

4149. If we may turn to the Treasury Minute on the Fourth Report of this Committee, I have just two or three questions on paragraphs 96-98. This two-line Minute tells us that the Treasury have called for a comprehensive review of wartime arrangements. Could you tell the Committee what you are doing about this?—I think, Sir, you will appreciate that the terms of this Minute really require a review of the whole of the Department's work. The arrangements referred to in fact cover practically every facet of what we as a Ministry do. Therefore, in a sense, review of these arrangements is a constant review of our day-to-day work. Would I be in order, Mr. Chairman, in just going over the sort of things we are doing?

4150. I do not think that last year's Committee, and I should not have thought their Lordships in their Minute, were referring to something you were doing as a matter of course. I think the clear implication of this Minute is that there should be a comprehensive review of all these various contractual arrangements?—Yes.

4151. And we would be interested to know what, in fact, is being done in your Department about it?—Perhaps I may just give you an account of what we are doing and propose to do. Of course, basically, this involves a review of the controls themselves and necessarily on the advent of a new Government we have been reviewing the controls over certain foods such as meat, eggs, cereals, potatoes, tea, and so on. When we have undertaken also a review, and we have just completed it, of Government trading in unsubsidised and unrationed commodities. We have also just completed a comprehensive review by a Departmental Committee of the remuneration of Ministry agents. That has been a detailed review of the twelve major agencies working under wartime arrangements for the Ministry. We are also taking

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[Continued.]

the opportunity as occasion arises to review arrangements with particular trades such as the flour milling industry. We are now in process of negotiating a new arrangement with the flour millers and we have worked on this basis, that we will tidy up the past up to a point in the near future and that thereafter they will themselves come forward with their proposals which will introduce into the working of the arrangement more of the incentive factor. I mentioned flour milling as one example, but we have a number of other negotiations on hand at the same time. Then we have recently undertaken and had a report upon the whole arrangements for reimbursing traders on the basis of a weighted average of costs. Those are very big matters which we have tackled or are tackling and we propose over the next year or two years—I think the task set us in the Treasury Minute is a big one—that we should concentrate under that Minute on the financial arrangements governing the processing and manufacturing of foodstuffs and the second limb would be distribution.

4152. Could you let the Committee have a list of the cases in which wartime arrangements are preventing you from administering foodstuffs with the maximum economy and efficiency. Could we have a list of them with some details?—I do not think, Mr. Chairman, if I am right, that I would admit the implication of your question. I can give you a list of the main wartime bodies, for instance, whose working we have recently reviewed through the Committee I mentioned just now. If you would like I can give you that list; I have it in front of me.

4153. That is the sort of thing, but could we have the substance of the arrangements, not every detail, so that the Committee could really form a view about these arrangements some of which last year's Committee said in fact were no longer necessary for meeting current needs?—I think, Mr. Chairman, that each of these bodies has to be regarded as standing by itself. The position, as you know, is that these bodies were formed at the beginning of the war in order to assist the Ministry in conducting a very elaborate set of operations of trading and they were formed on the basis that when the necessity for the arrangements came to an end the machinery of the trade would be left and ready to resume operations. Having regard to that fact one has to look at all the arrangements individually from that point of view. If I might just add this, on the recent detailed and comprehensive review of the whole of this range of major wartime bodies who are engaged in first-hand and wholesale distribution in only one case did the Report suggest that there was a possibility of overpayment, and that arose not really from the structure of the

wartime body so much as from, possibly, some initial departure in estimation from what might have been regarded as a normal rate of profit. I think we can say that having regard to the fact that these bodies were set up for a special purpose and that they were intended to maintain the structure of the trade in being in readiness to resume normal trading operations when the necessity for controls ended, it is very difficult to answer your question in a general way.

4154. Perhaps, Sir Henry, you would be good enough to let us have the information which you have collected in respect of these particular organisations in summary form.* I think that is what we would like to have. I shall come back, I may say, to some of the actual cases a little later on when we come to the Trading Accounts where they should more directly be considered?—Yes, I was hoping you would.

Mr. Blenkinsop.

4155. The Chairman has raised the point about the suitability of this form of accounting for some of the activities of the Ministry of Food, this instance, for example, of the wide discrepancies almost inevitable in estimating on such services as meat purchasing, and so on, and while you have quite properly said, and so have the Treasury, that in your view it would be wrong to embark upon a new experiment in accounting while the whole future of the Ministry of Food purchasing organisation of trading is under review, could it not be argued possibly that there might be some virtue in a comparatively small experiment, if you like, in the form of a varied form of accounting from which one might learn a great deal, possibly, for the future even if a great deal of your present State trading were under review? Would it be your view that there might be value in a smaller pilot experiment of this kind?—I find it very difficult to visualise a pilot experiment which would really help Members, and I appreciate the difficulty that Members must feel in this. I do not know whether the Treasury would add anything on that aspect of it, but, of course, the trouble is that we have a dual form of presentation. Speaking as a newcomer to the Trading Accounts of the Ministry of Food I should have thought that our Trading Accounts were on the whole a very clear presentation of our position and short of doing a major operation on the Crick Committee lines it will be very hard to give Members anything which will be clearer than our trading accounts. That is my immediate reaction to your question.

* Appendix 21.

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[Continued.]

Mr. *Bossom*.

4156. Do you find that the variation between your Estimate and the final result is getting closer than it was or is it continuing about the same all the way through?—I think that this is an exceptional year. I think it is fair to say that our Estimate is subject to vagaries of climates all over the world and acts of God and princes, and this was a very exceptional year.

4157. Good or bad?—The Argentine situation was a cataclysmic factor.

4158. You call this an exceptionally bad one?—Yes, an exceptionally bad one.

4159. Going down through the years behind us have you found it going one way or the other? Has any trend been noticed?—I think on the whole we manage to come fairly close, and we have come very close this year indeed.

Mr. *Cuthbert*.

4160. Do we understand as a Committee from what you have just told us that once you have more or less got away from the wartime arrangements and again from what you have told us that you are more or less running down State trading, shall we say, to a smaller figure, any change in presenting your accounts to this Committee for Parliament is held up because of that? You do not think this is quite the time and, as you know, in the past this Committee has been struggling to get proper accounts of trading produced. I am asking this because it may have a great deal of bearing on questions we ask. Do you yourself say you do not feel this is the time to get on to a plainer accounts system? As far as we are concerned, as a Committee then, it rather does help one if that is your view?—I would rather like the Treasury to answer that question if I might ask, because it is a general question, is not it, of the Crick Committee's recommendations that you are raising?

4161. Yes?—This really is a matter I think for the Treasury at this moment.

4162. Might I ask Mr. Milner-Barry then to supplement anything you have said?—(Mr. *Milner-Barry*.) On the broad recommendation of the Crick Committee about a Trading Fund I do not think I can add anything to what Sir Henry and I have said but, of course, there were a number of other recommendations of the Crick Committee which were accepted and had been put into effect such, for instance, as the suggestion that trading Estimates should be published, that there should be reconciliation between the trading Estimates and the cash Estimates and also

reconciliation between the Trading Accounts and the cash Appropriation Accounts. In that sort of way I think quite a useful amount of work has been done to make the accounts clearer and the Estimates more helpful from the point of view of the Committee, and we shall certainly go on looking to see what we can do in that direction over the whole field.

4163. Until such time as you find you are running down so far that possibly this system would be out of date altogether? It does have a great bearing on, for instance, myself. There are lots of items here that one might be querying, but if you feel that your system is being changed through, shall we say, the reduction in State trading, it does make a great deal of difference, as far as I am concerned, anyway, in the questions I ask?—(Sir *Henry Hancock*.) I do not think it is changing the basic system in any way, I think the question of the reduction in State trading has a bearing on the expediency or otherwise of going ahead on this major proposal about a Food Trading Fund; but I do not think it particularly affects the accounting position in other ways.

Mr. *Peter Roberts*.

4164. Just to set the position clear in my mind, dealing with the question of the discrepancy between the Accounts and the Estimates, do I understand that the position that you take up is that the Trading Accounts side is fully developed in the various documents which are eventually published? It really therefore comes down to the question of estimating? You say that in order more accurately to estimate you need to change your whole system of accounts, is that the argument?—No. As I understood it, the suggestion of the Crick Committee for the Food Trading Fund would enable us to get away to some extent from this cash accounting system or, rather, to supplement the cash accounting system of the Appropriation Account on what would be a rather more realistic basis from the point of view of Members and of this Committee. My reference to the trading accounts was really, perhaps, a plea *ad misericordiam* in the sense that to switch over to the Food Trading Fund system is a major operation quite clearly and the question we ask ourselves is whether, having regard to the fact that at any rate we have trading accounts which are pretty good and informative, it is a wise operation to divert staff and a good deal of effort to this other form of accounting.

4165. I think the Chairman originally raised this point because there was such a great discrepancy between the Estimate and the result. That seems to me the reason for the question. You seemed to

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[Continued.]

counter that by saying it would need a complete reorganisation of the accounts to get any nearer?—That was not my point. I am afraid I have, perhaps, misled the Committee if that was the impression I gave. The estimating I think has to be done anyhow. We would have to go through that, anyhow.

4166. Yes, that clears my point. Now, on a question of detail, if we might turn to page 30, I notice under Subhead F that there seems to have been an excess payment to the Food and Agriculture Organisation of the United Nations. Is that merely because the levy was increased or has some work been done?—You are talking about the contribution to the Food and Agriculture Organisation?

4167. Yes?—No, the contribution is substantially the same. It is very slightly up in dollars, but the position is that the financial year of the Food and Agriculture Organisation runs from January to December and contributions are payable normally in January. We arranged, however, to pay in two instalments and an advance payment is normally made in January and the balance in April out of the Vote for the next financial year, but in January, 1951, the Food and Agriculture Organisation having just moved to Rome asked us if we would pay our annual contribution in one lump sum, and we did so, and that makes it appear as if the contribution for this year is heavier.

4168. The Supplementary Grant in other words did not really cover that increased charge, is that it? One would have thought from what you have said that the Supplementary would have covered it. It is taking three bites at a cherry, is not it?—I have got it in dollars, here, unfortunately, 5 million dollars.

4169. There is nothing to come back? There is no question of getting a rebate for the following year?—No, what we have spent is £460,000, as you see. I think the answer is this that when we framed the Estimate originally we thought we were going to stick to the former method of pay-

ing the contribution in two parts, one in one part of the year and the other in the next part of the financial year. We had to take a Supplementary to cover the payment of the total sum in one financial year.

4170. And even then you went above it, though to a fairly small amount. Now, the second point is that on page 35, first of all, dealing with the question of cereals, where there is a reduction; the explanation is owing to "lower imports of coarse grain", amounting to £68 million odd. How much of that was due to non-fulfilment of contracts from Russia?—I think the £68 million that we are referring to is the total figure. The saving is £16 million.

4171. It says "Lower imports of coarse grain", a reduction in payments?—As far as I know in 1950-51 we got all the coarse grain from Russia we contracted for.

4172. So if there were reduced imports it was not from Russia?—It was from all over the world, actually, Australia was one, and Canada.

4173. With regard to the item of sugar, the details of which appear on page 36, there appears to have been a very much higher sale of sugar abroad than was estimated for. Is that due to the running down of stocks?—I could not answer that question offhand, I am afraid. The total discrepancy is £9 million on a very big turnover. I can give you the actual turnover. Our turnover on this account is nearly £150 million and the discrepancy—it is true that is on trading account—is of the order of £9 million.

4174. That is more or less a profit on the deal? I was merely dealing with the amount of sugar sold, the higher sales abroad? I do not expect you can find the answer at once and I wonder whether we can have a note on that, whether there was any diminution of stocks from beginning to end of the year?—As far as I know, speaking subject to correction, there was no substantial reduction in sugar stocks.

4175. So there was a bigger turnover if that is so?—Yes

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51 (VOL. I).

MINISTRY OF FOOD.

Partially Confidential Accounts of the British Sugar Corporation for the year ending 31st March, 1951.

Chairman.

4176. May we turn now to the Trading Accounts and Balance Sheets, taking first of all the Comptroller and Auditor General's Report. Paragraph 2 (a) deals with what seems to be an unusual provision of nearly £3 million charged against the 1950-51 Accounts in respect of increased

farm prices that did not come into operation until the next financial year. Could you tell us why you think it proper to make such a provision in these 1950-51 Accounts?—(Sir Henry Hancock.) As you know, the wage increases were granted in November, 1950, and they came into operation, of course. The Farmers'

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[Continued.]

Organisations applied for a special review but the Government prevailed on the Farmers' Organisations to defer their claim until February, 1951, on the understanding that after prices had been fixed for future agricultural production the special price review increases would be added to the annual review prices. We felt that it was appropriate to debit ourselves in this year, the year of account, with the effect of that operation because it would have been in a sense unrealistic not to do so. We in fact by this method showed in the accounts the true subsidy position appertaining to the year of account 1950-51.

4177. Arising from paragraph 3, am I right in supposing that losses of this kind are recorded in the respective trading and profit and loss accounts and they get included in the consolidated account where the balances are shown as trading subsidies?—Yes, I think, in fact, amplifying my previous reply, to have failed to do what we did would have been wrong in commercial trading accounts of the kind that we have before us. I think we would have failed in fact to make correct provision for that item

4178. I am sorry, Sir Henry, I had moved away from that point. Perhaps I may put the point again. In paragraph 3 there is reference to a loss?—I am sorry, I thought you were using that as an illustration.

4179. No. Am I right in supposing that in the end when all this gets through to the consolidated accounts these balances which are shown there are shown as trading subsidies? You agree that is right?—Yes.

4180. Why do you consider it right to call what is a definite and unpremeditated trading loss a subsidy?—I think this is a difficult and very interesting question which certainly as a newcomer to these accounts I have asked myself, and the fact is that all our deficits are shown as part of the subsidy account and it is therefore necessary to group together provisions of this kind for specific losses with intentional deficits which we impose on ourselves by selling below cost of procurement.

4181. That is only to say that this is your habit and you are following your habit. Is not it possible to distinguish in your account between trading losses of this sort and deliberate trading subsidies? They are entirely different in kind. Cannot they be distinguished?—Well, we do, of course, bring out particular cases of this kind and I think this question of bringing out trading losses as distinct from general subsidy deficits has been gone into before this Committee on a number of occasions, and

I rather thought the conclusion the Committee had come to after hearing a great deal of evidence on it was, beyond bringing out specific provisions made against losses such as this, it was an impracticable task to go beyond that and to distinguish between trading losses generally and deficits which are intentional and deliberate. Of course we make trading profits too on a fairly considerable scale from time to time and it is really almost a spectrum, the transition from the deliberate subsidy where you are actually buying something at 1s. and selling it at 9d. through the case where you have got an agricultural guarantee arrangement which forces you from time to time to take under some fall-back arrangement, perhaps, a specified quantity of a commodity for which there is no ready market in the ordinary sense—that results in what might be regarded as a trading loss but it is a recognised part of the way in which the agricultural guarantee is operated—right down through the spectrum to the fortuitous loss, to the loss which you might say is due to ineptitude on our part in our trading operations, and I understood the Committee had taken comfort from the fact that the case of ineptitude or negligence, or what appeared to be such, would be drawn to your attention by the Comptroller and Auditor General who, of course, has his officers sitting side by side with our internal audit people, who are always alive to this type of thing and who are in a very strong position to draw attention to any misdeeds or failures on our part.

4182. That is all very well, Sir Henry. We know these things run into one another but you are pushing your spectrum argument a bit far, are not you? All I am saying is, in terms of your operations, please do distinguish between red and violet. You are saying: "I cannot possibly, because red runs into orange and yellow and green, and in the end it is violet," but most business people would know the difference between a subsidy and an unpremeditated trading loss?—Our accounts are not really on that basis, I think. As I say, I think with the Treasury and with this Committee, with the best will in the world, we have sought to find a way through this difficulty which I know has bothered a number of members of the Public Accounts Committee in previous years, and I have been over all the evidence. But we have not been able to discover any easy method of doing it and, indeed, the more you go into it the more difficult and complicated it would appear to be. The Treasury, I think, have been bound to concur with our view on this. (Mr. Milner-Barry.) Yes, that is so, Sir.

Mr. Cuthbert.] May I say, Mr. Chairman, that I am so glad to hear you raising the

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point. Those of us who have been on the Committee for some time have raised almost every year this point of the difference between actual trading losses and what you term a subsidy. I do see the difficulty, why you have to run the loss into a subsidy and then finally get some figure which you debit the account with and arrive at a price, but could we put it this way, that you start out in the Ministry of Food with a subsidy element which the Treasury has given you, let us call it £400 million, and the accounts you have produced to us in the last four or five years are dealt with in this way, that you go up to your £400 million, or very often you have gone over it, and therefore you buy your products, whatever it may be, in different ways at a certain price regardless sometimes of guarantee, which would show a loss if it was brought into a proper trading account; but you have run them together and said: "That is all right provided we cannot go over the £400 million mark whatever price we buy at". I think that is what we have been worried about in this Committee for some considerable time and have asked for what the Chairman has very rightly brought to your attention again, if only we could have a proper trading profit and loss account. That bears out what I said to begin with, if one feels that you are getting away from this great trading business that you have and running it down, as I call it, then, perhaps, we will not say too much about what has been done in the past as to the difference between trading losses and subsidy. That is all, Sir.

Chairman.

4183. May we look now at Paragraph 5 of the Report? I wonder if you or perhaps the Treasury could explain to the Committee why these items paid to farmers and fishermen on Ministry of Agricultural Votes are deemed to be food subsidies when somewhat similar items are not so regarded? What test is applied to bringing in these things like bonuses to owners of attested herds or crop acreage payments or fertiliser subsidies under the heading, really, of food subsidies?—(Sir Henry Hancock.) I think I would like you to ask the Treasury, if you would. (Mr. Petch.) The explanation, I think, Mr. Chairman is this, that the agricultural subsidies which are not counted against the food subsidy total are things like the lime subsidy, the marginal improvement scheme and things in fact which are capital development, so to speak; they are developing the long-term capital of the agricultural industry, whereas the other subsidies are things which are very much in a way akin to the short term consumer subsidies.

4184. Now, one or two questions on a point we did touch on earlier, paragraphs

7-9, "Remuneration of Ministry Agents". Could you just tell us what are the principal associations of importers, brokers, wholesalers and similar people?—(Sir Henry Hancock.) I can give you a list of twelve of the major agents.

4185. Perhaps you will put it in, if you will?—Yes.*

4186. The remuneration of these agent associations is stated to amount to some £4 million. Do they get anything else? Are they reimbursed for any expenses in addition to that?—Yes.

4187. Could you tell me to what amount?—It amounts to something like twice that figure, twice the £4 million.

4188. So it is the £4 million payment under this head and about another £8 million of expenses?—That is so. I think it is a little more than that, actually. In the case of these twelve bodies that I am referring to and to which the figure of £4 million roughly relates, I think the gross remuneration, that is, costs plus net remuneration, is nearer £12 million.

4189. Is it a fact that the remuneration was fixed with the general intention of maintaining the collective earnings of members at or about the pre-war level, not primarily in relation to the value of the work they did for your Department?—I think it is true to say that it was fixed in relation to a number of factors. One of the factors certainly was the maintenance of the net remuneration at a level which would enable these organisations to maintain themselves in being to resume operations, as I said earlier, when the necessity for control ended. It would not be fair to say that the remuneration was fixed without regard to the services which they were performing for the Ministry, indeed, I think that there is a close coincidence between the value of the services they are performing for the Ministry and the remuneration they are getting.

4190. Then which are the trades mentioned in paragraph 8 in which some members do no work for the Ministry and others only work part-time and others are engaged largely on clerical and routine duties?—If I may explain, the position about these wartime organisations is this: they take broadly two forms, there is the form in which the operations on our account are centralised in central offices and offshoots of those offices, not all the personnel of the firms in the trade necessarily being utilised for the job. That is what we call a centralised organisation. The other type of organisation is the decentralised organisation

* Appendix 21.

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where all the units of the trade share out the business. Those two types of organisation are exemplified by, for instance, the Meat Importers National (Defence) Association which is known, I think, to this Committee as "Mindal", which is what we call a centralised organisation, whereas the Butter and Cheese Association is a decentralised organisation and all former members of the trade continue to do some work on our behalf. The type of case which I think is troubling the Committee, which is referred to in the Comptroller and Auditor General's Report, arises mainly in the centralised organisation, because in the centralised organisation the trade set up *ad hoc* an organisation, selected members of the trade being called in to provide the organisation and it did not use all units of the trade. Now, the net remuneration covers remuneration in these cases to a certain number of people who are not taking an active part in operations on our account. That, I think, is the explanation of maintenance.

4191. What happens if a man does no work for you? Does he go into other work, does he remain unemployed or does he just draw his remuneration as a Ministry agent?—A great many of them, of course, have come in to help the Ministry in another capacity and their remuneration as Ministry officers is abated under the general arrangement if there is one of these war-time trade arrangements behind the man.

4192. I was talking about people who do not come in?—I was coming on to them. That is one big category of people. In the course of the war a great many of the people whose businesses were dealt with in this way came in to help the Department. For the rest, they are maintaining their organisation, possibly maintaining an office and a very small staff, ready to carry on the trade if and when it resumes. If I might give instances we, of course, are constantly losing staff and we are calling upon these trades to provide us with experts in replacement and this is one of the sources to which we look.

4193. What happens if one of these people dies? Is the payment then made to his estate?—These associations, with some exceptions, livestock auctioneers and a few things, broadly are limited companies with shares apportioned according to the volume of business pre-war. Most of the units are corporate bodies, either companies or partnerships. There are a very few cases—there are some in the Wholesale Meat Supply Association—where individuals as individuals are concerned. It is our rule that before we allow a transfer of shares—these W.M.S.A.'s are all Ministry controlled bodies—we make it a condition that

the person to whom a share or shares is to be transferred is in a position to maintain an organisation to carry on business in the eventuality contemplated by the original agreement.

4194. But if you did have an individual and he were to die, you would pay his estate not for the service that would be rendered to you but on the assumption that something would remain if ever the peace-time arrangements were restored?—You are taking a successor who is giving an undertaking to maintain an organisation?

4195-7. In paragraph 9 the Comptroller and Auditor General says that the Ministry "are fully alive to the need for making all possible economies and have this matter under consideration at the present time". Presumably you have been looking at this since 1946 when the matter was first examined by an Inter-Departmental Committee. Have you yet taken any steps to terminate this very unusual and exceptional arrangement?—Of course, if we end control of tea this year we shall terminate an arrangement with one of these bodies straight away. As long as the present form of controlled distribution continues we have to have some organisation of that kind. We have considered and we are in fact considering a change in one other of these organisations by way, in fact, of handing the job back to the original units. May I say on this question of economy that these centralised bodies are precisely the bodies in respect of which this risk of maintenance arises, which are the most economic in their administrative job. The organisations in which there are, so to speak, sleeping partners, are the organisations which do the job most economically from the point of view of the country as a whole.

4198. I think the real point is this: I do not know how many there are, but you have said there are a certain number of people who are doing no work for the Ministry at all but who are continuing to draw payments from the Ministry and have been for a long time. What I would like to be assured of is that that particular category you are dealing with and you will be discontinuing those payments?—Oh, certainly we shall be watching them, but I was just pointing out, if I might, that you have to look at the alternative. As long as you have to maintain an organisation for doing this job you have to look at the alternative. The alternative to centralised organisation is in many cases to throw it open to the whole trade, decentralised organisation. Now, we are satisfied as things are at the moment that the centralised organisation, although it appears to give a target for facile criticism, is really

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the most economical organisation. It may pay you better in fact to have a certain number of people in reserve for the time when trading can be resumed than to distribute the trade you have got among all the members of the trade and, in fact, that is the present position.

Mr. Hoy.

4199. What proportion of the £4 million is paid to people who do not, in fact, do any active work?—Almost a minute proportion.

Mr. West.

4200. But the principle still remains that you are in fact paying compensation to a proportion, however minute a proportion it may be. Do I understand with regard to that minute proportion that they have been receiving compensation, I take it, on the basis of their last pre-war profits?—I would not, I think, describe it as compensation. It is, in fact, payment related to what is necessary for them to maintain an organisation ready to step into trading as and when circumstances enable trading on normal lines to be resumed.

4201. I assume that this business was initiated some time early in the war?—Yes.

4202. That would be a period of, at any rate, over ten years. Is it your view that these organisations, or the minute proportion of them, have been doing no productive work at all for a period of 10 years keeping an organisation in existence and have been paid compensation or remuneration for it?—They are being paid remuneration on the basis of pre-war remuneration, that is quite correct, to maintain this organisation for a contingency which was clearly envisaged at the time. Of course, no one expected it to go on so long but it was a definite provision to enable the machinery of these, in many cases, important importing and trading organisations to be maintained ready to step back to ordinary private trade functions.

4203. I hope you will forgive me if I do not really follow the point you make. I assume that here is an organisation which is set up pre-war where they have their staff and their system and then the war comes along and puts an end to the operation of that business but, at any rate, it is necessary that when the emergency passes that they should be allowed to set up immediately? Do I understand that the salaries of their employees would be continued on and paid so that their organisation might be maintained?—Only in so far as they can meet them out of an amount equivalent to their pre-war net remuneration. We do not inquire into what happens to the money paid over to these bodies or

how they distribute it to members and, of course, they can only maintain their organisation out of these funds in so far as we hand over funds for that purpose. If I may just add this, you have to look at this in relation to what we would have to do if we de-centralised the organisation. We are doing through this organisation a necessary job of work. It happens to have taken the form of a centralised organisation. It could equally well have been, and there are some of these bodies which are, completely de-centralised, in which case this particular target for criticism would not be presented. Actually the decentralised bodies, the ones which do not offer the target, are more expensive from our point of view than the centralised bodies which offer the target. If you said "It is wrong to maintain these dormant bodies"—dormant individual bodies of organisation, it might be said "distribute the business over the whole of the trade," that would be more expensive.

4204. If everything were decontrolled and everything went back to private trade, I suppose those people who were in business before the war, if they are still in existence, would be anxious to start up business again, would not they, and many others besides, no doubt?—I think so, yes, definitely.

4205. So that the payment of remuneration or compensation, call it what you will, for the maintenance of an organisation really has no validity, has it? If the circumstances arose when it was free for anybody to embark upon the wholesale trade of meat, taking the wholesalers, for instance, there are quite a large number of people ready and willing to get into that trade if they could without payment of compensation to keep them in existence?—I suggest you have to look back to the original formulation of the agreements with these bodies. They are formal agreements made with the Government at the time in good faith and deliberately designed to enable the structure of the trade to be maintained intact for future return to private operation. As it happens the formal organisation which throws up this target, as I said before, is the most economical. We could get out of the arrangement only by denouncing our agreements and negotiating new agreements. Now, we have got to have the help of these bodies. They are an essential part of our trading operations. How far we could negotiate more favourable agreements I would not like to say, but I can say this, that if the alternative to this centralised type of organisation were the decentralised type, we should pay more in the long run than we are paying now.

4206. Mr. Milner-Barry, I wonder if you could tell me if the remuneration or compensation paid to these people who, in fact, are performing no services is taxable or is in fact compensation for loss of profit?—

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(Mr. Milner-Barry.) I am afraid I could not; we shall have to look into that. It is one for the Revenue, I think. It is taxable I am told.

Mr. Peter Roberts.

4207. Do I understand you to say that there are £12 million expenses paid on top of the £4 million, or does it include it?—(Sir Henry Hancock.) No, inclusive.

4208. £8 million plus £4 million. There fore when one talks about the services which these people are rendering, which you could not get more cheaply, you are really referring more to the £8 million expenses than to the £4 million remuneration?—No, no expenses are paid to the people who are not doing any work.

4209. No. You are saying that the job had to be done and you could not get it done more cheaply. You were then referring in some way more to the £8 million than to the £4 million?—I was really referring to the whole sum.

4210. Is not it really more the fact that during the war when the Government stepped in to take over this trading they did not like to put these people out of business and therefore they kept them on, as you say, with the idea of returning it at the end? At that time would not you agree that it was never contemplated that it would last for 10 years?—No.

4211. So, what in point of fact has happened is that these people have had roughly 10 years' purchase of their original standard profit of their undertaking during the war? I would ask you, therefore, in view of the other forms of compensation which have been paid, is not that 10 years' purchase getting very near towards what one might have considered to be buying out the business in the first place?—Well, we have not looked at it from that point of view.

4212. I appreciate you have not?—Because in order to consider this really you have got to look back at the original agreements. I agree, of course, it was never in anyone's contemplation that this would go on for 12 years or more, but the object of forming these associations was to provide the Ministry with a unified body capable of supplying for the particular commodity the technical knowledge, of undertaking the work of handling and distribution and all that. We could never have done without these bodies.

4213. I think that point is clear to the Committee. You talked about coming to a new agreement if you wanted to terminate these?—Yes.

4214. Would not it be a point in coming to a new agreement to say: "You have already had virtually ten or twelve years'

purchase of your business. Under the new agreement if we are going to come to a conclusion you cannot expect very much more," and, therefore, would not it be in point of fact cheaper to terminate these agreements and even agree to paying more compensation as long as you can take into account the twelve years' purchase you have already had?—I very much doubt whether it would be cheaper.

Sir John Mellor

4215. Could you give me one or two instances of how this works out in a particular trade. You have described the situation in general terms. Could you take one or two of the principal trades to which this applies?—Shall I take the Wholesale Meat Supply Association, a fairly well-known one. There are eight Wholesale Meat Supply Associations comprising pre-war wholesalers of carcass meat, and each Association acts as agent for the Ministry in an area, and distribution at prescribed prices of home produced and imported meat and offals is carried out under our direction. They sell to retail butchers, manufacturers, catering establishments and institutions. The commission payable to each association is calculated as a percentage on the tonnage of meat distributed and it is fixed to cover reasonable expenses and profit. The pre-war aggregate profit is maintained except where the aggregate quantity falls below the pre-war tonnage and there we make an adjustment. That is a typical example.

4216. There you have described one, I take it, where they are giving full value for money?—They all are.

4217. Are they, because the Comptroller and Auditor General says in his report: "A review now in progress shows that in certain trades some members do no work for the Ministry, others only work part-time and some are engaged largely on clerical and routine duties." Would you tell us now some of the trades to which that description applies?—There are people, a few individuals, to whom that description applies in the organisation that I have mentioned, the W.M.S.A.S. because that is in our technical language a centralised organisation, and they are corporate bodies consisting of shareholders, shareholders being people who were in the trade when the organisation was set up at the beginning of the war. The people referred to in the Report who are doing no work are just a few individual shareholders whose businesses were not taken into the organisation for active day-to-day operations. They often supply personnel to other parts of the organisation and they supply personnel to the Ministry, personnel to the centralised part of the organisation, but they remain shareholders and the fact that they exist was not thrown

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up by this particular report, it has been commonly known all the time. There is no mystery in this. It has been a fact of this type of organisation well known ever since these organisations were set up.

4218. But surely no-one would expect the shareholders to be actually engaged in this business directly? What they would be remunerated for is for the undertaking which belonged to them which has been applied for the purposes of the Ministry and for their loss of profit, I take it? What I was asking you about was whether any of the undertakings which are being compensated are not giving value for actual work. Does it apply to any of the undertakings when it says that some members do no work for the Ministry?—The shareholders are the original active members of the trade. They were given shares in proportion to their business, so when these organisations were set up they were the active participants in the business. Then the centralised organisation was created. Some of these shareholders found their facilities not being utilised. Several things happened or may have happened in particular cases. They contributed staff, and perhaps managerial staff, to the central organisation. They contributed staff to the Ministry of Food, they also contributed staff to other allied departments. There might be a remanet of one person or two or three persons in the type of business which remains in existence and is not directly doing work for the department. I hope I have made the position clear.

4219. Is not the position really this, that those people who are doing nothing are not being paid for work which is not being done, they are being compensated for having provided a certain organisation which was previously profitable to them for the purposes of the Ministry? They are getting compensation, are not they, not remuneration?—I think "compensation" is perhaps the wrong word to use, if I may suggest it. They are drawing as shareholders in this body a share of the remuneration paid to that body by the Ministry in relation to the pre-war share of profits that the organisation made. It is not compensation, it is simply a continuing share of net remuneration of the industry, they having agreed with the rest of the industry to stand aside and not take an active part while the work of the industry was concentrated in what is, from our point of view, a more economical organisation.

4220. I was trying, with respect, to help you on this because it seemed to me that it does not look well at all if it is said as it is here, that you are paying people for doing nothing. It does not look at all well but if, in fact, what they are getting is compensation under an agreement by which

their undertakings were handed over to the Ministry, then it bears to my mind rather a different complexion, but you prefer to insist that this is really remuneration, only some of them are doing nothing for the remuneration?—Well, it is a share of remuneration. It is true that they are doing nothing for it, but that is an incident of the type of organisation that was set up. There would have been nothing to prevent the organisation having taken the other form, that is to say, that every member of a trade should have been brought in fully as a participant, and that is the form of organisation which several of these war-time bodies have taken. It is the more expensive form. This is the more efficient and economical form and it is part of the agreement which the Ministry has entered into with these bodies that these shareholders shall continue to receive their share of remuneration.

Mr. *Bossom*.

4221. Would you call this more or less a dividend on their previous investment?—I think that is quite a fair way of putting it.

4222. It has been going on now for about ten years, has not it?—Ten or twelve years.

4223. And it is conceivable that it may go on for another number of years?—Yes.

4224. It may not, but it may. Has anyone attempted to work out a plan whereby it could be terminated?—Many plans, yes.

4225. Would it pay to do so?—We feel very doubtful whether we should not come out of it in a worse position than we are in now. In fact, we regard the way in which these organisations are working as economical and the fact that criticism is fastened on this element in the centralised organisation is, we think, in a way drawing attention away from the overall economical character of the working.

4226. Assuming that the £12 million it is costing in this last year is about fair for the previous twelve years, that means that there has been in the neighbourhood of £150 million expended in conducting this operation over the period?—Two-thirds of that is just expenses, of course, the cost.

4227. I am taking the total amount?—Yes.

4228. What is the approximate number of millions, if it is millions, which have been spent in this way? Can you make an approximate guess? We are all anxious to know about how much is involved in all this?—Are you referring now to what I call the dormant people?

4229. You can call them sleeping, dormant, non-producing, any name you like,

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those who are getting something but apparently, according to the report, giving no service? Would it amount to 1 per cent., 2 per cent. or 10 per cent.?—Well, I would not like to put a figure upon it, but we do know that in relation to the centralised bodies it represents a very small percentage of their total remuneration.

4230. Ten per cent. is a small percentage; 20 per cent. is a small percentage. About what is it?—I would like just to consult one of my experts who can, perhaps, form a very rough idea of the percentage of money which goes out to people we are describing for the moment as dormant. It is a very small percentage.

4231. That is what we are all getting at, I am sure. We are all interested in this very point?—The answer I get from the greatest expert on this point is “minute.”

4232. That is no proportion. There is no such thing as minute in terms of percentage?—I would not like to chance a figure.

4233. Is it one-half of 1 per cent.?—It is of that order rather than 10 or 20 per cent.

4234. It is somewhere between 20 per cent. and one-half of 1 per cent.?—Those are the sorts of figures we are talking of, about one-half of 1 per cent., I believe. I should like to have a little further research into this.

4235. Can you give us a line on this?—Yes.*

Chairman.

4236. If you are going to put in a statement on it it would be as well to take it a little further, because we are obviously not only interested in the people we have called “dormant,” we are also interested in the quasi-dormant or partially dormant, or the people not giving value for money, or the people rendering services not commensurate with their remuneration. In other words, we would want an elaboration of the sentence in this report and shall be glad of any information on it?—We will do our best. I have inquired into this point before coming before the Committee and the best information I could get was, as I say, that there is a fractional number of people and a fractional sum of money.

Mr. *Cuthbert.*] There might be capital involved and an amount of money involved.

Chairman.

4237. Will you let us have that information?—Yes, we will, certainly, do our best to give you some real information.

Mr. *Blenkinsop.*

4238. I understand we are going to get some further information on this later, so

* Appendix 21.

I would like to move on to the question of profit margins. You did give us some information on that, and you referred to what we know is the arrangement by which if the amount of trade should be reduced then the profit margins are reviewed in order to maintain, in fact, a certain total level of remuneration. I would like to know whether that is part of any definite arrangement that was made with the trade in the early days when these arrangements were first negotiated, and whether it would be possible to review that arrangement, having in mind the fact that private trade generally clearly has to bear certain losses in view of variations in the amount of trade, and while it is obvious that there are certain wider factors involved here it seems a little unreasonable that the private trade should be excluded from the whole effect of any such variations. This came up, of course, in the meat trade a little while ago when the less the meat that was coming into the country the greater the profit margin became, until we got nearly another set of pensioners provided in the meat trade. I just wanted your view as to whether any review of this provision had been undertaken? No doubt it was at the time of this meat crisis, so that at least the trade could be expected to bear some part of the burden of the variation in trade?—We are dealing, of course, with two sets of bodies. The case of the butcher to which I think you referred is really the retail butcher who is compensated upwards or downwards by various rebate arrangements we have for upturns or downturns in the amount of rationed meat he has to handle. We surcharge or rebate as the case may be. In the case of these wartime bodies we are considering, they are first-hand distributors or wholesalers of one kind or another. Their agreements provide normally that the remuneration paid to them will be adjusted in relation to the quantities handled. That is to say, one of the arrangements is on the basis of a rate per ton handled.

4239. So that does mean in effect, to take it to the absurd point, that if you had such a diminution in trade that you had hardly anything flowing through, in fact their remuneration would be greatly increased in relation to the amount of trade in order to maintain their businesses, presumably, or is there any limitation upon that?—No, the usual effect of these arrangements is that these people suffer from a shortfall because the arrangements are based upon pre-war margins and the effect of cutting down the amount of meat handled, or whatever the commodity may be, is to reduce the number of units of net profit margin available to them so that their position is worsened.

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4240. So that in effect their variation clause, as it were, does not wholly compensate for loss of trade?—We are talking of two different types.

4241. Yes, I appreciate that?—The retail butcher is dealt with on quite a different basis. These people are dealt with under wartime agreements which enable us to relate the net remuneration payable to the turnover.

4242. Therefore they do get a direct relative drop in income as the amount of business comes through?—Yes.

4243. On the other hand the retailer is protected to a considerable extent?—The butcher is protected to some extent.

Mr. Benson.

4244. With regard to these Ministry agents, I do not know whether other hon. Members have a clear picture of the organisation, but I am completely muddled. Taking the meat agents, there were a number of central meat importers, were there, or were they just intermediary agents?—There are two bodies, the meat importers and—

4245. Let us take the meat importers. Which has the larger number of members?—I think the Wholesale Meat Supply Association.

4246. How many members were there of that Association in 1939?—I have not got that.

4247. Would it be a dozen?—Oh, I think, far more than that.

4248. What happened when they were concentrated? Were the various firms closed down or did they actually handle stuff physically, or what?—This is a centralised organisation. What happened was that they formed a number of regional organisations.

4249. What form did the regional organisation take, a limited company?—They are all limited companies.

4250. Then you had the regional organisation of a limited company in which all the firms in the region were shareholders?—Yes.

4251. Does that organisation actually handle the meat now?—Yes.

4252. It does physically?—Yes, physically.

4253. The old businesses have gone, then? Their offices have been closed?—Their premises have been to some extent used, of course, for our business.

4254. What happens when an individual, an individual who was a regional member who is now a mere shareholder, dies, and

he obviously can render you no more service? What happens then?—Are you contemplating the case of the person who was not actively engaged in business or who was actively engaged?

4255. Either? Mr. Smith who was an individual firm in 1939 becomes a shareholder in this regional organisation. I am not concerned with whether he was active or whether he was quiescent. Supposing he dies, what happens?—His successor, his son or his widow, it may be, continues to give us the same service and very definitely does.

4256. What service does his widow render other than holding the shares?—She may control the business, she may have a son or nephew. That kind of thing is quite frequent.

4257. So this has now become a hereditary thing?—The shareholders are, of course, for the most part corporate bodies.

4258. Who decided the shareholding, you or the organisation?—The organisation. That was part of the original set-up.

4259. You have unified the trade into one limited company and you pay that limited company an annual remuneration for the physical handling of meat?—Yes, and expenses. This is a centralised organisation we are talking of now and there we pay approved expenses separately from net remuneration.

4260. Are they checked and audited?—Yes.

4261. When you say "physical handling", exactly what does that mean? Have they their own storehouses? Do they ever see the meat?—Yes, they have their own storehouses, their own lorries, their own employees. They are wholesale distributors.

4262. So, in effect, what has really happened is that you have combined, say, a dozen firms into one?—I should have said hundreds; in this particular case there were hundreds of firms.

4263. Then you have set them up into a dozen organisations?—Into eight, I think it is.

4264. You have turned them into one organisation which covers a region?—Eight organisations, one for each of the eight regions.

4265. You pay them a fee and expenses for handling and it is immaterial to you whether the personnel completely changes or not?—It is, as far as the shareholder is concerned.

4266. On what basis was the payment? Did it include remuneration?—It is a rate laid down.

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[Continued.]

4267. What was it supposed to include, remuneration for active service or just a definite profit?—It is the payment of approved expenses plus, for profit, a lump sum equal to the pre-war global net profit of the trade.

4268. So that you are liable then to maintain the profit and maintain the expenses, and those expenses vary with the actual work put in, is that correct?—That is so.

Mr. Peter Roberts.

4269. Did not you say the expenses include profit as well?—In some cases, not in this case. This is a case of a centralised organisation where we pay in two lumps.

4270. But where you pay the expenses with a profit attached you do not then pay the global sum profit?—No, that is normally the decentralised organisation where we pay in one gross amount.

Sir John Mellor.

4271. Might I go back to an earlier paragraph? I did not feel at all clear in my mind about what you meant with regard to subsidy and trading accounts and your description of a spectrum, when you said it all seemed rather blurred. When you start off with any particular programme surely you have a definite intention as to whether it is to be run without loss or whether you expect to make a loss which is to be covered by a subsidy? To start with you have a clear intention as to whether you are aiming to avoid a loss or whether you expect to make a loss which is to be covered by a subsidy?—May I ask Dr. Bailey if he would deal with this? He has been doing it for some years. (Dr. Bailey.) Yes, we divide the commodity field into two parts, the subsidised commodities and the unsubsidised commodities. With respect to the subsidised commodities we anticipate, of course, that we will make a loss and we estimate at the beginning of the year the measure of that loss, having regard to a forecast of our procurement prices, of our distribution programme and of our selling prices. With respect to the unsubsidised commodities we mean either to make a profit or to break even. That covers the whole field of our operations.

4272. Then, I should have thought that the distinctions were quite clear and the various bands in the spectrum should be quite distinct from one another. In some cases you definitely intend not to make a loss?—Yes.

4273. If despite that intention you do make a loss, is not that an ordinary trading loss and in no sense really appropriate for subsidy?—That would be true if it were not for the fact that our selling prices are within our control.

4274. Would you mind just saying that again?—Our selling prices are controlled by us since we are monopoly sellers and, therefore, we can affect the outturn of our trading in the unsubsidised commodity to produce the unsubsidised result; in other words we can put our prices up to cover our costs.

Mr. David Thomas.

4275. Is that ever done?—That is not consciously done in the sense of covering up inefficiency but I am pointing out merely that there can be no effective test of our efficiency in that field. We cannot ourselves test it.

Sir John Mellor.

4276. Is that the real reason why, Sir Henry, you say it is not possible clearly to distinguish between what is subsidised and what is not subsidised?—(Sir Henry Hancock.) I think that is one of the main considerations. Frankly, if I may say so, taking the distinction between commercial losses due to our own ineptitude and commercial loss which is still a commercial loss due to factors which are inherent in the way in which we operate our business, for instance, the Cornish potatoes, which the Comptroller and Auditor General mentioned, it is so difficult in the various stages to distinguish between these different types of operation and in the end result as far as we are concerned to attempt to assess our efficiency at all which, I take it, is the object of this distinction, which is one that I think no commercial concern could attempt to draw, and we are a commercial concern, although there are factors in our operations which are non-commercial, but it is an operation which with the best will in the world we do not feel able to perform.

Mr. West.

4277. Sir Henry, when you submit the additional information which you have agreed to do, would it be possible for you to let the Committee have a copy of the agreement which was entered into with these particular bodies some 10 or 12 years ago?—There are all sorts of agreements. (Dr. Bailey.) Sometimes there is no agreement. The agreement is embodied, in fact, so far as the distribution between the members of the Association is concerned, in the Articles of Association of the Company.

Chairman.

4278. I imagine what Mr. West is after is not in fact the actual document necessarily as much as the provisions?—The terms of the arrangement we can most assuredly state in every case. (Sir Henry Hancock.) We will do our best to help you on that.*

4279. May we now go on to paragraph 10 of the Comptroller and Auditor General's Report on the Trading Accounts and

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[Continued.]

Balance Sheets? Could you tell us what proportion of the total crushing capacity is closed under these arrangements and how the tonnage of seed crushed at present compares with that crushed before the war?—The closed capacity is 327,000 tons out of 1,900,000 tons capacity. That is just under 20 per cent. The industry is now operating at about 55 per cent. of capacity.

4280. Is not it very unlikely that the crushing mills which have been closed will ever again be wanted?—I am afraid it is, unless there is some marked new trend in policy in various eastern countries, mainly.

4281. Is not the industry then taking a rather unrealistic attitude and ought they not to co-operate with you to consider whether the plants should not be turned over to something else?—Of course, it is not quite such a simple issue from our point of view. There are strategic considerations involved in this and it is not, therefore, a straight issue, from our point of view, of just concentrating production in a smaller number of mills. If you say are not they taking a selfish view, it is rather hard to put oneself into their shoes.

4282. You did say that you thought it very unlikely that these plants would ever be used because of developments overseas. All I am asking is, in that case would not it be better to use them for something else? Have you got a break clause in the agreement with the industry?—No, the general understanding is that any factory closing down would be entitled to reopen after the war if it should so desire. That is the understanding we had with the trade and that is a public undertaking, and, of course, while one may say that the prospects of their getting seed to crush cannot be very rosy at the moment, it is very hard to dogmatise. Things may change. The Argentine might become an exporter of seed in natural form rather than in the form of oil; Manchuria might come back too.

4283. What evidence is there at all for supposing that the Argentine is ever going to export seed?—There is no direct evidence but there are changes of economic policy in countries of that kind.

4284. May we go on then to paragraph 11, the Milk Marketing Board. You would agree that the Milk Marketing Board has not only had its machinery and organisation maintained at public expense and working for the Ministry, but it has also added large sums to its reserve funds? You would agree that has happened?—Yes.

4285. Was the change that was made in the financial arrangements as from the 1st April, 1949, on balance more or less favourable to the Board?—They were on the whole about fifty-fifty, that is to say, we gave up creamery profits and they in their

turn reduced their guarantee fee for collecting bad debts and they also undertook to pay the expenses of their own publicity.

4286. Does the last sentence of the second sub-paragraph of paragraph 11 mean that if and when the reserves are distributed they are at the disposal of the milk producers, and has the Exchequer no claim at all on the part that has accrued since 1942?—That is so.

4287. Paragraph 12 says that the Board will not voluntarily accept any modification of the present agreement which would result in a reduction of their income. In the meantime they seem to be accumulating large reserves at the taxpayer's expense. Do you contemplate that the agreement is to remain unaltered until a decision is reached on future milk marketing arrangements and the part the Board is to play in them?—It is very difficult to see an alternative arrangement until a decision is reached on the future of milk marketing arrangements.

4288. The financial arrangements with the Board were not directly related to the services rendered to the Ministry and they have, as we have seen, greatly strengthened the Board's finances. Are you satisfied that they are equitable?—It is fair to say that that has happened over a very long period. If I might just put the matter into, perhaps, a different perspective, we pay the Board just over £600,000 for general administrative expenses and that includes, of course, the enormous job of paying the producers of milk. There are about 160,000 of them so the Board have to maintain a very large organisation for that purpose. They also maintain a regional organisation which is at our disposal for transport control. You may say, therefore, that the payment of £600,000 odd is strictly for services rendered. There may be small elements for a few items of central overheads which you could say are not directly on Ministry account but, broadly, that is a payment for services rendered by the Board's organisations and we should have to set up an alternative organisation to do it if we had to do it. Then, on top of that, we pay them a guarantee fee for collecting bad debts, which amounts to £85,000 or thereabouts.

4289. Can you give us the figure on the other side? You pay them £85,000 in fees for guaranteeing bad debts. Can you tell us how much the Board writes off, on the average?—It is negligible; the last figure I saw was about £3,000 or £4,000, or may be £5,000 in one year.

4290. That is an average?—It is about that, I think.

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4291. So you pay them £85,000 and they never write off more than about £5,000?—That is about right, but may I just complete the story? We pay them this £85,000 for guaranteeing bad debts, then on top of that we pay half the losses on national milk recording. The Ministry of Agriculture pay the other half. That, I think, one really ought, in a sense, to write off the account because it is regarded as a national service basically for food production. As you know, it is to determine the best strain of cow to yield the best type of milk. Write that off; I think it is fair. Then you are left really with a payment of £600,000 odd plus this guarantee fee which is, I think, open to attack in some respects. This is an agreement without any specific clause as to remuneration for the use of the services of this body, taking the form of what you would call remuneration for an agency service over and above its actual cost. You are getting, really, services worth £600,000 odd for about £700,000. Now, that represents a very small commission if you were setting up an organisation or if you were giving this to an existing type of organisation to do. I feel you have to look at it from that point of view.

4292. Is there any reason why the accounts of the Milk Marketing Board like those of the British Sugar Corporation should not be made available annually to the Public Accounts Committee?—Of course this body is simply acting—it is a statutory body—as our agents. We do not make a deficiency payment to them as we do to the British Sugar Corporation. It is really performing an agency service as a matter of convenience. We could, of course, set up our own organisation. We could have approached it in several different ways, but it was a matter of convenience to use them.

The Chairman was called away from the Committee and Mr. BENSON was called to the Chair.

Mr. Hoy.

4296. Sir Henry, what does this payment of £85,000 which you pay to the Milk Marketing Board for collecting bad debts bring in?—The total payments for milk.

4297. You have said you pay £85,000 for the collection of bad debts. I would like to know what you get?—You mean in terms of bad debts?

4298. Yes?—It is a fee for guaranteeing bad debts. It is the same figure that I gave just now, about £5,000 a year.

4299. £5,000 a year?—The actual bad debts incurred.

4300. I must say that is rather different. I thought you mentioned a sum of £85,000?—That is our payment.

4293. Perhaps you will give us a considered view on this as to whether it would be possible for these accounts to be supplied to us?—I will, certainly.*

4294. I have one question to ask on paragraphs 15-17, Cereals. Do you contemplate that the Ministry will continue to operate these plants at a loss, unfortunately, or it is intended at some time or other to dispose of them to the trade? Are they so situated that if they are to be sold they will command competitive offers from purchasers?—It is very hard to say, Mr. Chairman, how they could enter the open market as competitors, because in the nature of things their grain is selected, so to speak, against them. They have to dry down not to 18 or 19 per cent. which is the normal level for drying which the trade can work off, but they have to dry down to about 15 per cent. That is a costly operation and unless it is done on the basis of putting up prices so that the trade could recoup itself for the cost or of accepting this as a subsidised service, if you like to call it so, it is very hard to see how you could get it done on a purely commercial basis without putting the cost somewhere else.

Mr. David Jones.

4295. You said that you pay the Milk Marketing Board £600,000 a year for paying the producers. You said the producers were approximately how many, was it 60,000?—160,000.

Mr. David Jones.] I beg your pardon. I worked the figure out as being about £10 per producer, which seemed to be a pretty extortionate amount. That explains it.

*Statement supplied; not printed.

4301. That is your payment for guaranteeing bad debts?—For guaranteeing debts incurred.

4302. Do you think this sum of £85,000 is always required? It is a lot of money?—Of course this is an agreement which was negotiated a good long time ago. It had its origin in a practice of the Milk Marketing Board to set aside, I think it was, 5s. per £100 for bad debts. That was very ordinary commercial practice. They started off with a guarantee fee which, I think, was of the order of 4s. 3d. per £100. That was reduced fairly quickly to 3s. per £100 and then as from 1949 we negotiated a new agreement with them reducing it from 3s. to 1s. 6d. per £100. So, we have brought it down from 4s. 3d. to 1s. 6d., and

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we have brought down our liability correspondingly. The Board, I understand, were adamant, as it is an integral part of the agreement, that if we wanted to continue the whole arrangement we should have to pay this.

4303. But in view of the fact that you have been able to make these tremendous reductions, do not you think you might have another go at revising it downwards again?—We have made some tentative attempts and the climate was very unfavourable.

4304. Apparently, on the first agreement that the Ministry came to with them, the sum you paid was far too high?—(Sir Frank Tribe.) Perhaps I might say that over the whole period my information is that the Board have paid out less than 1 per cent. of the total amount of money they have received from the Ministry for guaranteeing debts.

4305. In view of these figures do not you think you could have another look at this? Somebody has been making money out of milk; this must be the milk and honey section?—(Sir Henry Hancock.) As I explained earlier in reply to the Chairman, you have got to look at this agreement as a whole, that this payment for the guaranteeing of debts is regarded by the Board as really a remuneration element in the agreement, and they are not prepared, as I understand the position, to give up their rights under the agreement, and they are in a pretty strong position.

4306. I am sure that you would agree, certainly with this Committee and I am certain the Treasury, that we disapprove of remuneration being covered up in this way. If they are entitled to greater remuneration, why do not you show it as remuneration and not something for services rendered, or some other sort of business like this?—it has a very long history, of course, a history dating right back to the early days of the war and it is very difficult ground to enter upon unless you have in reserve some alternative method of doing the job. If we set up our own organisation to do it at a time when the Milk Marketing Board machinery had to be kept in existence because of future marketing policy, that would obviously be a very extravagant arrangement because it would cost us far more than whatever is the element of notional net remuneration we pay to the Board now. If we paid a commercial organisation to do this, assuming we could find some commercial organisation sufficiently far-flung to do it, we are inclined to think it would cost us more than we are paying the Board now, including this fee, or, at any rate, as much.

4307. Do you think you could return to us, say, over a period of five years or ten

years since the thing began, the total sum that you have paid out guaranteeing these bad debts to the Milk Marketing Board and the sum that the Milk Marketing Board has paid out in payment of the bad debts? Could you do that?—Oh, certainly, we could let you have that.*

4308. If I may, I think I would like to see those figures. May I turn now to one other point. Regarding oils and fats, paragraph 10, payments amounting to £48,000 have been made for processing in respect of the cost of manufacturing a number of oilseed processing plants. If you go to the middle of the second subparagraph the Comptroller and Auditor General says: "They"—that is, the Ministry—"also state that the industry will only release them from the obligation to pay the cost of maintaining the closed plants if, in accordance with the understanding reached when the plants were closed, adequate supplies of oilseed are made available to those mills wishing to re-open". Does this mean that if you can never supply the oilseeds that these people can go on demanding £48,000 from you every year?—Until we can decontrol the industry. If we could decontrol the industry apparently this arrangement would cease.

4309. Do not you think you might try to revise this agreement? Do not you feel that you are really being held up to ransom in view of the changed situation in being asked to pay this sum?—I think this is a very cheap arrangement, if I may say so. The effect of bringing in these mills, which I think is the plain meaning of the undertaking given, would be that these mills could re-open and claim their share of the available oilseeds for crushing. The effect of that, of course, would be to increase transport charges very considerably and to increase overheads in the mills from whom you would have to withdraw an allocation. Therefore, overall, the Ministry would lose heavily on the deal. It is true we are maintaining a certain amount of surplus capacity but, as I said to the Chairman earlier, you cannot dogmatise about the future availabilities, you can only say as things are at the moment you cannot see any immediate prospect of oilseed becoming available to these mills, but it is a cheaper arrangement in many ways to have your plants that are being used used to capacity to maintain at a comparatively small payment a certain number of excess mills in being—as I said before there are strategic considerations involved in this too—than to try to open up a question which might involve you in greater expense.

4310. Surely in the changed economic situation circumstances would have compelled these people to close down these

* Appendix 22.

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mills because the supplies of oilseed were not available?—It might have done. On the other hand, it might have worked in another way, that these mills would have remained open and would have been able to load on to overheads the extra cost which the industry would have had to bear of not using all capacity so fully.

4311. Are you suggesting that what might have happened would have been that they would have kept these places open and allowed the losses which were being incurred to be taken out of the profits by increased prices?—Well, I cannot say, but I think that might have happened. It is an alternative possibility.

4312. Would you agree that we cannot go on for ever, anyhow, paying this £48,000 for keeping these mills closed?—I entirely agree, and the sooner we can get out of the arrangement the better. The only clean way of getting out of the arrangement is to end controls.

4313. What do the Treasury think about these arrangements in regard to these two things, the milk business and this oilseeds arrangement?—(Mr. *Milner-Barry*.) I think on both of them we would very much like to get out of them if it were possible to do so.

4314. Has the Treasury considered it?—(Mr. *Petch*.) We have asked the Ministry of Food to look into the oilseeds arrangement again I think fairly recently, and I think they are looking at it now. (Sir *Henry Hancock*.) We are doing so now.

Mr. *West*.

4315. I understand that the Milk Marketing Board was set up under statutory authority?—Yes.

4316. I understand you to say that the Milk Marketing Board as it is at present operated is operating as the agent of your Ministry?—Yes.

4317. I also understood you to say that the Milk Marketing Board are adamant, and when you use the word "adamant", do I understand you to mean that the Milk Marketing Board have stated that they will not carry on unless they get their £85,000 a year?—I think I might put it this way, that in order to secure an alteration of one part of the agreement we should have to give notice to terminate the whole agreement, to put the whole thing into the melting pot.

4318. The payment of £85,000 a year has been in operation for approximately 12 years?—I think it started in 1942 or 1943.

4319. Say 10 years?—Yes. (Sir *Frank Tribe*.) It used to be a much higher figure than that.

4320. Yes. I was going to suggest that the Milk Marketing Board had received from you over the years something well over £1 million with regard to this reserve for bad debts?—£991,000. (Sir *Henry Hancock*.) Yes, it is roughly £1 million.

4321. They are your agents. If they are set up as a statutory body and they have been receiving these enormous sums from your Ministry, why should they be adamant if they know full well that these sums have not been utilised for the purposes for which they were intended?—Well, I think I hinted at the answer to that before. This is a body which has a producer aspect. It is not an ordinary trading body, a commercial body, but it has certain trading elements in it. For instance, it runs and makes a profit on creameries. It regards itself as a public body, which is entitled to do the best it can for its constituent members, namely, milk producers. It takes the view that it is entitled to have a payment made for the use of its services which is a convenience to the Government over and above the actual net expenses incurred in putting these services at the disposal of the Government and from many points of view I think you would probably agree that a body of that kind is entitled to take that view.

4322. With great respect, why should the body take that view when now in the present circumstances the guaranteed price is in operation?—This is after all a producer body. It is looking after the interests of its constituent members, as I say, and it can say: "Well, the Ministry does not need to use us, they can set up their own organisation. If they want to use us, if it is convenient that they should use us, they must pay for it".

4323. Do I understand then that the attitude of the Milk Marketing Board, the statutory body which was set up, is that unless your Department pays them £85,000 or more a year for something they really do not need, that they will close shop? Is that the attitude?—They do not put it like that. They would not put it like that, and that would be an unfair way, I think, of putting it. Perhaps I led you into that question by my earlier remarks. The agreement includes this particular payment and when I sought to explain, perhaps to rationalise the payment, I said it must be looked at in relation to the whole payment made to the Milk Marketing Board under the agreement and that in a sense they might regard it, and quite properly regard it, as a commission for the use of their services.

4324. But when you entered into the agreement with them that you were going to pay them an annual sum in respect of bad debts, I assume that it was in your

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mind and in the minds of the representatives of the Milk Marketing Board that the payment was in fact to be in respect of bad debts? Was it or was not it?—Well, I could not say what was in the minds of the negotiators in 1942 or 1943.

4325. May we ask what was in the minds of your Ministry?—I think it was not appreciated that the element of bad debts was so small. I think it is fair to say that.

4326. If we may pursue that a little further, if at that time you had realised that the element of bad debts would not have been anything near the annual figure which you have been paying, do I understand you to say that you would not have agreed to pay it?—I think there would have been hesitation in paying such a high fee.

4327. That is every reason in the world for saying, of course, that this payment ought not to be made in the light of experience?—Well, we have succeeded in more than halving the fee, in reducing it from 4s. 3d. to 1s. 6d., and at that point we reached a stage at which it is not easy to make further progress because, as I said, the element of some payment for the use of the services of this body comes into consideration.

4328. I gather that the attitude of the Milk Marketing Board is to utilise this period of the guaranteed prices and utilise the provision which you are making towards bad debts for the purposes of creating a reserve for the producers hereafter which I assume when the guaranteed price system is removed they will distribute as an additional dividend to their producers, is that it?—They are entitled to distribute their reserves, I understand. What they will do with this or when, I could not say.

4329. But that is surely entirely contrary to the main purpose of the original scheme? The main purpose of the original scheme was to buy the milk, get their price in respect of it and retail it and then on the purchasing price surely they had their expense allowance as an element which was taken into consideration?—I think to be quite fair I ought to make this point perfectly clear, that here we are dealing with the Milk Marketing Board not in its statutory position as a Board who handle producers' prices and allocate and do all that, we are dealing with it as an ordinary business organisation doing a job of work for the convenience of the Ministry.

4330. But, with great respect, I do not see that. It is a statutory body which has been set up and all the expenses of operating it are being paid by the Government. All those who are employed in this statutory body are being paid their proper rate of remuneration for the job they do, and what

on earth is the reason for saying that the Board, this statutory body, should say to the Ministry: "Unless we get £85,000 a year in respect of something we do not spend we will refuse to carry out these functions for you"?—They have not said that. What they have made clear is that in order to modify this part of the agreement, which is an integral part of the agreement, we would have to go probably to the length of giving notice of termination of the whole agreement. I do submit that you have got to look at this from the point of view of using a business organisation to do a job for the convenience of the Government. It may be that if you had a comparable organisation and you paid its costs and then you paid a net remuneration on the top of its costs, as you would be expected to do with a business organisation, the net result would be no different from the result we have here, and I suggest in fairness to the Milk Marketing Board that that aspect of the matter has to be considered.

4331. But the Milk Marketing Board was set up as a statutory body with certain defined functions. We are not dealing with them in competition with another organisation which the Ministry might propose to use for the maintenance of its present scheme?—But it was not set up to act as an agent of the Ministry in this particular field, and it is a convenience to the Ministry to use it. Indeed, it may really be in the long run a great economy to have used this organisation. It may be that the expense of setting up a separate organisation would have been very high; at certain stages of the war, I think, it would have been quite impossible to set up an alternative organisation. I daresay, given the staff, we could set up an alternative organisation now. As I said before, while you have the Milk Marketing Board in existence it would be grossly extravagant to superimpose a new organisation on top of that for the purpose of paying producers.

4332. Can you give the Committee any reasonable ground upon which this Public Accounts Committee could approve the utilisation of public moneys for creating a reserve to be distributed at some time in the future by a Milk Marketing Board to producers which was never envisaged by the original scheme?—The only answer I can make is to suggest, as I have done before, that you must look at the Milk Marketing Board in the performance of these functions not in relation to its statutory functions pre-war but as an independent business organisation which happened to be to hand and which the Ministry have used, and that you have got then to look at the payment made to it as overall remuneration. That, I suggest, is a way of looking at it which it is for the Committee, I respectfully suggest, to consider.

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[Continued.]

Mr. Peter Roberts.

4333. With regard to the Milk Marketing Board, you say it is an ordinary business organisation, or some facet of it is an ordinary business organisation. May I ask the Treasury, does it pay income tax?—I can tell you that, it does.

4334. When they are receiving as part of their remuneration certain sums of money which can be set aside as being reserved for bad debts, would that be caught for income tax purposes?—(Mr. Petch.) I am not sure that they would say part of their remuneration goes to reserve, there are certain other activities on which they are engaged and they would say their reserves were created from the profits of those activities.

4335. If the Treasury felt it was receiving some large sum of money by way of set-off against bad debts which was not taxable and at the same time they said when asked to reorganise this, "This is part of our remuneration," what effect would that have on the Treasury?—Do you mean on the income tax position?

4336. Yes?—I imagine income tax is collected on the whole remuneration.

4337. And on this reserve for bad debts?—(Dr. Bailey.) Income tax is levied on the total net profit of the Board.

4338. Including the reserve for bad debts?—Including the reserve, taking everything into account.

4339. Now, returning to seed crushing, as a result of what you said, would it really not be true to say it would be considerably cheaper for the taxpayer if this industry was decontrolled?

Mr. Benson.] I hardly think you can ask Sir Henry that.

Mr. Peter Roberts.

4340. Turning to paragraph 15, to the question of drying and storing home-grown wheat, first of all does this question of drying refer only to wheat or does not rye come into this as well?—(Sir Henry Hancock.) I think I am right in saying this is only wheat.

4341. The Ministry buys rye?—I think the quantities of home-produced rye are so small that they do not cause complications of the kind which arise here because of the use of harvesters and the sudden accumulation of vast quantities of wheat at harvest time.

4342. I do not want to press this particular one, but I would like that confirmed, that it does not include rye, because I should have thought from the nature of it that it must? If you say it does not, I

will not pursue it any further. With regard to the question of the moisture percentage, would you not agree that a great deal of inefficiency is taking place during this period owing to the double handling? Is not it a fact that a farmer produces wheat and dries it down to 18 per cent., which he has to do in order to get his full quantitative price, he then has to send it off to some Ministry dryer who have to handle the thing all over again and dry it down to about 15 per cent.?—I think I am right in saying that the grain that we take under these arrangements is not dried down at all, it is sent direct to these Recommissioned Mills for drying *ab initio*.

4343. Much of it, surely, is bought at 18 per cent., having had a first drying?—No, it comes straight out of the harvesters. That is the whole purpose of these arrangements.

4344. What happens to the corn which goes straight out of the harvester to a dryer at the farm and then is sold to the Ministry?—That is normally sold to the miller direct. That is, of course, part of our trouble, that these Recommissioned Mills have all the selection made against them, they have to take the wet stuff, whereas the merchant buying for the miller buys the 18 to 19 per cent. dry grain.

4345. So that the Ministry does not buy at all from the farmer?—Yes, it buys the stuff that needs drying down.

4346. You do not buy any from the farmer before it is dried?—There may be fractional quantities, but broadly it is true to say, as far as I know, that the wheat we are taking into these mills is wheat coming straight out of the combine and wheat which has a moisture content of, possibly 20 or 21 per cent. We have to dry that down in these mills to about 15 per cent.

4347. I am sorry to press this because my evidence is rather contrary. The farmer, if he has a dryer, dries his wheat down to 18 per cent., he then sells it to the Ministry who have to dry it down to 15 per cent. because they cannot store it?—I very much doubt whether any appreciable quantity of that happens because that is not the purpose for which these particular arrangements have been made. The wheat that has been dried down to 18 or 19 per cent. from the farmer will normally find a ready market in the home trade. The wheat that we have to take is wheat that, generally, has not been dried down and cannot be dried down and all that is despite the inducement to the growers to retain wheat on the farms and get the benefit of the higher price which, as you know, increases on a scale.

4348. May I put this question in order that the matter may be quite clear on the

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[Continued.]

record, that as far as you know there is no wheat which has been dried by the farmer down to 18 per cent. which is then bought by the Ministry and taken to one of these Ministry drying places and dried down again to 15 per cent.—My impression is that if there is any such it is of negligible amount, but I will certainly verify the point and let the Committee know.*

4349. I would be obliged if you would? Still on this line of questioning, the farmer himself would be prepared, would not he, to dry it down to 15 per cent. in the first place if he was asked to by the Ministry and if it was made worth while?—My information is that it is an operation which the farmer would not willingly undertake and it is a difficult operation, in fact, which he will not undertake at the moment, I understand, because the remuneration given by the Ministry does not even cover the cost of doing it.

4350. It is a costly operation wherever it is done? Anyway it does not arise if you say it is such a small quantity. The figure I was looking at was this £400,000. It does not come into that figure?—That, of course, is mainly the cost of drying down below 18 or 19 per cent. to 15 per cent.

4351. That is what I am talking about. You say that is only in cases where it has come in wet in the first place and it is not a second drying process?—That is what I understand the position to be, as I say. I will verify and let the Committee know.

Mr. Cuthbert.

4352. One question on the British Sugar Corporation Ltd. Accounts, on the confidential sheet. We have heard of the Sugar Corporation Ltd. deficiency payment account and I wonder if you will explain to myself and the Committee what this incentive figure is, "Share of accumulated economies" which amount to about £576,000; What is that exactly, because I cannot trace it in any of the profit and loss accounts afterwards? You have on the one side here all the operating losses and on the other side management expenditure, depreciation and so on which we can trace into your profit and loss account, but I cannot find these three figures under "Incentive," and I am rather curious to know what it is?—Yes, I have it now.

4353. I was wondering what it is for and who gets it?—The Incentive Agreement, as you probably know, was an agreement with the Corporation to give them an inducement to make economies in their working

* *Note by Witness*:—The Wheat (Great Britain) Order, 1951 (S.I. 1951 No. 1122) requires a seller, at or before the time of sale, to notify the buyer in writing if wheat offered for sale has been artificially dried. Where such notification is given Recommended Mills do not buy the wheat.

operations by retaining a share of savings made on certain operations, and the operations have been in the past the handling of the beet, certain parts of the processing of the beet, administrative overheads, certain transport charges and the like, and we are now in process of negotiating with the Corporation for an extension of the scope of the incentive agreement so as to cover extraction costs and the costs of handling the beet into the factory. It is a method, really, I think it is fair to say, of giving the Corporation a share in savings so as to give them an incentive to efficiency and economy.

4354. That is an amount paid to the Corporation direct, but can you tell me where I find that figure, or what is it included in, in the profit and loss account?—It is included in the deficiency payment.

4355. Is it deducted from this profit of trading of £1,563,000? I want to trace where it is given?—(Dr. Bailey.) It has gone into the profit and loss account.

4356. That is what I want to know, what item of profit and loss does it come out of? Is this figure at the top of £1,563,000 odd, reduced by that sum?—(Sir Henry Hancock.) The deficiency payment includes the incentive payment, that is a hard fact in these accounts.

4357. You see what I am getting at, I cannot find this £576,717 in any of the balance sheets in this statement, unless it is included in or deducted from some item in the profit and loss account, and I wondered if you can tell me which one?—It is certainly included in the deficiency payment.

4358. Then we would say, from our point of view as a Committee, that apart from the losses that we see here on the beet campaign you also have to add this incentive amount here of £576,000 odd as well because that is paid to the Corporation, is that so?—That is an element in the deficiency payment which we should otherwise have to pay.

4359. But it is on top of other losses?—Yes.

Mr. Blenkinsop.

4360. I have one point on Paragraph 14 of the Comptroller and Auditor General's Report on the Trading Accounts and Balance Sheets. He mentions here that you are investigating the working of this formula by which payments are made by the Ministry to the sugar refiners, and it is said that the results of the investigations are not yet available. Are you hopeful of establishing a revised system of payment that will achieve some economy to the Ministry?—Well, the report of the accountant has only just come to hand a

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[Continued.]

few days ago and we have not had any opportunity of considering it in detail. What it does show is that in respect of home trade—this is from a very quick look at it—in some respects the agreement has worked out rather disadvantageously to the refiners. I would not like to say more at this stage.

4361. You will be following that up, no doubt, later on?—Yes.

4362. One or two points on the Sugar Corporation's balance sheet. I notice a considerable increase in fixed assets and also on the ordinary profit and loss account very naturally a consequential increase in their depreciation figure. What is the type of increase in fixed assets, can you say which has taken place? I see there is a note here that there has been large expenditure?—New extraction and new pro-

cessing plant is being installed on a large scale throughout the factories.

4363. That also takes account of the depreciation?—It reflects itself in the depreciation account.

Mr. West.] Is it possible for this Committee to have a copy of the agreement between the Ministry and the Milk Marketing Board governing the terms and payments which Sir Henry has said are incorporated in the agreement?

Mr. Benson.

4364. I think so. I do not know whether there is any objection to that, Sir Henry?—It is a series of agreements and letters and it is not a simple document, but we will do our best to see what we can do.*

* Information supplied ; not printed.

OVERSEAS RESOURCES DEVELOPMENT ACT, 1948, ACCOUNTS, 1950-51.

ACCOUNT OF THE RECEIPTS AND PAYMENTS OF THE MINISTER OF FOOD IN CONNECTION WITH THE OVERSEAS FOOD CORPORATION.

Mr. Benson.

4365. May we take the White Paper, Overseas Resources Development Act Accounts, page 4, the Report of the Comptroller and Auditor General? In paragraph 4, the Queensland-British Food Corporation now is the only overseas Corporation that you are responsible for, is not it?—(Sir Henry Hancock.) The Queensland-British is the only one.

4366. What exactly is happening there at the moment?—As you know they have had a series of rather disappointing seasons due to the cruel climate of Queensland and at a recent meeting of the Board in Australia they decided to appoint a Committee to advise them on future planning and stock-raising programmes. The Committee probably know the scheme was conceived as a sorghum raising area to be exported to this country as grain and also to be used as food for pigs and to some extent cattle. The sorghum planting, as the report shows, has not so far been very successful. The raising of pigs has not really made very much progress. The cattle side of the enterprise has been the most promising but on a very small scale indeed. The Corporation now really want to take a longer term view of their operations and they are setting up a Committee the constitution of which will be announced I hope in a few days, to go out to Australia, see the thing on the ground and advise them as to what their future plan of operation should be.

4367. You are advancing about £1½ million. Have you power to advance more than the present £1½ million?—I think we should have to come to Parliament to do it.

4368. Now, the reverse process. What arrangements are there for the recovery of the capital?—Well, that depends, I think, on the success of the operations.

4369. I was assuming that, but assuming that the capital is repaid, what happens to it, is it repaid direct to the Exchequer or does it come into your accounts as an Appropriation in Aid? Perhaps the Treasury could answer that?—(Mr. Milner-Barry.) It comes into a separate account such as the White Paper Account before the Committee and is paid over by the Ministry of Food to the Exchequer.

Mr. Cuthbert.

4370. I do want to confirm that we are quite sure, as far as this Committee is concerned, that no money beyond this £1½ million shall be given to this Corporation without the sanction of Parliament?—(Sir Henry Hancock.) I think that is absolutely correct.

4371. You see what I have in mind?—Yes.

4372. This Committee have seen other instances where it keeps going up and up?—It is provided by the Act. I have now got the reference to the Act and we cannot give any more.

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[Continued.]

Mr. Hoy.

4373. This Queensland scheme in the first year or two was quite successful, was not it?—It has not been what you would call really successful in the real meaning of the term yet. After all it is a comparatively new scheme but it has had a succession of what appear to be bad seasons. They

may be the normal seasons for Queensland, that one cannot predict.

4374. They have no control over the weather, of course?—They have no control.

Mr. Benson.] Thank you for your assistance, Sir Henry.

Sir Henry Hancock and Dr. Bailey withdrew.

OVERSEAS RESOURCES DEVELOPMENT ACT, 1948, ACCOUNTS, 1950-51.

ACCOUNT OF THE RECEIPTS AND PAYMENTS OF THE SECRETARY OF STATE FOR THE COLONIES IN CONNECTION WITH THE COLONIAL DEVELOPMENT CORPORATION.

On this Account no questions were asked.

The witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 15TH MAY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Blenkinsop.
Mr. Hoy.
Mr. Douglas Marshall.

Mr. Scott.
Mr. David Thomas.
Mr. West.

FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CLASS II.

VOTE 1.

FOREIGN SERVICE.

VOTE 2.

FOREIGN SERVICE GRANTS AND SERVICES.

VOTE 3.

BRITISH COUNCIL.

VOTE 4.

UNITED NATIONS.

Sir WILLIAM STRANG, G.C.M.G., K.C.B., M.B.E., Permanent Under-Secretary of State for Foreign Affairs, Mr. S. J. SECKER, C.B.E., Accountant General, Foreign Office (German Section), and Mr. R. DAVIES, C.M.G., Assistant Director General (Functional), British Council, called in and examined.

Mr. Blenkinsop.

4375. I have one point on the Appropriation Accounts, Classes I-VIII, the Foreign Office Grants and Services Account on page

68. We see there a very considerable fall in the sum expended on information services, which we understand from the note is largely due to restriction of activities.

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[Continued.]

It is a matter of a good deal of interest, and I should be glad if we could know how much is due to the positive action of restricting the activities and how much is due to any other factors, for example, as is mentioned here, the shortage of suitable films, and other factors which may arise? Could we have any split up of the reduction of expenditure there?—(Sir William Strang.) The under-spending is divided, roughly speaking, as follows: Press services, £33,000; films, and this is the biggest of them, £87,000; broadcasting, £18,000; miscellaneous, £9,000. The saving on films was due to one special circumstance: we had been accustomed in the early years after the war to use certain documentaries illustrating various aspects of British life intended for showing in the United Kingdom, in the Commonwealth and the Colonies and in foreign countries, too. Later on we found that they were not really quite suitable for foreign countries in the post-war years. The production of this type of film was abandoned and the production of certain types was discussed, but we did not set them in hand in the year of account. That is the main curtailment, but side by side with that, of course, there is a general reduction overall in information activities. That has been so for the last three or four years: there have been successive reductions, and that is reflected in this Subhead which deals with supplies—not salaries—supplies and equipment.

4376. The point I was trying to get at was, really, how much of this reduction is, as it were, centrally determined by the policy we recognise was carried out, that there should be a general cutting down on the services, and how much due simply to the fact that the various facilities were not available and, therefore, you had some underexpenditure?—I am not sure I could give you that break-down with any accuracy. I am told it was very largely a matter of deliberate central policy rather than other reasons.

4377. Turning to page 70, Subhead N, "Short Term Aid to Burma", you say here that there has been no application received during the particular year under consideration, and the sum has been carried forward to a further year. I do not know whether it is proper to make any enquiry as to whether, in fact, any applications have since been made?—None.

Mr. Douglas Marshall.

4378. On pages 76 and 77 under the Grant in Aid account of the British Council, if you turn to the note on page 77 to Subhead G, "Publicity", there is an under-spending of £60,889, and I see that the under-spending occurred on books and periodicals. What actually happens with regard to books? I see the note says: "Under-spending occurred on books and

periodicals notably for Trinidad, France, Czechoslovakia, Bulgaria and Hungary". I found in this very period when I was in Yugoslavia that there was rather a shortage of our books there, and is there any kind of decided limit on British books?—(Mr. Davies.) In the case of Trinidad it was a condition imposed by the Treasury on our activity in sending more books there. That was one of two big schemes in the West Indies where we were setting up a library system on the basis of spending £70,000 in each place over ten years and the Jamaican Government has already taken over this system which we started for them, but the Trinidad Government showed little or no sense of being ready to do so, and the Treasury told us that we must hold up on expenditure there.

4379. Really, the point I was going to ask you was not the point you have mentioned under Subhead G. Has there been any under-spending on the question of books and periodicals, in your view, in any other of the important parts of the World which are covered by Subhead G?—There was under-spending in those countries mentioned.

4380. But nowhere else, in your view?—I do not think so, in other countries. Since then, as a result of further cuts we have had to restrict the activity of supplying books to our libraries in all these countries to an extent which we regard as disadvantageous because the libraries are not really being fully maintained with a proper flow of new books, but in this particular year I do not think that we were suffering from that. There is also a purely technical reason for the under-spending, and that is delay in the submission of invoices by the Stationery Office through whom we buy the books, so that the payments for books which we actually obtained in that year were only made in the following financial year.

4381. So, really, the global expenditure was, in fact, spent, more or less?—Or pledged, if not actually paid for.

Chairman.

4382. There are a few questions I would like to ask on the Appropriation Account. Perhaps I might start with the British Council, since Mr. Davies is here. I have a few questions arising from the Comptroller and Auditor General's Report. First of all, on paragraph 11, it seems that the present year's operations were transitional. When the Council's management of hostels has settled down, do you hope to improve on this heavy loss of 55 per cent. of operating expenses?—There never has been any hope or intention of making these residences self-supporting. We estimated for a loss and we made a loss slightly in excess on the whole of the loss for which we estimated,

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[Continued.]

but on the five-year plan for these residences we expect to operate below the estimated figure when the plan was prepared.

4383. How many hostels are you operating now?—Only four. We have one big one in London at Hans Crescent and there is one for Colonial women students at Collingham Gardens, there is one in Edinburgh and one in Newcastle.

4384. On paragraph 12, how much of the improved estimate of £489,064 relates to hostels and how much to other student welfare services?—As mentioned here, the total expenditure for the residence acquired by the Ministry of Works was £235,000, and the total capital cost of the residence is stated in paragraph 13 to be £341,000, but we ourselves rent it from the Ministry of Works. We pay a rental of £10,000 odd per annum for it.

4385. We are on the wrong track, I am afraid. I am asking how much of the figure of £489,064 which has been approved by the Treasury as indicated in paragraph 12 relates to hostels and how much to other student welfare services?—I should say, approximately half and half.

4386. What are the other services?—The services which we supply to students are under three headings. We meet students on their arrival and we transport them to places where they are going to live, we find accommodation for them, we arrange vacation courses for them and we conduct student welfare activities for them, not only in London but at all our centres, where there are students, scattered about all over the country. Of course, a lot of our student welfare expenditure already existed before we had this Colonial Development and Welfare Fund grant for it and part of our student welfare expenditure is met by the Foreign Office, part from the Colonial Office's ordinary Vote and part from the Commonwealth Relations Office Vote.

4387. Now, dealing with Hans Crescent, paragraph 13, can you tell me what the weekly operating loss was in these first six months? Can you tell me what it was in terms of students' beds occupied?—I do not think I have the figure in the form of the weekly operating loss in terms of students' beds occupied. I can give you the operating loss in terms of students.

4388. In terms of students in occupation, that is really what I want?—The net cost of the residence now, in 1952, is 27s. per week per student in Hans Crescent. In other words, in order to bring the thing to a self-supporting basis, we should have to charge £5 a week to the student who had a single room instead of the £3 13s. 6d. which we are charging now.

4389. Is that figure an improvement on the situation as it was on the six months that are dealt with here?—Yes, it is an improvement.

4390. Can you give me a comparable figure?—No, I am afraid I cannot for the year under examination.

4391. I think we would be interested to know to what extent you have been able to reduce the weekly operating loss?—I have not the figure for this.

4392. Perhaps you could let me have it?—We can, yes.*

4393. I want to ask about your staff canteen. Is there any special explanation for the loss mentioned in paragraph 14?—Yes, there are several. It is not quite accurate really to describe it as solely a staff canteen. It was set up originally not only to supply canteen services for the staff but also to supply services in the evenings and at week-ends for students in London and to cover a great deal of the hospitality activity of the Council. In other words, when the Council has to entertain people at lunches and so on it was hoped that we could do all of that work and do it more cheaply on our own premises, and to an extent which it is not easy to estimate closely the loss of nearly £4,000 is attributable to services rendered to the visitors' department and to the students' welfare department. There is one point that I think I might mention, that the Comptroller and Auditor General in his Report describes the loss of £4,000-odd as a loss made after suitable allowance has been made for the concessions made to Government staff canteens. That is true of the concessions which were in operation during the year under examination. Since then, greater concessions have been approved by the Treasury which would have reduced this loss, had they been in force, by more than £1,000.

4394. What proportion of the canteen's activities were devoted to the special functions that you have talked of?—It is rather difficult to answer that except by inference. Now that we have reluctantly abandoned trying to run all those other activities from the canteen, in the second

* *Note by Witness:* The extent to which the weekly operating loss per bed occupied at Hans Crescent has been reduced since this Residence was opened is as follows. The last of these figures is that quoted in my answer to Question 4388.

1950-51 (last six months)	80s. 5d.
(As work was still in progress all beds could not be occupied for some months.)	
1951-52 (full year)	55s. 2d.
(Application of economies delayed by students' strike.)	
1951-52 (last quarter)	35s. 0d.
(Effect of increased charges and economies in expenditure.)	
1952-53 (estimated)	27s. 0d.

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[Continued.]

year—the year after the one under review—the loss was reduced to £450, and, in the first part of the year we are now in, the canteen, which is now serving the staff only, is being run at a profit.

4395. Do you mean you have not any idea of, broadly, what proportion of the activities of the canteen are devoted to these activities?—I think the £3,000 of loss which is left after one has deducted the current privileges which are given here is accounted for by the special activities. We made a rough estimate that probably the student welfare activities accounted for, perhaps, £1,000 of the loss and I should say that the remainder is due to the other special user activities of the canteen.

4396. I do not see offhand how you can allocate bits of the loss to it, but what I really want to get at is this: here is a canteen which is doing a lot of things. What proportion of the resources of the club, in terms of hours of work or number of meals or what you like, of the total provision of the club, is in the form of special functions? Is it 5 per cent. or 20 per cent., or what?—Oh, it is a much greater percentage than that. It is very difficult to say, when your students are using the canteen in the evening and at the week-end for certain purposes of their own, for light refreshments and teas and that kind of thing, how much of the staff and so on goes into that, and, of course, a lot

of the Council visitors who were being entertained at lunch, and so on, were being entertained in a dining room which was also serving those members of the staff who like to avail themselves of that room. No record was kept of the individual numbers but we do know that about 1,000 persons in that year were entertained to lunch in the canteen who would otherwise have been entertained outside in hotels or restaurants.

4397. Sir Frank, when you examined these accounts, what impression did you get, that well over 20 per cent. would have been devoted to special purposes?—(Sir Frank Tribe.) The impression I got was that the proportion of expenditure which related solely to official receptions and functions was only about 5 per cent. That is official functions. It did not include a visitor being invited to a casual lunch, I take it, but my understanding was that the original basis for treating the staff canteen on this very exceptional basis on which the loss falls on Government funds and not on the members was due to the argument that it was needed for these receptions and functions. In point of fact the receptions and functions did not, as far as I could see, entail more than 5 per cent. of their total expenses.

4398. Are the usual arrangements now being followed so as to exclude the canteen expenditure and receipts from the Grant in Aid Account?—(Mr. Davies.) Yes, they are.

Mr. Davies withdrew.

TREASURY MINUTE ON PARAGRAPHS 30-33 AND 34-37 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Chairman.

4399. Turning now to the Treasury Minute on paragraphs 30-33 of last year's Committee, I am interested in the distinction that is being made between contributions by reference to their amount. Am I right in supposing, Mr. Milner-Barry, that it is intended that some contributions to international organisations will be exempted from this new procedure?—(Mr. Milner-Barry.) Yes. The position is as follows: the Committee, I think, and the Comptroller and Auditor General in his Report, referred particularly to a number of the very substantial contributions which are made to bodies like the United Nations, and so on, and we gave consideration to that. We were a little nervous of the effect from an Estimates point of view of saying straight away that we would regard all contributions to international bodies, irrespective of amount, as though they were grants in aid and give them the full grant in aid treatment provided in the Estimates, simply from the point of view of the amount of addi-

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tional space and detail that would be required. We therefore thought purely as a provisional measure that we should be meeting the Committee's wishes if we dealt with all the major contributions of this character, and for the purpose of operating this new procedure we have selected an arbitrary limit of £30,000. Any contribution above £30,000 will, unless there are special reasons to the contrary, of which I only know of one or two cases, be treated as grants in aid; but I do not want to give the Committee the impression that that is, so to speak, intended to be a final ruling. It is an experimental stage to see how this new procedure works out.

4400. That is not quite what your Minute says, is it? As I read the Minute it says that you will regard the type of contribution mentioned in the Committee's Report and any other substantial contributions as grants in aid. You are referring to the type of contribution mentioned in the Committee's Report if it is substantial?—Yes, it may be an ambiguity in the Minute, but

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[Continued.]

it was certainly intended to convey the impression that I have just given to the Committee.

4401. I do not think it is an ambiguity in the English?—Could not “substantial” be assumed to refer to “type”? “The type of contributions and other substantial con-

tributions,” “substantial” referring to “type.”

4402. That is not how I read it, but we will not argue about it?—Of course, there is no virtue in the £30,000, it is a purely arbitrary limit, but it does ensure that all the important ones are brought in.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASS IX).

VOTE 6.

FOREIGN OFFICE (GERMAN SECTION).

VOTE 7.

ADMINISTRATION OF CERTAIN AFRICAN TERRITORIES.

Chairman.

4403. May we turn now to the Civil Appropriation Accounts, Class IX? In paragraphs 53 and 54 of the Comptroller and Auditor General's Report, under the heading “Joint Export-Import Agency” there is the statement that the United Kingdom made a definite claim on Germany for post-war economic assistance and that negotiations were proceeding. Last year you told the Committee that the figure would total about £207 million. Is this still the total of the claim?—(Sir *William Strang*.) No, the total of the claim is £201.8 million. That is made up, first of all, of a figure for the imports into Germany from the beginning of the occupation until 1950 of £220 million, less the proceeds of exports from the British Zone up to 31st December, 1946, £45.3 million, net, £175.5 million. That is the first item. The second item is the contribution by the United Kingdom to the working capital of the Joint Export-Import Agency, which was the Joint Anglo-American body set up after the fusion to conduct the foreign trade of the bizonal area. The third substantial item is a payment to the Joint Export-Import Agency in final settlement of the obligations we had to supply goods under the revised fusion agreement of 1947. The item of working capital amounts to £23.4 million, the final payment to £2.5 million, and that together with one small miscellaneous item makes £201.8 million. That is the final evaluation of the claim as presented to the Germans.

4404. Have the Germans accepted it?—The Germans acknowledge in principle a debt arising from economic assistance and they regard its value as, in general, broadly speaking, reasonable.

4405. Will you publish the terms and settlement that you finally reach?—I am pretty sure we will. I might add one thing further, if I might, Mr. Chairman, that in the discussions with the Germans which preceded the opening of the Conference on

debts which is now proceeding in London, we agreed to scale that claim down somewhat on condition that there would be a satisfactory settlement of Germany's pre-war debts. We offered to be satisfied with a payment of £150 million, all interest waived, repayment in equal annuities of £7½ million over 20 years. That scaling down was a good deal less than the scaling down proposed by the Americans in respect of their corresponding figure.

4406. Why have not the accounts for this agency since 1948 yet been presented to Parliament?—(Mr. *Secker*.) The accounts for the period January to September, 1949, were presented in April.

4407. They have been presented to Parliament?—Yes, Command Paper No. 8506 issued in April.

4408. That goes up to when?—Up to the end of J.E.I.A.'s active operations, 30th September, 1949.

4409. When do we expect the agency to be finally wound up?—There are still some very big law-suits going on which will prevent an absolutely final liquidation, but the aim is to hand over the assets to the Federal Government subject to their undertaking to meet such claims as are allowed by the High Commission.

4410. Finally, Sir William, on the last paragraph of the Comptroller and Auditor General's Report, which is on Somalia, I take it this transfer did not take place without an agreement with Italy on the financial and economic aspects?—(Sir *William Strang*.) There was an exchange of notes with the Italian Government.

4411. How long ago?—That was an exchange of notes between Her Majesty's Government and the Italian Government in March, 1950, on the economic matters covering the handover.

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Sir WILLIAM STRANG, G.C.M.G., K.C.B., M.B.E.,
and Mr. S. J. SECKER, C.B.E.

[Continued.]

4412. Has Parliament been told of the handover?—Yes, the text of the exchange of notes was published in March of this year. There has been, I must confess, a delay. Part of the delay was due to the fact that the Italian Government took a long time ratifying the trusteeship arrangement under the United Nations, and we felt that until that agreement had been ratified the exchange of notes could not be regarded as definite and, therefore, we did not feel it right to publish. They ratified in November, 1951, and we ought to have published then, but the delay between November, 1951, and March, 1952, is due to an oversight for which we are sorry.

4413. In what form has it been published?—As a White Paper. (Mr. Milner-Barry.) I am told, Command Paper No. 8502, Sir.

4414. When was the currency redemption completed, and how much has been

redeemed?—(Sir William Strang.) In accordance with the exchange of notes the Italian authorities issued a new currency and they did carry out the redemption of East African currency. The Italian Embassy notified us that their authorities in Somalia had redeemed currency equivalent to the sum of £872,000 odd and that currency had been boxed ready to be returned, but as the Italian Parliament had not yet ratified the provisions of the exchange of notes which we have just published, the Italian Government had not yet given sanction for this currency to be returned. We have continued to press the Italian Embassy here for a decision and they now tell us that the Italian Parliament will ratify this exchange of notes in July, after which they hope that this transaction can be completed.

Chairman.] Thank you, Sir William.

The witnesses withdrew.

Adjourned to Tuesday next at 4 p.m.

TUESDAY, 20TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Blenkinsop.
Mr. Bossom.
Mr. Cuthbert.

Mr. Hoy.
Mr. David Jones.
Mr. Peter Roberts.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CLASS III.

VOTE 7.

SUPREME COURT OF JUDICATURE, &c.

VOTE 8.

COUNTY COURTS, &c.

Hon. Sir ALBERT NAPIER, K.C.B., Q.C., Clerk of the Crown in Chancery and Permanent Secretary to the Lord Chancellor, called in and examined.

Chairman.

4415. May we start with the Civil Appropriation Accounts, Class III, Vote 7, paragraph 20 of the Comptroller and Auditor General's Report, on page x of the volume?

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Sir Albert, can you give us an idea of the approximate total sum now due but not yet collected from the estates?—(Sir Albert Napier.) It is very approximate, but it is expected to be something like £50,000.

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SIR ALBERT NAPIER, K.C.B., Q.C.

[Continued.]

4416. How often did you make up the accounts for recovery when conditions were normal?—Well, for a patient's estate, about once every two years, for each patient.

4417. What is the time-lag in making up the accounts at the present time?—I suppose we are about, as it were seven years behind. We try and take the one that is most in arrear first because that, in a sense, is the most urgent, it is most needed in case the patient were to die, and we try and work upwards to the present day hoping always not only to do as much as we would if we were up to date, but a little more so as gradually to clear off the arrears. I am afraid I am not as optimistic at the moment as I was a few months ago in being able to catch up because each time we think we have got some staff to devote to recovering the accounts, a fresh batch of lunatics arrives with their estates, there is a fresh batch for which the Master in Lunacy orders us to be Receivers. I say "us"; the Official Solicitor is appointed Receiver and he has, of course, to pay attention to the orders of the Master in Lunacy and get busy on the new patients, and if he at that moment has not enough staff to cope with the inrush of work without calling on the accounts staff, he has to call upon them to the detriment of the business of recovering costs.

4418. What staff have you got on the work? How many more do you need to overtake the arrears, say, within a year?—To overtake the whole arrears within a year we would want five or six, something of that sort. I do not know that there is an enormous object in recovering them all within a year because it would impose a fresh weight on staff in the Court of Protection, because they have to pass what the Official Solicitor produces in order to justify taking those costs out of the estate.

4419. Is not there some danger, though, of loss to public funds through the delay? Would not it be desirable, really, if at all possible, to catch up?—Oh, yes, it would be desirable, but it is a question of degree. We are entirely talking about the estates of patients here. We do recover quite a lot of costs in those cases, about £30,000 in this last year.

4420. Have you reliable arrangements to ensure that bills are prepared and settled before estates are transferred from the Court? For example, in the case of a ward of the Court dying, do you prepare the bills at once for settlement?—Yes, we are obliged to do that.

4421. What steps have you taken to get adequate staff?—We are to some extent limited by a ceiling for the whole department, neither the Master in Lunacy nor

the Official Solicitor, but the whole lot. It requires a very strong case to exceed that ceiling. I think, perhaps, we were at fault about six months ago in not putting a case to the Treasury for more staff for this purpose, but we were then a little more optimistic in being able to catch up our arrears. It certainly is bad business not to make out the bill of costs until the patient dies. That is definitely bad business because it has got to be done in a hurry then, and has got to be done more scientifically, more carefully, because it has got to go before Courts which deal with the administration. There is great difficulty in getting the costs in before the patient dies. The whole thing is a question of degree. There is all the rest of the business of the office which really has to be carried out. There are a great many branches in which the costs have just got to be got in without any delay, and there is a great deal of business to be attended to without any delay. This happens to be just the one point in which a certain amount of delay does not do much damage.

4422. What do you think, Mr. Milner-Barry, about these failures to make recovery in good time?—(Mr. Milner-Barry.) We would naturally like them to overtake them, but it is a question, I suppose, of disposing of the available staff over the whole field of activity. I believe that there is a request before us now which is being considered for a few extra people, but I do not think we have made up our minds about that. That is under consideration.

4423. May I turn now to page 152, to the Accounts themselves. I see from the note on page 152 that a large sum of Supreme Court fees was misappropriated by a clerk. Could you tell us briefly how this came about?—(Sir Albert Napier.) That was the clerk to one of the Official Referees who ingeniously traded on the ignorance of solicitors' clerks. A certain fee which they had got to pay had got to be paid in stamps, and he used to get them to give him the money and then, instead of getting the document stamped, he put the money in his pocket, and this went on for a long time.

4424. For how long?—I think about a year or more.

4425. For how long was the fraud in operation before you discovered it?—Two years, I think.

4426. And over this period of two years he was able to misappropriate over £2,000?—Yes. I think we have devised a means by which nobody else could do it, because we have got a bigger liaison with the other department of the Law Courts which files these documents and makes quite sure that the stamp is there.

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Sir ALBERT NAPIER, K.C.B., Q.C.

[Continued.]

4427. Have you taken similar steps as regards other Divisions of the Supreme Court?—It does not arise in other Divisions. It concerns the journeys taken by Official Referees when they go at the parties' request to take a case in some other place, then they have to get their subsistence which, as far as the litigant is concerned, is a Court fee, because litigants cannot be asked to pay anything but an authorised Court fee, and it has to be paid in stamps, or ought to be paid in stamps.

4428. Have you got any independent check, any internal audit, or any accounts branch that is checking up on this sort of thing without notice?—I am afraid I have given the wrong period. It was not two years but 12 years and he gradually collected £2,000.

4429. There must have been something terribly wrong in your arrangements, must not there, if you could have a fraud of that kind going on for 12 years without being detected?—I think there was.

4430. Did it mean that documents which ought to have been stamped were accepted unstamped for 12 years?—Yes, the person who ought to have seen to the stamp was the thief himself. The Filing Office where the document ultimately went had not at that time got instructions to see that these documents were stamped. It is not a normal thing that they would have been asked to look for. We have now made arrangements that they should make sure, but it is an anomalous kind of fee.

4431. There is another case on page 154, which talks about misappropriation of funds by county court bailiffs. Are these bailiffs supervised by other court officials?—Yes, they are; they ought to be, either a head bailiff or a chief clerk, and there are rather elaborate rules as to when they pay in, when somebody looks to see whether they have got any outstanding warrants. This particular bailiff used his position as a part-time bailiff to pretend at the time that he was not an official of the Court, that he was going to act for the debtor, and took the money, suppressing the fact that he had got a county court warrant. Then, he gradually collected money, and if he found he was forced to make a return for these documents he produced some money for that particular return, never producing enough. He was very ingenious over it. We have now stiffened up our instructions. They are not awfully easy to make sure; one does one's best to get bailiffs who have something to lose if they go wrong and who are well accredited. One has to do a great deal of trusting to the honesty of these people because the distances are great, the courts are small, the staffs are small and it is very easy to have much more supervision than the whole economics of the scheme would justify.

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4432. But you do now investigate cases where warrants are shown as having money uncollected?—Oh, yes. They are always investigated and always have been, but we are doing more in the way of surprise checks.

Mr. Benson.

4433. The heading of the Account shows that certain salaries are charged to these Accounts, not to the Consolidated Fund?—Yes.

4434. Where are they brought into account, in the Finance Accounts for the year and nowhere else?—I am told, in the Finance Accounts for the year.

4435. The various fines which are levied by the ordinary courts for criminal offences or motoring offences, I believe do eventually flow into the Exchequer by various devious routes, or they did?—Courts of Summary Jurisdiction fines?

4436. Yes, any fine imposed; a higher Court can impose a fine if it wishes?—Quarter Sessions, yes, I suppose so.

4437. I suppose any Court could, an Assize Court?—Assize Courts, yes, I think so.

4438. I think they used to arrive at the Exchequer by various devious routes, even if only by set-off. Has there been any more direct method of transferring to the Exchequer?—I think there has. I have not got anybody here who can answer that. I think it is a Home Office matter. It is the County that pays for the criminal justice and it is the County which did receive the fines which under some arrangement now go direct, or indirect, to the Exchequer.

4439. I gather they did before, but by most queer routes. They are now paid direct, are they?—I think they are; I heard they were. This is entirely a Home Office matter, as far as we are concerned.

Mr. Blenkinsop.

4440. On page 151 of the Accounts, under the Pensions Appeal Tribunals, there has been a reduction in the number of Tribunals and a consequential fall in expenditure. Could you say anything about the number of appeals that are holding fire which are really outstanding at the present time or at the date of these Accounts, and how many of these Tribunals are now operating? There are, in fact, only three types of Tribunal covered by this provision?—Yes, the Special Review Tribunals. There are 10 Pensions Appeal Tribunals and very few occasional Special Review Tribunals. They are up to date, I think; gradually we are clearing off the Special Review Tribunals when the work falls down.

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SIR ALBERT NAPIER, K.C.B., Q.C.

[Continued.]

4441. Special Review Tribunals were those brought to bear upon a particular backlog of work?—Yes.

4442. But the ordinary Pension Appeal Tribunals and the ordinary Assessment Tribunals which also fall within this heading, I think, have a fairly continuous flow of work?—Yes, they go on continuously. The Special Review Tribunals were dealing with cases which it was suspected must have been wrongly disallowed as a matter of law when Mr. Justice Denning decided some unexpected things in the High Court.

4443. They are more or less coming to an end now, I imagine?—They are coming to an end.

4444. With regard to the others, it is your understanding that they are fairly well up to date and there is not any increase in the number of cases outstanding which would justify any increase in the number of Tribunals or, at least, a check in the speed of reduction of the number of Tribunals?—No. I think they are expected to remain about level now, but we can always adjust the numbers of the Tribunals and the staff to the intake within limits.

Mr. Cuthbert.

4445. The clerk who misappropriated funds amounting to £2,000 odd, I think you did tell us, obtained that money from

firms and did not put the stamps on documents?—Yes.

4446. Were those documents eventually stamped or to this day do they go unstamped? Does it affect the legality of them at all?—It does not affect the legality. It was really the duty of the solicitor for the party to buy the stamps from the Stamp Office and put them on instead of giving anybody cash, because the general principle of taking money in the Supreme Court is that no official should handle cash.

4447. It does not affect the documents in any way?—No.

Mr. Hoy.

4448. On paragraph 20 of the Comptroller and Auditor General's Report, dealing with the engagement of staff, is it now possible for you to get suitable staff?—For the work of recovery of costs?

4449. Yes?—Oh, yes, we could get them.

4450. The only reason why you cannot get them is because the Treasury has imposed a cut on you, is that it?—The Government, yes.

4451. But you could undertake these arrears if you got this staff?—Yes. It is to some extent a technical matter, but that kind of staff are not difficult to get.

LEGAL AID AND ADVICE ACT, 1949, ACCOUNT, 1950-51.

Mr. T. G. LUND, C.B.E., Secretary, the Law Society, called in and examined.

Chairman.

4452. May we turn now to the White Paper on the Legal Aid and Advice Act, 1949? I see from paragraph 4 of the Comptroller and Auditor General's Report, Sir Albert, that the Statement of Accounts for 1950-51 was not received by him until the 31st March, 1952. What is the reason for this delay?—(Sir Albert Napier.) This is paragraph 4?

4453. Yes? In paragraph 4 the Comptroller and Auditor General says: "The account was accordingly submitted to me on 31st March, 1952." I am asking what was the reason for the delay?—It is that Sir Richard Yeabsley reported to the Lord Chancellor the week before, and so it was not in our hands until just before.

4454. Mr. Lund, do you think this kind of delay can be avoided in future?—(Mr. Lund.) I do not know, Sir, because I do not know how long the auditors are going to take in examining the accounts. I think it is almost certain that the time by which the Law Society's accounts for the complete year are ready for submission to the auditor must speed up as we get experience of it.

This was, of course, really the first year in which we had to deliver anything like as full accounts as this.

4455. But you do appreciate that these accounts are for the year ended 31st March, 1951. Apparently they were not in the hands of the Lord Chancellor until just a week or two before the 31st March, 1952. Are you really saying that you may continue to need getting on for twelve months?—So far as the Law Society is concerned, Sir, the draft account was appended to the report which we delivered to the Lord Chancellor in July of last year. It then went to the Lord Chancellor's auditor so that it was the auditor who had it from July.

4456. I see. Still on paragraph 4, Sir Albert, the Comptroller and Auditor General's Report reproduces two extracts from your auditor's report. With regard to the first, I would like to know, and I think my colleagues might like to know, what an allocatur is?—(Sir Albert Napier.) An allocatur is the decision of the Taxing Master of the Court as to what money is to be paid as costs to the solicitor, in this case the solicitor for the assisted person

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Sir ALBERT NAPIER, K.C.B., Q.C.,
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[Continued.]

after a taxation between solicitor and client. Parliament left that part of the decision as to what the conducting solicitors were to get to be finally settled by the Court, and the allocatur is really the decision of the Court. In this case it is either the Supreme Court Taxing Master or, in the case of the hundred and something District Registries of the High Court, officials up and down the Country who are Registrars of County Courts and also District Registrars of the High Court, and it is their technique and their function to tax costs, as it is called, and then their decision is called an allocatur, technically.

4457. Have you now made arrangements with the Law Society to secure for the auditor the information that he evidently considers necessary to complete his audit?—No, I do not think the Lord Chancellor ought to ask his auditor to audit accounts of Law Courts, to audit the bills of Law Courts. What the Court decides he has to take as a judicial decision. We have ventured to remind these Taxing Masters that their task in deciding these cases between solicitor and client in these assisted person cases differs from their ordinary work in that ordinarily they have someone representing each party before them and any points to be taken can be taken by somebody who thinks there is something wrong, but that in a way makes them rely on the two sides to some extent. We have reminded them that here they have only one side, because it would be outrageously extravagant and expensive for the Law Society to send a representative to see that these taxations are done right, and we have asked them to be careful both about their arithmetic and about seeing that when they give an allocatur it really relates to that part of the proceedings which are legally assisted and not to some part that occurred before there was a Legal Aid Certificate.

4458. Cannot the bills of costs be made available to the auditors as a check on the allocaturs?—I do not think they ought to have anything to do with the allocaturs. The allocatur is the authority for the Law Society to pay. The bill of costs of the conducting solicitor is not a document of the Law Society at all. That is a document in the proceedings which is put before the Court for a decision.

4459. Mr. Lund, do the Law Society, before they pay out on an allocatur, hold themselves responsible for seeing that the allocatur agrees with the bill as taxed?—(Mr. Lund.) No. The allocatur specifies the sums payable in respect of disbursements, solicitors' costs, and Counsels' fees out of the Fund and also specifies, where the assisted person has been successful, what should be paid into the fund under the order for costs on what is called the party and party taxation. That document when it reaches the Law Society is final so far as

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the payments in and the payments out are concerned, and the only task of the Law Society then is to pay disbursements in full and to do the arithmetical calculation of 85 per cent. of solicitors' costs and 85 per cent. of Counsels' fees as so allowed.

4460. Who then, in your view, is responsible for seeing that the allocatur agrees with the bill as taxed; whose job is that?—The Taxing Master's.

4461. Is the Fund represented before a Taxing Master when a bill is being taxed?—No.

4462. Have you considered whether it would be practicable and worth while for the Fund to be represented at hearings?—We thought that it would be far too expensive and really the taxing officers are very experienced men in this sort of work, and they get bills not only in Legal Aid cases, but in ordinary litigation and they tax and certify. We have assumed that, as representatives of the Court, they will certify correctly what should be paid in a case.

4463. Do they never make mistakes?—(Sir Albert Napier.) If they make some mistakes in the arithmetic it may cut either way, but if they make a mistake in treating as part of an assisted person's case his proceedings which began as an unassisted person, then, of course, it is a mistake, and we have asked them to be careful not to make it. We hope they never will.

4464. It is a strange doctrine, Sir Albert, that mistakes in arithmetic cancel one another out and therefore are not mistakes?—Yes.

4465. Nevertheless, you think it is a proper doctrine for you to hold?—I think we need not defend the taxpayer by having an army of people to check up the documents, because the taxpayer has not got the same interest in overall average.

4466. Then, may I go on to paragraph 6 of the Report? Mr. Lund, you employ whole-time solicitors in your Divorce Department. Is the volume of work coming to the department sufficiently regular to maintain a fixed complement, or is your complement fixed on the basis of a minimum demand with employment of outside solicitors for extra demands?—(Mr. Lund.) No, Sir, we do not employ outside solicitors at all. In every case where the assisted person is assessed as not being able to afford more than £10, the case comes to a whole-time solicitor employed at a salary with a staff. The numbers of the staff have never been put to the maximum authorised by the Lord Chancellor's Department because we thought we would recruit at a sufficient speed merely to meet the demand from the point of view of cases. The cases coming in are slightly under 10,000 a year. We are quite satisfied that they are in fact

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Sir ALBERT NAPIER, K.C.B., Q.C.,
and Mr. T. G. LUND, C.B.E.

[Continued.]

fully employed. We have had rather a shortage, particularly at Manchester and Liverpool, where there are somewhat of arrears, but we have got one man as a sort of general emergency reserve to meet the cases of members of the staff leaving for other jobs or going on holiday or becoming ill. They are, in fact, fully employed on the work without, I think, just getting into arrear.

4467. You keep this under periodical review?—Continually, monthly reviews.

4468. Paragraph 7 says that an applicant, in order to get a Legal Aid Certificate, must have reasonable grounds for taking action. Some time ago we had the Accounting Officer of the Scottish Home Department before us and he gave us to understand that the corresponding requirement in the Scottish Act was what he called *probabilis causa litigandi*, and he told us then that in the view of the Law Society of Scotland the real difference between the two countries is that the statutory test is very much stiffer in Scotland than it is in England. Would you agree with that view?—Having compared it with the Scottish representatives engaged in legal aid, it seems to me quite clear that it is. Apparently, the Lord President of the Court of Session criticised the Scottish test as being much too severe, and he personally expressed the view that a number of Scots ought to have had the advantages of the scheme who were not getting it. Apparently, the Scottish interpretation of *probabilis causa*, I gather, really means that you have a practical certainty of winning, and before they will issue a certificate, the whole of the assisted person's case ready for presentation to the Court has to be put to the Committee. It is a much lower standard, so far as reasonable grounds are concerned, as we have interpreted it.

4469. According to paragraph 9, the assessment of an applicant's maximum contribution to the costs of his case is fixed by the National Assistance Board, but paragraph 10 says that Local Committees fix his actual contribution having regard to the probable cost of the proceedings. Am I right in assuming that only the probable cost of proceedings is admitted by Committees for requiring less than the maximum contribution assessed by the National Assistance Board?—Yes.

4470. I see from paragraph 10 that where the costs of proceedings prove to be greater than the contribution assessed by the Committee, the amount of the contribution may be increased?—Up to the maximum.

4471. It is, in fact, increased?—It is increased.

4472. In all cases up to the maximum?—Yes.

4473. The decision whether legal aid is reasonable or not rests with your Local Committees. Have you given the Committees any guidance as to what is to be understood by the words "reasonable grounds"?—No.

4474. Are you aware of any different standards in operation?—The difference is very slight, from an analysis of the results of all the Local Committees. There is not a wide variation between them, I think. I think, probably, most of them apply the test of whether, if they were in private practice and a client of moderate means asked them whether he should take proceedings, they would advise him to do so because he had a reasonable chance of not losing. I think that is probably the nearest test that you can apply.

4475. Apart from the investigation of any special cases which are spot-lighted or criticised and from whatever knowledge you may have gleaned from your statistics, does your Council exercise any supervision over the conduct of the Committees?—(Sir Albert Napier.) When there has been further experience, and there is more to be gained from purely statistical information. There is machinery, I think, by which you could observe that a particular Committee, for example, had a much higher proportion of losers than some other Committee, and if that were to happen I suppose then the Law Society have machinery for investigating and some ground for doing it. I do not think there are anything like enough figures yet.

4476. Apart from anything you can deduce from the statistics, you have no other system of supervision? You have no other ways of supervision, no visits to be paid to them, or anything?—(Mr. Lund.) I think, yes. I think the answer is that we have monthly meetings of all Area Secretaries and quarterly meetings of the Chairmen and Vice-Chairmen of all Area Committees, when the statistics broken down into their own areas are in front of them, so that we have continual consultation with them and if one particular Committee appears to be going wrong, the Area Chairman and Area Committee who are directly responsible for supervising will go down and attend the Committee and see about it.

Mr. David Jones.

4477. Paragraph 5 of the Comptroller and Auditor General's Report says "Under Section 9 of the Act, expenses chargeable to the Fund shall include a proper proportion, which shall be determined by the Lord Chancellor, of any expenses incurred by the Law Society partly in connection with the functions covered by the Fund and partly for other purposes. This account includes a sum of £11,868 in respect of such expenses". What type of expenses would

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Sir ALBERT NAPIER, K.C.B., Q.C.,
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[Continued.]

they be if the bulk of the expenses of the Fund are already met in the accounts?—They would be all the administrative staff of the headquarters of the Law Society who are employed partly on legal aid and, perhaps, partly on something else. There are, for example, two assistant secretaries at the Law Society who are really, except for a very small portion of their time on other jobs for the Law Society, whole-time engaged on legal aid work dealing with routine correspondence that comes in to the Society, calling Committees, and so on.

4478. Their costs are not charged to the Fund as such?—No.

4479. On paragraph 10 I see you have got 12 Area Committees. Have they any full-time staff upon those Committees?—Yes.

4480. How are they recruited?—They were recruited by public advertisement.

4481. Did you impose any restrictions on the applicants? Who was eligible to apply?—They had got to be solicitors.

4482. Did they have to be members of the Law Society before they applied?—Yes.

4483. Or they had to pay the fees of the Law Society before you would receive their application?—Not pay the fees, the qualification for membership was to be a solicitor and a member of the Law Society.

4484. So that a solicitor who was not a member of the Law Society could not apply?—That is right.

4485. So, in fact, you were a closed shop for the Law Society?—Well, do you call that a closed shop? It is the Society's staff you are talking about.

4486. Yes, staff?—Yes.

Mr. West.

4487. Of course, it would be necessary, would not it, to have those who were recruited as members of the Law Society where you had your disciplinary powers to see that the proper functions of the Committees were being carried out, if I may follow the point Mr. Jones has raised?—It has always been the practice to recruit to the staff of the Law Society members of the profession who have been sufficiently interested in their profession to become members of their professional body, purely for staff purposes.

4488. Of course, the functions that they are doing are quasi-public functions, are not they?—They are looking after the Committees of the Law Society, yes.

4489. May I deal with the point that was raised by the Chairman, concerning Taxing Masters and the allocators? Is it correct to say that, generally speaking, the costs which are assessed by the Taxing Master

within the limits of his discretion are, at any rate, according to certain scales which have been prescribed?—(Sir Albert Napier.) Yes.

4490. And that the Taxing Master is one who has been appointed and is an officer of the Court?—Yes.

4491. And is well experienced and versed in the duties of Taxing Master?—Yes.

4492. And it is his function to stand between the claimant on the bill of costs and the Exchequer to see that the claimants are reasonable?—Yes.

4493. Would it be correct to say that, generally speaking, the complaint is on the other side, that he is exercising his discretion rather more niggardly on behalf of the profession than generously?—Well, those are the only complaints we hear.

4494. There is a tremendous amount of work which is done in the preparation of cases of this sort which the Taxing Master, of course, has to take into account in arriving at these items which he has discretion upon?—Yes.

4495. Have you any idea how many taxations are being held in the course of a year?—(Mr. Lund.) We shall reach 40,000.

4496. If you had to attend every taxation because you had not sufficient confidence in the Taxing Master to see that the interests are being protected, you would have to have a very substantial staff, would not you, to do that?—Very substantial.

Mr. Peter Roberts.

4497. There is one line I would like to pursue, if I may, with regard to the check on the Committees. Could you say, first of all, how long you would think it would take, if a Committee were being over generous in their allowances, before that came to the notice of your Council?—(Mr. Lund.) Well, as it happens, I could tell them tomorrow because we have, in fact, just got out the analysis in respect of the past year. It has not yet been before them.

4498. So, assuming they had gone wrong a year ago, the maximum would be 12 months?—Yes.

4499. It is not closer than that?—It could be. It is really the time taken in breaking down the statistics.

4500. Yes. I appreciate that?—We have, in fact, at the beginning of the scheme rather concentrated on the statistical side of the cases, rather than on the results of the Committees, but we have thought that 18 months was an appropriate moment to do it. We have just produced the results and we could do it at six monthly intervals or less if it were thought that the Department should be turned on to doing it.

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Sir ALBERT NAPIER, K.C.B., Q.C.,
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[Continued.]

4501. It could be six months or less, you think? In your opinion, which would be the most profitable?—From the results which I have only just glanced at, they have only just come in in draft, there appears to be not a 15 per cent. variation between any of the Committees throughout the Country. I just ran my eye down it and I should have doubted whether in under a year it was necessary. My own view would be that an annual review would be quite sufficient.

4502. Sir Frank, what are your views on that?—(Sir Frank Tribe.) Of course, I have not seen the statistics yet. I have generally got no criticism of the working of the scheme so far as my officers have examined it up to date. I think, really, one wants to get more experience before deciding definitely. If these statistics do show greater variations or sudden variations, there might be some benefit in taking action more frequently than once a year, but I think one wants more experience.

4503. For your purposes, so long as you have one review a year you think that would be sufficient at the moment?—Yes.

4504. Is the responsibility on the Committees or the Council, as it says in paragraph 11, that they must not take the place of the Court? It must be borne in mind that the Committees must not take the place of the Court, is what is said in paragraph 11. Is that an injunction placed in the Act or merely a regulation imposed by the Council upon itself?—(Sir Albert Napier.) I think it is a necessary inference from the Act, yes.

4505. This being public money, there must be a differentiation against merely saying: "Well, this man may have got a case, let it go forward." There must be some sort of judgment exercised by the Committees, I should have thought?—Oh, very much so.

4506. I was a little disturbed by the second half of that paragraph. Do not you think that it might not be unfair to read it that a Committee, if any sort of case came up, must not try to prejudge it from the point of view of whether it is a proper matter for public funds to be expended upon?—There is a certain amount of discretion contemplated by the Act itself, whether it is a proper case, or something. It has to be reasonable in all the circumstances.

4507. Therefore, there must be some form of judgment taken by the Committee?—Yes, very much so, not only on whether there is a *prima facie* case, but, for instance, if the other side could not pay up any damages, I imagine that they would say: "It is not worth litigating at public expense."

4508. Could you give us a little more elaboration on the sentence which says the Committees should not take the place of the Court?—(Mr. Lund.) I think the answer is that the Council take the view that it may be perfectly proper for both sides to be assisted litigants and that it is not the job of the Committee to get the case for, perhaps, the petitioner and then receive the case for the respondent, in a divorce case, and to say: "Well, we think the petitioner has an admirable case. We think the defence is poor, we shall issue a certificate to the petitioner and no certificate to the respondent". In other words, that is not their job to take the place of the Court. There may be a perfectly good case for the petition on the merits as put forward, and at the same time a reasonable defence, and the merits should be fought out in Court rather than by the Committee. That is what we mean.

4509. Sir Frank, were you really referring in this Report to a case where they both are assisted persons?—(Sir Frank Tribe.) I am referring to the Report of the Society on appeals. This paragraph relates to appeals, and I am quoting from the Society's Report.

4510. Where they are both assisted persons?—I do not think it necessarily applies only to cases where both parties are assisted persons.

4511. No, I should not have thought so either?—If the Committee would like it, I can read out the actual paragraph from the Report which I was quoting. It says: "While the Council are conscious that it would be most improper that public funds should be used to prosecute unworthy appeals, they are anxious that no steps should be taken without very full consideration which would place an assisted person in a substantially worse position than an unassisted person. The Council feels that it is important to bear in mind that it is no part of the functions of the Committees to take the place of the Court and to arrive at a decision on the merits of the appeal and they are required merely to be satisfied that there are reasonable grounds for the appeal." I quoted that as a matter of interest because I thought that the first report of the Law Society, though it is presented to Parliament under the Legal Aid Act, may not have had very wide circulation, and, as this was a matter which had received considerable comment in the Press, I reported it here as a matter of interest.

4512. From that we might now assume, might we not, that there are special duties placed upon the Committees, not merely to say: "Well, this can be decided by the Court, therefore we will grant assistance"?—(Sir Albert Napier.) Oh, no.

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Sir ALBERT NAPIER, K.C.B., Q.C.,
and Mr. T. G. LUND, C.B.E.

[Continued.]

4513. They have special duties?—Oh, very much so.

Mr. Benson.

4514. I would like a little more information about the figures in paragraph 12. There are 40,000 certificates issued, but only 4,000 completed cases. That suggests a considerable lag, seeing that it is a 12 months' period, does not it?—(Mr. Lund.) Well, no, it is only a six months' period from the 2nd October to the 31st March, during which the certificates were current.

4515. It says October to September in the Report, "the first year of operation"?—I am sorry, I thought we were covering the period covered by the Account.

4516. Does that mean that only some 10 per cent. of the cases were settled or that only some 10 per cent. had been reported to you, or what?—No, I think "completed" means that not only has judgment been given, but that the costs have been taxed and all outstanding questions of recovery of damages and costs, which sometimes are paid by instalments spread over a long time, have been settled; so that it is not possible to close the case, so far as the Law Society are concerned, until the last payment is made.

4517. I see that of these 4,200 cases, judgment was given in 3,500 for your clients, if I may call them so, for the assisted person. But costs and damages were only awarded in 2,100 cases, that is, just over half. How comes it that the judgment was given but neither costs nor damages were awarded? Does that mean that they won on a technicality?—No, that would be husbands' petitions in divorces, I expect.

4518. Do not they get costs?—No, you would not ask for costs against the wife normally, nor damages.

4519. Would not you against the co-respondent?—You might; it would depend whether he was aware that the lady was married.

4520. And whether he had got anything to pay with, I suppose?—Whether he had got anything to pay with, yes. He may easily have been an assisted person himself.

4521. In effect it means that out of the 4,000 cases, in only 300 cases was judgment given against, and all the rest were.

in effect, cases which were won by the assisted person?—Yes.

4522. That is a fairly good record and shows pretty good judgment?—We think it does. It is about 84 per cent.

Chairman.

4523. Just one other point: we were talking about the test in Scotland, and you were agreeing that the test was more stringent. In so far as one is able to compare the statistics that are available, does the fact that the Scottish test is more severe come out in the statistics, or am I right in thinking that, perhaps, the contrary is shown by the statistics?—I have not in fact seen any recent Scottish statistics, but the last time we were there it appeared that the number of applications granted was substantially less.

4524. Than what appears here?—Yes. I think the number of applications submitted to the Scottish Committee, the ones which were actually received, would be fewer because the cases, I gather, in Scotland take a very long time to prepare. In fact they do not go before the Committee until the whole case is ready for trial, the Scottish solicitor having to prepare the case at his own expense, in the knowledge, I gather, that in Scotland if you do not get a certificate you do not get paid anything at all, and it is only if you produce a cast iron case that the costs you have incurred in getting the case up are, in fact, payable out of the Fund. I would not like to express a comment on the relative merits. (Sir Frank Tribe.) Perhaps I could say, so far as statistics are concerned, Mr. Chairman, the English Law Society's statistical report shows that they refused 17 per cent. of the applications made to Local Committees in a year, whereas the report to the Secretary of State for Scotland by the Scottish Law Society showed that their Committees refused only 4 per cent. If those figures are comparable, it looks as if the English Committees were adopting a stricter standard than the Scottish. (Mr. Lund.) Except that, you see, the Scottish cases would have been weeded out by the solicitors before they had even got to the Committee. That would be the explanation.

Chairman.] Thank you, Sir Albert and Mr. Lund.

Sir Albert Napier and Mr. Lund withdrew.

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Sir HAROLD EMMERSON, K.C.B.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CLASS VII.

VOTE 1.

MINISTRY OF WORKS.

VOTE 2.

HOUSES OF PARLIAMENT BUILDINGS.

VOTE 3.

PUBLIC BUILDINGS, GREAT BRITAIN.

VOTE 4.

PUBLIC BUILDINGS, OVERSEAS.

VOTE 7.

MISCELLANEOUS WORKS SERVICES.

New Works Statement: Supplement to Civil Appropriation Accounts, Class VII, Votes 2, 3, 4, 5 and 7, 1950-51, forwarded in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.

BUILDING MATERIALS AND HOUSING ACT, 1945, ACCOUNT, 1950-51.

HOUSING (TEMPORARY ACCOMMODATION) ACT, 1944, ACCOUNT, 1950-51.

Sir HAROLD EMMERSON, K.C.B., Permanent Secretary, Ministry of Works, called in and further examined.

Chairman.

4525. Sir Harold, when you were with us last we dealt with the Comptroller and Auditor General's Report on your Votes in the Appropriation Accounts. I propose now to go straight to the Accounts and to start with Class VII, Vote 1?—Yes.

4526. I want to examine you shortly on the substantial variations in your Accounts between grant and expenditure, but before I do that I wonder if you could tell us whether you are now satisfied with your system of accounting and financial control and, in particular, whether you have had recently to give up any safeguards owing to pressure for staff economy?—Well, if I may answer the two questions, on the first there have been very considerable improvements in the arrangements for control. We have certainly tightened up the arrangements. The Deputy Secretary has a special responsibility for supervising and co-ordinating the arrangements, and I am satisfied generally with the system. There are still one or two matters on which I am not entirely satisfied, matters which have been thrown up partly by the improved arrangements and partly by this apparent discrepancy between the grant and expenditure. On your second question about

the effect of staff economies, I think I can give the Committee an assurance that the staff economies have not in any way weakened the financial control. We have secured staff economies over a long period now, largely through improved methods and organisation. We have a fairly strong Organisation and Methods Branch, and I think it is largely due to the Organisation and Methods Branch and what we call the Establishment Survey Branch that we have over a period of years secured very substantial economies in non-industrial staff. Also, we have given up a number of services and completed others, all of which, of course, have contributed to the staff reductions. On the general question of discrepancy between the grant and the expenditure, I think a comparison with previous years would show that the difference is now much less marked than it was, and in many cases where the expenditure is less than the grant the difference is due to changes in most cases outside our control; in some cases, owing to changes in policy, building schemes have not proceeded; in other cases delays were due to shortages, and so on, which could not be foreseen. I would submit to the Committee that, taking the Accounts as a whole, there has been a marked improvement over the last three or four years in that respect.

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Sir HAROLD EMMERSON, K.C.B.

[Continued.]

4527. May I take one or two actual cases? On page 409, taking the first item, was the error here of over £300,000 simply due to bad estimating, or what was the reason?—Is this the staff engaged on recoverable services to which you are referring, or to the whole item?

4528. I am talking about Item 1, the staff engaged on recoverable services?—I think the explanation on the first item is the extra work that was done for other Departments as shown by Subhead N of the Miscellaneous Works Services Account. On the other items in Section I on page 409, I do not think there is any very big item. The two main items are administrative expenses under the Housing (Temporary Accommodation) Act, and under the Building Materials and Housing Act.

4529. Yes, I am not really concerned with those. Take page 415, again at the top, receipts estimated at £380,000, whereas the actual brought in about £135,000?—I think I should need to look into that more carefully to see what the explanation is. (Sir Frank Tribe.) Perhaps I might raise a question with the Committee on this kind of point, Mr. Chairman. The accounts are submitted to me for audit and the notes attached to them are matters for the Accounting Officer, but on the first point you mentioned the only note is that the receipts were under-estimated. Previous Committees of Public Accounts have indicated that they like explanations to be a little more explanatory. I do not know whether this Committee feels, when there are major differences like this in receipts, that it is as important to give an explanation as in the case of differences of sub-heads of expenditure.

4530. Yes. Sir Harold, sometimes there are changes in plan, or whatever it may be, and if the differences that you have are of that kind, it is as well for us to know, otherwise we shall assume it is always bad estimating?—(Sir Harold Emmerson.) Might I just add on this item that it is, of course, very difficult to see exactly what transactions will go through in a given period, particularly with a Department like the Ministry of Works where we are acting as agents for other Ministries. I think that would be part, at least, of the explanation of this item at the head of page 415. We cannot know very far ahead, certainly not the 18 months ahead, which is the period covered in the preparation of the Estimates, exactly what requisitioned properties are likely to be given up, and on that particular item I think it is a case of making the best shot we can and hoping that it is a good estimate.

4531. Would you turn to page 420 where you are dealing in the main with rents from embassies, and so on? You actually estimated £28,500 and you got over £61,000.

You have here the case of rents which I should have thought would have been easier to have estimated, and you get this difference. Again, if you turn to page 427, you see at the foot of the page your receipts from rents were very much less than your estimates. Are not these things capable of pretty close estimation?—I should agree that in the case of rents one would expect to have a fairly close estimate. I may say on the Public Buildings Overseas Vote, we have been looking recently rather specially at those variations between estimates and final expenditure and we hope we shall get some improvement. Part of the difficulty has been variation in exchange, but on the other item you mentioned, under the Miscellaneous Works Services—

4532. Just before we go on to that, if it has been due to exchange rates would not it be very much better to put that in the footnote because, really, the footnote which says the provision was under-estimated tells us nothing? That is quite clear on the face of the accounts?—Yes.

4533. Could not that kind of thing be in the footnote?—I will certainly try to see that the notes are more informative, particularly as regards rents.

4534. If I might take one other case, on page 428, in the middle of the page, "Receipts of other classes, receipts from sale of surplus stores," estimated at £½ million, and £2,386,000 realised and no footnote at all to explain what is a pretty considerable difference?—Yes, I agree it is a very big difference.

4535. Having taken those points, may I turn to Vote 3? How do you determine whether expenditure on new works services for Government Departments falls on this Vote or is dealt with as an agency service under Subhead N of Vote 7? For example you carry out work for, say, the Ministry of Health or Ministry of Food or Education or Supply under both these Votes. What is the test as to how it is accounted for?—Well, broadly speaking, there are certain services we regard as the responsibility of the Ministry of Works primarily in connection with accommodation for Government offices. In the case of other services, the Ministry of Works is being used as the Government Civil Building Department rather than as the department concerned with the provision of accommodation. That, I think, broadly, is the distinction. Finally, we are subject on this to the direction of the Treasury who would determine whether it was right that the cost of the service should be borne on the Ministry of Works Vote or on the Vote of the Department responsible for the service. Another consideration—and perhaps the Treasury Officer of Accounts would speak more fully on this—is that the

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[Continued.]

Department responsible for the service—not being an accommodation service—should show in its own Estimates and Accounts the cost of the service as a whole, which may include expenditure other than building.

4536. One small point on page 426: the Committee was concerned last year with Subhead K, the production of concrete sleepers for railways. Have you recovered your expenditure from the Railway Executive?—We have recovered it all except for a small item amounting to not more than about £14,000 which is being held pending the settlement of a claim in respect of defective sleepers. Broadly speaking, the whole transaction is complete; certainly there is only that one item outstanding.

4537. Could I turn now to the Building Materials and Housing Act Account? When is this Fund likely to be closed?—It is difficult to say when the Building Materials and Housing Fund will be closed because some of the commitments entered into are likely to continue for some years. I am thinking now of loans which have been made subject to repayment, and I do not think that I could commit myself to any definite date.

4538. There is an adverse balance of £533,000 at the 31st March, 1951. Is that likely to be reduced?—That will be reduced as we settle matters with the local authorities. We are having considerable difficulty with some local authorities in obtaining final payment from them for housing work which was done on their behalf, but we are continuing to press local authorities, and there is a steady reduction in the number of items outstanding. That is one of the difficulties in forecasting when the Fund can be closed.

4539. You mentioned just now the loans that you have granted which, I see, amount to £180,000 odd. Ought not the details of these loans to be given in the account?—Well, it covers a number of items and I think it depends into what detail the Committee would wish us to go.

4540. It is only because this happens to be a White Paper Account, is not it, that you do not in fact have to put a list of your loans down?—The present form of the Account—the Trading and Profit and Loss Account and Balance Sheet—has, I think, been approved by the Committee and we have tried to make it as informative as possible, but if there is any further information the Committee would like to have I am sure we would be very ready to give it. (Sir Frank Tribe.) I think, Sir, you are referring to the loans to producers of building materials, the item of £180,000 on page 3?

4541. That is it, that is what I am talking about?—My understanding is that there

are only two firms involved, and, if this were an Appropriation Account, no doubt particulars would be given in the notes to it. I do not think that point was properly considered when the Committee in the earlier stages considered the form of these Accounts.

4542. Perhaps you would look at that, would you, Sir Harold?—(Sir Harold Emmerson.) Yes, certainly. It is the case that there are two substantial loans, one to the Scottish Slate Industries Co. and the other to the firm manufacturing non-traditional houses.

Mr. Hoy.

4543. Who are they?—Woolaways.

Chairman.

4544. You will remember the Minister of State for Economic Affairs told us in the House in March last, I think it was on the 20th, that one of these loans, as you have just told us, was to Woolaway Constructions Ltd., and he said there was a Government director who was entitled to a fee from the company. Did you or did the Treasury appoint this representative?—The appointment was made, as far as my memory goes, at the suggestion of the Treasury and, indeed, I think the Treasury selected the person who was to occupy the post. That was a relatively recent appointment.

4545. Has he any special powers on the board? Has he got any powers of veto?—I do not think so. His position is simply that of a director of the company specially concerned with the public interest, the fact that a large sum of money has been advanced to the company out of the Building Materials Fund.

4546. Would you say, Mr. Milner-Barry, that this point was in accordance with the general Treasury policy?—(Mr. Milner-Barry.) Yes, I think so, Sir. We have said that in special cases we do think that there is room for a Government director and that it is a good thing, and this is one of the cases in point. He is, in fact, an accountant, I think.

4547. And you would expect him to keep in touch with you about the affairs of the company?—I think more directly with the Ministry of Works.

4548. One final question on this: who were the sundry debtors shown on page 7 of the Account, amounting to £2,425,192 altogether?—(Sir Harold Emmerson.) The largest item, no less than £2,303,000, are local authorities. The other items, relatively small, sale of plant, interest on loans, payment due at the end of the financial year, in respect of Swedish houses and other refunds due to the Ministry, but the large item is the £2,303,000, the payment still outstanding from local authorities.

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Sir HAROLD EMMERSON, K.C.B.

[Continued.]

(*Sir Frank Tribe.*) As they pay off their debts it will not affect the figure you referred to earlier, Mr. Chairman, the £533,000 as the adverse balance on the account. That is something over and above the ordinary debts from the local authorities. (*Sir Harold Emmerson.*) I think some of the payments due from local authorities may affect that figure, but I agree that substantially that figure represents the loss which the Fund has to carry resulting from the various transactions; and one of the questions to be settled when the Fund is due to be closed is how that loss shall be accounted for, whether by payment out of Ministry of Works Vote or by some other means. It was always recognised, of course, that this Fund would be used for the immediate post-war period to assist in certain projects, some of which were not entirely orthodox.

4549. May I now turn to the New Works Statement? First of all, Mr. Milner-Barry, am I right in supposing that, as far as Vote 7 is concerned, this statement omits the £30 million worth of expenditure under Subhead N?—(*Mr. Milner-Barry.*) I think it does, yes. (*Sir Harold Emmerson.*) Yes, that is so.

4550. Do all the departments mentioned on page 429 under Subhead N provide the Committee with details of their works expenditure?—(*Mr. Milner-Barry.*) Speaking from memory, I think these can all be identified in the Estimates, but I would like to confirm that.

4551. It would be as well that we should be sure?—Yes, I will indeed.*

4552. On the actual items, Sir Harold, first of all on item 14, the Colonial Office, are you proceeding with this scheme?—(*Sir Harold Emmerson.*) We are not proceeding with the superstructure, we are concerned only to complete the site work and the basement. Following the decision not to proceed with office buildings, the rest of the scheme is in suspense.

4553. Then, on item 42, has not this been the Coal Board's responsibility since the beginning of 1947? How does it come that you are still spending money which is really on account of the Ministry of Fuel and Power? This is item 42, "Erection of War-time miners hostels"?—The expenditure is £34,000. I believe that refers to adaptation to existing hostels and not to the erection of additional hostels, but I should need to look at the details of each case to give a full answer.

4554. Perhaps you would, and would let me know?—Yes.†

4555. Finally, on item 127, concerning this Regent's Park Crown Lands Estate, you are

spending a lot of money on this estate. How long a lease of the property have you got?—I think it varies according to the property, the houses that we have taken over. We are hoping, of course, to release them to Crown Lands as soon as we can vacate them, but I think I should need to consult our Directorate of Lands and Accommodation to give a detailed answer on the length of the leases.

4556. You said you were hoping to release them. I do not understand that if you are spending £1½ million on them?—This figure covers a large number of properties and as some individual houses can be vacated, we are ready to return them to Crown Lands.

4557. Are not some of these cases those where you have, in fact, pretty well rebuilt?—The houses were not rebuilt. A great deal of work was done inside the houses in the Nash Terraces to make them habitable as offices, but some of the houses are not economic to run as offices and where we can make them available it would be our policy to do so.

4558. Is it, though, worth your while to spend so much money unless you have got a reasonably long period of lease?—The work done is work which would probably have had to be done whatever use the buildings were put to. Many of them were suffering from dry rot and we should probably be doing some of the work in any case.

4559. Would not it fall on different shoulders? Would not the expense be borne differently then?—Yes.

4560. We are here dealing with Crown property?—Yes, if Crown Lands were doing the work they would bear the cost.

4561. Is the effect then of what you are doing, if you do hand over early, to improve the value of the property which you return to Crown Lands?—In so far as repairs are concerned, it is, but we have tried to make as little structural alteration in the properties for their temporary use as offices as we could.

Mr. Blenkinsop.

4562. One or two questions on the Miscellaneous Works Services. I just wondered if you could give me some further information about the provision here for housing estates in Subhead E? We have there an under-expenditure of some £87,000, and the explanation given is that the saving is mainly due to more rapid progress in the disposal of several estates. Could you give any idea as to the type of estates involved here that you are concerned with?—Yes, the estates are largely a legacy from the two wars. First of all, the estates that were built during the 1914-18 War for the Service Departments and the Ministry of

* See Questions 4582-3.

† *Note by witness*:—The expenditure was solely to clear up old accounts and claims.

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[Continued.]

Munitions were handed over to the Ministry of Works to administer. Although the houses were only intended originally to last for a very short period and therefore did not conform to local authority standards it was found difficult to evacuate and demolish the temporary buildings and the Department had to try and dispose of them. The view we have taken is that we are not a housing department and in this case we are simply acting as a disposal authority. We were able to dispose of a great majority of those estates from the 1914-18 War; in fact, I think only two were left in 1939. Then, during the last war there were further estates built by the Ministries of Supply and Aircraft Production. The same procedure was followed at the end of the war when the estates were no longer needed for munition workers, and they were handed over for disposal. In April, 1950, at the beginning of this year of account, there were 24 such estates with over 3,000 dwellings. We were able during the year to dispose of four of them and it is because we were able to make more rapid progress with the disposal that the actual expenditure was so much less than the estimate.

4563. Where would that disposal be shown?—In the Appropriations in Aid under Subhead Z.*

4564. That is not, of course, the sale of the experimental demonstration houses and land, is it?—No, that is quite a different service. Would you like me to say something about that?

4565. No, thank you. It is only that I see there is an item further down here, "Proceeds of sale of ten Married Quarters Estates". Would that be regarded as the sale of some of these housing estates? That is on page 428, subsection (ii)?—No, that again is another item. The sale of the housing estates referred to in Subhead E would be shown in Subhead Z, Appropriations in Aid.

4566. I was just looking through the different categories of items that you enumerate in that list of Appropriations in Aid. I have not been able to trace that?—Yes, it certainly does not specify there the exact figure or the details. (Sir Frank Tribe.) The disposal of surplus stores is generally brought direct into Exchequer Extra Receipts and not Appropriations in Aid.

4567. I was wondering whether that would apply equally in this case on what are rather more than stores?—One would expect it to be treated in that way.

4568. Did I understand you to say earlier in reply to a question by the Chairman, also

* *Note by Witness*:—The receipts are shown as Exchequer Extra Receipts.

on page 426, that this whole scheme of production of concrete sleepers for railways was now completed?—(Sir Harold Emmerson.) Yes, the Ministry of Works interest in it is now completed and we have settled all the payments except for one small item.

Mr. Hoy.

4569. I would like a little more information about these two firms that you have given the loans to. Do I understand you to say that one was Scottish Slates?—Yes.

4570. What sum is involved in loan to them?—I should explain that Scottish Slate Industries was a company set up about 1946 to absorb the existing companies and to develop the production of slates in the interests of the housing programme, particularly in circumstances where it appeared at the time to be impossible otherwise to secure slate production. Assistance was given from the Building Materials Fund to the company. There was private money invested as well in the project. Advances have been made from time to time according to the company's needs and the total amount outstanding still advanced to the company at the moment is £125,000.

4571. Do you have a Government representative on this company?—Yes, the Government appointed the chairman as the main representative to watch financial interests and in addition appointed to the Board an accountant and an expert on slate quarrying and production, in addition to directors representing the private interests.**

4572. So that you have three Government directors on it?—We really regard the Chairman as the Government director, but it is the case that the Ministry of Works selected two other directors as well. I think the total board is five, four directors and the chairman.

4573. When you say the Ministry of Works appointed two, does that mean that the third one who is the chairman was the nominee of the Treasury?—No, I did not mean to imply that. I should have said that the Ministry of Works in consultation with the Treasury approved the composition of the board and regarded the chairman as primarily the Government representative, and in addition to the chairman nominated these two members.

4574. Have the same nominees been on all the time?—Yes.

4575. Is the post of chairman a full-time job or is it just a part-time occupation?—No, it is a part-time job but he gives quite a considerable amount of time to it. His own business is in the West of Scotland

** *Note by Witness*:—The Chairman and Technical Director are by the Articles of the Company nominees of the Minister.

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[Continued.]

and he has, I know, given a good deal of time not only to meetings of the board and affairs of the company but also to visiting the quarries.

Mr. *David Jones*.

4576. Sir Harold, I want to ask you a question or two on the provision of temporary additional accommodation for schools, and the actual points that I want to raise are brought out in paragraph 25 of the Comptroller and Auditor General's Report, which refers to the prefabricated huts supplied by your Ministry to the order of the Ministry of Education. Sir Frank Tribe says in paragraph 25 that the original estimate was £10½ million, but by the 31st March, 1951 it amounted to nearly £15 million?—Yes.

4577. Then, in paragraph 26 Sir Frank goes on to point out that by 1950 the Education Authorities complained of difficulty in design, specification and construction. I asked Sir John Maud when he was here what representations the Ministry of Education had made to the contractors who supplied these huts for what appears to be the exorbitant figure that they charged for that construction. Having regard to the complaints that were made about them in such a short period, and Sir John Maud said in reply to a question that that was not a matter for him but for you, so I am putting it to you. What representations have you made to the firms that supplied these and what attempt has been made to recover some of the cost from them in view of the shoddy work that they supplied?—I think it is difficult to give a general answer to that. Where complaints have been made to the Ministry of Works we have followed them up with the Local Education Authorities, but how far we should take the matter up with the contractors would depend on the particular case.

4578. Do not you think, when you have got a contract which you let which is originally estimated at £10½ million and which subsequently went up to £15 million and there were complaints about the character, design and the specification within two years of their construction, whereas their original term of usability was eight years, that that requires some investigation?—On the first point about the increase in the estimate I am not sure if that is referring to the whole programme which has varied from time to time, and whether it is related to the same number of huts. If it is, and I am assuming the two figures are comparable, then part of the increase would no doubt be due to increases in labour and materials during the period of the programme. As regards

taking up questions with the contractors, I can assure the Committee that we do that if it appears that it is the responsibility of the contractors.

4579. May we have some further information about this, rather a fuller explanation of what is precisely involved in the £15 million and what representations have been made to the contractors? It does seem to me, Sir Harold, that something has gone wrong here, when a piece of equipment which was originally designed to last eight years begins to be faulty within two and costs twice as much almost as it was originally intended to cost. There seems to me to be something wrong here somewhere?—I should certainly be glad to look into it.

Chairman.

4580. Perhaps you will put a paper in on the whole scheme, Sir Harold?—Certainly, Mr. Chairman.*

Mr. Hoy.

4581. May I add a question to that, which I delayed until Mr. Jones put his original question? This does give the Committee some concern, and in view of the burden of debt involved in this business, would you care to say if the Ministry of Works offered to make any repayment out of the £1½ million that they got for supervising this work, because I understand you would get 10 per cent. of this £15 million, the usual charge by the Ministry of Works?—Perhaps I could cover that in the note?

4582. It you will, because it did cause us some concern. I think you might, if I might say so, make it quite clear as to all that transpired after this, because in some cases these huts were in this condition, according to this Report, a year after they were handed over?—Yes, I have that point. I will certainly look into that. (Mr. *Milner-Barry*.) I wonder if I could correct something; I think I inadvertently gave you a wrong answer. You remember, Sir, you asked me a question about Subhead N, these repayment services, and I think I misunderstood you. I thought you were asking whether you can identify in other Votes the sums that were received by way of Appropriations in Aid by the Ministry of Works. I think you were actually referring to individual projects, and I think the answer to that is, no, you cannot, except, possibly in the case of the Service Departments, but I would like to look further into it if I may.

Chairman.

4583. Would you tell me how much of that material is, in fact, in it?—Yes, I will

* Information supplied; not printed.

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[Continued.]

indeed, I am sorry I took the question wrongly.*

Chairman.] Thank you very much, Sir Harold.

* *Note by Witness.*—Provision is made in the Votes of all the Departments listed on page 429 of the Appropriation Accounts for the expenditure which is repaid to the Ministry of Works. It is not, however, normally possible to identify the particular amounts in the expenditure Subheads of the principal Departments, and *a fortiori* it is not possible to identify the particular projects which are covered by this expenditure. In the case of the Service Departments, however, and also of the Ministry of Supply (and Ministry of Civil Aviation, though they are not here concerned), the Committee is furnished with supplements

to the Civil Appropriation Accounts on the lines of that put in by the Ministry of Works, to which the Chairman referred in his question. In these supplements are details of the major individual items making up the total of the expenditure initially borne on the Ministry of Works Vote and itemised on page 429. But in this case also it would not be possible to relate individual items in these supplements to the figures given in the Ministry of Works Appropriation Account. So far as details in the Estimates are concerned, the Service Departments and the Ministry of Supply for security reasons give only block figures in Estimates and Accounts. In the case of the civil Departments, works expenditure is not itemised in Estimates except in the case of the Prison Commission, the Police, and the Ministry of Civil Aviation Votes.

Sir Harold Emmerson withdrew.

SUPREME COURT OF JUDICATURE ACCOUNT, 1950-51.

On this Account no questions were asked.

SUPREME COURT PRIZE ETC. DEPOSIT ACCOUNT, 1939-51.

On this Account no questions were asked.

The witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 22ND MAY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Hoy.

Mr. David Jones.
Mr. Peter Roberts.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mr. J. G. OWEN, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 54-55, 56-62 and 63-73 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Mr. J. M. K. HAWTON, C.B., Secretary, Ministry of Health, and Sir GEORGE HENDERSON, K.B.E., C.B., Secretary, Department of Health for Scotland, called in and further examined.

Chairman.

4584. Sir George and Mr. Hawton, we shall be addressing questions to you rather indiscriminately, and I hope that either or both of you will feel free to answer any questions other than those, of course, which

are addressed to the Treasury, which it would be as well if they answered themselves. I want to begin with the Treasury Minute on the Fourth Report of last year's Committee, paragraphs 54-55. Perhaps I should say that it is my intention only to

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[Continued.]

deal with matters on the Treasury Minute which do not arise on the Comptroller and Auditor General's Report on the Appropriation Accounts, so that there are some matters which will be deferred to a later point. I shall only pick up here things which arise here and do not arise conveniently anywhere else. On paragraphs 54-55, I want to begin with the Treasury: the last sentence of your Minute, Mr. Milner-Barry, contains the words: "The possibility of an excess on the Vote . . . will be brought to the attention of the Ministry and of the Treasury". Will that possibility, if it arises, be brought to the notice of Parliament?—(Mr. Milner-Barry.) I do not think it would necessarily. I should have thought the normal way would have been to inform Parliament by means of the Supplementary but I think it would depend on the circumstances.

4585. Do you accept the view of last year's Committee that Supplementary Estimates should be presented as soon as possible in the circumstances mentioned if it is clear when the year is half through, say, in October, that an Estimate is being substantially exceeded? Do you accept in principle, at any rate, the desirability of an autumn Supplementary rather than waiting until February?—Yes, Sir, we should accept that in principle, but I think Sir Edward Bridges put in a note to the Committee, defining the circumstances in which we thought a Supplementary would be appropriate and pointing out that we had to have regard to a certain extent to Parliament's own routine. Subject to that, we should agree in principle that an autumn Supplementary should be put in in those circumstances where there was a substantial excess foreshadowed.

4586. May I turn now to the Minute on paragraphs 56-62, which deals in general with the control of hospital expenditure. I wonder, Mr. Hawton, if you could tell us whether there have been any changes in the system of control since you last came before the Committee?—(Mr. Hawton.) I am trying to recollect exactly what was there when I last came, but the main features then were, I think, the monthly returns, the arrangement for our regional officers to attend meetings and a costing system which was then beginning. So the first change is that we have, in fact, got the first year's result of the new costing system. That I can amplify when you wish it. We have a change—I do not think it is a change in the effectiveness of control—which will no doubt come up later in questions on the timing of the estimates which makes it much easier for the Management Committee. In effect, instead of having to make their mind up in the summer, they can wait until the winter. I do not think, off-hand, there are any other major changes that I can think of.

4587. On paragraph 58, do the new regulations provide that all hospital officers shall be paid at approved rates?—The regulations provide that wherever there is a rate settled by negotiation and approved by the Minister, that shall be applied. Wherever there is a rate not settled by negotiation but settled by the Minister in the absence of a negotiated rate, that should apply, and it enforces both of those subject to a power of waiver in individual cases if the Minister agrees.

4588. What is the position about the excess payments mentioned here?—I am sorry, the excess payments in what context?

4589. The Minute on paragraph 58 says: "Boards and Committees have been asked to bring to an end any excess payments which they have been making, or to seek a direction from the Minister in any case for which they may wish to claim exemption from this requirement"?—Yes, the regulation provides that the rules which I have just mentioned should apply and anything in excess of it shall be brought into line. That is one of the conditions of the regulations, unless the Minister uses his power of waiver, and in fact that is being done.

4590. I will leave points on the Minute on paragraphs 59 and 60 until I come to a later stage. Mr. Milner-Barry, I note that the Treasury offered no comment on paragraph 61 of the Report of last year's Committee, in which the Committee recorded their regret that Whitley Council discussions were not initiated concurrently with the appointment of the investigating team. May I assume that the absence of comment indicates the Treasury's agreement with this expression of regret?—(Mr. Milner-Barry.) Yes.

4591. Turning to the Minute on paragraph 66, and again to the Treasury, has the number of dental officers been increased?—(Mr. Owen.) That is the dental officers in the Ministry of Health, Mr. Chairman?

4592. Yes?—Yes, I understand that they have, and that they have recently been granted an award which may have the effect of stimulating recruitment still further.

4593. Then, Mr. Hawton, were you able to have more dentists' work examined by your officers in 1950-51 than you had in 1949-50?—(Mr. Hawton.) Yes. We had more done, but we still are far from satisfied with the amount that we are doing. On your last question, which is really something I can answer, we are still running on an establishment of 33 with only 21 posts actually filled. So we are still short of our permitted establishment, because we cannot get them though, I quite agree with the Treasury, it may be better now.

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[Continued.]

4594. What were the results of the disciplinary action taken in respect of this large number of 700 dentists?—I have got here particulars of all the disciplinary action for dentists. I am not sure that I can isolate that 700, but the extent of it is very considerable compared with the comparable action with the other professions. It is a marked point in dentistry, that there seems to be more disciplinary action taken. I wonder if it would be of use to the Committee if we were to put in what is, in fact, a table *that size* giving a summary of all the disciplinary action taken up to date?

4595. I think we would be very interested to see it. You found 700 cases, but could there have been more, because you were not able to cover the whole ground?—Oh, yes.

4596. Will your statement give any indication of the ground that was not covered?—I am afraid it cannot do that. It cannot give a statement of the cases we did not know about.

4597. I thought they were cases you knew about but which you were not able to examine?—No, I think not. If that is true, I will certainly see that it is in the statement. I thought you were asking, did we think that there were cases which were not in fact brought to light, and I think there must be.

4598. Can you say what percentage of the number of cases that you examined was found to need action?—Perhaps these figures will help: taking the year 1951—these are in calendar years—there was a total of 1,001 cases brought up for discipline. In fact, no action was taken in 538, a little over half. Varying action was taken in all the rest, money was withheld as a fine in 132 cases, other action, including sometimes withholding the cost of the work, though not a fine, in 274 cases, and in three, which is very high, there was an actual removal from the list by the Tribunal. Those figures will appear in the statement we are putting in.*

4599. May we go now to paragraph 70? Mr. Milner-Barry, have you yet come to any conclusions?—(Mr. Milner-Barry.) No, Sir, I cannot say that we have, except that this particular problem has, I understand, disappeared because the manufacturers have signified their willingness to allow these data to be submitted to the Board of Trade and Ministry of Health, and I believe that the Comptroller and Auditor General has seen it.

4600. Is there anything you would like to say on that, Sir Frank? Does that mean that you will now be able to advise us on this subject?—(Sir Frank Tribe.) Yes,

* Information supplied; not printed.

I have seen this information. As far as I can make out this is information collected by the Central Price Regulation Committee on behalf of the Ministry of Health. The information supplied on the whole supports the relative fairness of these prices, but I am still not quite clear whether it is the Accounting Officer of the Ministry of Health who accepts responsibility for these prices or whether the responsibility rests with the Board of Trade Committee. (Mr. Hawton.) Perhaps I can help there. I think in this case the Central Price Regulation Committee, the Board of Trade Committee, fixes the resulting price of the article with the trade. The Minister of Health having seen that arrangement and being made aware of it, fixes the price which he will pay to the optician in the light of it. I think the fixing of the price vis-à-vis the trade is for the Committee, and the Minister then, in the light of that, fixes the price which he is under contract to pay the optician, and it is, of course, in fact the same figure. I understand that the manufacturers have now asked for a revised agreement and that the Price Regulation Committee feel that they should not any longer be in this picture, and if anything it should be for the Ministry of Health, and it is now under consideration as to whether it is expedient, really, at this stage for the Ministry to go in for a revised agreement or not, having in mind the highly competitive nature of the industry at the moment.

4601. Then, on paragraphs 71-73, Mr. Milner-Barry, the Treasury has not commented on the conclusions of last year's Committee. I imagine from what you have said earlier that you accept the conclusion here contained in the last sentence, but I would be interested to know whether you accept the view that is given in the last sentence but one in paragraph 73 of the Report of the Committee?—(Mr. Milner-Barry.) The one beginning "In these circumstances"?

4602. Yes, "If the Departments treated the prices of these supplies as needing the same careful investigation as those for supplies under non-competitive tenders"?—I think we should accept that also.

Mr. Benson.

4603. With regard to spectacles and lenses, do I understand you to say there is a good deal of competition now in the trade?—(Mr. Hawton.) What has altered is the Health Service demand for spectacles as a result of charges. The demand has fallen so heavily that the potential supply is much greater and, therefore, there is a much greater degree of competition.

4604. How many manufacturers are there?—I cannot tell you, I have not got that figure.

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[Continued.]

4605. Is it half a dozen or 50?—The general picture is that at the beginning manufacturers generally expanded as hard as they could and were, of course, encouraged to do so to meet the leaping demand. That demand has suddenly been cut by about one-third and we feel pretty confident, and we are advised, that the competitive element is now fierce.

4606. What is the effect on price?—That is precisely the issue, whether we should now attempt to agree a revised price or whether it would be wiser to let this new competitive element take effect a little longer. That is what we are considering at the moment.

4607. What is the effect on the price you have to pay, are you still paying the same old prices?—We are still paying the price which was settled by the Central Price Regulation Committee with the trade.

Mr. West.

4608. When the price is accepted from the Price Regulation Committee, over what period of time does it continue?—Well, presumably until there is a new agreement. From memory, I think there have been two agreements already. I think the original one was revised with an increase of 5 per cent. at a later date, and now the industry are seeking a further revision upwards.

4609. If one of the parties does not agree to the variation, what happens then, does it mean that the earlier agreement is still in force? Is there a terminating clause in the agreement, or does the agreement subsist? Is it for a fixed period of time?—I understand that it can be renounced at any time unilaterally.

4610. Has it been renounced?—No, not yet, there is a request for a new agreement.

4611. No steps are taken formally to renounce the agreement but some proposals are put forward for a revision of it?—The position at the moment is that a request that there should be a revision of it has been made. We have not got to the point of renunciation.

Mr. Hoy.

4612. Sir George, have there been any changes in the control of expenditure in the Scottish Health Service?—(Sir George Henderson.) In what field?

4613. You remember last year it was discussed, and it was thought that the Scottish system of control was better than the English system. I do not know whether Mr. Hawton would agree to that, but have there been any changes in any direction?—No changes as far as I know in the last year. I am not sure what you refer to, unless it is the fact that we introduced a costing system into our Hospital Service at,

I think, if I do not do Mr. Hawton an injustice, a rather earlier time than the Ministry of Health. That costing system is still going on. We have examined in detail our hospitals, but I imagine the Ministry of Health are doing the same thing.

4614. Are you satisfied that it is working efficiently, Sir George?—I think it is too early to say. It is a thing which takes quite a long time to develop. We have not the number of staff that will be necessary to do it very quickly. We are trying to do as much as we can in each year with the staff available and we are getting results, but they are rather slower than one would have hoped.

4615. Do you think, if you had an increase in staff, that you might effect much greater economies?—I should not like to answer that, because with the existing staff we are able to pick up the worst cases and, naturally, the results to be obtained from the less serious cases would be less than the results obtained from the worst cases, and we do pick up the worst cases under the existing arrangement.

4616. May I turn to paragraph 66, then, dealing with dentists. You would agree that one of the worst cases we had was a Scottish dentist who appears to have been giving a repeat performance?—Yes.

4617. Would you like to submit a list showing what action has been taken with regard to dentists in Scotland who have been found guilty of these practices?—If you wish me to submit a list, I will certainly do so. In regard to the particular dentist you referred to, of course, things have developed quite a bit. He has not only been struck off the National Health Service Dental Register but recently his case has been reported to the Dental Council and the Dental Council, I understand, last week made a recommendation to the General Medical Council that he should be struck off the Dental Register, which means that he can no longer practice as a qualified dentist.

4618. That is why I wondered, when you said you picked up the worst cases rather quickly, some particular individuals appear to have a long run?—There is a confusion there. I thought you were talking about the hospital system?

4619. I thought one would be applicable to the other, because here was one which was an astoundingly bad case. At any rate, I think it would be interesting if we could have that list of the dentists for Scotland who behave in a similar way to their brethren in England?—You mean, cases struck off?

4620. I mean, all dentists who have been dealt with?—We have 85 of them against whom disciplinary action has been taken.

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[Continued.]

I am quite prepared to give you these in categories.*

Chairman.

4621. May I say, Sir George, it might perhaps save us a little trouble, in case any of us forget, if we ask Mr. Hawton for a statement, I think you may assume that we would like as close a parallel as possible from Scotland as well?—I normally assume that, unless the circumstances are so entirely different that it makes it inappropriate.

Mr. Hoy.

4622. It is essential it should not be overlooked. We are dealing with two different Health Acts, Mr. Chairman. May I presume then, that what Mr. Hawton has said with regard to spectacle frames and lenses is the same for Scotland?—Exactly the same, yes.

Mr. David Jones.

4623. On paragraph 58, what happens in those cases where some of the people who have been transferred to the Hospital Service have been put in categories for salaries higher than is considered by the Hospital Management Board to be appropriate? Do you still insist on those people being reduced?—(Mr. Hawton.) I am not quite sure that I have got this clear. It would be the Management Committee who put them in the category.

4624. A man is transferred from the Local Authority Service to the Hospital

* Information supplied ; not printed.

Service and he is put in a category by the local authority higher than is considered appropriate by the Regional Hospital Board and they continue paying him at that rate despite the fact that they think the job he is occupying should be in a lower class?—No, the Management Committee would put him in the lower category.

4625. He has already been transferred from a position in the local authority which is higher than the Local Management Committee considers he ought to be in?—There is provision in the Act for compensation on loss of office or removal to a lower office in a full-time officer. That was provided for by compensation.

4626. Neither of those applies in this case because he is actually doing the job now, or he was until quite recently, that he was doing under the local authority, but the local authority's view was that the job he was doing should have been paid at a higher rate of pay than the Hospital Management Committee consider appropriate?—I do not know the individual case, but the normal position is that he would go in as he was. Transferred officers very often had protection for their existing pay stages and if not, they would be compensated, but I cannot speak about this case, I am afraid I do not know it.

4627. You think he would be protected? I am afraid I do not know the case. That is the general position.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I TO VIII).

CLASS V.

VOTE 2.

NATIONAL HEALTH SERVICE, ENGLAND AND WALES.

VOTE 15.

NATIONAL HEALTH SERVICE, SCOTLAND.

Chairman.

4628. May we turn now to the Appropriation Accounts, to the Comptroller and Auditor General's Report. I start with paragraph 54 which is also related to the Treasury Minute on paragraph 57 of last year's Report. Mr. Hawton, you had not fixed standards or dealt with redundant staff at the time of this Report, that is, November, 1951, but has anything been done since?—(Mr. Hawton.) Yes. On the administrative and clerical staffs, which is the main field where there has been activity, last December, 1951, all the hospital bodies were told one of two things ; either they

were told what their establishment was now fixed at as a result of the visit of the inspectors and that they must not exceed what they are now on except with the consent of the Regional Board, and in the case of the Regional Board itself with the consent of the Minister ; or if they had not been inspected they were told that their establishment, whatever it was at December, 1951, was frozen and should not be exceeded without similar consent. That was for the administrative and clerical staff only. We have not yet taken similar action, and are not ready to, for other staff.

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[Continued.]

4629. That really means, then, that you have dealt with each case individually and you have not fixed any general standard?—No, we were not attempting in the case of the ordinary clerical staff in the hospital to fix general standards, where we are visiting hospital by hospital. We have at the moment visited 160 hospital groups. As we visit them we fix the individual scale for the hospital, but meanwhile the others cannot be increasing while they wait because we have frozen them.

4630. Do you think you will produce any standards that can be generally applied over any of the other fields?—I am personally very doubtful about getting hospital general standards out of this establishment visiting because of the infinite variety of conditions in hospitals, even the shape of the building, and so on, but I think the ultimate aim must be the individual visit at each, and that is the line certainly with the clerical staff that we are following.

4631. Of your 160 cases, can you say in how many cases reductions were recommended and in which cases the reductions have been made?—I cannot give you the figures for the whole 160 cases, but the reductions which were found vary up to as much as where a 20 per cent. reduction has been found appropriate, and they have been informed accordingly. That is about the highest. The figures I am giving you now, I should explain, are really an estimate of the way it is going, taken from a certain number of them, not from the whole lot, which are not yet ready, and there we find that in about 20 per cent. of those visited there is really no result, they are all right. About 20 per cent. show reductions up to 5 per cent., about a half show reductions between 5 and 10 per cent. and the remaining 10 per cent. show anything above that up to 20 per cent. That is not an accurate figure for the whole 160, but it is a general impression derived from it.

4632. When you find that these establishments are too high, how does the hospital authority go about the business of reductions?—That is where we have had difficulty, and have had a lot of discussion with the Whitley Council. We are getting a good deal of protest about this, but regarding it as urgent, we have told them they must do it and achieve the result within two months. That does mean quite definitely discharging people to do it, as well as, of course, meeting the point by not filling vacancies, and so on, but it has meant positive dismissals.

4633. Would you say that the hospital authorities have been co-operative about all this?—On the whole, yes, I think so. They vary, but on the whole, yes.

4634. When do you think the review of the medical and dental establishments will be completed?—I think it is one of the most difficult of them all. It will interest the Committee to know that, as we have gone so far, we are not finding on the whole that reductions are called for. Indeed, in some cases the report shows that there could be an increase, and it is certainly going to be extremely difficult to get any general standards there. I think the main value of what we are doing there is that it is causing the thing to be discussed in each hospital visited and looked at, but it is not nearly as clean-cut as the administrative and clerical work.

4635. What about the domestic staff, and enquiries into nursing standards?—On the domestic staffs, we went to about 40 or 50 of the hospitals hoping to get standards again. Again we find general standards practically impossible, and so we are now starting individual visits for the purpose of fixing domestic establishments, and we have done about 20 since we started there. On nursing again we found standards very difficult after a number of visits, but we have got a small working party of nurses and others on that at this moment and we are receiving their report fairly soon.

4636. Sir George, you did not have any of these teams in Scotland?—(Sir George Henderson.) No.

4637. Have the Regional Boards made any special enquiries on your behalf?—They undertook at our request a general survey of the position. It is true that we have not appointed teams to visit hospitals, but we do expect the Regional Boards to act as our agents in this matter. Our general impression is that there is no serious overloading of staff in the Hospital Service. That may be, of course, because we have in one way and another through cost accounting and stores accounting asked hospitals in effect to employ more staff for that purpose, and if there had been any slack, I imagine that these duties we have tried to impose on them, with some degree of success, have taken up the slack. One field we have investigated in rather more detail than another is the domestic service field, where we recently appointed an adviser of hospital domestic administration. She has visited up to the end of March, 42 hospitals and as a result of her visits it is reasonably certain that they can save domestic staff in about 17 hospitals. Sometimes, I am afraid, it involves the introduction of labour-saving machinery before the reductions can take effect, but she has produced reports which show the way to the saving in quite a big proportion of the hospitals that she has examined. In one or two cases, I ought to say, the result of

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[Continued.]

her visit has been to recommend an increase, but it is in a very small minority of the cases visited. That only just shows that it is so impossible to get any standard in any of the fields within the Hospital Service. We have come to the same conclusion as the Ministry of Health after various enquiries, that it would be enormously difficult to fix any particular establishment for particular types of hospital.

4638. Mr. Milner-Barry, is the Treasury applying the same man-power policy to administration and clerical staffs in the Health Service as in the Civil Service generally?—(Mr. Owen.) I think that is so, Mr. Chairman. I am not absolutely certain, but the freeze that Mr. Hawton spoke about in the Health Service was, as I understand it, modelled on a similar kind of freeze in the Civil Service itself. (Mr. Hawton.) On that, if I may say, there is, is not there, one difference, that these things I have mentioned have not been attempts to cut man-power in the Health Service purely for man-power reasons. The cuts that we are aiming at in the Health Service are all related to economy and the prevention of waste in terms of money. There has not been, has there, as I think, in the Civil Service, a purely man-power consideration? Is that a fair comment? (Mr. Milner-Barry.) I think so, yes.

4639. May I go on now to paragraph 56? What are the increments in the consultants' scale, Mr. Hawton?—(Mr. Hawton.) They go from £1,700 by £125 a year to £2,075, then by £150 a year to £2,375 and then by £125 a year again to £2,750. It is either £125 or £150 according to the stage reached.

4640. Have you got any increments of a similar size in the Civil Service?—(Mr. Owen.) I think the nearest approach, Mr. Chairman, is £100, not £125, after which the posts are not on an incremental scale.

4641. How long do they take to reach the maximum?—It is a six-year scale.

4642. Are we talking here about medical staff?—I am sorry, no. I thought you meant the Civil Service generally?

4643. Yes, I do?—No, I was not talking about the medical staff of the Civil Service.

4644. What grades are we talking about, departmental or general?—General.

4645. What grade?—Assistant secretary.

4646. On the question of these awards, Mr. Hawton, are the awards for professional distinction entirely outside your control?—Outside our control? I am not quite sure I understand you?

4647. Are they solely in the hands of the professional body?—No, in theory, I think, the Committee recommends the names for the awards. In practice, of course, the Minister would accept that recommendation. It is not out of the Minister's control.

4648. Mr. Milner-Barry, is not this a very unusual arrangement? It is not usual for the remuneration, in fact, to be taken out of the hands of the Accounting Officer or the Treasury, except in the case of an arbitration award, or some such thing?—(Mr. Milner-Barry.) I think it is an unusual arrangement, yes.

4649. Can you tell us, Mr. Hawton, what is the composition of the Committee?—(Mr. Hawton.) It is a Committee under the chairmanship of Lord Moran with a lay member who, I think, acts mainly as vice-chairman, and the rest, part-time doctors of eminence. I can, if you wish it, put in the actual constitution. I have not got it with me.

4650. I think we should like to know. Can you tell me what the total annual cost of these distinction awards is, and the numbers who are getting them?—I ought to have that with me, but I have not got it. May I put in the details to the Committee and the total cost of the awards?

4651. Yes?—I ought, perhaps, on your question just now, to make one thing clear in case it is not. When you said that this is out of the hands of the Ministry, the number of the awards, in the sense of the percentage of the profession getting them in the various grades of the awards, is a settled figure which is, therefore, within the Minister's control. What is done by Lord Moran's Committee is to decide who the people shall be, not how many there shall be.

4652. Perhaps, in your statement, you would show the number getting various awards, how they are fixed, what is the total annual cost, and so on?—Yes, I can, if you like, give you the percentages of each award now, but perhaps you would rather I put it all in the statement.*

4653. I think you might, yes. Do you keep the proportions the same even if the total number of consultants is increasing?—The proportions were those recommended by the Spens Committee on the remuneration of consultants.

4654. And you have got them?—Those percentages remain, yes.

4655. Do you think, having regard to the fact that the number of consultants has increased, that the proportions should be re-

* Information supplied; not printed.

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viewed?—I have not heard that proposed by the consultants themselves yet.

4656. But the present numbers are, I imagine, fairly considerably greater, are not they, than the numbers on which the inter-Departmental Committee based its report?—I have not got the comparative numbers here, I am afraid.

4657. Mr. Milner-Barry, could not the Estimates give details of the principal salary scales of persons employed in the hospital service as they do for salaries paid under the normal Subhead?—(Mr. *Milner-Barry*.) Did you say do they, or could they?

4658. Could not they?—(Mr. *Owen*.) We will certainly consider that. They do not at the moment, but I do not see, offhand, any reason why they should not.

4659. It would be of very great interest. In the case of the Civil Service we do know, and even if annual salaries could be put in, I think it would be helpful?—You mean the main categories of medical staff?

4660. Yes?—Yes.

4661. In connection with this, for example, I would be very interested to see, and I think my colleagues would, a statement of consultants' salaries and the numbers at the various points at the present time. That I imagine you could let us have, Mr. Hawton?—(Mr. *Hawton*.) If you mean in detail such as at what stage on each incremental scale each consultant is, it may be a little difficult, but we will do the best we can to show the distribution.

4662. I do not want you to go to a lot of trouble about it, but I think some summary of this is very important from the point of view of understanding what is happening in the Service?—We will endeavour to give as good a picture as we can on that.* (Sir *Frank Tribe*.) To be quite clear, Mr. Chairman, were you asking that this should be put in the Estimates annually or that a paper should be put in by the Ministry?

4663. I was asking the Treasury whether that could not be put in the Estimates, but I did rather think in the case of consultants it would be of particular interest. If we could have anything now, it would be worth having. Now, I go on to paragraph 57. Mr. Hawton, you said that the remuneration was based on an assessment and not on the hours actually worked. Do not the Boards need to know the hours worked in order to check their assessments?—(Mr. *Hawton*.) The system we have worked so far is that the Boards decide what hours are involved in the job and then appoint the man to it. They do not,

* Information supplied; not printed.

though, check whether he attends those hours, but we have always asked them, and we have done it again recently, to keep constantly reviewing whether, in fact, their assessment of what was needed for the job has so worked out, and whether they could not review the hours from that point of view.

4664. But how do you know, then, if the payments are made without any certification even by the payee himself, that the required duties have been performed?—The Board must judge whether, in fact, the necessary work is being done, and that they do from their knowledge of the hospital. But I must be quite clear, they do not know and no attempt is made to find out whether the exact hours are worked. There is no record of that. (Sir *George Henderson*.) But they would very soon get to know if the operating theatre was not used for a week, for example. They do know that the resources of the hospital are being used, and properly used, used every day.

4665. But, Sir George, supposing you had a man who had arranged a session and did not turn up, or turned up late, there would have to be a lot of trouble before that fact emerged, would not there?—I should have thought that could not have gone on very long without his colleagues wanting to know why, because in the main the sessions are shared, certainly in big hospitals, by different persons.

4666. Mr. Hawton, the Comptroller and Auditor General found that some Boards were not reviewing, but this report says that you are satisfied in general. That was, I assume, on the basis of enquiries that you made?—(Mr. *Hawton*.) Yes, we have recently had a further discussion with Board's officers on this and our information is that most of the Boards are probably getting effective reviews, but there is room for improvement with some of them, and we are about to issue a document to all Boards about regular and effective reviews of this kind.

4667. Can you say how many are not reviewing?—No, I have got a separate figure for it. We certainly would agree that it is a thing which we have still got to hammer at to make sure that these are kept under review. It is a very good point, we are not satisfied.

4668. What about your side of this, Sir George? You did not draw the Board's attention to this until October, 1951?—(Sir *George Henderson*.) All our Boards are carrying out at our request a review of these part-time doctors. We have not had any final result from that because they point out to us quite fairly, I think, that in anything of that kind they must endeavour to take the hospitals and specialists with them

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in any review they are carrying out, and it must necessarily take some time, but we expect quite soon to have a statement from at least some of the Boards indicating whether they think any economies can be made in the part-time arrangement.

4669. Turning now to paragraph 58, have you now got the information on earnings and the Inland Revenue statistics?—(Mr. Hawton.) We have got the figures for these earnings, yes, and they have, I think, been given to the Comptroller and Auditor General.

4670. That is the kind of material that was given to the Danckwerts Tribunal, is it?—No, that material, in fact, was not put before Mr. Justice Danckwerts.

4671. Is this total earnings or earnings from the Service?—This is earnings from the Service.

Mr. Peter Roberts.] Could we have those figures?

Chairman.

4672. I was just wondering how much detail is given?—The figures are extremely detailed. This is the bulk of it, showing all the different kinds of income and different distributions over the range. We have not published these figures. It was agreed with the doctors that they would not be published except with their consent, and we have not, in fact, published. They were not, as I say, put in to the Danckwerts adjudication, but they are being used, I think, obviously in connection with the working party deciding on a new distribution of income for doctors—which was the second leg of the Danckwerts' decisions, you remember.

4673. Would it be all right if you were to let us have a few copies of this to which Members of the Committee could have access? I am not suggesting circulation of it, it is a bulky document?—Yes, we will certainly put that in.* We will arrange with the Clerk to the Committee as to how many copies we put in. It is on the basis that it is not a published document, is it?

Chairman.] Yes, we appreciate that.

Mr. Peter Roberts.] It is public money which is being spent.

Chairman.] Yes.

Mr. Peter Roberts.

4674. I find it a little difficult to follow why, if we wanted to publish it, we should not?—I was not for a moment presuming to suggest that. I was saying it is only on that basis at present.

* Information supplied; not printed.

Chairman.] For the moment I was putting it on that basis. If we found it desirable to do something else, I thought we would tell Mr. Hawton. I thought this was a case where we would like to see it, and if later on we thought something more should be done about it we could reverse that decision, but at the moment it would be like anything that any other Department puts in marked "Confidential".

Mr. Peter Roberts.] That is what I had in mind.

Chairman.] It does not prejudice any view we may take about it at a later date.

Mr. Peter Roberts.] Of course not.

Chairman.

4675. The evidence you put in to the Danckwerts Committee was rather different, was not it? That covered the total of the remuneration from the Service and outside?—Well, our evidence was mainly directed to showing the total position of doctors and relating it to the position of what we thought were comparable callings, and it was in that field that, I think, most of the argument took place.

4676. I see that you are providing in the Estimates £220,000 for the maintenance of a Central Register. Is this in addition to the check referred to in paragraph 60 which is estimated to cost £½ million?—That is, I think, a consequence of the abolition of the identity card system and the need which we anticipate, although no final decision has been taken, of running some Central Register in place of the National Register for our own purposes.

4677. What do you think the annual cost of maintenance will be?—Maintenance of this Register?

4678. Yes?—I have not got the exact figure. My recollection is about £150,000. It is certainly less than the £250,000, but I have not the exact figure.

4679. What does the Treasury think about this? Is not this really a rather expensive way of ensuring that the distribution of the pool is fair as between doctors? Are you satisfied that there is not any less expensive method of doing what is required?—(Mr. Owen.) Do you mean this £500,000 for what we call the purge of the doctors' lists, or do you mean the £250,000, or whatever the figure is, in this year's Estimates for the maintenance of a Central Register?

4680. I am really referring to the whole business. As I understand it, it is solely concerned with how you distribute the pool. It is solely concerned with this duplication that there is, that lists are not

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accurate, and so on. It does not alter the total amount, it alters the distribution of the amount and it seems rather an expensive item for this purpose. I was really asking whether you had gone into this and were satisfied that there was no other way of doing it?—We are at the moment going into it with the Ministry of Health and, as Mr. Hawton said, no final decision has yet been reached. The Treasury have not by any means been convinced of the need for this Central Register in view of the particular form which the Danckwerts Award took, based as it was on the number of doctors and not on the number of patients in the Health Service.

4681. What about Scotland, Sir George, are you going to have that Central Register?—(Sir George Henderson.) We are at the moment rather tending to agree with the Treasury on this. I am sorry to have to say so in the presence of Mr. Hawton, but we do take the view that it is doubtful whether we get our money's worth if we have a decent system. It is only fair to say this, of course, that there has been something like this ever since, or very soon after, the introduction of National Health Insurance in 1911, but we do feel with the Treasury that the alteration on the basis of the pool, depending so much more in future on the number of doctors, is a vital factor which may eliminate the necessity for this expenditure which we had otherwise contemplated.

4682. May I ask the Treasury, when do you think you are going to get this settled?—(Mr. Owen.) We hope, Mr. Chairman, by the end of this month and, of course, the fact that there is provision for this Central Register in the Estimate does not by any means mean that there will be a Central Register.

Mr. Peter Roberts.

4683. On the question of consultants' contracts and the review by the Boards, have we any evidence as to the number of contracts which have during the existence of the scheme been declared redundant or unnecessary?—(Mr. Hawton.) I do not know that figure, no.

4684. Would it be possible to find out whether, in point of fact, any part-time consultant contracts once having been set up have been cancelled?—I feel perfectly sure some have.

4685. May we have some sort of idea of what proportion?—I will see what information we have on that and make it available.*

4686. I have seen some evidence to show that once these things are set up they are

looked upon rather as a sinecure for a number of years and it would appear that the Boards, although they review the setting up of new appointments, tend to leave the old ones where they are? If we can have some evidence on that I think it would meet that if it is not right?—We are putting in a paper on consultants and if there is anything we can put in on that we will add it to it.

4687. In other words, it is a check on the Boards, on their own ideas?—Yes.

4688. The second question deals with the duplication of patients. When the Central Register is set up, of course, that will have the double effect, not only of checking the money but of checking the doctors when they say their lists are full?—Yes.

4689. Not only will it have a monetary effect, it will also have the effect of checking a doctor when he says: "I cannot take Mr. or Mrs. So-and-So because my list is full"?—Yes, we have so far taken the view that if you pay on a capitation basis you must maintain adequate steps to see that there is no duplication of lists. As we have all just said, the matter is not yet settled, but that has been really the basis on which the Ministry of Health's view has been founded.

4690. I may not be quite accurate on this, but when one talks about distribution of a pool, in point of fact it is a direct payment to a doctor on the number of people he can show whose names are on his list?—The ultimate payment reaching the doctor depends on the number of names appearing on his list.

4691. Therefore, it is to his advantage to have as many people as possible on his list?—Yes.

4692. And, therefore, it is probably a disadvantage for him to ask too closely whether, in point of fact, should the people go away or—well, he would know if they were dead?—I do not think it would rest very much with the doctor. The people would, in fact, be on his list, the point would be whether they would be on somebody else's at the same time. It is a matter for the Executive Councils with the machinery we can devise to help them, a central registry or otherwise, to get this point clear.

4693. I do not know whether part-time medical services arise actually on the report by Sir Frank. The question of part-time consultants does, but there is, of course, the question of a person part-time assisting a general practitioner. What check have we got on that?—I do not quite follow who this is.

4694. This is a qualified doctor who has no practice?—Is he taking an appointment as an assistant to a general practitioner?

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4695. Yes, and gets paid?—But then he would not be a part-time. He is surely a full-time assistant?

4696. Sometimes full-time, sometimes part-time, sometimes a morning only or two or three mornings a week only. The question I want to ask is, are those people paid by the doctor who employs them?—Yes, but it enables him to have a larger list.

4697. Are you satisfied with the present arrangement whereby the availability of practices in an area is decided by the doctors of that area? In other words, if a young doctor wishes to set up in an area, he has to go to the doctors of that area in order to show that there is a need?—No, he goes to the Executive Council of that area who, with the Medical Practices Committee, a central body, decides whether there is or is not need and is or is not a practice.

4698. Have you found at all in practice that the doctors can say: "Well, I will employ you as a part-time assistant for my enlarged practice and we will therefore say there is no need for you to set up a practice of your own"?—But it would not, if I am understanding this correctly, rest with the doctors in the area to decide whether there was to be a new practice set up or not. It would rest with the Medical Practices Committee and the Executive Council for the area.

4699. Who are not doctors of that area?—No, the Medical Practices Committee is a central body for the whole country set up for the particular purpose of regulating the entry into the practice in different areas. When the settlement of entry into practice by sale and purchase was abolished the Medical Practices Committee was set up to take charge of entering into practice of all the areas of the country.

4700. I follow that. The point is this, that that body, then, has no direct interest upon it of doctors in the area under discussion?—No.

4701. Yet the doctors in the area must be able to submit a case that they do not need anybody else?—Yes, of course, but the feelings of the doctors in the area would be well known to the Executive Council of the area with whom the Medical Practices Committee deals.

4702. Do you find in this matter that there tends to become what you might call a closed shop in an area because the doctors in that area say: "We do not need any new individual. If we want to expand our practice we will do it by employing doctors on our own staff"?—I think it is true that there are difficulties about entry into practice which are causing complaint. I do not think they are quite due to so simple a

cause as that. There are a lot of other factors such as that the man who gets the last doctor's house has an obvious advantage, and points of that kind, but it is one of the things which has to be kept in mind when a better system of distribution of doctors' pay and of helping doctors who have not had so square a deal in the past is settled by this new working party. It is one of the points they will have under consideration.

4703. The only financial check, of course, as far as you are concerned, is to pay the doctor who can produce the list of patients. Do you check on how many assistants he has?—Oh, yes, it affects his lists of patients, of course.

4704. Sir Frank, do you only look to the doctor who is receiving the capitation fee? As far as the financial check is concerned, you do not look further than that?—(Sir Frank Tribe.) You are asking me?

4705. Yes, I was wondering from your point of view of a check, once you see a receipt, so to speak, from the doctor on his activities, that is as far as you look? You do not look then to see how it is distributed to other doctors whom he is employing?—What I am concerned to see is that they do not distribute in total more than the sum total of the pool. I am not concerned with internal distribution of this nature. (Sir George Henderson.) Perhaps I might mention a case which might help here. I think my memory is correct, it was a case we had where a doctor established in an area was employing an assistant. It was thought that the area could stand two doctors, and there was a very suitable applicant for the post, but the existing doctor argued that he could do the whole work with a young assistant. Now, the view was taken in the course of those proceedings—I am not sure whether it was the final view of it—that it was better to have two doctors than one doctor with a young assistant who might only stay for six months and there would be a succession of assistants coming along for six months or so.

Chairman.

4706. Am I not right in thinking that there is some control over the conditions of service of the assistants?—(Mr. Hawton.) Yes, broad control where a question of training assistants is concerned. Then we come into the picture and there is payment to the doctor who is approved as a suitable doctor for training assistants, and so on. But I think, really, now we are on a point of the distribution of the pool and the size of doctors' lists and how far that is regulated. I think all of this is going to be answered by a new system of distribution which should emerge as a result of the Danckwerts Award. Really, I think it is all rather historical now.

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Mr. Peter Roberts.

4707. Am I right in thinking that you said in reply to a previous question I asked that there are no other moneys paid by the Ministry from the fund to people helping doctors either by way of trainees or part-time?—I am not quite clear on this. The position, I think, is this, that if a doctor decides to employ an assistant purely for his own purposes—his own decision—he finds an assistant and employs him, then it is scarcely anything to do with the Minister who pays for the consequentially enlarged list of patients that the doctor can have. If the doctor, on the other hand, is approved as a doctor suitable for training assistants, and he gets an assistant, the Minister does make a payment to the doctor in respect of the training of that assistant.

4708. That is what I wanted to concentrate my questioning on, the trainee who is being paid by the Ministry. Does the fact of the doctor having a trainee enable him to have an increased panel?—Yes*.

4709. Therefore, again on the same line of questioning, it might keep out a young doctor wanting to set up practice in that area because there was already a doctor employing trainees and taking more on to the panel?—I should not have thought that the existence of a trainee assistant would ever have that effect.

4710. Could you say how many trainee assistants there are in this period?—I have not got the figure here, no.

4711. Could we have that?—Yes, if we know it†.

4712. Again, surely, that must be a payment which comes under your view, I should have thought?—I have not got the number, but some idea of the scope of it will be given by this, that in a total bill of about £41 million, we were paying for trainee assistants £317,000. It is fairly small thing.

4713. That would come under your eye?—(Sir Frank Tribe.) No, it comes out of the pool which I mentioned. All I have to see is that the total pool is not exceeded. Of course, on your first question, as mentioned in the second sub-paragraph of paragraph 59, there are fees paid for providing maternity services, payments of over £1½ million for the supply of drugs and appliances and, of course, as I think you mentioned Exchequer funds, many of these doctors also get payments from the Ministry

* Note by witness.—The answer to this question should have been "No." I was thinking of ordinary assistants, not "trainee" assistants.

† Note by witness.—The number of trainee assistants at 31st December, 1951, was 340.

of Labour and National Service or the Home Office or other Departments for services they perform for those Departments outside the National Health Service.

4714. But the trainees are paid out of the pool?—(Mr. Hawton.) It depends what you mean. They are not out of the pool in that sense, not out of the £41 million in the technical sense, it is an additional sum of money paid by the Ministry, not out of the pool. (Sir Frank Tribe.) I am afraid I was wrong about that.

4715. So that would come under your view?—Yes. (Mr. Hawton.) As you see from the figures I gave you, the figure is relatively very small.

Mr. Bossom.

4716. Could you say from your experience whether you are now requiring more or less consultants or specialists in relation to your general practitioners? If they have to be specially paid, it is an important item of cost?—Whether we are requiring more in relation?

4717. Yes?—I do not really think I have got enough evidence to answer that question, whether we need more in relation to general practitioners.

4718. Yes, the item of specialist costs?—As I said earlier in this meeting, we are finding when reviewing the consultant arrangements in hospitals, certainly, that on the whole they are not redundant and, therefore, presumably all those in use are, in fact, needed. We are not running a redundant consultant staff. I have no comparative figures which would help on that question.

4719. Are you finding now that the education of the younger doctor is being carried to a level that enables him not to require a specialist as much as would normally be the case in the old idea of the family doctor?—I really think that is a question I am not competent to answer. It really could only be answered by a doctor. This seems to me essentially a question as to what kind of doctor is medical training turning out and what are his abilities. I do not think, as a layman, that I know.

4720. That is not the thought behind my question. The thought behind my question is a very definite one. Within my knowledge there is a man who is a great specialist. His son is probably as clever as the father, but he is not being permitted to take the specialist courses that would enable him to get to that degree of quality that his father possesses, so where he is being now employed he has to call in specialists to do the work that he would have been able to do if he had been

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allowed to have the proper training?—When you say he is not permitted to do the courses, what is stopping him?

4721. He has endeavoured to take courses and they have said he could not, he has got to go out and be a practitioner. I can give you the name of the man and all about him. The father is one of the most famous men in this country in a particular line?—This still does seem to me to be a question of the scope of the—

4722. It does not come within your competence?—It is rather the scope and organisation of medical training.

4723. It is causing cost to the nation; that is the point behind it. He is having to employ specialists to do work he would have been able to do himself had he been allowed to have the training he wanted to have and is not allowed to have but has to go out and take on a job as a general practitioner?—I am afraid I cannot offer an expression of opinion on that case.

Mr. Benson.

4724. With regard to clerical and administrative staff, have you checked up in the hospitals you have investigated the increase in the staffs since the National Health Service was introduced?—It is taken into account, of course, by the visiting teams when they visit as to whether the existing staff is the right one, but I think it is important to remember that there is bound to be an increase now compared with the hospitals before the scheme by the very fact that we take an Exchequer responsibility for them. The ordinary voluntary small hospital before the scheme needed probably very little in the way of clerical accounting staff but now that it is spending Exchequer money and we are answerable for it, we must have a certain amount of accounts and book-keeping returns which, probably, were not needed when it was a voluntary hospital. Some increase, I think, was inevitable.

4725. Can you put a figure to it as to what that increase in clerical and administrative staff has been throughout the whole Health Service as compared with the previous scheme?—I have not got any figure in mind at the moment. I do not think we should have the figure for the pre-Scheme staff.

4726. It would be easy to obtain?—With respect, I think it would have been very difficult to get an accurate figure of lay staff employed by the voluntary hospitals before the Scheme.

4727. Their accounts must be there?—To a very varied degree, the accounts are there. Some of them are very, very scanty.

4728. Surely they must show the wages and salaries paid and to whom?—Some of the accounts at some of the hospitals before the Scheme gave practically no information of that kind to us when we took over. They varied enormously, but it is certainly true that we have not an accurate figure for administrative staff employed by local authority and voluntary hospitals before the Scheme.

4729. Take an area where you have hospitals before, for example, take the L.C.C. pre-Scheme hospitals. Have you tested the result of the Scheme on the L.C.C. hospitals?—There again you would have the complication that a big local authority did a lot of its lay work by common service staff in the local authority's employment not working in the hospitals but in fact doing work for the hospitals. When we take the hospitals over they have got to be self-contained in the staff whereas a local authority very often had common service staff.

4730. So, to that extent transfer from the local authorities has reduced the administrative efficiency of the hospitals so far as requiring more staff for the same work is concerned?—I do not think I could agree with that conclusion.

4731. With regard to distinction awards, are those distinction awards additional to the basic pay?—Yes.

4732. So that a maximum salary may go up to £5,200?—£5,250, yes.

4733. With regard to practices and assistants, you said you pay £317,000 for trainees?—Yes, that was the figure.

4734. Is that throughout the whole country?—Yes.

4735. There are only about 350, then. The average salary is about £900, is not it?—This figure which I gave you would include not only the payment to the assistants but the training grant to the doctor who employs them.

4736. In addition to the salary there is training grant?—Yes, we make a grant at the rate of £150 a year to the employing doctor plus the salary of the assistant and his boarding expenses, things of that kind, with a maximum of £700 a year. It must not exceed £700 a year.

4737. To the assistant, or including the £150?—Including the £150. I may have to correct that, I am told. The £700 is a maximum for the salary and board and lodging and the £150 to the employing doctor is an addition. I am afraid I misinformed you.

4738. With regard to the question of the size of practices, there is a limit to the

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size of any practice so far as the number of registered patients is concerned, is not there?—Yes.

4739. How much is it, do you know?—4,000.

4740. There is an allowance for an increase in that if he employs an assistant?—Yes.

4741. What does that bring it up to?—I think for each assistant—I can correct this if it is wrong—it is 2,400 on top of the 4,000.

4742. So, in actual fact, if you do allow assistants and if doctors are allowed to employ one or two assistants it would definitely cut out the possibility of a new practice?—Obviously, by taking up more patients it contributes to remove the need for a new practice, but what I said in answer to an earlier question is that I do not think, normally, the existence of an assistant or the doctor having had an assistant would be so decisive that a whole new practice would not come into being. I quite agree, it is a factor contributing towards it.

4743. If you have a number of doctors making a practice of employing assistants it does definitely produce two grades of doctors?—I suppose it must tend to reduce the need for new doctors.

4744. And, therefore, some control over the habit of taking assistants. I have not referred to the training now, which is quite different?—It must tend to have that effect, I agree.

4745. A very serious effect, surely?—That will vary with the number in each year.

4746. Now, with regard to the check on consultants, you say at the present moment you feel that there is not an excessive number?—Well, I said that our reviews, hospital by hospital, are not revealing on the whole that there is an excessive number.

4747. Has there been much cutting? There was rather a proliferation of it, was not there?—I do not think so. It depends what you mean by “consultants”. If you include the registrar, there was and still is a discussion with the profession about the proper control of the number of registrars so as not to have more people than there are vacancies for training, but that is hardly a consultant in the full sense of the word.

4748. What is the growth in the number of registrars, of resident or full-time employed doctors in hospitals since the Scheme?—I have not got a figure here.

4749. Has it been investigated?—Yes. What you really want is the number of full-time and part-time hospital medical staffs?

4750. I do not want the figures, because they would not convey much to me. I want to know if you have investigated, because I do happen to know one hospital, a London hospital, where a particular job was done as part and parcel of the assistant medical superintendent's duties, it was done in his part time, and immediately after the Health Service was introduced in order to do what was done part-time by the assistant superintendent, they appointed two registrars, and that continued for twelve months until the matter was looked into and it has now reverted back to the job being done as it was before as part of the assistant's work. How far did that happen and how far is it still happening?—I do not think it has happened on any scale at all. It has been the job of the Regional Boards to decide over the big area what specialist services they needed, and to organise them, and the result of that is that you are bound in some areas to have more than you had before because you are getting really a rational distribution of specialists and of specialist services over a whole region.

4751. I am thinking of registrars or of the fully employed doctors in hospitals. What I am concerned about is not the numbers, but has the Ministry of Health taken steps to check up what has been happening?—Yes, we have constant reviews through the Regional Boards as to their staffs and these staffs, whether they ought to be smaller or bigger and, indeed, we are having these regular visits which we have referred to on the subject of medical staff alone.

4752. Do you find in some hospitals you have to come down and insist on a reduction?—We found on the whole, as I said, there is not much case for a reduction, anyway so far.

Mr. Bossom.

4753. In your review of the hospitals have you found that the administrative staff, not the medical staff, has increased or decreased over what it used to be before the hospitals were taken over?—It must generally have increased, as I said just now.

4754. I heard that. You said it would increase. What definitely do we get by having that increase?—If you do not have sufficient staff to ensure that the money which we are putting into the Hospital Service is prudently and properly spent we should not be able to come to this Committee and ever give an assurance. Some degree of clerical staffing for that purpose must go on in hospitals which was not needed when they were not run by the Exchequer.

4755. But were not the hospitals being properly run beforehand?—It varied enormously. When you say “properly run” they varied enormously in the adequacy

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of their accounting arrangements and some were most inadequate.

4756. Let us take Kent; if you can localise it to that amount, how much more does it cost for the administrative staff today than it did cost for the hospitals in Kent before they were taken over?—I cannot tell you.

4757. Is there any way I can get that information?—It is very difficult for us. We will certainly see if we can give you that information if we have got it. I must say at this stage it is very difficult. Our part of it is easy, but it is the pre-Scheme part of it which I find extremely difficult, I will see if I can get it. I am not very optimistic about it, but I will certainly look at it.

4758. I know in a number of cases what it is. I am not asking quite entirely in ignorance, because I know the situation, but I would like the official figure if I could have it?—There obviously can be an official figure for the conditions under the Scheme, but we have no official figures for conditions not under the Scheme.

4759. I mean, under the Scheme?—But that will not give you any relative increase unless you know the figure before the Scheme.

4760. Are you treating more patients today in relation to your administrative staff per capita than you were?—I really do not know.

4761. Would not that be good information to get?

Chairman.

4762. Mr. Hawton, as I understand it you are saying we can have any information about the situation since the Scheme was started. What you are unable to do is to give us any information or much information about the services before 1948?—Yes. Needless to say, we are most willing to give any we have got, but it is necessarily rather scanty.

Mr. *Peter Roberts.*] It would be possible to take, for instance, the administrative staff in Kent at what we might call the take-over date, the bodies taken over, and compare that with bodies at the present time. I think that would meet the point.

Mr. Bossom.

4763. That is exactly it. I do not think you are trying to be obstructive or anything like that. I am asking for information?—I think if such figures were given it would also be necessary to take account of any reorganisation which had taken place, because you could get quite a false comparison made if the character of a hospital had changed.

4764. The number of patients that are treated is what I am getting at?—It is not quite as straightforward as that. It would be a fair comparison if throughout the country the hospitals taken over were performing precisely the functions which they performed before without change, but it has been one of the main purposes of the Hospital Service over regional areas to group and, as necessary, change functions, so you have not really got the same hospitals just doing the same local job.

4765. Take them in the same group. They may be moved about and disposed rather differently, but with the same number of patients and the same number of hospitals the total number of administrative staff has suddenly increased very materially, and I would like to know whether we are getting any advantage out of it? That is a very fair question?—Yes, I am afraid I am being a little dense, but I am still not quite clear what it is you would like me to try and put in. I can give you obviously any particulars about the staffing so far as we know it.

4766. The administrative staff?—Administrative and clerical group, we call it; that is the ordinary lay clerking of the hospitals, and I can give you that probably most easily over a region rather than over an area like a County area which no longer has any relevance.

4767. Certainly, yes?—If we look at that and see whether there is any useful comparative figure bearing on pre-Scheme conditions, of course, we will do it, but that is where I am not very optimistic. May I look at it?

Mr. *Bossom.*] If you are running a large organisation on any activity you try and get a relationship between your production and those that are administering in the production, and that is really what a hospital comes to in the last resort. You are administering health, and those who provide it and the administration of it are undoubtedly one of your big expenses, and I think the Committee, speaking for myself, would be very interested to see the relationship of the costs in that respect.

Mr. Peter Roberts.

4768. I would like on that merely a question of fact, the deduction we will make for ourselves once we have got the figure. If we are going to take a regional area covering part of Kent, for example, could I have the total number of persons employed in the administrative, clerical and cleaning section in the first month of the take-over in 1948 and, we will say, the latest month which we are discussing in these accounts?—We will certainly see what we can do towards that now I know what the object

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is, and put in whatever we think is of most help on that, if we may.*

Mr. David Jones.

4769. The teams of experts which are sent out, I gather, are under the auspices of the Ministry of Health?—Yes.

4770. In addition to examining the staff of the hospitals, do they have a look as well at the staff of the Regional Hospital Boards and the Hospital Management Committees to see that they are not over-staffed?—Yes, indeed, that is one of their main objects.

Chairman.

4771. May we now take paragraph 61 of the Report, which deals with dentists? Have you assembled the information for the year to the 30th June, 1951?—Yes, we have assembled it.

4772. Can you tell the Committee how the figures compare with those for 1949 which were considered by last year's Committee? For example, what proportion of single-handed dentists get fees totalling over £6,000? That is the sort of comparison, if you could make it?—I have not got that one. What I have got, which I think is quite useful, is a figure which includes the average gross remuneration of dentists revealed by that enquiry. That is the average gross remuneration which in the year up to July, 1951, was £4,222. The figure in the 1949 tables which were used before would be £5,249. The comparable figure now, that is, at January, 1952, is down to £3,158.

4773. Have you got those figures broken down at all to show the sort of comparisons that would be useful in relation to our previous examination of them?—Yes, I have only got here with me today a summary of this kind, but we could supplement that. What this broad summary does is to show what I have just told you and similar figures in general.

4774. If we knew how many were over £6,000, how many over £12,000 and so on, one would expect, on the figures you have given already, to see a decline, but it would be interesting to make one or two comparisons of that sort, if you could let us have the figure?—We will put in this paper I have now, supplemented with that.†

4775. Would you say that in the year up to June, 1951, many dentists' earnings still remained in excess of the Spens proposals?—It is extremely difficult to compare with the Spens proposals really because the thing you are comparing with is a dentist under Spens who is working a 33-hour week, and various other conditions like

that. Even when we have got these figures of actual payments to dentists out, we do not know which, if any, of the dentists are, in fact, working under those sorts of conditions, so we really have not any comparison.

Mr. Hoy.

4776. When you say "a 33-hour week", do you mean 33 chair hours?—Yes, chair-side hours, I should have said.

4777. That is rather different?—Yes.

Chairman.

4778. That was the assumption that was made?—Yes, I am sorry. It was the assumption of the Spens Report that 33 chair-side hours was involved.

Mr. Hoy.

4779. May I then ask if these figures which have been given are the same for the whole country? Is it for Scotland and England or is it merely for England and Wales?—(Sir George Henderson.) I have figures here for Scotland, the same kind of figure, the average gross income and the average net income at various dates.

4780. Have you got similar figures to those Mr. Hawton has given us?—Yes.

4781. Could we have similar figures?—This, Mr. Hawton told me, is Great Britain, but the Scottish figures are these: the approximate average gross income estimated at the 31st March, 1950, was £4,790 and at the 31st December, 1951, £3,320. Reduced to net figures that becomes £2,040 and £1,500.

Mr. Peter Roberts.

4782. What constitutes net working expenses?—That is after deduction of working expenses and general expenses.

4783-4. Not tax?—No, not tax.

Chairman.

4785. How soon do you expect to know the effect of the charge for dentures?—Of course, we have had now only a year on the charge for dentures and by the end of 1951 the number of estimates put in for dentures dropped by about 46 per cent. Conservative work estimates went up by about 22 per cent. We are now faced with the unknown effect on conservative work of the new measure which will make the £1 charge.

4786. Are you going to defer any action still further until you see whether the new Bill is going to become law, and what its effect will be?—We have at the moment a claim from the dentists for the restoration of the 10 per cent. cut which was imposed on them in May, 1950, but we have asked them at the moment to produce facts and

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* Information supplied; not printed.

† Appendix 14.

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figures to show why they are claiming the restoration of the 10 per cent. cut. My own view is that there is not much hope of reaching a final decision as to the proper level of pay until we do see the result of the charges for conservative work.

4787. Just a couple of questions on paragraph 62: could not you have adjusted the fees to avoid leaving this saving in the hands of the dentists?—Theoretically we could adjust it every time there is any alteration in the price of any material, but this was an alteration in a really small proportion of the dentist's working expenses. At the same time he was having an increase in the price of precious metals which he used and, also, an increase in general price levels like fuel, electricity and other things, and working expenses, and we did not think an adjustment for this particular thing *ad hoc* was worth it.

4788. Did you accept the reduction that the manufacturers offered or did you yourself take steps to see that the reductions were reasonable in the light of the information obtained by the Monopolies Commission?—No, the manufacturers made their reduction after the Monopolies Commission Report and we did not do any further investigation.

Mr. Benson.

4789. You say that the provision of dentures dropped by 40 per cent. and preservative work increased by 22 per cent.?—Yes, 46 per cent. and 22 per cent.

4790. Is there any connection between those two figures?—Well, I suppose there was a switch of emphasis in the case of some dentists from denture work to the other.

4791. It is a very large increase in the preservative work?—Yes.

4792. You draw no conclusions from it?—Well, part of it would be the catching up on arrears but I do not draw any other conclusion.

4793. You think that is the real explanation, catching up on arrears?—Part of it, anyway. (Sir George Henderson.) Part of the explanation is that dentists have more time to do conservative work.

Mr. Peter Roberts.

4794. Am I right in thinking that conservative work is putting a stopping in, is that right?—(Mr. Hawton.) Yes.

4795. A dentist who puts a stopping in has to spend a certain amount of time, and if he pulls a tooth out he gets extra payment for the denture, does not he?—He is paid for the process of extraction and providing a denture.

4796. Is he paid for the process of filling a tooth to the same extent?—He is paid for all dental processes in a scale of fees for all these things, fillings and the others. We have always tried to put the emphasis in these scales of fees on to conservative work, but there is always a tendency with some dentists to do a lot of denture work and, perhaps, do it rather quickly and find it more profitable, but that has been quite severely checked by the effect of the denture charges.

4797. So you would say that the effect of emphasis is to some degree due to the dental charges?—I think so.

Mr. West.

4798. The dentist's gross earnings, of course, which you have given are gross earnings which they have received from the Service?—Yes.

4799. That does not take into account anything they have obtained privately?—No.

4800. Would it be correct to say that quite a large number of dentists, at any rate, have a substantial private practice besides their rendering service under the National Health Scheme?—I have no official information about the size of their private practices.

4801. Do I gather that the expense allowance which was granted to them was an expense allowance based upon remuneration under the Service?—Yes.

4802. Was that a flat figure that was agreed?—The 52 per cent.?

4803. Yes?—It was a flat figure, yes, it is a figure we have applied throughout the whole of the payments.

4804. Irrespective of what the expenses actually were?—It was our attempt with the profession to decide what was a proper figure for their expenses.

4805. I want to be quite clear on this expense allowance, or the estimation of expenses. Did you arrive at the estimation of expenses so as to fix the rate of remuneration? You are not concerned with the expenses as such, are you?—No.

4806. You are only concerned with the rate of remuneration?—That is right.

4807. Did you take into account the 52 per cent. as the expense allowance in fixing the rate of remuneration for the dentists?—Yes.

4808. Mr. Milner-Barry, could you tell the Committee whether, in point of fact, a flat allowance of 52 per cent. expenses is the basis upon which income tax is paid by the dentist?—(Mr. Milner-Barry.) No, I could not, I am sorry.

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4809. Do I understand that dentists are in the same category as every other taxpayer in the country that the expenses have to be proved before they get a fixed allowance?—I should imagine that was the position, but it is a question for the Revenue.

4810. You cannot help us with regard to that at all?—(Mr. Owen.) I should expect that if the Revenue found that a dentist was putting in expenses of more than 52 per cent., they would query it, but that is a question we should have to check with the Revenue.

4811. Mr. Hawton, do not you consider that the 52 per cent. allowance in respect of expenses is, perhaps, the highest rate of any profession that there would be in the country?—(Mr. Hawton.) I think it is accepted that dentists have to have a relatively high rate because of the cost of materials that they use in most of their dentistry, and auxiliary staff and technicians. I think, if this is accepted, that their rate is expected to be relatively higher, but whether 52 per cent. is now the right one is another matter.

4812-3. Is 52 per cent. still the basis upon which you arrive at the rate of remuneration?—At the moment, yes. (Sir Frank Tribe.) I think I might say on Mr. West's first question, the Treasury in their minute on paragraphs 64-66 of the Report of last year's Committee said that so far as private work is concerned investigations which had been made suggested that the income from private practices amount to some 5 per cent. of the total earnings. (Mr. Hawton.) That is only an estimate, I think.

4814. How would you estimate the decrease in dentures and the increase in conservative work, would it increase or decrease the expenses?—The practice expenses?

4815. You estimate that the supply of dentures has dropped by 46 per cent., but conservative work on the other hand has gone up by 22 per cent. The character of the dentist's work has changed substantially. What effect would that have on the expenses, would it increase the ratio or decrease it?—I do not think I myself know that. That is one of the things we would investigate when we review.

4816. You are going to investigate that?—As with all the professions, we shall have to review the whole of the dental pay. The question is, the right moment to do it. We would be doing it now but here we have this new charge for conservative work which suggests waiting, but when we do it we shall look at precisely those factors you mention.

4817. What effect do you think there would be on this 52 per cent. by the reduction of prices of materials which was

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brought about as a result of the report of the Monopolies and Restrictive Practices Commission?—It would be obviously one of the factors in practice expenses; I cannot assess it now.

4818. You think it may reduce it?—No, it may be more than offset by other factors; I cannot say.

Mr. Hoy.

4819. You say you are not considering at the present moment any change in the remuneration for dentists, but that you have, in fact, had a claim from the dentists. You have received a claim for reconsideration of the 10 per cent. cut imposed on them last year? Is that correct?—It is. If I may just correct one thing, I did not say we were not considering it, I was saying that the position at the moment was that we had this claim before us.

4820. Obviously, you must have given it some consideration. All these stories about the Civil Service putting things into a pigeon hole and forgetting them are not quite true. You are doing something about it, are you?—What we have done, as I said, is to ask the dentists to produce the evidence upon which their claim is based and we are now awaiting that.

4821. Would you think that it might be advisable to say to the dentists in reply that you allow them far too much in the way of expenses?—If we consider a claim and the evidence they put in on it, the proper figure for expenses will be one of the important things to take into account and that would be known to them and to us. They would certainly know that we are not accepting 52 per cent. automatically in any future review.

4822. So that you would be bound, when you were considering it, to say to them: "We feel you have been getting far too much since 1947, we estimate it to be 10 per cent. and as 10 per cent. on the figures you have supplied to us amounts to somewhere between £300 and £500 per year which you have got away with, we propose to put that right in the new provision." Is that right?—We have not replied quite in those terms which you have suggested.

4823. No. You might not say so quite openly to them, that would be a confession that you just did not know, you accepted these figures, but you would be bound to say to them: "This is our estimate of what has transpired in the past and we do not propose to give you quite so much in the future"?—First, we want to see what the strength of their case is, and that is where we are at the moment.

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Mr. Peter Roberts.

4824. Mr. Milner-Barry, is it the normal procedure for the Inland Revenue Department to disclose figures received obviously from income tax returns of individuals to Departments for the purposes of negotiating?—(Mr. *Milner-Barry*.) I am sorry, I am afraid one would have to ask the Inland Revenue for the answer to that. I could probably find it.

4825. I would like that because on the face of it it seems to go beyond what one normally understands is the sanctity of figures delivered on tax claims?—(Mr. *Owen*.) I think that it is normal so long as no names are mentioned and so long as the other party to the negotiation agrees that recourse should be had to the Revenue. I think so long as those two conditions are satisfied, that is the normal practice.

4826. Do we know that those two conditions were satisfied in this case?—I assume they were. (Mr. *Hawton*.) These were certainly done on the basis of without names and it has been accepted both here and with the doctors that there should not be publication without the consent of the other side.

4827. And dentists?—Yes, and, if I may add to that, in fact we have not published these figures because the dentists in this particular case withdrew their consent. (Sir *George Henderson*.) And in any case there would be no personal disclosures. (Mr. *Hawton*.) There is no personal disclosure even to us inside the Department. They are mere figures.

Chairman.] I think this would be a convenient point on which to adjourn our consideration of these Accounts.

*The witnesses withdrew.**Adjourned till Tuesday next at 4 p.m.*

TUESDAY, 27TH MAY, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Bossom.
Mr. Cuthbert.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Mr. Peter Roberts.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. P. S. MILNER-BARRY, O.B.E., and Mr. J. G. OWEN called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I TO VIII).

CLASS V.

VOTE 2.

NATIONAL HEALTH SERVICE, ENGLAND AND WALES (Continued).

VOTE 15.

NATIONAL HEALTH SERVICE, SCOTLAND (Continued).

Mr. J. M. K. HAWTON, C.B., Secretary, Ministry of Health, and Sir GEORGE HENDERSON, K.B.E., C.B., Secretary, Department of Health for Scotland, called in and further examined.

Chairman.

4828. When we broke off last week I think we had concluded the questions on paragraph 62 of the Comptroller and Auditor General's Report on the Civil Appropriation Accounts. May we come

now to paragraph 63 of the Report? Sir George, could you tell us, did you or did the chemists propose arbitration?—(Sir *George Henderson*.) I think we did, Sir, but I cannot be quite sure. The discussion went in such a way that it was very

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difficult to say who did, but I think I am right in saying we proposed arbitration because we saw there was no chance whatever of getting a settlement.

4829. How was the tribunal appointed?—By the Secretary of State with the agreement of the chemists as to personnel.

4830. Do I take it that the tribunal were asked to fix dispensing fees and oncost rates which would then be accepted by both sides, or was it merely a fact-finding body?—They were asked to make recommendations.

4831. Did you bind yourself in advance to accept the findings of the tribunal?—I do not think so in terms, but it was implicit in the bargaining between us and the chemists that the arbitration would be followed in the final result. I doubt very much if there is any letter which says it was promised.

4832. Did you consult the Treasury and the Ministry of Health before agreeing to arbitration?—I think so. Again, I could not be certain at this date. It is likely that we should.

4833. What is the impression of the Treasury?—(Mr. Owen.) I am afraid I cannot remember, Mr. Chairman.

4834. Have you any recollection, Mr. Hawton?—(Mr. Hawton.) No, none on that. I am not sure of the history of it.

Chairman.

4835. Sir George, you had not made any investigation of chemists' profits or overheads. What evidence had you, then, to submit to the tribunal?—(Sir George Henderson.) May I answer it in this way: I freely admit we did not make any inquiry in detail as to the cost of running a chemist's business. We had, of course, a very long experience of dealing with chemists just in this precise way from the introduction of the National Insurance Act, 1911, and during that period there were many occasions on which we had to negotiate fees for the chemists, and I am afraid we assumed we could not have been wrong all that time; we started from that point and we said to ourselves: "Well, now, a fee which was correct before the new Act on a smaller number of patients will be too big on a larger turnover", and that was the basis on which we suggested that there could be a reduction both in the dispensing fee and in the oncost allowance. We suggested a reduction from 33½ per cent. to 25 per cent. in the oncost allowance and a reduction from 1s. 3d. to 1s. in the dispensing fee.

4836. Have the chemists now agreed to an accountancy investigation?—We are in
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touch with them at the moment about an investigation. You may know that we did have an investigation by actuaries into the method of paying the chemists; that is rather a different thing. At the moment the Scottish chemists have not agreed to the kind of investigation we have been contemplating. They are afraid that certain differences in Scottish practice might be submerged if the whole business is put on a United Kingdom basis. What we are trying to do, along with the Ministry of Health, is to find a basis for paying the chemists which will in itself reflect any differences there may be in Scottish practice.

4837. Have you anything to say on that, Mr. Hawton?—(Mr. Hawton.) No, I have nothing to add to that, Sir.

4838. When do you expect a decision on whether this examination that is envisaged in this paragraph is to take place?—We were about to propose to the chemists that we should have this investigation. We have not yet proposed it. We were about to propose it when the introduction of the shilling charge for prescriptions was decided on, and while we are perfectly clear that that kind of investigation must be the ultimate solution, we are doubtful whether an investigation immediately before the effect of the shilling charge has had time to show will be much use to us. There will have to be a little delay to let the shilling charge take effect.

4839. Have either or both of you any idea of the increased annual expenditure to which Parliament has been committed, in effect, by this award?—(Sir George Henderson.) I could not say. I could send you a note.* (Mr. Hawton.) From our side, I think the net effect of this arbitration was that we had to abandon the basis on which we were discussing with the chemists and set up a new agreement, and the difference made to us in what we had estimated to spend as a result of that agreement was about £4 million last year. That is in round terms.

4840. May I go on to paragraph 64? Do you agree that the figures showed that remuneration of the opticians was running a good deal higher than you had intended?—The figures show that it was at that time, yes. That was a time of very high demand before the spectacle charges took effect.

4841. When did you receive these reports?—I am afraid I have not got the date here.

4842. What I was really leading up to was this: was not there any opportunity to reduce the rates before the new charges came into effect at the end of May, 1951?

* Information supplied; not printed.

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[Continued.]

—Well, the process of considering the effect of these reports and whether they justified a new agreement took us up to the time when we knew that there was a probability of the new charges being introduced in legislation. (Sir *Frank Tribe*.) The Board of Trade Cost Accountant's final report was in October, 1950. (Mr. *Hawton*.) And it was at the beginning of 1951 as you know, that we knew that the charges were probably coming.

4843. Would you say, Mr. Hawton, that the demand has yet settled down?—We do not know whether it has finally settled down, but there has been an enormous reduction.

4844. May I go on to paragraph 66? I have nothing on the intervening paragraph. I would like to ask the Treasury, have any conclusions yet been reached on the subject of the control of prices?—(Mr. *Milner-Barry*.) I think not yet, Sir, no.

4845. How much longer do you expect your considerations to go on?—I think it will be some little time yet, Sir.

Mr. *Benson*.

4846. You say that you did reduce the remuneration of the chemists from 33½ to 25 per cent. and prescriptions from 1s. 3d. to 1s.?—(Sir *George Henderson*.) No, that was our case.

4847. You have not done it yet?—That was our case. The tribunal agreed with us on the oncost allowance and disagreed on the dispensing fee.

4848. So that this is all still in the air?—No, it is being put into effect.

4849. Why, in view of the enormous increase in prescriptions that there was were you turned down on the cost per prescription?—I cannot get into the mind of the tribunal.

4850. They gave you no indication as to why?—No. It was a surprise to us.

4851. On what basis did the tribunal decide this?—Well, they took evidence from our side, they took evidence from the chemists and one presumes that this was the result of their judgment on the conflicting evidence.

4852. With regard to opticians, what is the training period of an ophthalmic optician?—(Mr. *Hawton*.) I do not know.

4853. Is there any recognised standard other than the standard recognised by the opticians themselves?—There is a standard which is arranged for and recognised by the opticians themselves which has always been accepted, I think, by Departments.

4854. But you have no idea as to how long the training period actually takes?—I am afraid I have not, at the moment. I can find out.†

4855. I would be glad if you would. I was told by an optician that you can train a good assistant in six months?—I do not know what the present arrangements within the profession are, but I could find out and let the Committee know.

4856. Obviously their standard is far lower than that either of a dentist or of a doctor, and their remuneration, surely, should in some way relate to the standard of their qualifications?—They are complaining at the moment that their remuneration is now, under present conditions, too little.

4857. Have you made any investigation as to what their income was prior to the National Health Service?—No. I do not think we should have the figures available of income from private practice.

4858. But presumably the figures could be obtained?—No, I do not know whether they could at all.

4859. But in other cases, if necessary, the Board of Inland Revenue have under safeguards given bulk incomes as they did in the case of doctors?—That was income since the Scheme started.

4860. Income prior to the Scheme is just as easy to get, is not it?—I do not know how obtainable it is. We have not got it.

4861. Surely those are two rather relevant facts, the training period and the pre-Scheme income, for any rational settlement of their remuneration?—It seems to me the main thing for a rational settlement of their remuneration is to know the proper price of the articles supplied and the proper allowance for overhead expenses.

4862. That does not give you any guide save the income that they are likely to obtain? You have got no criterion of judging whether their net income is too much or too small?—But to know whether you are paying them correctly, you want to know whether you are paying correctly for the article and whether you are making the correct allowance for overhead expenses.

4863. There is also the charge for testing. That has nothing whatever to do with the article supplied?—No, but it is to arrive at that that you want to know what the proper allowances are.

4864. Exactly. What I want to know is on what basis would you regard the remuneration as proper? For example, if

† *Note by witness*.—Since 1949 a three year full-time course of training has been required before a diploma of one of the examining bodies can be taken.

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a doctor's income is presumed to be between £1,500 and £2,500 with his qualifications, what would be the relationship between the income of a doctor who has a long training and the income of an optician who has a comparatively short training?—I cannot possibly say that. In the case of a doctor we had the advice of a Committee, the Spens Committee, which compared pre-war and post-war earnings and we took that advice. I myself do not know.

4865. You never even contemplated this method of dealing with the problem?—What we feel now is that we must, as soon as the demand has stabilised, find out what the main factors are including the overheads and whether they should take into account any information about pre-war is an open question. It may be, but we feel that the moment has not quite come to conduct this inquiry.

4866. That may be, that is a question of timing, but what I want to know is on what basic principle do you decide what is a reasonable income for the services rendered by an optician. If you wanted the services of a bricklayer you would take into account the general development of bricklayers' wages over a period and a bricklayer's output?—Yes, you would take into account what, as far as you could ascertain, a bricklayer earned and in order to do that with an optician we must know more about overhead expenses.

4867. Yes, the question is not learning what the optician earns, but what you regard as an adequate earning for an optician and that is a problem which, apparently, you have not yet finalised?—We have not yet finalised any system of ascertaining what the earnings of opticians were before the Scheme or before the war, as in the case of the Spens Committee, and applying that method to opticians.

4868. Are you proposing to do so?—We are not at all sure whether the Spens Committee system as recently applied to doctors justifies extension in another field.

Mr. David Thomas.

4869. On paragraph 63, in view of the action taken by the Scottish Department relating to chemists' payments, would I be right in assuming, as a result of the decision obtained from the tribunal for Scotland, that England and Wales had to follow suit on the basis of the same offer made by the tribunal to Scotland?—Not quite the same basis, but we did have to abandon the negotiations which were going on and enter into a new agreement in the light of the Scottish basis. It was not quite the same in detail.

4870. If it were, of course, I would be right in taking it for granted that the

payments awarded to Scotland would certainly be on the right side, otherwise I could not imagine England and Wales accepting the payment on the Scottish basis?—No, I ought to make this clear: we were in the middle of a negotiation for reducing the oncost from 33 per cent. to 16 per cent. The Scottish award came in the middle of it, so we entered into an agreement in the light of that award which fixed the oncost at 25 per cent., which is the same as Scotland, but was not the same in some of the details, such as the dispensing fee. In our case it was an average of 1s. 1d. and not of 1s. 6d.

4871. Regarding the remuneration of opticians, we have just been told by the Treasury representative that no investigation has yet taken place concerning the prices, I should think, of lenses and frames. Four years have elapsed since the Scheme came into operation. Why is it that it has taken all this time before any investigation has been made into this, because when you compare what the cost is of a pair of spectacles from one of these multiple stores—personally, of course, I think it is a mistake for anyone to go there and get glasses—the price of the glasses containing the lenses and the frames is very, very much lower than the price charged by the optician, and I see but very little difference at all in the quality of the frame itself and, indeed, the lenses where they suit a person who has two eyes with the same strength?—The position is that the matter was gone into by the Price Regulation Committee of the Board of Trade early in the Scheme and an agreement was reached after very considerable enquiries with the trade resulting in some reduction in the price of spectacles. There was then, I think from memory, a later revision of that agreement which put the price up slightly, about 5 per cent., and now the Price Regulation Committee has dropped out of the picture, leaving it to us, and we have a request from the manufacturers that we should revise the agreement again and enter into a new agreement on prices. We are not sure whether tactically it is wise to bind ourselves to that kind of agreement at a moment when demand is so small and the potential supply is so large. We think that competition may well produce the right results for us, but we are watching. There have been these previous enquiries.

4872. There is still a large number of applicants on the waiting list, and whilst the time is not so much as it used to be, there is certainly a large quantity of frames and lenses required still. Do not you think it would be advisable to endeavour to get some reduction in the price?—Well, it is an open question, I quite agree. As to

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whether it is tactically wise to try and get an agreed price now or to leave it to competition, we have not made up our minds on that. We are waiting to watch how it goes, but perhaps one or two figures might be of interest to you on that. I have got here the number of glasses prescribed. It fell by 41.5 per cent. in the September quarter of last year and by 40 per cent. in the December quarter of last year, which is a very big reduction.

Chairman.

4873. Are those comparisons with the previous year?—That is the fall during that quarter, yes, compared with the same quarter in the previous year.

Mr. David Thomas.

4874. Just one final question relating to the time spent by the optician in testing eyes. That ought not to be a difficult problem to solve. Surely a qualified optician could be obtained by the Ministry to give them some definite advice as to how long it takes?—We did have definite advice on that. We appointed a Committee to do it for us under the chairmanship of Mr. Penman, and he reported on it, taking his evidence from a fairly wide field.

4875. Can you tell us, then, what the average time is?—I am afraid I have not got here the figures of the time, but all our own calculations were based on times given us as a result of this independent enquiry. I can, of course, if the actual times are of interest, produce them. I have not got them here. They are in the published report of the Penman Committee.*

4876. Of course, where the disability is not serious, I would venture to say it does not take more than 15 minutes in any case?—The Committee did make their enquiry on the basis of a fairly wide field of practising opticians. I am not competent to judge whether the result was right. We accepted it as a basis.

Mr. Douglas Marshall.

4877. With regard to the chemists' remuneration, this wording here does suggest that no detailed examination was done with regard to costs. I do notice that the estimate for England was £26 million, which was £6 million out, and the estimate for Wales, which was £1½ million, was £¾ million out, and as the costing was in fact done, how did the Department arrive at any figure at all as to what the cost would be to the State for the discharge of this

* *Note by witness:* The Penman Committee reported that ophthalmic medical practitioners took 27.4 minutes and ophthalmic opticians 36.16 minutes.

part of its duties?—I should explain that the estimate is out by those amounts mainly because we thought that a charge was going to be levied on prescriptions under the powers which were taken in the 1949 Act. In fact, that charge, as you know, was not levied and so our estimate for that saving, which was over £5½ million plus an unknown deterrent figure, was not realised. That is the bulk of the error in the estimate.

4878. Then, in fact, the estimate is extremely accurate, considering the size?—There is an increase still over our estimate which is due to the increasing prices of raw materials and drugs during the year, but the great bulk of the error in the estimate was, in fact, due to that point which I have just mentioned.

4879. To the reversal of policy?—Yes.

4880. Apart from that, then, the estimate was extremely accurate. The point I really want to make, and it still comes to the same point, I think, is that in estimating the total cost of this service and getting as near as possible, taking the change in policy and reversal of policy into account, surely the cost must also have been examined by the Department, otherwise I would have thought it would have been very difficult for them to arrive at such a very close estimate?—No, in arriving at an estimate for that year, for example, one takes the actual known cost of the service for the previous year, makes allowances for any known tendencies, say, for prices to rise, one tries to estimate whether the estimate will be bigger or smaller, and arrives at the result. The biggest thing one uses is the known expenditure of the previous year. In this case we made two errors, one was the one I have mentioned, and the other was we did not foresee an epidemic of influenza in January of 1951, which cost us about 8 million prescriptions, I think.

4881. I would not refer to it as a mistake when a change of policy is made, you could not foresee that, but the point I would rather like still to explore is that you say that the estimate is calculated on the rise in prices and based on the cost of the previous year. Then, at some given moment with this service those costings must have been worked out in advance of the year and, surely, at that time the actual cost and the profitability to the chemists at large must have been taken into account?—No, we have never had an actual costing inquiry.

4882. I listened to the different answers you gave but I was not quite clear over this: was there a definite reason as to why the Department thought there was not any purpose in making an exact examination in that way?—So far we have based ourselves

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on what information we had other than the result of a full inquiry of that kind, but I do think we ought at least to have more inquiry into overhead expenses of chemists before we reach a new settlement, but we have not done so so far.

Mr. Bossom.

4883. On paragraph 63, apart from the epidemic in 1951, was there any variation in the standard of health of the people in 1949 and 1950?—The number of prescriptions went up. Whether that reflects a variation in the standard of health, I do not know.

4884. I am asking about the standard of health, I am not asking about prescriptions, if you do not mind?—I am not aware of any major factor known to us affecting this, except that epidemic in 1951. I am not aware of any obvious major fact.

4885. That I assumed to be correct. Take the last sub-paragraph of that paragraph 63: "Payments to chemists charged in these accounts were £37,520,780 compared with £34,004,121 in 1949-50 and £16,460,627 in the nine months to 31 March, 1949." Now, when did you appreciate that terrific increase if there was no epidemic, and did you have any method of accounting for that?—I am not quite sure of the question. Are you on the difference between the nine months period and the 1949-50 figure?

4886. Yes, one is nine months and the other is a year. There is a terrific increase, of course, in the amount?—I do not know offhand what that difference is due to.

4887. You do not account for that?—I do not know from the items here.

4888. When did you appreciate that that was happening?—We only appreciated it as we went along. I do not know that there was a given point when we appreciated it.

4889. You appreciated there was a steady increase all the time?—Yes, we appreciated that all the time as the scheme went along.

4890. You did not ask for an investigation of the chemists' profits?—No.

4891. Why did not you?—Because of this unforeseen result, we quite arbitrarily decreased the oncost allowance from 33 per cent. to 16 per cent. from a given date, and then we argued it out in the Whitley Council, having made the cut without waiting, so that we would argue it out later and then, if we proved wrong, we would pay it back. That is the step we took about it.

4892. You did not make any investigation of the chemists' profits, but you made that arbitrary cut?—No.

4893. That is the situation? Why did not you make that investigation so as to be fair to the public, to the taxpayer?—I am

reminded that there is a rather obvious point I have overlooked. In these figures for the first nine months there is a great—

4894. Add one-third to them and you will compare them with the full year?—I should, perhaps, have taken this point earlier when you mentioned it, that there is a great delay in final payments to the chemists to the extent of a number of months, and that a lot of figures in the first nine months would be only payments on account and would not affect the actual resulting cost.

4895. Then, you say the situation was certainly increasing very steadily?—Yes.

4896. You did not investigate that, and you say you now propose to ask. This was up to 1949-50. You not propose; have you done that yet?—No, we have not yet put the proposal to the chemists because of the effect of the new shilling charge which is now coming into effect next month.

4897. Would not it be more practical to find out the facts and not trust to guesswork?—But it would be, we think, of not much use knowing what the actual oncost or overhead expenses were at a time when a very large number of prescriptions are being dispensed if the situation is going to alter quite soon and the number of prescriptions falls as a result of the shilling charge. That will alter the proportion of the costs.

4898. Do not you really feel like any business man would certainly feel, that he would like to know and not just leave it and say: "We propose to do something in the future". We have had certainly a year, if not two years, in which to try and investigate and no investigation has, apparently been made. What is going to happen next year, in the circumstances then are we going to have a further increase?—During this year we have made quite a drastic cut. We have not left the situation as it is.

4899. I did not make myself clear. It is not a question of you cutting, it is a question whether you are justified in cutting? That is the point behind it all, surely you have to be fair to the chemist and fair to the taxpayer, and you can only do that by getting the knowledge and not relying on, more or less, incomplete information?—We have not yet made that inquiry, it is true.

4900. Is there any reason why not?—Because so far we thought we were doing sufficient in negotiating that cut.

4901. If I may move on to paragraph 66, why does it take so long to investigate prices?—Why does it take so long to investigate them?

4902. Yes? "The control of prices of goods used in the service is under consideration", and so on. Why does it take

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so long? In ordinary business you get on the job and find out. Both questions have the same point behind them?—As I understand that paragraph it means that the question how far you will go or whether you will have measures to control the price of goods is under consideration, not in process of being. It is a decision whether or not, as a matter of policy, we will have these investigations into prices with resultant control.

4903. It is a question of inquiring, I think, that is the point behind my question. In neither case, apparently, have you endeavoured to find out why, as a commercial man would have to do in any business. Take the I.C.I. or General Motors, any of those big concerns; they know exactly to a very, very fine point where things are. Is there any reason why the Government does not look into these things and get real facts?—There is very little point in inquiring into prices unless you go further and take powers of control which will enable you to enforce any conclusions you reach as a result of your enquiry. That power of control of prices is a major question of ministerial policy which is not settled and which, as this report shows, is under consideration by the Treasury at the moment with Ministers.

4904. I did not want to be too tenacious about this, but is not it rather obvious that you can decide whether you should go into control or whether you should not if you know more about it than if you do not know more about it?—I agree with that.

4905. That is the point in each case of the questions I have asked. You have said you did not follow that up to try and investigate. You do not have to put on controls if you know the situation is satisfactory, there is no compulsion about it?—An investigation of any use into prices which may lead to price control is a very elaborate thing, needing a considerable staff, and would mean Government Departments taking on quite a considerable additional staff, including technicians, pharmacists and others, whom they have not got. We should, I think, as a Department be very reluctant (even if we were able) to take on that expansion unless it was for a pretty obviously economic result which could only be guaranteed if you knew it was going to result in price control and price reduction. At the moment we do not know that nor do we know the position about the future of price control as a policy. We certainly have not begun an investigation of that kind needing a special machinery in the absence of a decision about the future of price control.

4906. All I want to say is that it is rather unusual in that respect not to investigate when there is a definite variation

year by year and there is not an obvious cause for that variation?—The position about price investigation and control is from our point of view, as I have just expressed it, that there is no decision on it.

Chairman.

4907. Is not it true that you would normally have in your possession all the information that any ordinary commercial buyer would have?—We have all the normal information which you would expect a competent supply department of a Ministry to have. We have not the detailed information based on *ad hoc* price investigations inside each supplier's organisation.

4908. Can we also be clear about this, that the kind of investigations that Mr. Bossom has been questioning you on are investigations which can only take place on the basis of the special statutory powers possessed by the Government?—Yes.

4909. That is to say that they have nothing in common with the ordinary enquiries that an ordinary commercial buyer would make?—Yes, and, indeed, in our own case at the moment that would depend on Defence Regulations. We have no other statutory power.

4910. Could you do that yourself or would you have to take that to some other Department to do?—We could do that, I believe, under the Defence Regulations if it were the policy to do it.

Mr. Bossom.

4911. Surely you have a statutory power to make an investigation if you want to, because you say here: "No investigation of chemists' profits was made by the Department". That obviously means you had the power, otherwise you would not mention it at all?—As I have just said, we have the power under Defence Regulations.

Chairman.

4912. I want to bring out the point, this is not a power which an ordinary business would have and, therefore, the comparison made between the ordinary business and the Government Department is not valid because the Government Department is in an entirely different position here, and in so far as you are a buyer, you do conduct the ordinary examination which any other buyer would conduct?—Yes,

Mr. Bossom.] I used the words "a concern like the I.C.I.", which certainly does investigate down to an abnormally close degree, and surely the buying power of the Government is at a higher level than it would be in a concern of that kind, so I do think it is quite on a parallel with that if you are looking for the information.

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Chairman.

4913. We can discuss that at some other time. I think, Mr. Hawton, you would agree that Imperial Chemical Industries in respect of the buying of these things have not the statutory powers which your Department possesses?—Presumably not.

Mr. West.

4914. Do I understand that the professional body governing the chemists in Scotland and in England and Wales would be the Pharmaceutical Society?—Yes.

4915. Has that body any negotiating powers at all on behalf of its members?—No, it is not a body with whom we negotiate. There is a negotiating Committee and a separate one for Scotland.

4916. There is a separate negotiating Committee, you say, for Scotland, and for England and Wales?—Yes.

4917. Perhaps you can tell me why there are these separate negotiating bodies?—(Sir George Henderson.) Perhaps I could answer that. I think it is historical; the Scottish chemists preferred it that way because they maintain there are very great differences in prescribing methods between Scotland and England and because of that they fear that they would be prejudiced if they joined in negotiations inside a United Kingdom machine. That is what they put to us.

4918. But their professional standards for dispensing would be exactly the same as they would be in England, surely?—The standards?

4919. They are members of the same professional body and they have to maintain the same professional standards? What difference can there be with regard to prescribing?—Their standards are precisely the same, but there are certain differences which they always maintain; I do not quite know what bearing it has on remuneration, but they do maintain, for example, that their mixtures are more concentrated than the mixtures commonly made up by English chemists. In other words, there is less water.

4920. Would not that have been on the doctor's prescription?—Yes. It is just the addition of water. That is one difference they maintain. I am not quite sure how it is reflected in remuneration. The other difference, and the more important difference, is this, that ever since the National Health Insurance started the Scottish chemists have had on average more business to do with National Health Insurance, and with private patients who are outside National Health Insurance in particular, than the English chemists.

4921. I understand that the Scottish body were not prepared to agree to be bound by any decision reached with the English negotiating body because it might be to their disadvantage?—That is correct.

4922. Presumably they must have had some very substantial reasons for that, that is, that if negotiations took place with the English body and a decision was reached, it would be to the disadvantage of the Scottish chemists?—I am not aware of their reasons.

4923. What I am trying to understand is this: if there is some disparity in that position, why is it that when the arbitration tribunal decided on the basis of the exceptional position of the Scottish chemists you then immediately offered it to the English chemists?—(Mr. Hawton.) We felt that the result of the Scottish award made it inevitable that we should come to a new arrangement, not quite the same, for England and Wales. For example, we accepted the same oncost allowance of 25 per cent., but there are differences in what we accepted for England and Wales as we accepted a lower dispensing allowance.

4924. The chemists for England and Wales readily accepted the lower dispensing allowance?—The chemists for England and Wales accepted that as up to April, 1952, reserving the right to make a new claim. They are now claiming that they should be put on to the Scottish footing.

4925. So that, in fact, had the decision been reached with England and Wales, first of all, which would have been probably satisfactory, then Scotland would not have been prepared to come down to the basis of England and Wales, but it is the higher that always is the one to be striven for, apparently?—Certainly, their new claim in England and Wales is that they should be put on the same footing as the Scottish chemist.

4926. So that now we understand that both the chemists of England and Wales and the chemists of Scotland want to be on parity?—I cannot answer for Scotland. The claim to us is that they should have not lower remuneration in England and Wales than the current fees in Scotland.

4927. Assuming an agreement were reached with the chemists for England and Wales on the basis of the Scottish award, does that mean that Scottish chemists then would immediately apply for the differential between themselves and England and Wales?—That is why we in the Ministry of Health, and I think Scotland agree, think that the obvious future course is to arrive at a joint negotiating machinery which will arrive at a joint agreement. It may differentiate in certain aspects between the

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two countries but it should be jointly arrived at.

4928. Is any progress being made?—So far, not very much.

4929. Does that throw you back to the undertaking of investigations which I understand you discontinued when the shilling prescription charge was imposed?—The proposal to investigate oncost allowances, yes.

4930. Does not that mean that if you cannot get a joint negotiating body to deal with that, you will be driven to investigating all the costs of both Scottish and English and Welsh chemists to arrive at fair remuneration?—We want to get a joint body and as we are now in the position that a claim has been made to us, we shall take up the line that we want that joint body if we are to consider it.

4931. The claim being made to you now is on behalf of the chemists for England and Wales?—Of England and Wales, yes.

4932. I see that they undertook not to make any fresh claim before April, 1952?—Yes.

4933. But it was conditional upon the Scottish chemists not making a claim?—I do not know that.

4934. I see here that they undertook not to make any fresh claim before April, 1952, unless a claim was made in Scotland?—Yes.

4935. So it seems quite clear, does not it, that they are linking themselves up with the body getting the highest rate of remuneration, irrespective of costs?—(Sir George Henderson.) With respect, I do not think it is that. I still have hopes that we may be able to persuade the Scottish chemists to join in a joint investigation provided we can assure them that a formula can be reached through that investigation which will take account of differing practices.

4936. If there are differences in practice it is only reasonable that a differential should be arrived at?—That is the fear. It is their fear that it will be impossible in any common formula—

4937. I am not in a position to judge the merits of it, but I feel you, who are constantly dealing with these matters, would know what the differentials would be. The difficulty that I find myself in is in seeing where we are going to stop, when you negotiate with one body, arrive at a decision, if it is higher, then you bring the other one up. If you then negotiate with the other one, then the one who was previously higher wants to have the differential increased. Then, the sky is the limit?—(Mr. Hawton.) That is why we want joint negotiation.

4938. And you do not seem to have made very much progress with that?—We now have a new opportunity with this claim coming before us in England and Wales.

4939. That brings me to this further point: does not it indicate that the sooner that you can have your investigations and examinations by the professional accountants, the better?—Yes, we do not want to wait long. This shilling charge point should not mean a long delay.

4940. I really cannot understand why the shilling charge should have in any way induced you to suspend your investigations?—Because the amount of work done by the chemist, the amount of prescriptions dispensed, must affect the proportion of his overhead expenses, which is what we want to get at.

4941. Yes, I entirely agree, and I understood you to say in the first place that, in fact, when you arrived at the remuneration your proposal to reduce the initial cost which was charged under the old scheme was merely due to the increase in prescriptions?—Yes.

4942. That, of course, is not a proper basis, is it, upon which to arrive at fair and just remuneration to anybody?—We thought it certainly made it fairer than the way which was obtaining at the time when we did it.

4943. I see the Treasury Minute on paragraph 67 of the Fourth Report of last year's Committee says: "A fact finding investigation into the costs of retail chemists is now being considered." Has that been undertaken?—That is the one I have been mentioning when I said we were waiting for the moment on the shilling charge, but not, I hope, for long.

4944. Do I understand that you have abandoned the fact-finding Committee because of the shilling charge to see what the effect of the charge is?—No, we have postponed the proposal there for the moment because the shilling charge alters the position, but it is only a postponement, I hope.

4945. But the shilling prescription charge, as I understand it, can only have the effect of reducing the number of prescriptions which, of course, was the basis upon which you arrived at your first proposal to reduce the initial fee?—But it is because it affects the number of prescriptions that it affects the overhead allowance, and if we are inquiring into the facts of overhead allowances in order to use them in a future settlement, we want the facts to be those obtaining after the shilling charge is in force.

4946. Do you agree now that the proposal which you made originally merely upon the basis of the anticipated increase

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in prescriptions was not a very sound basis to work on?—It was an adjustment of the basis upon which we started the scheme, the adjustment being due to the factor we had not foreseen, the number of prescriptions. We thought that in itself was a reasonable thing to do.

4947. In the light of experience do you think it was a reasonable thing to do?—I think it was perfectly reasonable to do, and I still think for a longer term settlement with them it would be nicer to have fuller facts about the oncost allowance.

4948. If you wanted fuller facts, why should the shilling prescription charge interfere with your undertaking those investigations?—Because it affects the validity of the facts. If we ascertain the oncost allowance at a time when there is no shilling prescription charge and having obtained those facts applied them to a period when there is a shilling prescription charge, we shall presumably be unfair to the chemist.

4949. Surely you could make necessary adjustments in those circumstances?—We think it would be better to ascertain the actual facts and not have to make the speculative adjustments, and it is only a matter, I hope, of a fairly short time.

4950. If the shilling prescription charge is not in fact operated or is repealed at some time in the future, does that mean that you will suggest having another investigation?—If we have an investigation which produces the facts when the shilling charge is operating and if at any time later that position is altered, it would seem to be a proper case for a new inquiry.

Chairman.

4951. Do you think, Mr. Hawton, this inquiry will take place before you make a new settlement?—I really do not know at the moment. I personally think it should be undertaken if we find it may practically be undertaken, and that it should be undertaken without too much delay, but that is my personal view at the moment.

Mr. Hoy.

4952. What is the difference, Sir George, between the dispensing fee of the chemist in England and Wales and the fee of the chemist in Scotland?—(Sir George Henderson.) Under the arbitration award the dispensing fee is an average of 1s. 3d. I understand in England the dispensing fee is 1s. 1d. I am sorry, that was not correct. In Scotland the dispensing fee is an average of 1s. 6d., and in England it is 1s. 1d. It was increased from 1s. 3d. to 1s. 6d.

4953. What accounts for the difference of 5d., which I think you will agree is rather a large one?—It is a very complex

situation and I am not sure that I would do either myself or the chemists justice in trying to explain it.

4954. The chemists have done themselves justice; can you tell us about your side?—Well, in the first place I have mentioned the fact that the Scottish mixture tends to be a little more concentrated than the English mixture. Secondly, they tell us that they make prescriptions up more frequently; the Scottish doctor does not like giving a prescription for a long period. You understand, I do not necessarily agree with this, it is merely what the chemists tell me. I beg your pardon, I have it the wrong way round. The position is that we understand the Scottish doctors and chemists make it last longer, and they do not have as many prescriptions, but the most important fact is the one I started to mention before, and it is more psychological than anything else, that Scottish chemists have always been used much more than chemists in England. Apart from the Highlands area, where there is very little except the dispensing doctor, in rural areas everywhere almost, in Scotland you had a chemist's shop, and that meant there was far more business coming to the English chemists relatively both in 1911 when the National Health Insurance was started, and in 1948 when the National Health Service was started. There was much more of an increase to the English chemists than to the Scottish chemist, and that affected the atmosphere in which the fees were fixed.

4955. That could quite easily be tested; how many prescriptions per head of population have been issued in Scotland, compared with those in England?—While I am having that looked up, I ought to say that we think definitely that the differences we have mentioned are tending to vanish under the National Health Service. Under common service I think they would vanish. The answer is that it is approximately four per head per annum in Scotland. I do not know what it is in England.

Mr. Benson.] Is not the relevant figure not the number of prescriptions per head that are issued, but the number of prescriptions per chemist?

Mr. Hoy.

4956. I would like, first of all, to take it this way, if I may, because I want to find out two things, one about the number of people, and the number of chemists I will come to later, if I may. What is the number of prescriptions per head of population in England?—(Mr. Hawton.) I have just tried to make a calculation. It is about five, but if that figure proves wrong I will correct it. At the moment, I think it is about five.

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4957. Now, we come to Mr. Benson's question: if you have any returns at all, how does this work out per chemist, the average number per chemist?—(Sir George Henderson.) In Scotland, 10,000 per chemist. That is on the basis of 1951-52 figures which were approximately the same as 1950-51. (Mr. Hawton.) I am afraid I have not got this one worked out. We shall have to prepare this sum.

Chairman.

4958. This will be a rough estimate, will not it, anyway, because you have some prescriptions dispensed by doctors still?—Yes, in fact what we are doing for this question is simply taking our own number of prescriptions in a year and the known number of chemists and doing a simple sum. It is of no more validity than that. (Sir George Henderson.) That is what I have done.

Mr. Hoy.

4959. That is what I am asking for? One of the arguments is that because the chemist dispenses less in one place, he ought to have 5d. more, because the number of prescriptions he dispenses is so much less than the chemists in the rest of the country?—(Mr. Hawton.) I gather our figure is about 15,000 prescriptions per chemist per year.

4960. There was a suggestion, the last part of which I did not catch, about the strength of these medicines. Is it that the Scottish chemist supplies a better quality of medicine than what is put down the necks of the patients in England?—(Sir George Henderson.) I do not think we can assume it is either better or worse. It has the same ingredients but it is rather more diluted in England.

4961. That is what I mean. If that is the argument, they are getting up sub-standard medicine in England?—No, the dose may be a tablespoon instead of a teaspoon. (Sir Frank Tribe.) Last year's Committee were informed, you remember, that Scottish chemists were in the habit of making a charge for water drawn out of the tap, whereas the English chemist was not.

4962. I do not quite agree with that. It depends how the water is taken, what it is taken in, but, quite seriously, there is a wide difference here in price and I think the Scottish Department ought to have a look at this question again?—(Sir George Henderson.) We completely failed with the arbitration tribunal.

Chairman.

4963. Does this mean, Sir George, that there are too many chemists in Scotland?—(Sir George Henderson.) It may mean that we are a bit over-stocked with chemists, yes.

Mr. Cuthbert.] More competition, in other words.

Mr. David Jones.

4964. I am rather interested in this theory of the Scottish medicine and the English medicine. Are you suggesting that if I as a Welshman had a cold in Scotland it would require less medicine to cure me than it would in England? Is that the theory?—I would not go beyond the clear implication of what I said, merely that the Scottish chemist produces his medicine in a more concentrated form.

4965. How would a Scotsman opening a chemist's shop in England be treated?—(Mr. Hawton.) Under the English agreement.

4966. And, likewise, an Englishman opening a chemist's shop in Scotland would be treated under the Scottish agreement although he might have been trained in an English institution and would practise English methods?—(Sir George Henderson.) That is perfectly true, yes.

4967. Mr. Hawton, on this figure of 33 per cent. which you originally fixed, I gather, how did you arrive at that figure?—(Mr. Hawton.) In discussion with the chemists.

4968. Has it any relation to the figure that they were paid under the National Insurance Act, before the 1948 Act?—I do not know what relation offhand, but, of course, the experience of the previous Act was taken into account in that discussion.

4969. It seems to me to be a terrific reduction. I gather you said that you sought to reduce it from 33 to 16 per cent.?—Yes, because the number of prescriptions proved to be so enormously bigger than we had anticipated.

4970. In other words, your estimate was twice as high as it ought to be?—We estimated that with that amount of work which, in fact, they proved to be doing we ought to have made the oncost allowances much lower.

4971. How does the cost per prescription compare with the cost under the 1911 Act?—Of course, it would be much higher as prices are much higher. I have not got the 1911 Act figures here, but I have got our present costs.

4972. I am thinking of the prices. I know that the cost of commodities has increased, but I should have thought, taking into account the different value of money, there would have been some relationship between the cost per prescription under the 1911 Act in comparison with the 1948 Act?—(Mr. Hawton.) I do not know here in this room what the 1911 Act figure was. I can produce figures for it.*

Mr. Douglas Marshall.

4973. I am still not clear as to the Scottish medicine position. You have used

* Appendices 15 and 16.

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the words twice that the Scottish mixture is a little more concentrated. Do you mean to say it is a different medicine, because if you are going to alter the quantities of ingredients, it is not the same thing?—(Sir George Henderson.) No.

4974. In other words, they take no notice of the prescription?—All I have been told by the chemists is that it is the same ingredients, the same drugs, but practically all mixtures must, in fact, include some water. You make a mixture and fill it up with water. It is ingredients plus water.

4975. But there is a balance between the lot. Surely the argument is not that if you make this and fill it up with seven quarts of water it is going to be the same thing as in a medicine bottle? It must be balanced?—I suppose there is an optimum amount of water beyond which you must not go, but I think within limits it is possible to dilute one bottle of medicine more than another and retain the same basic ingredients, and I am told by the Scottish chemists that that is what is done. Their bottle of medicine contains less water than the English bottle of medicine.

4976. I am none the wiser now. I would like to ask Mr. Hawton, I can quite understand the argument of the economic run of an overhead and the question of the shilling charge, and, you might say, a critical point of the overhead as to the chemist, but what I still do not understand is that the question of the shilling charge has now come up again?—(Mr. Hawton.) Yes.

4977. I still do not follow, when there was the alteration in policy, why was nothing done during that interval, because you could not have foreseen that ultimately the shilling charge was going to be re-imposed?—What was done during that interval was the negotiation based on the reduction from 33 to 16 per cent. That is how we occupied that.

4978. Just by guess and by God?—We adopted that method then and not an inquiry.

Chairman.

4979. May we now go on to paragraph 67? The drug tariff, I understand, is based on the price list of one of the largest manufacturers which is then compared with the price lists of other manufacturers? Do these lists all show the same prices?—What we do is that we take one of the biggest manufacturers' lists and compare the prices with a list for the trade which is produced by a trade association. We do not compare them with other individuals, but there is a list prepared by the industry itself and we take the list of one of the main manufacturers and compare them and arrive at our figure that way. I should say on that by taking and comparing it we have only once been over the general list and four times under, so it seems to be a fairly good comparison.

4980. What is this association which issues price lists?—The Association of the British Pharmaceutical Industry, is its proper name.

4981. What inquiries do you make to assure yourselves that the prices are competitive?—With what contacts we have got with what is going on in the industry. We have so far felt that competition has been sufficient to keep the prices fair if we apply the checks I have described. We have believed that, on the whole, the tendency is for one manufacturer to reduce the price and the others to follow suit quite frequently and we have not felt it necessary yet to go beyond that into a full inquiry into costs.

4982. In the Report there is the statement credited to the Ministry of Health that if the price lists issued by various manufacturers showed marked increases in any prices, then it was the practice of the Department to find out the reasons. How do you do that?—We simply make inquiries from the people concerned and see if there is a reasonable basis such as the increase of price of one of the raw materials or a wage increase.

4983. It appears from this same paragraph, Sir George, that you have not got any machinery for investigating prices, but you were considering the question as a matter of policy?—(Sir George Henderson.) Yes.

4984. Have you any further information to give us?—I think that sentence is rather misleading. In this matter I think we must leave this whole business of finding out and controlling prices to the Ministry of Health. I think it would be rather absurd for us, as a much smaller Department, to be going into this field, and in so far as that sentence implies that that is what we are about to do, I am afraid it is misleading. It does mean, really, that we are in touch with the Ministry of Health about future policy.

4985. On paragraph 68, is it your experience that the use of proprietary preparations is on the increase?—(Mr. Hawton.) I do not think it is on the increase, no. It is a serious problem.

4986. What do you think, Sir George?—(Sir George Henderson.) It does seem to be increasing in Scotland, I do not know why, but the facts are stated in the report that the sample analysis showed that prescribing of proprietaries had increased from 16.4 per cent. to 29.7 per cent.

4987. You think it is not on the increase in England and Wales, Mr. Hawton?—(Mr. Hawton.) There is a difference between the amount in numbers prescribed and the resulting cost. I should have thought offhand that the amount in numbers was not noticeably increasing, but if I find that is wrong, I will give the Committee better information.

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4988. Do you tell practitioners of the drugs for which you have made satisfactory price arrangements?—Yes, we do quite a lot to keep practitioners informed. We not only give them lists of the proprietaries which are advertised to the public and which therefore we think they should not normally prescribe, but we have started recently, and the first number has gone out, issuing a bulletin which gives facts about the cost of particular drugs and anything of interest which we think the doctor might know and once he does know will affect his decision in prescribing it.

4989. What were the reductions you obtained in the prices of these different preparations?—One of them secured about £53,000 a year saving, another one I have got in rather a different form, was a reduction of 7½d. on a prescription of 70d., a rather better than 10 per cent. reduction. Those are the two in question.

4990. You obtained this by negotiation without any cost investigation?—Yes, without any compulsory powers at all.

4991. How are your negotiations with these other 15 firms getting on?—Not very well, Sir. We have made a little progress. There is in another product a saving of some £10,000 a year and in one other article, a sort of diagnostic set, we have got a 17 per cent. reduction, but I think it is fair to say that generally we are not getting on very fast with this and, of course, the firms are aware of the fact that ultimately there is no real sanction because the doctor is free to prescribe if he thinks fit.

4992. Am I right in supposing that there are much cheaper standard equivalents of almost all these proprietary preparations?—Of a very large number of them it is certainly true. We do try to bring that to the notice as fully as possible of doctors.

4993. Mr. Milner-Barry, on the last point here do you agree that there are no costing staffs in other Departments which could help in this field where substantial price reductions seem possible?—(Mr. Milner-Barry.) I would have thought there were expert staff available in other Departments. Whether they would be free or not I imagine would depend on their own commitments. The Ministry of Supply, and so on, have a large amount of experience in that direction.

4994. Going to paragraph 69, Mr. Hawton, what is this product referred to here?—(Mr. Hawton.) Penicillin.

4995. Do you agree on the evidence that these six to eight firms are not in competition?—On the facts given it looked like it *prima facie* but we could not find any evidence of it at all and we found that as

far as we could see one firm occasionally reduced its price and the others immediately came down into line, and that is what was happening.

4996. Is it your experience that firms generally speaking refuse a costing clause?—They do not welcome it in our approaches to them.

4997. What is the answer to the Comptroller and Auditor General's question as to your powers to investigate costs?—We are advised that we have powers under the Defence Regulations which I referred to earlier this afternoon, but that we have not taken over any powers of the Minister of Supply on the Transfer of Functions Order.

4998. Do you think generally speaking, that your powers are sufficient to protect the taxpayer against exploitation?—I think the powers are there, the question of the propriety of using them is another matter, the propriety of using Defence Regulations for this purpose.

4999. Turning to paragraph 70, what is the drug referred to in this paragraph?—It is streptomycin.

5000. Could you tell me whether the sole producer is one of those who is referred to in the previous paragraph when we were discussing penicillin?—I do not know now.

5001. Could you tell me whether the second manufacturer has yet tendered?—I am afraid I cannot now. I have not that information. I think it is fairly safe to say "No." Again, if that proves wrong I will inform the Committee.

5002. If he has tendered, perhaps you will be good enough to tell me whether he has put in a different price or not?—I think the answer is "No," but if it is not the answer I will put in not only the correction but what his tender was.*

5003. Have you got any comments, Mr. Milner-Barry, on these contracts?—(Mr. Milner-Barry.) Not on these particular contracts. I think this is a very difficult field indeed, generally. We agree with the Committee that, clearly, one way or other, public funds must be protected so that either there should be effective competition

* *Note by Witness*: The second British Manufacturer referred to in paragraph 70 of the Comptroller and Auditor General's Report does not submit a tender directly, but markets the special drug (Streptomycin) through six distributing companies. Contracts have been placed with four of the six companies. The prices quoted by each are the same as those of the first manufacturer.

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with open tender, or if the Ministry are not satisfied that there is effective competition, then such other arrangements must be made as will safeguard the public. That might be in a variety of different ways, either by using compulsory powers or by negotiation with the data available to the Comptroller and Auditor General and to the Committee or in some other way, but the choice between the various possibilities is very difficult and I imagine will take some time to work out.

Mr. Cuthbert.

5004. May I just say here, Mr. Chairman, that surely if they say these firms were exploiting the public in this way, you get it back again in the Treasury in taxation on the enormous profits they must be making, must not that be so?—I do not think we would regard that as offering a sufficient defence. I am afraid it may be true.

Mr. West.

5005. I see that the Comptroller and Auditor General asked what evidence there was that the prices were fully competitive, both manufacturing and for distribution, and he asked that as far back as September. Why were not the Departments in a position to inform the Comptroller and Auditor General at that time what the answer was?—(Mr. Hawton.) I have not got this reference?

5006. That is on paragraph 67. You will see that the Comptroller and Auditor General's Report is: "I had no definite information as to the way in which the tariffs were compiled, but they appeared to me to be based on lists of wholesale prices issued by the industry. I therefore asked the Departments in September last what evidence they obtained that the prices are fully competitive both for manufacture and for distribution, and are not fixed by an association of the industry. I also asked them what evidence they obtained in support of the increases in price". Now, why was not the Comptroller and Auditor General informed then what the answer was in September, because his report was issued on the 18th January,

1952, and you will see in the next paragraph: "The Departments recently informed me that the tariff prices were based on the current price list of one of the largest manufacturers." Where should there be this delay?—Delay between September and—

5007. And, approximately, either the end of December, or the beginning of January, in giving the answer to the very simple questions he put?—I do not know when, in fact, the answer was given. Perhaps the Comptroller and Auditor General can tell us? (Sir Frank Tribe.) I think it was in December.

5008. Why was there any difficulty in giving the answer?—(Mr. Hawton.) I really do not know how long it took. If we were asked in September and answered in the next two or three months, I do not know what inquiries preceded the answer. (Sir Frank Tribe.) The reply came to me on the 28th December, actually.

5009. Is there any reason why it was not possible to give the answers?—(Mr. Hawton.) I know of no reason. I do not know what the reasons were. It evidently took as long as that to give the answer. I have not any other information here as to whether there was special delay. (Sir Frank Tribe.) I think, perhaps, I ought to say that three months is not really exceptional for replies to my reference sheets. Many of them require very considerable examination in the Department and they send a full and carefully thought out reply. I did not intend this to be in any way critical of them.

5010. Perhaps not, but it appeared to me to be a long time and I wanted to have some information about it. What evidence is there that the association does not operate, as it were, as a price ring? You have had a long time to consider it now; what evidence is there that they are not in fact maintaining their prices artificially?—(Mr. Hawton.) As I said earlier in reply to the Chairman, from all the information we have got we do not think that that is in fact so. We think that the pointers are the other way.

SUMMARISED ACCOUNTS OF REGIONAL HOSPITAL BOARDS, &c., FOR ENGLAND AND WALES, 1950-51.

HOSPITAL ENDOWMENTS FUND ACCOUNT, 1950-51.

Chairman.

5011. May we turn to the National Health Service Summarised Accounts? I will take the Comptroller and Auditor General's Report. Sir Frank, can you tell the Committee what were the main points mentioned in the Auditors' Reports which you refer to here in paragraph 1?—(Sir

Frank Tribe.) Yes, Sir. These Reports were about 1,000 in number. The main general points mentioned in them were over 200 cases in which store accounting was unsatisfactory, 138 cases in which rates of pay were not in accordance with the scale, 81 cases in which purchasing arrangements were unsatisfactory, 63 cases in which

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accounting systems or financial controls were inadequate, 50 cases in which systems of salaries and wages were inadequate and 34 cases in which pay-bed charges were incorrectly assessed. I should say this is a summary made of these 1,000 cases. Some of the criticisms were on comparatively minor points, but the figures give an indication that all is still far from well in the control of the hospitals.

5012. Passing to paragraph 4, Mr. Milner-Barry, you commented on this, I think, in the Treasury Minute. Are you satisfied with the present position?—(Mr. Milner-Barry.) We are satisfied now that arrangements have been put in hand to see that these recommendations are more promptly attended to and comments transmitted.

5013. On paragraph 5, Mr. Hawton, it is now nearly four years since the Service started. Are there still hospitals with inadequate systems, and if there are, what action are you taking?—(Mr. Hawton.) I think the thing is much better now. It has been a rather slow and tedious business getting this into line. We have taken the line that the detailed system should be left to the discretion of the authority as long as it secures the main objects, and a lot of them inherited such poor systems from before the Scheme that it has taken them time to bring it into line, but by circular and other means I think we are now getting it more or less tidied up.

5014. On paragraph 6, have you any figure of the total of these excess payments?—No, I have not got the figure. I will put it in, if I may.

5015. Do I understand that it is the intention here that the contract provisions for retrospective review mean that rates could and should be increased but could not be decreased?—The way we saw it was this, that while we had not got an agreed rate to operate we had to make a provisional one. We had to agree that if the new rate later proved more generous we would make it up from the starting day. We did not regard ourselves as having contracted in any way to collect back money from anyone who had been paid too much.

5016. Do you, Mr. Milner-Barry, agree that the Treasury had given authority for this waiver of recovery?—(Mr. Milner-Barry.) I do not think Treasury authority was sought in this case, Sir. It is explained that the Ministry did not think it was necessary, apparently.

5017. What were the answers to the Auditor General's questions that are referred to in the second sub-paragraph here?—(Mr. Hawton.) When we had got the new rates agreed, it was rather more

than simply saying: "Here are the new rates, apply them". One of the things each Board had to do was to fit their specialists into gradings under the new rates and decide which man belonged to which proper grading, and that would inevitably take some time. It had to be reviewed with provisions for appeal in the man's interest so that that in itself took some time, but the particular cases mentioned here were, I think, particularly unfortunate; they come from one Region, one of the Regional Hospital Boards, and they were unusually slow. That was not the general experience elsewhere.

5018. Then, on paragraph 7, why did you decide not to recover these over-payments that are referred to here?—We were under the impression that the payments had all been made on perfectly valid contracts by the Boards at the time without any warning that there might have to be an adjustment and so, as there had been no warning to the contracting party we thought there should be no recovery. In fact, we found there had been warnings in many cases and there, of course, we did encourage recovery. I should, perhaps, say that the bulk of the over-payments has been recovered.

5019. How much will have to be written off, do you know?—I cannot give an exact figure, but the bulk of it has been recovered. It is not a large figure, but I will give the Committee the figure.*

5020. Did the Ministry obtain your authority, Mr. Milner-Barry, before they told the hospitals that they need not adjust?—(Mr. Milner-Barry.) I believe not, Sir.

5021. Would not this be a case where the Department ought to have come to you?—I think it is a case in which we would normally have expected the Department to come to us, yes, Sir.

5022. Was this considered, Mr. Hawton?—(Mr. Hawton.) Yes, this is the same point as applies to the kind of payments which you mentioned just now. We did not regard this as waiver requiring an authority. We thought that the answer was governed by the terms of the contract.

5023. Then, on paragraph 8, "Purchase of Supplies", is group contracting now general?—It is generally accepted as the desirable thing. There may still be cases where they are not doing it enough, but it is our policy to encourage it everywhere, and it is increasing.

5024. Are you trying out arrangements embracing more than one group?—No, we found that in practice it works better in a Management Committee Group, but not

* Information supplied; not printed.

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in a combination of Management Committee Groups.

5025. In a case where, for example, a municipal authority had a whole lot of hospitals which after the change-over were controlled by two Management Committees instead of one, would you in such a case think that it would be as well?—That might well be a case where it worked better, but normally to get separate Management Committees to combine groups for the purpose is a thing we have not found very workable. Usually the conditions are very different.

5026. The assurance that you got in November, 1951, that competitive tendering was the general practice for articles for which it is appropriate seems rather guarded. Are you satisfied with it? For what sort of articles would you consider it appropriate and who is to settle?—I do not think there is any particular significance in the saving. I think that over all the normal field we should encourage competitive tendering on obvious grounds.

5027. On paragraph 9 "Farms and Gardens", I suppose you do get trading accounts for farms and gardens, do you?—No, we do in some cases and not in others, but we are trying to put that right and we think that, in future, we should get profit and loss accounts in all the cases of farms and gardens. We do not at the moment.

5028. Have you reason to believe that a substantial part of this overall deficit of £570,000 is due to the inclusion of expenditure on the maintenance of grounds which is really not appropriate under this head at all?—Yes, that is why we think we should have the trading accounts. We think that these figures are not very helpful because often they include in the farms and gardens expenditure the maintenance of the ordinary hospital grounds and other factors of that kind, and similarly they may leave some out which should be taken into consideration.

5029. On paragraph 10, have you now reached any conclusions as to the measures which are likely to be adequate to prevent substantial losses like these heavy linen losses referred to here?—We have been doing quite a lot with the hospital authorities on this and they at least are really alive to it now, and a whole lot of tighter checks are being applied, obvious checks such as marking and appeals to the staff, and so on, but there is still a fairly worrying amount of pilfering in this linen field which we have still got to concentrate on. Hospitals are, perhaps, a little reluctant to introduce too many restrictive regulations which imply that all the domestic staff are potential thieves, especially when it is very difficult to get domestic staffs. That has been one

of our handicaps. I should not say the position is satisfactory yet on the linen side, and the hospitals are alive to it and we are doing what we can.

5030. Have you any estimate of your total losses?—In the past we have not had the linen shown as a separate item in the statements of losses, but we are going to try and get it separated out in future.

5031. When do you expect to be in a position to produce complete losses statements with the accounts?—I hope, very soon. It is the general practice now and I think very soon it will be absolutely complete.

5032. One final question on these accounts: how many practitioners have you reported to Local Medical Committees?—For what?

5033. This is on paragraphs 12 and 13, for excessive prescribing?—You are speaking now of the result of this special inquiring body which looks into them, this unit which is looking into it?

5034. Yes?—The figures I have for that are that during 1950-51, the year under review, this unit provided details of 151 doctors of whom 126 were visited by our Regional Medical Officers. There were 31 second reports and only one reference to a Local Medical Committee resulted there. There were four cases referred after that up to November, 1951, so the number actually going to the Committee is very small. Most of it is done by the visit of our man to the doctor.

5035. How do these cases arise? Are they simply investigations?—These investigation units' normal method is to pick out an area where the amount of prescribing looks unusually large, then to investigate the prescribing in that area as an area to see if it produces any individual doctor who is over-prescribing and causing the total to be large. That is the normal approach.

5036. Is the variation between areas covered by Executive Councils considerable?—Oh, yes.

5037. You keep these figures, as a matter of course, I suppose?—When I said they look at an area where it seems excessive, that would be in relation, of course, to the population and other factors. Excessive per head, I mean.

5038. Per head of the population, yes. Have you got figures to show the average cost per head of population of prescription?—Not per head of population, no, at the moment.

5039. You have given some replies in Parliamentary questions on this point, have not you?—I have not got it here. I will see if I can produce that.

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[Continued.]

5040. I think the Committee would be interested in any information you can give showing the average cost per prescription and the average cost of prescriptions per head of the population for the various areas covered by the Executive Councils, for Scotland as well as for England and Wales?—For the whole of the 138 Executive Councils in England and Wales, yes.

5041. If you have them available, if not, representative cases to show the range of the difference. I am interested in what the difference is, how big the difference is?—We will produce whatever we can. It should be quite simple.*

5042. May we now turn to the Hospital Endowments Fund Account? Are you satisfied that the hospital authorities charge to their non-Exchequer funds all items of expenditure which can be properly so charged?—The items of expenditure which could be properly charged might also be items which could be charged to the Exchequer.

5043. The real point is as you can see from your summarised accounts, hospital authorities have only spent about 30 per cent. of their receipts from non-Exchequer sources, and that balance is accumulating, presumably?—Yes.

5044. I am anxious to know whether you are having an accumulation of balance because things are being charged the other way instead of coming out of these non-Exchequer funds?—No, I think that is putting it the other way round. I think we are satisfied that the Exchequer is only paying for what the Exchequer ought to pay for. Of course, the Endowments Fund could overlap it.

Mr. David Thomas.

5045. On that last question, that means to say, then, that inasmuch as the hospitals charge the Exchequer in accordance with the Scheme the Endowments Fund is then allowed to accumulate. What eventually is going to become of that increased income to the hospitals?—It is the basis of the Scheme that the ordinary cost of hospital maintenance is run by the Exchequer and this Endowments Fund is left to the discretion of the hospital authorities to spend on any things needed by hospital authorities. If in their discretion they do not spend them, they accumulate them. It is inherent in the Scheme.

5046. They would then be permitted to spend any sum they have at their disposal to improve the hospital without reference to the Exchequer?—They can use endowment money for the improvement of the hospital facilities now. They can use it

for anything connected with hospital purposes. We do not usually enquire too closely what they are using it for, but where we intervene is where we think they are overlapping with the Exchequer in a way undesirable for other reasons. We do not think, for example, they should use it to subsidise wage levels which have been agreed on the National Whitley Council.

Mr. Douglas Marshall.

5047. Generally, on the Hospital Endowments Fund since the Minister took that over under the Act, who advises the Minister with regard to the securities held and the investment of those funds?—The National Debt Commissioners. They deal with the investment.

5048. One observes, since it has been taken over, up to March, 1951, there has been a loss of about £1½ million on the investment. I do not know whether you have the latest figures up to date on that; it must be considerably more?—That loss I am advised is due simply to the general fall in security values. There is nothing peculiar to this fund about that loss.

5049. Some people are wiser than others and have a certain amount of reasonable awareness of what is likely to happen in the form of investment?—The investment is handled by the National Debt Commissioners.

Mr. Bossom.

5050. I do not know whether you have any information on this point: a good many people made covenants to give money to hospitals?—Yes.

5051. Have you any figures as to approximately how many of those have been refused since they have been taken over by the Government, by area, in total or anything?—Yes, I have. We sent a letter to everyone whom we could ascertain as having made the covenant. The numbers of people we approached were over 17,000. The people prepared to continue payment were 5,300. The people who refused were 1,300, about 9,000 did not reply, and a few others were dead.

5052. What did that amount to in total; have you any approximate amount?—The actual payments received right from the beginning of the Scheme until this last February amounted, with tax recovery on it, to £122,000, that is £72,000 and a tax recovery of just under £50,000.

5053. What is the total that had been available before the hospitals were taken over?—I have not got it in money, but it is obviously in the proportion of 17,000 to 5,000.

* Information supplied; not printed.

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Sir GEORGE HENDERSON, K.B.E., C.B.

[Continued.]

5054. Between three times or four times as much?—Yes.

5055. Was any action taken against those who refused to carry on?—No.

5056. You just ignored them?—We decided, in concurrence with the Treasury, not to pursue it.

Mr. West.

5057. I really do not know whether this is a question to Mr. Hawton or to Mr. Milner-Barry or to you, Mr. Chairman: I really would like to know, if sums are written off by a Ministry without Treasury sanction and Treasury sanction should have been obtained, what follows?—(Mr. Hawton.) I think it is to Mr. Milner-Barry. (Mr. Milner-Barry.) I think it depends on what the Committee thought about it. I do not know whether the Comptroller and Auditor General would express any view? (Sir Frank Tribe.) My duty is clear. I report it to Parliament and the matter is considered by this Committee who in turn, having considered the matter may, if they feel so inclined, mention the subject in their report to Parliament.

5058. I suppose, before the Committee would make any observations upon a matter of this sort it would like to know from the Treasury whether in the case of the write-offs, if application had been made

to the Treasury, sanction to write off would have been given?—(Mr. Milner-Barry.) I have little doubt that it would have been.

Mr. David Jones.

5059. I just want to follow up that point. Mr. Hawton, prior to the change in functions, your auditors up and down the country came down pretty heavily upon members of local authorities who did this kind of thing, as far as expenditure is concerned. Is there any reason why there should not be surcharges in the same way as has been the case in local authorities?—(Mr. Hawton.) I cannot answer for the general position of Government Departments. The Treasury may.

Mr. David Jones.] It was your inspector who did it in the country, not the Treasury s.

Chairman.] Not Mr. Hawton's inspector.

Mr. David Jones.] No, the Ministry of Health's, I beg your pardon.

Chairman.

5060. Sir George, the Committee would prefer to take the Summarised Accounts of Regional Hospital Boards of Scotland on a subsequent occasion, so I am afraid it will be necessary to bring you here again?—(Sir George Henderson.) If you please, Sir.

The witnesses withdrew.

Adjourned till Thursday at 2.30 p.m.

THURSDAY, 29TH MAY, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Blenkinsop.
Mr. Cuthbert.
Mr. Ralph Glvn.
Mr. Hoy.

Mr. David Jones.
Mr. Douglas Marshall.
Sir John Mellor.
Mr. David Thomas.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E.,
called in and examined.

TREASURY MINUTE ON PARAGRAPHS 1-19 OF THE FOURTH REPORT OF
THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

Sir EDWARD BRIDGES, G.C.B., G.C.V.O., M.C., Permanent Secretary, and Sir BERNARD
GILBERT, G.C.B., K.B.E., Second Secretary, Treasury, called in and examined.

Chairman.

5061. May we take the Treasury Minute on the Fourth Report of last year's Public Accounts Committee? I would like to ask you, Sir Edward, some questions on paragraphs 1-19, the sections dealing with Treasury control?—(Sir Edward Bridges.)
Yes.

5062. First, taking paragraph 4, the Minute says that the Accounting Officer is subject to Treasury control "in certain cases, particularly where substantial or additional expenditure is involved". Are these certain cases defined and well understood, would you say?—They are certainly well understood. I do not know that that part of the Accounting Officer's duties is particularly closely defined. Actually, the Minute appointing Accounting Officers, I think, still follows rather the same form that it has taken for a good many years and there might, perhaps, be something to be said for recasting the Minute so as to give a somewhat fuller account of the duties of an Accounting Officer in the light of present day conditions. I am sure that this rule is always fully understood by Accounting Officers.

5063. On paragraph 5, you will recollect that the Committee last year stressed that it was important that all Ministers should be aware of the special conditions relating to the post of Principal Finance Officer. You then felt certain that Ministers were aware of this. I would like to ask whether any steps have been taken to make quite sure that all new Ministers are aware of this?—We have not taken the step of issuing any formal document asking Permanent Secretaries to bring this to the notice of new Ministers. I think if that were to be done, it is something which might well accompany any re-definition of the duties of Accounting Officer.

5064. Would you consider that whole thing for us, Sir Edward?—Certainly. Of course, whenever a new Finance Officer is

appointed, then the matter is always brought to the attention of the Minister concerned because he would be told that the appointment is one which has to be submitted to the Prime Minister for his approval and it comes to his notice in that way; but I agree at present there is no automatic way of bringing this to the notice of new Ministers on appointment. That could be done in connection with the re-definition of duties of Accounting Officer.

5065. What are the Departments without a Principal Finance Officer now?—The Ministry of Supply have an Under-Secretary of Finance, but he does not perform the full duties of a Principal Finance Officer as they are understood. In the case of the Board of Trade the organisation is, as I think you are aware, on somewhat different lines from those in most Departments. Apart from that, the main exceptions are the three Service Departments, the Colonial Office and the Foreign Office. There are also one or two smaller Departments.

5066. What arrangements do you have in that kind of case?—Where there is no Principal Finance Officer?

5067. Yes?—As I think was explained in connection with the memorandum we put in last year, there are really two different theories about this: one theory, which I think one would describe as the normal theory, is that the Permanent Secretary, as Accounting Officer, ought to have under him a Principal Finance Officer who is employed whole-time on financial duties and through him all important financial questions will be channelled so that no financial question of importance will be settled without the Principal Finance Officer being consulted. The other theory is that in certain Departments that arrangement would not be conducive to the most efficient conduct of the work and that the duties of the senior Civil Servants in connection with

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policy are so interwoven with financial questions that they should bear the responsibility for considering the financial issues at the same time as they consider the policy issues. In those cases the responsibility for financial advice under the Permanent Secretary has not been, so to speak, segregated and brought together in the financial branch.

5068. Which of those two systems do you think is more likely to ensure that financial considerations are strongly and properly represented to Accounting Officers and Ministers?—With respect, Mr. Chairman, I do not think that one could give an absolutely categorical answer as between the two systems, because I think a great deal depends upon the nature of the work and the organisation of the Department. But subject to that I think it is fair to say that the bias of the Treasury when looking at the financial arrangements of a Department would be broadly in favour of having a Principal Finance Officer. We should wish to be convinced that there were good reasons for not having one.

5069. May I go on to paragraph 8? I appreciate that there is some difficulty in precisely defining the "services of a different nature" referred to here, but would you agree that as a general rule it would not be appropriate to authorise by virement the meeting of a substantial excess on one clearly defined subhead out of savings which are plainly unconnected with it?—As a general rule, yes, we should take that view.

5070. As I have read the Minute, I was left with an impression that there was a certain reluctance on the part of the Treasury to give the undertaking sought by the Committee. That is an impression, but do you really feel that the Treasury should be free to sanction virement when you think Parliament might not approve?—If I may answer the last part of your question, I think we feel that the test of whether we feel certain that Parliament would approve or would not approve is a rather difficult one for us to apply and to be sure what the answer would be. On the general issue here it is true that our answers on your paragraphs are longer than your paragraphs, which perhaps does betoken a certain reluctance to be committed to a very hard and fast view. But I think, really, if there is a difference between us it is that we feel that the circumstances are so various and varied that it would be a mistake from everybody's point of view for us to be tied down to too rigid a form of words, because the circumstances which arise are inevitably various. We have taken very full note of the Committee's views, we know what the Committee feel, and we shall do our best to carry them out, but we feel we shall carry them out best if we are given a certain

measure of freedom in exercising judgment in this matter. I think that is really what it amounts to.

5071. On paragraphs 9 and 10, "Treasury Nominees", could I ask whether the Departmental nominees are required to report from time to time to their Departments?—I suppose that depends upon what is said by the Department when it appoints its nominee, but I would think it was foolish of a Department to appoint a nominee without making arrangements for report at intervals, and if it is necessary to have a nominee, he should keep in touch and report how things are going.

Mr. Hoy.] Is Sir Edward referring only to Departmental nominees, or was the question two-fold, Treasury nominees and Departmental nominees?

Chairman.

5072. Perhaps I should explain, when I put the question I was using it in an all-embracing sense, using the word "Departmental nominee" to mean a Treasury nominee as well?—Yes, I think the same applies, certainly.

Mr. Hoy.

5073. That you do have consultation?—Yes.

Chairman.

5074. I go on, then, to "Grants in aid", paragraph 11. How far have you been able to make sure that the books and accounts of bodies which receive the greater part of their income from public funds shall be open to inspection by the Comptroller and Auditor General?—I think we have made considerable progress on this. Do you want a report, Mr. Chairman, as regards the grants in aid borne on Votes accounted for by the Treasury, or generally?

5075. I really would like to know what has happened since this Minute. That is really what I am interested in?—What has happened is that we wrote round to Departments and told them that this requirement or recommendation about accounts being normally open to inspection should be borne in mind when future grants were under consideration, and we also invited Departments to re-examine existing grants in aid and to see whether they could put that into effect. I have not got the complete list here as regards all Departments, but I understand that we have had, perhaps, rather fewer applications for exemption than we had anticipated. One type of exemption concerns Colonial Office grants in aid which are covered by the Colonial Audit Department, and I think that it would have been a duplication for the Comptroller and Auditor General to audit those as well. The War Office have asked that the Territorial Association should be

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excused for the time being and that has been agreed to, for the time being. If I may come now to the record of the Treasury grant in aid, we have arranged that the following bodies, whose grants in aid are borne on Class IV Vote 10, Grants for Science and the Arts, should make their books available: the Royal Society, the National Library of Wales, the National Museum of Wales, the National Central Library, the Scottish Central Library; and, of course, the Medical Research Council and the Agricultural Research Council already have their audits undertaken by the Comptroller and Auditor General and the books of the British Film Institute are already available to the Comptroller and Auditor General for his inspection. So I think we have gone a very long way.

5076. This, I imagine, Sir, Frank, is going to add materially to your field of possible activity?—(Sir *Frank Tribe*.) Yes, Sir, I am afraid it is, very much, if I am expected to do anything in pursuance of these powers. I am bound to say, I am surprised at the extent to which this has gone. I never contemplated that I should be given the right of inspection of bodies like the Royal Society; I am rather alarmed by it. In some of the cases which Sir Edward has mentioned it surprises me that the grant in aid represents the greater part of the income of the organisation. That was what last year's Committee had asked for. (Sir *Edward Bridges*.) We were trying zealously to carry out the recommendations of the Committee. I am sorry if we have gone too far. (Sir *Frank Tribe*.) I am only saying, in reply to the Chairman's question, if Parliament expect me to do anything, it will involve a lot of work.

5077. I suppose we can assume, Sir Edward, if the Comptroller and Auditor General wants some more staff, you will be very willing to let him have it?—(Mr. *Milner-Barry*.) The Comptroller and Auditor General now has access to 40 bodies in addition to those to which he had access previously.

5078. I have a few points, Sir Edward, on paragraph 12?—(Sir *Edward Bridges*.) Yes.

5079. You say towards the end of this paragraph that you regard the scrutiny and control of public expenditure as one of the primary functions of the Treasury. How far do we include expenditure out of the advances from the Consolidated Fund?—The advances from the Consolidated Fund, of course, cover rather special branches of expenditure which are necessarily subject to rather different forms of Treasury control, but subject to that difference, we regard that expenditure as matters which we should enquire into.

5080. Many of the matters which the Public Accounts Committee have been concerned with in recent years, of course, have come from expenditure out of the Consolidated Fund and, generally speaking, I think it is true that the Comptroller and Auditor General has not got access to the books of bodies administering those advances and, therefore, is in no position to advise or warn the Public Accounts Committee. Could you tell us something of the system that the Treasury uses for control in this field?—I am not quite sure that I have gathered the field you have in mind, Mr. Chairman?

5081. I am rather concerned with advances of one kind and another. All the big losses of recent years, I think, have come from expenditure out of Consolidated Fund advances?—Advances to National Boards, or something of that kind? I am not sure what you have in mind.

5082. If we take, for example, the advances that there have been on accounts of colonial development, which last year's Committee was very much concerned with, I am interested in how the Treasury exercises effective control in those cases?—That question of Treasury control over the Colonial Development Corporation is almost a subject in itself, and it is a subject about which there have been various changes made in the practice fairly recently. I should be sorry to give a considered statement on that particular case.

5083. I did not want you to do that. What I really want to know is whether you are satisfied that you have got effective control in the cases of advances from the Consolidated Fund. I am not concerned with the particular case. I am concerned to know whether you are satisfied that your control is effective?—Our control is of a different nature. It is much less detailed and on very much broader lines, but I think, if you ask a general question and want a general answer, I would say in general we were reasonably satisfied with our powers in that matter.

5084. Could I ask specifically, do you attempt to control, for example, the issue of loans to the local authorities?—(Sir *Bernard Gilbert*.) They are controlled by the loan sanction which the local authority has to get, not from us, but from the Ministry of Health, so that we do not control the specific service, say, the building of houses or building of a school for which that loan is intended. Of course, the general layout of that scheme may have been controlled through the Ministry of Health, the Ministry of Housing or the Ministry of Education with the Treasury at an earlier stage. The actual loan is, really, a sort of finance issue following a loan sanction.

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[Continued.]

5085. Could you explain, Sir Bernard, why it is that the estimates of those loans have been so badly out in the last few years?—It is very difficult for us to estimate what they are going to be, but it has been due partly to a rise in prices, and partly to greater developments in education and housing than we had assumed at the beginning of the year. I think that is the main reason, though I think there was, perhaps, an over-reliance on our funds for a time when our rate of interest was very much below the market rate.

5086. Do you think, then, you were getting loans for them not for new works but for paying off old debts?—I am sure that so far as there was any other use for any money the local authorities had, they put it to that purpose rather than to limiting their borrowings at a cheap rate from us.

5087. On the question of Exchequer Extra Receipts, when you are scrutinising Departmental Estimates, do you examine carefully the Estimates of Exchequer Extra receipts, and in this examination would it be right to say that you err in the direction of encouraging Departments to be cautious in their Estimates of Extra Receipts?—(Sir Edward Bridges.) I can certainly give the Committee an assurance that one of the regular parts of the drill at the Estimate season is to look at the Department's Estimate of their Exchequer Extra Receipts and to compare it with the experience of previous years and to ask reasons for divergencies and what the trend is likely to be in order to see that we have a reasonably accurate figure put in for the Estimate. At the same time, of course, you will recognise that if you put in too high a figure for the Exchequer Extra Receipts and the receipts fall short by £5,000 or £10,000, that on a fairly small Vote might give rise to a supplementary, so there was a tendency on Departments to wish to be a little cautious in their Estimate. We are well aware of that tendency; it is a natural tendency of human nature. You do not want to keep running in for an unnecessary Supplementary Estimate through having been a little optimistic in your estimate of receipts, and I think we do our best to counter that tendency and keep it in check.*

5088. We have come across two cases in our work this Session; in the case of the

* *Note by Witness:* The question of a Supplementary Estimate necessitated by a shortfall of receipts arises only in connection with receipts which are appropriated in aid of the Vote, not with Extra Receipts payable by the Department to the Exchequer. But the same principles are observed in estimating the amount of Exchequer Extra Receipts as in estimating Appropriations in Aid.

Ministry of Supply it appears that they have under-estimated their receipts from the sales of surplus stores and the disposal of certain capital assets by as much as something over £130 million in five years. The second case was the Ministry of Works who, as we saw from their Appropriation Accounts, have not even thought it necessary to explain why their receipts under a somewhat similar head were roughly £2,400,000 as against £½ million. Errors of this kind, it seems to us, must affect the Budget, and I would like to know whether you agree that they must be disturbing?—They are disturbing. At the same time, although I am not familiar with these two cases, I think that the sale of surplus stores was a particularly difficult thing to estimate. The Ministry of Supply had surplus stores all over the world and they had local agents disposing of the stuff and selling it, and I think it must be very hard to know with any degree of accuracy what you are likely to sell at what price over a period of 15 or even 18 months ahead. I think they are entitled to some degree of excuse on account of the extremely difficult task they had. The other case, frankly, I am not familiar with at all.

5089. There is one general matter, not specifically raised on this Minute, on which I should like to ask your view, Sir Edward. On the 18th March Mr. Milner-Barry told us** that the Treasury would not necessarily regard the loss of public money as a ground for not reducing audit and revenue and accounting staff in the present man-power position; I think I am using his exact words. Certainly, the general impression I got was that the Treasury regarded it as more important in present circumstances to save staff than to save money. We have had some discussion on the Committee about this, and I wondered whether you would care to comment on that at all?—It is always difficult, I think, to balance up properly the demand of man-power economy and the demand for as full a staff as you would like in order to make sure that all your financial controls are as rigorously and as fully carried out as they should be. During the war we had to cut down a lot of the procedures and do with fewer staff. Since the war we have restored a good many of them but I think we have found that it is proper and appropriate not to restore in full all the procedures and that on balance it would be right to run what might appear to be some risks rather than to return to the full staffing standing which would be necessary to avoid all those risks. I think it is difficult to balance the one against the other and say exactly how you weigh one against the other, but I think it is true that in recent years or months the Treasury, to simplify

** Question 1783.

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organisation and reduce staffs, has been inclined, perhaps, to put a little more weight on that side of the scale than there was before.

5090. What I am not clear about is this: Is the policy a man-power policy in a national sense or is it narrowly considered as a man-power policy in relation to the Civil Service?—I regard the man-power policy in the Civil Service as only one aspect of the national man-power policy.

5091. It would be easy, of course, for the Civil Service figures to go down if the work were merely transferred somewhere else, and that would not really get you very much further, would it?—That is not what is intended. What is intended is to reduce the total demand made by the Government on the nation's resources in terms of man-power.

5092. And you would be prepared to press that to the point where it was uneconomic, that is to say, where you lost money on it?—I do not feel disposed to agree to that, put in precisely that way. I think it is a matter of degree all the time. (Sir Bernard Gilbert.) May I just say one thing? The real benefit of the audit system arises from its effect *in terrorem* through its general policy rather than through the certainty of its catching anything particular.

5093. I am not talking of the audit staff only?—I was regarding that especially from the finance point of view, but the same applies to the tax-collecting system.

5094. The point that lay behind my question was this: as a result of a reduction in staff you actually lose public money, but that is defended on the ground that man-power considerations are more important than economic considerations. That is the point of the question?—May I put it the other way: I would not like to say if one extra man in the Customs can collect £501 of revenue, therefore he is well justified if his salary is only £500. That is the extreme case. Therefore, you try to have a system in all your financial spheres of such efficiency that the probability is that it will prevent waste, but you do not carry out such a degree of perfection as to try and attain certainty that it will catch every single case.

5095. May I come back to the question that I put, I think, a little earlier? Am I right in supposing that a good deal of what is happening in the field of reduction in Civil Service staffs is merely to transfer the work outside the Civil Service, leaving Civil Service staffs smaller, but, in fact, no net saving in man-power at all?—(Sir Edward Bridges.) I would not have thought that was so to any appreciable degree.

5096. May I just take a case, it is only one case, but it illustrates what I mean? If you take the Estimate for the present year in the Valuation Office, you see that it is proposed that the total staff should go down from 7,906 to 6,645, that is, a drop of 1,300. On the other hand, you see it is proposed that panels of valuers engaged as necessary for re-valuation of special properties, being the equivalent of about 1,500 full-time staff, should be provided for this year to the tune of £1½ million by comparison with our £½ million last year. If the proportions are right, that means another £1 million in order to employ the equivalent on the panels of outside valuers of about another 1,000 full-time staff, whereas on the other side there is a reduction of 1,300 in the staff of the Department. That is the kind of example that it seems to me illustrates the question that I was asking?—I would very much like to look into that case, but so far as concerns most of the reductions in staff, and I know a good deal about most of them, I am quite certain that it would be right to say that they represent a giving up of functions or simplification in organisation which would result in existing functions being performed more simply or, perhaps, to give a slightly less good standard of service. In effect it is a net reduction in the demands made by the Government in the Nation's resources. I have no doubt that that answer is correct as regards the great majority of cases, but I would like to look at this particular case you have mentioned, and send you a note about it.*

Mr. Benson.

5097. On this question of reduction of staffs, how do you go about it? Do you examine the staffing of the Department or do you just inform the Department that they must cut staff?—It is not quite as simple as either alternative. For the last few years we have been changing over our system of staff control and whereas there used to be Treasury authority for the numbers and grades employed in each section and branch of a Department, now we do much more in the way of overall authorities which lead up to a ceiling for the total staff of the Department. Each Department is told that they may employ up to but not more than so many people with certain restrictions, of course, on the numbers in certain grades. That system is, of course, supplemented by the work of the Treasury Establishment Divisions who are always in touch with the Departmental Establishment Officers. We also have a team of staff inspectors who go round Departments, not with the object

* Appendix 5.

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of pointing a finger to this section and saying: "There are three men there and there ought to be two", but rather helping to satisfy ourselves whether the Department have got an adequate and efficient system of internal staff control. These ceilings, I should have said, are fixed every six months or so, and when it comes to a general staff reduction of this kind it is really only an intensification of the normal process of fixing a new ceiling for the next period and fixing it at what may be thought to be the proper level in the light of all the information we have about the Department's work, whether there is new work, whether the work is declining, and also what types we may expect to cut out, or which it may be possible for the Department to perform with a slightly smaller staff without detriment.

5098. Who gives you the advice that a Department can cut its staff?—That is a Treasury judgment as the result of the contacts between the Treasury Establishment Divisions and the Establishment Officers of the Department concerned.

5099. I said, who gives you the advice? You said it was Treasury judgment. I want to know where do you get the advice from with regard to a Department which enables you to say: "You must cut by so many"?—In the reductions that have recently been made the Treasury after very careful thought told the various Departments the amount by which the Treasury thought that each Department should reduce their ceiling.

5100. That is what I suspected happened. On what information did you base your action?—On our knowledge.

5101. Of what?—On our knowledge of the work of a Department, the organisation of a Department and everything we know about it.

5102. If a Department's work was increasing did it still have to bear the cuts or did a section of a Department?—If a Department's work was increasing that was certainly taken into account in settling whether an increase in part of a Department's work could be met by a reduction elsewhere or not. There was no question of a flat rate imposed on all Departments. The punishment was made to fit the crime as exactly as we could.

5103. Which Departments were not cut?—I am sorry, I have not got in front of me a list of all the reductions, but one instance which does occur to me is that the Service Departments, who had the re-armament programme, have not been able to make cuts.

5104. Obviously. I was thinking rather of Civil Departments?—I have not got the

list of the Civil Departments, and I think you would find that very few of them were let off altogether and that nearly every Department was called upon to make some contribution, although the contribution varied very much according to the Department's circumstances.

5105. In other words, then, there was a cut imposed on all Departments irrespective of whether it was economically or administratively advisable?—No, I do not admit that at all, because, with respect, I would say that from our knowledge of a Department's work we know whether a cut could be enforced economically, with proper regard to economic and administrative conditions.

5106. You asked the Comptroller and Auditor General to reduce his staff?—Yes.

5107. Despite the fact that his work is increasing?—That is a very difficult case to argue in present company.

5108. I am trying to square it with your statement of how you decided the cuts. If the presence of the Comptroller and Auditor General embarrasses you, let us take another point. You referred to crime and punishment. The daily prison population is mounting with appalling rapidity but the present staff have been woefully under strength ever since the war. Why have you imposed a cut on the Prison Commissioners' staffs, the discipline staff?—Before I answer that question I would like to assure myself of the exact facts as to what the net result was.*

5109. Do you mean as to the number of staff?—Yes.

5110. But the cuts have only just been imposed. The cuts are in process of being imposed now?—I think the cuts were imposed some months ago.

5111. Yes, but that would hardly appear in the Estimates yet?—Am I allowed to ask, Mr. Benson, whether you know, in fact, that there has been a cut in the Prison Commission's staff, and if so, what size it is, or whether you are assuming there has been?

5112. I am not assuming there has been one, I am saying that there is pressure on the Prison Commissioners to cut their staffs?—There is pressure on all Departments to reduce their staffs, but it would be a mistake to assume that these matters are settled without any consultation or discussion with Departments. I would like to put it in this way, there has often been a suggestion made that the only way to reduce Civil Service numbers is to apply an all-round cut of 5 per cent., or something, on all Departments. That, in the Treasury view, is wholly impracticable and would not achieve the right results. What

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has been done in this case is an attempt to apply, not a flat rate cut, but a cut which tempers the wind to the shorn lamb. It is, perhaps, more than 5 per cent. in some cases but it is substantially less in others and may grade away to nil in other cases. I feel it is a little hard that the Treasury, having done its best to apply a successful system as against a nonsensical system, having taken the responsibility of settling what would be reasonable cuts to apply to different problems, should be attacked too much for attempting in this respect to carry out what is our job, although it is necessarily a rather invidious one. I hope you do not mind my saying that?

5113. Would you agree if I put it more simply: the Government has told you to cut and you are in the awful position of having to do it irrespective of whether it is desirable or whether it decreases efficiency?—I do not think I can agree to that with the disqualifying words at the end. Certainly, it was the desire of Ministers that Civil Service expenditure and numbers should be reduced and we are doing our best to carry it out, but I do not agree that the thing has been done or will be done in a way which flouts economical or good administration.

5114. Then you would not feel inclined to press against the resistance of the Comptroller and Auditor General that his staff should be cut?—As I said, I think it is difficult for me to discuss that particular case in present company.

Mr. David Thomas.

5115. I believe in reply to the Chairman, or to Mr. Benson, that you knew where cuts could be made or, at least, the heads of the various Departments knew and as instructions were clearly given by the Government that the Civil Service should be reduced, ought not this question to be constantly in front of the heads of all Departments? If they do know that they are carrying, say, three, four, or five officials which they do not actually require, surely it ought not to be necessary for the Departments to be told by the Government: "You must cut", and only when they give their instructions are cuts made. I am not blaming the heads of the Treasury for this, but it certainly appears to me that as a result of an order given by the Cabinet, then soon afterwards figures are published, or in answer to questions in the House we are told that a certain number have been dispensed with. I think in any office the head of that Department should know as to whether or not he is carrying too many and especially so where the money comes from the public purse. What do you say to that?—If I may say so, I agree entirely with the principles of what you say, as against which one may put this, that

Government Departments are large and complicated organisations and there may well be in certain spheres work or services, which are not without any value but, possibly of less value than other services, and in some cases of marginal utility. If the Government decides that it wishes—this is really the issue—a smaller proportion of the nation's resources devoted to Government expenditure, then, if you look round carefully you can find certain things which may be got rid of without detriment to the efficient carrying on of the Department's main and essential duties and responsibilities. It is really in that kind of way that the problem presents itself. Something has been started in the hope that it will be a success and it does not prove quite as useful as people expected. There may be a certain tendency to carry it on in the hope that the situation will change. If you get an order that you have got to save, you perhaps make up your mind a little more quickly about that kind of thing than you would otherwise.

5116. So that is an admission, then, that it is not until the Government decide to save money and they start without any proof at all that they are carrying too high a staff, that those who have got daily supervision of a certain number of staff then wake up and they find: "Well, we have got, two, three or four too many"?—No, with respect, I would not say that. If you take a Department of 400 or 500, the two, three or four, marginal people do not constitute something which it is a gross neglect of duty for the head man not to have got rid of before. These are the marginal cases and they are matters of judgment.

5117. Of course, they might be marginal cases but the aggregate amounts to thousands throughout the country? One other question; there is a document in front of me now and the matter has been discussed, so I do not know whether I would be in order in putting it, relating to the Ambassador's house in Rio de Janeiro?—I do not know about that.

5118. I am not going to deal with that, but this a question relating to the colonial schemes. The Government decided to spend so much money. What supervision is there by the Treasury as the months go by to see that that sum will not peter out in, say, half the period, or the period of the scheme?—If it is a question of building a new Embassy, what would happen is that the Ministry of Works write to the Treasury and obtain authority to spend a certain sum of money on that building. Thereafter, the expenditure of that money is the responsibility of the Accounting Officer, the Permanent Secretary of the Ministry of Works, and his organisation. It is for him to see that as the building goes up the cost is not being

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exceeded, and the Treasury have no part in that unless the Ministry of Works find the thing is going wrong and report it to us. It would not be possible for the Treasury to supervise expenditure of public funds by each of the Departments concerned. That must be their responsibility.

5119. But if the Treasury find that a scheme has exceeded the estimated cost and when the original plans have been changed several times, adding thousands of pounds to the cost, then surely the Treasury—they do probably do it—afterwards when they find the sum has been exceeded by thousands of pounds, I suppose, make an investigation?—It is the Department's duty the moment they see that the cost is going to be exceeded, if it is an important case, to write and report to us so that we can look into it straight away. If a Department did not report it until the excess had been going along for a long time and it was obvious that the Departmental Scheme was running into trouble, then we should blow the Department up for not having come to us sooner and we should want to know why they had not come to us sooner.

Mr. Douglas Marshall.

5120. Arising out of the question that has just been asked, Sir Edward, I was slightly confused at times both by the questions and the answers. Is this your experience or not, that at different times, as we found in the war, when a pruning takes place in the tail, greater efficiency in fact flows from that pruning?—I have known that happen, but I do not myself think that we are in a condition now in which we need to be pruned to be more efficient. I think the pressure to reduce staffs in the Civil Service since the end of the war over a number of years has been very considerable.

5121. The major point that I want to ask you, and I trust the Chairman will think that I am in order, because I cannot see quite under what other heading I could ask it except under "Treasury Control", is this: are you, as the Treasury, responsible at all for the investment policy of the National Debt Commissioners?—Could Sir Bernard Gilbert answer this? (Sir Bernard Gilbert.) They keep in close touch with us but formally, I think, the statute places the actual responsibility on the Commissioners.

5122. If one wanted to know why a certain policy had, in fact, been put into effect by them, would it be proper of me to ask you or would it be proper of you to answer me?—I do not think I could answer, but I think the proper course would be for you to ask the head of the National Debt Office when he was giving evidence.

5123. I wonder if I could put one specific question and see whether you would feel if

that was within your terms of answering: with the different funds which have been in trust with them over the course of the last six or seven years, for what reason have they in some cases invested primarily in long-dated securities, sometimes a mixture, sometimes short and sometimes medium, and for what reasons have they invested at all in securities without date?—In the cases I know their portfolios are arranged with regard to the probable happening of their maturities. They try and keep as other people do with investment portfolios a mixture of longs, mediums and shorts according to the likely requirements of their requiring the capital. They can get a better return, as you will know, on the longer-dated securities, but, on the other hand, they run a risk of being caught short of capital if they require immediate realisation, and I think it is fair to say they would follow an ordinary good class investment policy in that regard.

5124. So if one were to compare the investment policy over these years with other investment policies outside but holding the same form of portfolios and you find that those portfolios had lost capital by a very much greater degree, you would agree it was a bad investment policy that they had followed?—I should like to see the particular case to make sure that there was absolute comparability.

5125. But they are responsible to keep that capital together? The Treasury, you consider, is responsible in that case? Take the Hospital Endowments Fund, for instance, moneys which have been given by people for a purpose, transferred to the Government, and by them invested. If a considerable capital had been lost from 1948, when the Fund was taken over, until 1951, there would be a responsibility in the Treasury for that loss?—No, I was suggesting the real responsibility is in the National Debt Commissioners, assuming they had this Fund. I was not aware that they had the Hospital Endowments Fund. I thought that was held at the Ministry of Health, but I may be wrong.

5126. I understand it is their guidance as to the investment. I am trying to get at who is responsible, and it is very difficult, because from time to time it seems to sheer off somewhere else, and one loses it?—The funds I was thinking of when I answered you are primarily funds like the Savings Bank Funds and the big things, the Unemployment Fund, their operation of Sinking Fund moneys, and so on. I did not know they had the Hospital Endowments Fund, but certainly what I said applies to that just as much as to the others, that they have regard to the length of time the money is likely to be in their hands and the securing of the greatest possible yield within that overriding condition.

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5127. At no time does the investment of these funds play a part in the financial policy of the Government, but only to keep the capital of the Fund intact?—That is broadly the position, yes.

5128. There is no direction at all as to the investment policy of the Government?—I am not aware of any overriding directions from the centre to the National Debt Commissioners as to what they should do, but their operations are fully discussed with us and with the Bank. I think, if I may go back to one of the earlier answers to pursue this in detail, it is a matter primarily for the Secretary of the National Debt Office when he is giving evidence.

5129. I realise very much the difficulty that you or Sir Edward are in because it is not primarily your affair, this is not being dealt with by you day by day?—(Sir Edward Bridges.) No, that is so.

Mr. Douglas Marshall.] I am trying to find out where the actual responsibility of it is.

Mr. Cuthbert.

5130. I rather want to get this clear in my mind: we have been talking a lot about cuts and the control you have over reduction of staff, and so on. It is not a question of you cutting your staff, we will say, through the possibility of finding two men doing one man's job, is it? That does not come into it at all. Is not it rather that owing to the reduction of the work you do, the taking away of certain controls or things like that, you have not got to carry out the same work in your various Departments and, surely, that has been the real reason for your responsibility of cutting down staffs to those figures we have heard of in the House? It has not been a question of your staff not working full out, shall we say, it has been more the responsibility of whatever Government is in power as to the amount of work put on to the Ministries, and your cuts come automatically when that work is taken away from them?—It has not been a question of staffs not working properly, it is true, and we have secured a number of reductions in staffs through reductions in work and the lifting of controls. The Ministry of Food for instance, have succeeded in the last few years in making very big reductions in their local staffs. But some of the recent moves have been aimed at getting reductions of staff by giving up certain duties or cutting out certain services, and to that extent it is not simply a question of the services falling away and the staff being reduced, but rather of saying "can we get Departments to give up certain possibly rather marginal duties and services and save a certain amount of staff in that way."

5131. I did not want the impression to go out, perhaps, that it was the Treasury's

fault that they were suddenly told that they have got to reduce their staff, because there was a lot of people, perhaps, not doing much work?—Thank you, I am much obliged for that.

Mr. Cuthbert.] I was on the question of controls, and the amount of work the Ministries are asked to do. If you ask them to do less work, naturally there must be less staff. That is what I want to clarify.

Chairman.

5132. You would recollect, Sir Edward, that my original question to you was on the rather narrow point of the particular staffs concerned with revenue or with audit, and so on. For example, are we to attribute the reduction in the staff of the office of the Chief Inspector of Taxes to less work or to some rearrangement of work?—There again, I would rather get a straight answer on that after asking the circumstances of that particular office. I certainly do not imagine that there has been any reduction in the work of that office unless it may be that they have been getting over the tremendous accumulation of arrears they had in the war years.

Mr. West.

5133. May we take one case in point? I know it is invidious and perhaps difficult to discuss it here, but I think we ought to face up to it: following Mr. Cuthbert, how can it be said that the reductions in staff have been mainly due to rearrangements or reductions in work when we have the specific case of increased duties resulting in the Comptroller and Auditor General's Department in reductions in staff?—Well, I think it is difficult to argue from an individual case and, perhaps, from that particular one.

5134. Far be it for me to put any question that is likely to be embarrassing to one side or the other, but would I be right in saying that it is the Treasury which fixes the establishments?—Yes.

5135. Am I right also in saying that when the establishments are fixed the Treasury have to be satisfied with the establishments that they sanction?—Nowadays it is a ceiling, the total staff in the Department rather than the establishment.

5136. I understand that you have to be satisfied, first of all, with the establishment and secondly you now have to be satisfied with the number of staff?—Yes.

5137. If you sanction the number of staff I gather you would have been satisfied that the staff was necessary to perform the work that was required?—Yes, but, of course, one is dealing with a fluid situation. The volume of work does not remain the

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same, circumstances change and our experience has been that you cannot just settle an establishment and then leave it for four or five years and then look at it again. The right thing is to have a ceiling on the staff of all Departments which is looked at every six months in the light of the changing circumstances.

5138. Has that been done?—That is done, yes.

5139. In the last six months and before you had directives with regard to cutting staffs were you satisfied then in those last six months that the staff which was being carried by the Department was necessary for that office?—Are you on this particular case?

5140. No, generally, I am leaving the particular case; I am talking of the general position?—I think our answer would be a mixed one, that in certain Departments we would be fully satisfied that the ceiling was perfectly representative of the least staff by which the work could be efficiently carried on. In other places we would feel without suggesting that the staff was badly organised or that there was anything wrong, nevertheless, that it was capable of improvement by somewhat more modern methods and this, that and the other.

5141. How long have Organisations and Methods been going into these matters?—For years, but the work is never-ending.

5142. Has the work of Organisations and Methods over the years resulted in reductions in staffs?—Yes, it has.

5143. Have you been satisfied in those cases that Organisations and Methods have investigated that the staff which has been carried has been necessary for that work which has been done by the Department?—With respect, I do not think one gets anywhere in these questions of staffing organisation and efficiency if you regard it as a question to which an absolute answer "Yes" or "No" can be given at a certain date and that answer holds good. All organisations, like middle-aged people like myself, tend to put on fat, and you have got to be going at them all the time to be sure that the duties which were appropriate one year need to be carried out in precisely the same detail the next year and the year after. There is a tendency when a new Government Department starts for the work to have to be done in a certain style and scale. As the work gets into its stride processes which had to be performed individually can become routinised, and you can cut the thing down and do it in a more simple way. Therefore, if one is going to get real efficiency you have to be looking at this the whole time.

5144. I understand your Department have been doing that?—And we shall go on doing it until the crack of doom and, therefore, I would deny that because a particular number was thought appropriate on the 1st April of one given year there is anything inconsistent with that in saying that a year later it was not necessary to employ exactly the same number of men, women and children to do the work. In fact, I would hope that with improvements, one ought to be able to do it with less. Remember, too—I am sorry I am making a speech—that during the war for seven years we had no permanent recruitment. The result was that necessarily we suffered some diminution in our staff standards. Since the war we have had seven years to build up again and I think our standards have improved. We have recruited a lot of very good people and all that kind of thing ought to tend to enable us to do our work more efficiently and at less cost to the State. I repeat, therefore, I do not agree that the fact that a particular number was taken as right at a certain date means that it is necessarily right for all time.

5145. Do I understand, then, that the reductions which have now taken place have taken place as a result of your being convinced that the duties of that Department no longer require the number of people to be employed there?—I think the Treasury were certainly satisfied that it was possible in the aggregate to make quite substantial reductions in the public service without damage to an economical and efficient administration, granted that that process must necessarily involve a certain sloughing of less essential duties.

5146. Do I understand, then, that all the reductions in staff which have taken place have been the result of the suggestions which came from the Treasury and not from any direction received from elsewhere?—I do not mean to say we have not had great help from Departments in doing this, because we have.

5147. Do I understand the effect of your answer is that all the reductions in staff which have taken place have been as the result of consultation with the Departments and the decision of the Treasury and not as a result of any Government policy?—Government policy to reduce duties, do you mean?

5148. To reduce staffs?—With respect, I do not think you can distinguish between the Treasury and the Government in this way. After all, we in the Treasury are Civil Servants and we are under the orders of Ministers and we are, I hope, carrying out the Ministers' instructions.

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5149. I agree, and that is why I was rather anxious to know whether, in fact, the reductions in the staff had taken place as a result of your internal knowledge, irrespective of the Government or Government policy, merely as the result of the more efficient administration of the various Departments?—With respect, I think it is getting on rather dangerous ground if I am asked to distinguish between advice given by Civil Servants and decisions given by Ministers, because that is really, with respect, what your question amounts to. Is not it very awkward for me?

5150. Far be it from me, Sir Edward, to make it awkward for anybody. What I am most anxious to do is to see that the Public Accounts Committee are not, at any rate, faced with a very awkward situation themselves. For how long has the Treasury been aware that Departments were carrying surplus or unnecessary staff?—There again—I am awfully sorry, I seem to be making difficulties about your questions—the staff are surplus or unnecessary on a certain view as to the duties which Ministers or the Government decide should be carried out by the Government. This reduction has only been carried out or, in the main, at any rate, by sloughing off certain duties. That is really the answer.

Mr. Hoy.

5151. I would just like to take this a little further, if I may, even although it is embarrassing, because I have been putting some questions about this. You say that it is done on the advice of Departments. I am trying to find out how it actually is done. I asked the Board of Trade last week how they accounted for the reduction in their Department and the President said he had effected an economy of 72 people. He then said that he really could not give me that answer as that was only the difference between those who had left and those he had taken on. There does not seem to be very much planning in that, and I wondered what principle was adopted to decide who had to go? May I add one further bit before you answer? In connection with two Departments I have found out that the most substantial of these cuts has been, in fact, on the Messengers' Department, and out of the 72 at the Board of Trade, 25 per cent. of the cut was represented by cuts in the Messengers' staff?—I think the answer to your question really falls into two parts: first of all, who decided where the cuts should fall? That was really decided by the Treasury in the light of its general knowledge of conditions in Departments in the Civil Service after some consultation with the Departments concerned—with the victims. Thereafter, when a Department has been told that they were asked to effect a cut of a

certain size it was left almost entirely to that Department to see how they carried out that cut, that being part of their responsibility, they being the people who would know best what they could afford to do without.*

5152. So, in imposing this cut it did not seem to matter whether it was assistant secretaries or messengers as long as the numbers came to the specific amount, is that it?—No, that is putting it too broadly. I am afraid I made my answer too telescoped. There was, in fact, discussion between the Departments and the Treasury Establishments Officers as to the manner of carrying out these cuts, but it was naturally left to the Department to make the suggestions as to how it should be done.

5153. I would agree that if there are unnecessary staff, they ought to go, but I wondered how it was achieved. I must say all the answers I have had have not been very reassuring. May I now turn to the next part about certain Departments in which it might be even more efficient and economical to increase the staff. We have had before us two witnesses recently, one of whom came from the Lord Chancellor's Department. We were dealing with the collection of arrears which were very far behind, and I am sure the whole Committee got the impression that if they were allowed to have a few extra staff they could, in fact, make up all the leeway and collect this money. Would not you regard it as wise expenditure to allow them to do this job?—It is up to them, if they think they have got a case, to come to the Treasury and make it out.

5154. Even although a cut has been imposed on them as well?—Yes, certainly, if they feel they have a case for resisting a cut. The Treasury have no complete and absolute power in this matter. The responsibility for the administration of each Department rests with the Departmental Minister. If he is not satisfied, it is up to him to protest. He can carry it to the Chancellor of the Exchequer if he wishes, or he can carry it to the Cabinet.

5155. This Committee has spent some considerable time over the question of stores in all the Services, and we felt that a great deal of wastage went on. The Admiralty representative said he had got his stores into a pretty efficient state but that with the imposition of cuts in his particular Department he could not give us an assurance that he was going to maintain that efficiency. Could a particular case of that kind be looked at to see to it that any cut did not mean considerable losses to the Treasury and to the taxpayer?—Yes, certainly, there again it is for the Admiralty

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authorities, if they feel it is impossible for them to carry on on their existing numbers, to say so, to protest.

5156. I may have been under the wrong impression, but I had the impression that a protest had been made with very little result. Perhaps you could look at this point?—Certainly.*

5157. May I turn now to two smaller points? I think you said the Territorial Association had asked to be excused from placing its books before the Comptroller and Auditor General? Was that correct?—That is so.

5158. I wonder why that was, because this was one of the Associations which gave us some little trouble inasmuch as they appeared to be piling up considerable balances out of Exchequer grants and I think Mr. Milner-Barry will well remember that this occupied a considerable part of the time of the Committee?—Could Mr. Milner-Barry answer this point? (Mr. Milner-Barry.) Yes, certainly. This does not represent a final decision on the part of the Treasury. The War Office represented to us with a number of arguments that they thought it was not appropriate that the Comptroller and Auditor General should have access in the case of the Territorial Associations. I am afraid I have not their arguments in front of me at the moment. We were not, and we told them so, entirely convinced by their arguments but we said we were prepared to let the thing run for one more year, particularly as the future of the Territorial Associations and the basis upon which they were to be financed was, in any case, to be the subject of review by the War Office in 1953-54, and we thought that would be a very appropriate time to take up this further point. We did make it quite clear that while we were prepared to let it go for this year we would not necessarily take the same view next year.

5159. Can you tell us what would be the total of the Exchequer grants to the 40 organisations whose books are now available to the Comptroller and Auditor General?—The 40 which have this year been made available?

5160. Yes?—The total is just under £2 million.

5161. Sir Edward, may I ask you this question arising out of that answer: would not you agree that there would be a very good case for having a little extra staff where £2 million of the public's money is concerned?—(Sir Edward Bridges.) That is certainly something, I agree, which wants looking at.

Mr. David Jones.

5162. I am getting a bit more confused as we go on about this staffing problem?—I am sorry my evidence is so confusing!

5163. It is probably my fault, but I am quite unable to appreciate on what basis you made this reduction. You told Mr. Thomas a moment or two ago that you at the Treasury knew, more or less, from your knowledge what was required and, therefore, you exercised that knowledge in order to make a reduction. Then, I gather, you told Mr. Cuthbert that the removal of controls would to some extent make staffs redundant, and then you told Mr. West that it was services which were no longer required. Apparently, the change of Government and the change of ideas and minds of the Minister made redundant certain requirements in certain Departments, and as a consequence you looked at the problem and made a reduction in staff accordingly. I wonder if you could give us a list of the services from the principal Departments that have been abolished at the request of the new Ministers in order to make reductions in the staff?—The kind of things I am thinking of result from a very large number of very small things. I think there are hardly any big services which were abolished. One which occurs to my mind is the registration card, which I think has saved 600 people, or something of that kind. That is my recollection.

5164. That will be in one Department?—I will not be too sure of the figure, it is something quite substantial.

5165. Supposing it is 1,000, that would cover one Department. I am rather anxious to know on what basis this reduction in staff took place, because I rather thought at the earliest stages that you were having a sort of spring cleaning, you were coming across a lot of bric-a-brac which had gathered over the years and were having a general clear out. That is the impression I got, but later on, apparently, as I gathered, there were some services being taken away and as a consequence, and I agree, staff was being made redundant, and I was anxious to know just exactly what services had been taken away? What did they represent in saving of staff? Now, with regard to the removal of controls, I take it that is a continuing process which goes on week by week?—Yes, sometimes with a little movement in the opposite direction.

5166. That is what I was going to suggest, it may very well be that in the next month or two, if they have been cut because of the absence of controls, the reinstatement of those controls may very well result in an increase of staff in the

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[Continued.]

future? I would like, if I may, to get some kind of clear method by which you have reached this basis of reduction of staff. I must confess it is probably my fault, but I am quite unable to see what set of principles has been applied in attempting to achieve this reduction in staff?—I think the short answer is that a great many different factors entered into it, and it was our business at the Treasury to look at the position in the Department as a whole, make up our minds what could be achieved by a variety of processes. In some cases, and as I think Mr. Cuthbert suggested we may have known that controls were going to be abolished, in other cases it was a squeezing out of services to a limited extent, and in some cases it may have been, perhaps, slightly tighter methods of administration. All those things added up together to the general figure of the reduction which is being aimed at.

5167. Does not it rather suggest that you made a target first and then decided that you were going to carry out a number of things in order to achieve that target?—I think that would assume that we made our target by thinking of a figure and writing it down, instead of seeking to estimate beforehand what in our knowledge of the circumstances was a reasonable target to aim at.

5168. But I should have thought that this process of reviewing and overhauling the Departments was not an annual spring cleaning but was a continuing process?—Exactly, it is a continuing process and, if I may say so, what has been done on this occasion is really an intensification of the normal process which is going on all the time.

5169. A sort of new broom sweeping clean?—Well, an intensification. I think, is right, of an existing process.

Mr. Benson.

5170. Like Mr. Jones, I am getting more and more muddled as we go along?—I am very sorry.

5171. You told me that you reduce staffs on the basis of the knowledge that you receive through your staff inspectors?—Staff inspectors and the Treasury Establishment Officers.

5172. Presumably that meant that you knew which grade and which type of people were likely to be redundant, but I think in reply to Mr. Hoy you said that when the cuts were imposed you left it to the Department to work it out?—To carry it out.

5173. To carry it out, yes? It might fall on messengers or it might fall on assistant secretaries but the cut was made

and the Department had to find the bodies. It struck me there were two entirely different explanations that you have given?—I do not think they are inconsistent. I think it was right that we should form our judgment as to the possibilities of reductions in particular Departments and, no doubt, should tell the Department what we had in mind in reaching that figure. It is equally right that the officers of the Department who are responsible to the Ministers for the administration of a Department should themselves say where they think the reduction could properly fall.

5174. Could you say categorically that you have never given to any Department a figure that they must reduce by or a percentage?—Oh, no, we have given them figures they have to reduce by, certainly.

5175. You have said: "You must cut by so much per cent.", or by so many bodies?—Yes, so many bodies, not so much per cent.

5176. Providing they produce so many corpses, you are satisfied?—That is putting it a little crudely.

Mr. Blenkinsop.

5177. If I might put a point not on quite the same subject, in seeking to maintain your proper Treasury scrutiny on the actual expenditure of Departments, do you feel that you are in any danger of duplicating technical examination of schemes put forward by Departments? The Committee has very properly been in the past for some time very anxious about a careful Treasury scrutiny. I am also rather anxious about the other way round?—A technical examination of what kind?

5178. I am thinking particularly of schemes put forward, sometimes perhaps of comparatively small total expense, but involving technical considerations, for example, schemes of one sort or another, it might be, over a certain value of expenditure which the Treasury requires further examination on before sanction can be given?—I think the general answer is that the Treasury control is by tradition and practice a layman's control. We do not seek, in fact, we are scrupulously careful to avoid, duplicating technical advice. If in any case we should feel dissatisfied with the technical view put by the Department, instead of ourselves seeking technical advice, we should ask the Department whether they themselves were satisfied with their own technical advice and we would not go and duplicate it ourselves. I think on a previous occasion, I believe it was a year ago or two years ago, a suggestion was made in this Committee that we ought ourselves to employ technical advisers to check the technical advisers of Departments,

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[Continued.]

and we repudiated that suggestion rather strongly and said, no, that was not our business.

5179. I am very glad of that reply because there is sometimes some criticism of the danger of holding up schemes and because of holding up schemes you may get, particularly in present circumstances, increased costs of carrying out those schemes eventually by what may appear, at least from outside, to be over-scrupulous examination by the Treasury. I suppose you would agree that one does need to keep a very careful balance between the very proper basis for careful examination on the one hand and on the other, as I say, some form of duplication of the work that one must rely upon the Department itself to carry out?—Yes, I think the way I would put it would be that it is not the Treasury's business to go through again all the functions which the Department has done, but to satisfy itself by laymen's questions that the Department has done its job properly.

Sir John Mellor.

5180. Sir Bernard, I think you might perhaps want to make a partial correction to your answer to Mr. Marshall with regard to the Hospital Endowments Fund, because I understood you to say that the investments of that fund were managed by the Ministry of Health?—(Sir Bernard Gilbert.) I think I said, actually, that I did not know.

5181. Then I beg your pardon?—I said, I think, it was probable or possible that they were but I prefaced it by saying I did not know.

5182. At any rate, I have a copy here, and although there is a statement showing the amount of the assets held by the Minister of Health, it does appear that the National Debt Commissioners do arrange the reinvestment where securities have been redeemed. At the bottom of that statement there is an asterisk against certain figures and a footnote: "These figures represent the market value of various securities redeemed since 31st March, 1950, the proceeds of which have been reinvested by the National Debt Commissioners", and in the cash account there appears at the top: "Payments. National Debt Commissioners:—(a) for temporary investment £285,000 (b) For permanent investment £116,630", and in the previous year, 1949-50, the amount of the temporary investment was over £2 million. So, it does appear, as far as I can judge merely by looking—?—That is evidence, of course, that the National Debt Commissioners do the business of investing and holding the securities, but the question of what the investment is put into, I think, is

settled between the Minister of Health and the National Debt Commissioners jointly. I certainly know that the National Insurance Fund is dealt with in that way. I think the statute puts the responsibility for controlling the investments, as distinct from merely being the person in whose name they stand, between the two. I would be very glad to look into it, though.

5183. We do not, I know, want to have what has been a controversy before this Committee on previous occasions all over again, but I think you will agree that the statutes empower the Departmental Minister responsible to entrust the investment of the fund, say, the National Insurance Fund, or whatever it may be, to the National Debt Commissioners for investment. Is that the view which the Treasury takes?—I think it is, yes.

5184. That they may entrust?—Yes, certainly.

5185. But the Departmental Minister retains responsibility?—I think it depends on the exact words of each individual statute. I do not know on whom the formal responsibility is placed.

5186. The Departmental Ministers always say they have no responsibility, they always say the responsibility is entirely on the National Debt Commissioners. If you are right, will you agree that the ultimate responsibility rests with the Treasury?—No, it rests with the National Debt Commissioners, but may I, in supplement of an earlier answer, say that there is more in it than meets the eye, because the National Debt Commissioners are the Chancellor of the Exchequer, the Governor of the Bank of England, the Speaker of the House, etc., so that the various financial interests form part of the highest authority, which is the National Debt Commissioners.

5187. You will agree that the only National Debt Commissioners who are active at all are the Chancellor of the Exchequer, the Governor of the Bank of England and, I think, the Accountant General, the third one who is active. All the others, like the Speaker of the House of Commons, of course, never have anything to do with it. I believe two or three years ago the Speaker was not even aware that he was one, but I will agree it is the Chancellor of the Exchequer, the Governor of the now Nationalised Bank of England and the Accountant General who are the three who act?—Yes.*

5188. Therefore, is not it right to say that the ultimate responsibility is in the Treasury? If the responsibility lies in the Chancellor of the Exchequer, does not it follow that it is in the Treasury as his

* *Note by witness:* The third active Commissioner is the Deputy Governor of the Bank of England.

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Department?—If it lies with the Chancellor of the Exchequer and the Governor of the Bank of England, does not the responsibility lie with the Commission of whom they are the members?

5189. I beg your pardon?—If the responsibility lies with the Chancellor of the Exchequer and with the Governor of the Bank of England, in other words, as you put it, the two really operative National Debt Commissioners, that surely leaves the responsibility with the Commissioners. It does not lay it on one of those two.

5190. You draw a distinction between the Chancellor of the Exchequer in his capacity as a National Debt Commissioner and the Chancellor in his capacity as the political head of the Treasury?—I draw a distinction between the two bodies, of one of which he is the whole and of the other of which he is only a part. I do not try and draw a distinction as to the Chancellor himself.

5191. Then you do agree that the National Debt Office is part of the Treasury?—No, Sir, it is under a joint management, the Treasury being one of the partners, the Bank of England being another and the Speaker of the House, though he does not attend, being a third.

5192. Has not the Treasury power to give directions to the National Debt Commissioners as to how public funds shall be invested?—No, I should say not. I should say that the Chancellor of the Exchequer has power to express one view at the meetings of the Board.

5193. Then, to whom are the National Debt Commissioners responsible?—I think they are established by Parliament in their own right. That is why one has a body of this rather special degree of eminence.

5194. By the statutes by which they were set up?—Yes.

5195. Subject to those statutes they are quite independent of control by the Government of the day?—I should say so, yes.

5196. You will agree, the National Debt Office is just the office of the National Debt Commissioners, is not it?—Yes, I agree.

5197. I wanted to ask you just a little about the question of this policy of investment for which you agree they are responsible in the case of the National Insurance Fund and similar Funds, is that right?—Yes, that is correct.

5198. I wanted to ask you some questions on this arising out of what Mr. Marshall has been asking, for instance, about investments in undated stocks, and so on, but you say you have no responsibility at all for the decisions of principle made by the National Debt Commissioners?—That is my view, but I must confess I have not really come prepared on this point at all, and I would not like to give you an

answer which, if it was wrong, would naturally be very unfortunate as it is a matter of importance.

5199. As this matter is of importance and it does not seem quite clear, do you think we might have a note?—It is suggested to me that all these investments do appear in accounts which are presented to Parliament and, therefore, I would suggest the place to raise them is on those accounts with the witness who speaks to those accounts. There is the National Health Service Account, and so on.

5200. That may or may not be a suitable opportunity. If the Treasury is responsible for decisions of the National Debt Commissioners it would be proper for me to ask you about some of those decisions, for instance, investment in undated stocks which has caused very heavy losses to the National Insurance Fund. But, if the Treasury is not responsible, obviously, it would be a pure waste of time?—That is why I was hesitating. I did not recall that I had admitted that the Treasury was responsible for the National Debt Commissioners. I thought I was careful to say the opposite.

5201. Are you able to say this definitely, or do you want to consider the answer carefully and let us know: do you say definitely the Treasury is not responsible for decisions reached by the National Debt Commissioners?—Yes.

5202. And that the Treasury has no power to give instructions or directions to the National Debt Commissioners as to the principles upon which they should proceed to invest?—That is a very important question and I think it would be wise if I put in a considered answer even if I think I know the right one. I would rather put it that way.

Mr. Benson.

5203. The various Government Departments and the various Funds under Government Departmental control represent by far the biggest volume of investment in the country, do not they? Taking the Government and all the funds under its control, it must be by far the greatest investor in Government Securities in the country?—I should think so, yes. It is rather guesswork; I do not know what all the banks, the insurance companies, the merchant banks, and so on, do, or how far you would aggregate them or treat them as individuals.

5204. Seeing that they are under the National Debt Commissioners, whoever they may be, there is a unity there in that the National Debt Commissioners do the investments or recommend the investments?—Yes.

5205. Under the National Debt Commissioners there is an investment which

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[Continued.]

amounts to anything up to 25 per cent. of the total National Debt?—May I take that from you?

5206. That is an approximate figure. An investor of that kind must, surely, for his own protection take some account of Government financial policy?—That is why the Chancellor of the Exchequer is one of the National Debt Commissioners.

5207. So that the two matters of investment and Government policy must neces-

Sir Edward Bridges withdrew.

Sir John Mellor.

5209. May I just pursue your last answer to Mr. Benson, Sir Bernard? I now understand that you say the reason why the Chancellor of the Exchequer is a National Debt Commissioner is in order that Government policy may be represented in the investment of public funds?—(Sir Bernard Gilbert.) Well, it is in order that the investment of public funds and general Government policy may be kept in harmony with one another. I say it is only *one* of the reasons; it is not the prime reason, I should have thought.

5210. Does that apply to both the investment of public funds as such and to the investment of insurance funds like the National Insurance Fund which are really in the nature of trust funds? Would you agree with that?—I think his policy has to be tempered on all these funds by reference to his responsibility to his clients.

5211. Do you think it appropriate that Government policy should be reflected in investment, for instance, of the National Insurance Fund?—It certainly comes in but, of course, the liability of the National Debt Commissioners to produce the capital of that Fund on occasion also has to be taken into account.

5212. I mean, matters extraneous to the Fund. For instance, if it is the desire of the Government, with a view to a new issue, to strengthen the gilt-edged market, and so on, Government policy of that character, do you think it would be appropriate that that should be reflected in the investment of National Insurance Funds?—Well, yes, certainly, provided it was not inconsistent with his responsibilities for the particular Funds.

Sir John Mellor.] That surprises and, I think, a little shocks me.

Chairman.

5213. The answer that you gave just now you gave, if I understood your earlier reply, merely as a personal view and not as a view for which you take any Departmental responsibility?—That was so, yes.

Sir John Mellor.

5214. I am afraid I am getting a little mystified because I was anxious not to

sarily be inextricably intermingled if the enormous investments under Government control are to be defended?—Oh, yes, certainly.

Chairman.

5208. These questions, Sir Edward, are more for Sir Bernard than for you, so I do not think we need detain you any longer?—(Sir Edward Bridges.) Thank you. Mr. Chairman.

ask questions, and I said so, for which the Treasury was not responsible, and I ceased asking questions because you said the Treasury were not responsible for investments made by the National Debt Commissioners, but you have now come round to tell us that the Chancellor of the Exchequer is a National Debt Commissioner in order that Government policy, which in these matters must be Treasury policy, shall be reflected in the investments made by the National Debt Commissioners, and I think we ought to be quite clear as to exactly what you do mean?—I think, with great respect, you are putting an extremely narrow construction and taking what I said as a comprehensive description of the relations of the Chancellor of the Exchequer to the National Debt Commissioners. I think you might put it the other way on, that it would be absurd to have a body dealing with these vast Funds unless you took some steps to secure that there was harmony between the investment of these Funds and the general financial policy of the Government and one way of doing that would be to put it under an extremely eminent body such as the National Debt Commissioners and make the Chancellor of the Exchequer one of the Commissioners.

5215. What do you mean by “harmony”?—Lack of disharmony.

5216. That is a masterly reply, but could you give an illustration of the lack of disharmony?—I think, inasmuch as I got some time ago on to a rather personal expression of opinion, I would suggest that if you pursued this with the witness who could speak for the National Debt Commissioners, that is, the Secretary, you would get more authoritative and, possibly, more accurate answers.

5217. If it was a question of whether they buy gas stock or coal stock or steel stock, well, I quite agree, that is a matter for the day to day dealing in the market where the National Debt Office and the Government brokers have to see what can best be done on the day, but I am asking not about day to day detailed transactions, I am asking you questions of principle of investment, whether they are going to buy long or buy short, whether they are going

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Sir BERNARD GILBERT, G.C.B., K.B.E.

[Continued.]

to buy dated or undated stocks. For that purpose do you agree or disagree that the Government of the day through the Chancellor of the Exchequer do in practice exert an influence upon the National Debt Commissioners?—May Mr. Milner-Barry answer that? (Mr. *Milner-Barry*.) At the risk of confusing these muddy waters still further, may I try to explain what I think actually happens? The National Debt Commissioners invest the moneys on behalf of the various Funds, such as the National Insurance Fund, the Hospital Endowments Fund, and so on, and what they do is to invest the Funds having regard to the purposes of the Fund. It may be that the primary object of the Fund is to maintain the capital value intact and in that case, of course, they will buy suitable fixed dated securities; but it may also be that the primary object of the Fund is to get the highest possible yield and not to maintain the capital value of the Fund intact because they foresee no call upon the capital of the Fund for a very long time to come and in that case they will buy undated securities or long dated securities. But, the individual selection of investments by the National Debt Commissioners is, of course, the responsibility of the National Debt Commissioners themselves and the broad policy which they adopt is adopted in the interest of the Fund; so that the Minister of National Insurance will say, in broad terms, what particular portion of his Fund for his own particular purposes and for the calls which he may require to make on the Fund he wants in long dated securities or in medium dated securities or in undated securities, and the National Debt Commissioners invest the Funds accordingly, selecting the particular investments in the light of their experience. That is, broadly speaking, what happens.

5218. I am very much obliged to you, Mr. Milner-Barry, and I hope that you are quite right about that. If I were quite sure about that I should be a great deal happier because, as you know, the anxieties have been expressed on this Committee that Government influence was exerted to direct into long and undated securities large proportions of these Funds, amounts disproportionate to the needs of the Funds?—Yes.

5219. That I consider dangerous, and that is why I was very much concerned when Sir Bernard said that, in his view, the Chancellor of the Exchequer was a National Debt Commissioner in order to secure that Government policy was reflected by the National Debt Commissioners. That does raise a serious issue?—Yes, if I may address myself to what I think is the original point of your question, it was the question of investing probably the National Insurance Fund in undated securities; that

was done solely from the point of view of the Fund itself, that those particular securities happened at that time to be the securities which gave the most advantageous yield and it was at that time the object of the Fund to invest from the point of view of yield and not from the point of view of maintaining capital. Naturally, a certain proportion of the capital remained in fixed dated securities but it was consistent with the objects of the Funds that a very considerable amount of the money should be invested in long-dated securities or undated securities to give the best possible income. Otherwise, it would not have been done.

5220. I am very grateful, and I hope there is nothing more in it than that. But, Mr. Chairman, as there has been a certain conflict of view, I think, expressed by the witnesses in the course of that evidence?—I do not think so; I hope not.

5221. I did not mean a conflict between you and Sir Bernard, but there was a certain conflict, I thought, in his own evidence, and I do think that this matter is so important that it would be helpful if we could have the memorandum which Sir Bernard was good enough to say he would give us on this matter?—(Sir *Bernard Gilbert*.) Certainly, we would put it in. We will read the evidence and correct any errors and clear up any misapprehensions.

Mr. Douglas Marshall.

5222. We have quite a number of times now mentioned the National Debt Commissioners. When did they last meet?—I have no idea when they met as Commissioners. Of course, they communicate with each other individually as necessary.*

5223. I wonder whether that could be part of the note, and we could see who, in fact operates?—(Mr. *Milner-Barry*.) If I may add just one thing, as I think I mentioned to the Committee earlier on this Session, I do know that Mr. Norman Young of the National Debt Commission Office is only too anxious to come along at any time and give evidence before the Committee, and I think it would be awfully helpful to have him here when it is a question of how he actually goes about his business and how he does his work. What are his instructions, and so forth.

Mr. Douglas Marshall.] I should think that would be extremely helpful.

Chairman.

5224. I am afraid we shall have to ask you, Sir Bernard, to come back for the rest of the Agenda?—(Sir *Bernard Gilbert*.) Any time that suits your convenience, Mr. Chairman, we can come back.

* *Note by witness:* The National Debt Commissioners last met in 1860.

Sir Bernard Gilbert withdrew.

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CLASS I.

VOTE 25.

MISCELLANEOUS EXPENSES.

CLASS V.

VOTE 14.

DEPARTMENT OF HEALTH FOR SCOTLAND.

CLASS VI.

VOTE 20.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND.

VOTE 21.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND (FOOD PRODUCTION SERVICES).

On these Accounts no questions were asked.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51 (VOL. II).

DEPARTMENT OF AGRICULTURE FOR SCOTLAND TRADING ACCOUNTS.

On these Accounts no questions were asked.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASS IX).

VOTE 8.

ADVANCES TO ALLIES, &c.

VOTE 9.

WAR DAMAGE COMMISSION.

VOTE 10.

BURMA WAR DAMAGE PAYMENTS.

On these Accounts no questions were asked.

CINEMATOGRAPH FUND ACCOUNT, 1950-51.

On this Account no questions were asked.

COUNTY COURTS ACCOUNT, 1950.

On this Account no questions were asked.

CROWN LANDS ABSTRACT ACCOUNTS, 1950-51.

On these Accounts no questions were asked.

CZECHO-SLOVAK REFUGEE FUND ACCOUNT, 1950-51.

On this Account no questions were asked.

DEVELOPMENT OF INVENTIONS ACT, 1948, ACCOUNT 1950-51.

On this Account no questions were asked.

FOREIGN COMPENSATION COMMISSION ACCOUNTS, 1950-51.

On these Accounts no questions were asked.

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[Continued.]

HERRING INDUSTRY ACTS, 1935 TO 1948, ACCOUNT, 1950-51.

On this Account no questions were asked.

HOUSING ACT, 1914, ACCOUNT, 1950-51.

On this Account no questions were asked.

INDUSTRIAL ORGANISATION AND DEVELOPMENT ACT, 1947:

LACE INDUSTRY (LEVY) ACCOUNT, 1950-51.

On this Account no questions were asked.

INDUSTRIAL ORGANISATION AND DEVELOPMENT ACT, 1947:

WOOL TEXTILE INDUSTRY (EXPORT PROMOTION LEVY) ACCOUNT, 1950-51.

On this Account no questions were asked.

LOCAL LOANS FUND ACCOUNTS, 1950-51.

On these Accounts no questions were asked.

NATIONAL DEBT.

Papers relative to the position as at the 31st March, 1951, of certain Funds left in Trust for the Reduction of the National Debt.

On this Account no questions were asked.

ROYAL AIR FORCE PRIZE FUND ACCOUNT, 1950-51.

On this Account no questions were asked.

ROYAL NAVAL PRIZE FUND ACCOUNT, 1950-51.

On this Account no questions were asked.

SAVINGS BANKS AND FRIENDLY SOCIETIES ACCOUNTS, 1950-51.

On these Accounts no questions were asked.

TREASURY CHEST FUND, ACCOUNT, 1950-51.

On this Account no questions were asked.

WAR DAMAGE (BUSINESS AND PRIVATE CHATTELS SCHEMES) ACCOUNT,
1950-51.

On this Account no questions were asked.

WAR DAMAGE (LAND AND BUILDINGS) ACCOUNT, 1950-51.

On this Account no questions were asked.

WAR DAMAGE (PUBLIC UTILITY UNDERTAKINGS) ACCOUNT, 1950-51.

On this Account no questions were asked.

The Witnesses withdrew.

Adjourned till Thursday, 12th June, 1952

THURSDAY, 12TH JUNE, 1952.

Members present:

Mr. Benson.
Mr. Blenkinsop.
Mr. Bossom.
Mr. Hoy.
Mr. David Jones.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. David Thomas.
Mr. West.

In the absence of the Chairman Mr. Hoy was called to the Chair.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. G. P. HUMPHREYS-DAVIES,
and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASS IX).

VOTE 1.

MINISTRY OF SUPPLY.

Sir ARCHIBALD ROWLANDS, G.C.B., M.B.E., Permanent Secretary, Ministry of Supply,
called in and further examined.

Mr. Hoy.

5225. Sir Archibald, we propose starting with the Civil Appropriation Accounts, paragraphs 25 and 26, of the Comptroller and Auditor General's Report, dealing with the purchase of textiles abroad?—(Sir Archibald Rowlands.) Yes.

5226. First of all, I would like to ask you if you had any difficulty in placing orders with United Kingdom manufacturers before August, 1950?—Yes, well before that we have had for several years past the greatest difficulty in getting our requirements met in time even before rearmament started, and after that it got worse. The firms had full order books, many of them were not interested in defence clothing orders and we had the greatest possible difficulty long before rearmament started in getting our orders placed in time, even our maintenance requirements.

5227. May I take it that your orders this time were unexpectedly large owing to the rearmament programme and that the textile industry was very heavily engaged in the export trade?—Our orders were very much heavier than they were before and they coincided with the period when the textile industry was filled up with export orders and other urgent orders outside the defence field.

5228. The rearmament programme was on a three-years basis, was not it?—That is right.

5229. Can you assure us that there was no unnecessary rushing to secure earlier deliveries elsewhere than in the United Kingdom?—No, I do not think so. The orders were placed over three years as it is, but there were some urgent requirements, particularly for canvas for which there

was very small spare capacity in this country. The total yardage for canvas, both flax and cotton, in this country is only about 63 million yards a year and the home usage and exports together amounted to 49 million yards and the defence requirements were of the order of 100 million yards.

5230. Have most of the requirements now been met?—Oh, no, they are being met currently. They were in stages. We went to Japan and America mostly for our canvas.

5231. What countries were the main suppliers?—The Continent, Belgium, France, Italy, Germany and other countries as well.

5232. Was competitive tendering not possible, and if it was not how were your offers obtained?—At the beginning we did not do much tendering. We went and negotiated prices with likely suppliers of the material, but at a later stage we had competitive tenders not only within a particular country itself, but as between countries; that is to say, we tested the market for our requirements in all the countries likely to produce our requirements.

5233. How did the European prices compare with home prices, and did they vary much in the different classes of purchases?—No, I think it may be said that, on the whole, they were slightly higher, but it varied. Some prices were lower compared with equivalent purchases we were getting from this country and some were higher. On the whole I should say, a little higher.

5234. Were these foreign prices you are comparing c.i.f.?—Sometimes it was c.i.f., sometimes it was ex-factory.

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Sir ARCHIBALD ROWLANDS, G.C.B., M.B.E.

[Continued.]

5235. And the Japanese prices?—I think they were delivered in this country.

5236. What commission did you pay on the Japanese purchases?—I think it was 1 per cent. I have got the figure here. They first of all asked for 2 per cent., we got it down to $1\frac{1}{2}$ and finally to 1 per cent.

5237. That was for all Japanese purchases?—Yes.

5238. Is that a normal commercial rate or a special commission appropriate to these large purchases?—I should have thought it was a very reasonable commission, myself.

5239. Normal commercial practice?—I am afraid I would not know whether it is higher or lower, but we would only have gone to somebody who we knew was expert in the field and we would not have neglected other people either who were equally expert in the field.

5240. Can you say how the final cost of procuring these supplies from Japan, including freights and commission, would compare with the cost if you had been able to buy in the United Kingdom?—I have not got the figures divided in categories, I have only the total cost here of orders placed in Japan. We placed about £8 million worth of stuff in Japan altogether.

5241. The purchasing by the European Purchasing Commission was, I understand, on a much wider scale?—Yes, they were not limited to textiles, of course, although the bulk of their purchases were in the textile field, apart from machine tools, the orders for most which had been placed, however, before they came into existence as a body.

5242. In which countries has the Commission been operating?—The whole of Europe, with three main centres.

5243. What is the present position regarding the Commission?—It is liquidated now. It has been wound up and we are now operating through the ordinary Ministry of Supply machine, following up delivery and payment of the contracts.

5244. Now, on paragraphs 27 and 28, dealing with the store accounts, have you been able to carry out the complete stocktaking at the depots referred to in paragraph 27 where dense storage has made this impracticable?—In all except about three cases, yes.

5245. Are you now satisfied that you have got sufficient manpower for all proper store accounting and stocktaking?—I think so, Sir. We are going to have it reduced.

5246. Do you think you will still be able to maintain proper storekeeping and accounting even with the reduction in staff?—We may have to take a chance here and there, but by and large we can do that. We have a very comprehensive system of store accounting in the Ministry of Supply.

5247. But you do appreciate that store accounting gave this Committee some trouble, not only with your particular Department but with many others, and the Committee was anxious that there should not be any wastage due to lack of manpower to undertake the job?—No, I did not recollect that the Ministry of Supply gave you much trouble, but it is a fact that we have a very comprehensive system of store accounting and we have most detailed instructions; we have got manuals, I do not know how many there are now, about 20, I should think.

Mr. Benson.

5248. You have wound up the European Purchasing Commission?—Yes.

5249. Because home supplies were easier?—That is right.

5250. But you said you were also purchasing machine tools. Is the supply of those easier also?—No, not at all. In fact, we are getting now, out of a total of about 34,000, only 18,000 from this country.

5251. Of machine tools?—Yes.

5252. Just over half?—Yes.

5253. 16,000 go abroad?—Yes.

5254. Had the Commission done their work in the purchase when you wound them up?—All the machine tool orders had been placed substantially before the Commission came into existence. As soon as rearmament was decided upon we foresaw that one of the real bottlenecks of the programme was machine tools, so we ordered large quantities of machine tools both in this country and in the United States.

5255. And elsewhere also?—In Europe and the United States.

5256. That would really mean that the Purchasing Commission really had not much to do with the machine tools?—Very little. May I explain, as I think it is interesting, that we limited as far as we possibly could our demands on the home machine tool industry as a deliberate matter of policy in consultation with and in agreement with the industry. They had got quite a flourishing export trade which they did not want to damage unnecessarily. They had, for example, recently got into Canada in quite a big way and if we had taken all the machine tools they could have produced and

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[Continued.]

damaged their long-term export markets they had just got hold of, they would never have got back there again.

5257. What about prices?—The prices are reasonable.

5258. That means, as compared with our own?—Yes, except that the American are higher, as you know.

5259. What about the Germans?—The Germans are pretty good.

Mr. David Thomas.

5260. The last sentence in paragraph 27 relating to store accounts reads as follows: "At some depots complete stocktaking is considered to be impracticable owing to the dense storage of some of the items held". What does that really mean?—It means that in certain depots you cannot physically count. I will give you an example: there are two ammunition store depots we are talking about here, one of them is at Woolwich where there are blocks stacked in units and you can only physically count them if you take the whole stacks down. There is another storage depot, No. 4 Ordnance Depot, where 5.5 shells are stacked in the basement and it is impossible to count without completely removing the whole of the stores.

5261. You should have an account of what you have in the stores, I take it?—Yes, and the best you can do is to see that the storekeeping records are all right, have a look at them and see that they are all right. They are not things that people steal very easily or are very likely to steal.

5262. But so many things are stolen these days, it is not impossible. You might have some of the ammunition stolen by someone or other, and then, perhaps, when calamity takes place it is realised that it was never in the stores?—I do not think there would be much of that being done. We have got police on all these depots. By and large we aim at physical stocktaking of all our stores but there are certain conditions where it would be uneconomical to try and do it.

5263. That is, shifting the stuff about every time you take stock?—Yes.

Mr. Blenkinsop.

5264. On paragraph 25, it was agreed by the Treasury that orders should be placed abroad chiefly in order to secure delivery at that time. Do I take it that in practice you found that deliveries were obtained within the time specified by the countries that you obtained them from?—By and large that is so, yes.

5265. There was no very great delay?—No.

Mr. Douglas Marshall.

5266. Again with reference to paragraphs 25 to 27, you said that these purchases were phased?—Yes.

5267. What is the last delivery date from any of the countries abroad, especially Japan, of material we purchased from them?—I have not precise dates in mind. When I said they were phased, what I meant was that we did not place all the requirements of the whole defence programme in the first year of the re-armament programme. We did it in stages. We have still got to fulfil the other, this year's and next year's requirements.

5268. Perhaps I could make myself a little clearer. With the orders already placed, what is the last delivery date?—I could not tell you exactly, it will vary according to the commodity, of course.

5269. Have you any idea?—Yes, they are on the point of being delivered, all of these orders.

5270. The last dates?—Yes.

5271. It does not run into 1953?—Oh, no.

5272. It is definitely within this year, 1952?—Speaking without the book, I should say it is absolutely so.

5273. When consultation took place with regard to the capacity of the United Kingdom being able to deal with this and the urgency of the problem itself, did the Ministry of Supply have consultations with the Board of Trade and the Treasury with regard to the fact that the price of wool had already started falling?—We did not buy any woollen goods abroad at all.

5274. I do not mean the question of wool, I mean from the point of view of the purchase of textiles from our country which would naturally be affected by the drop in the price of wool in Australia?—The point I was trying to make was that except for a little hosiery we did not buy any wool cloth at all outside this country. It is all cotton textiles and canvas.

5275. I am not making myself at all clear. I was asking simply in these consultations as to whether the Board of Trade were aware at that time, as they must have been, that the price of wool was in fact falling and the purchases from Australia quite possibly would not be as great and, therefore, the power of purchase would have gone away from the industry for which you wished to purchase. It is nothing to do with wool, but wool affects the economy of Australia?—All I can tell you is that we were in the closest consultation with the Board of Trade before we purchased any textiles abroad and they encouraged us to go there and so did the textile industry itself. So anxious were we

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about getting all we could out of the home textile industry that General Sir Kenneth Crawford, who is Controller of Supplies on the Army side, went up specially himself and had a meeting with all the interests in Lancashire, presided over by Sir Raymond Streat, attended by all the textile interests, and the only advice he got was to purchase abroad more extensively and more energetically; and on two dates early in 1951 we sent an officer specially to address representatives of spinners, weavers and merchants. At each meeting they were given the progress we were making and they were told what progress was being made at home and abroad. Only satisfaction was expressed at the progress we were making abroad. That was at a time when they had full order books.

Mr. West.

5276. The Treasury gave approval to the placing of certain orders on certain conditions, the first being that the goods cannot be obtained in the United Kingdom?—Yes.

5277. And secondly that the prices compare favourably with the home market. Were both those conditions complied with?—I will qualify the first condition by saying, in the time required.

5278. Was that the sense of the conditions, at any rate, which the Treasury had laid down?—Yes.

5279. You complied with the sense and spirit of those conditions?—Yes.

5280. Can you tell us whether there are any contracts for future deliveries still outstanding with countries abroad?—There is some stuff still requiring delivery, but we are not placing any new contracts except in the rarest cases.

5281. You have already entered into certain commitments?—Yes.

5282. Was there or was there not any escape clause in those contracts?—In very few of them, but there were some. The biggest case is in a large purchase of canvas in the United States, we operated the break clause.

5283. Because you can get all that you require now from the home market?—I would not know about that, in the time and the kind of materials. We are operating in a relatively narrow section of the textile field.

5284. So that in a certain regard it is still difficult in the home market?—To get it in the time, but we are in fact relying on getting all we need now from the home market and any order which is placed abroad now is on very exceptional grounds, and each case is approved by the Minister himself.

5285. With regard to the machine tools one can see the force of the suggestion made that the home manufacturer should continue to export and that you should buy abroad, but how in effect did it work out on balance?—It is working out very well. Some machine tools, of course, you could not even get from this country, specialist machine tools which are only made in America and some in Switzerland, so they are not in this issue at all. There are others which are produced in this country and produced in Germany, France, Italy and America.

5286. With regard to those which are produced in this country and which you have purchased abroad, did you consider on the decision of policy, at any rate, that it might even be preferable to buy at higher prices abroad than what you would pay here?—To some extent we had to do that, yes. The American machine tools, of course, are very expensive.

5287. Was that chiefly at the request of the industrialists here who wanted to maintain their markets?—Yes, and also it had this result, that it protected the exporters in this country from a competition which had become pretty savage, which was just growing in Germany, and elsewhere.

5288. How much do you think was involved in that?—The total amount of machine tool orders placed abroad was of the order of £96 million.

5289. What do you think would be the difference in total in the price which you paid to countries abroad for these machine tools which you would have bought at a lower price here?—Leaving out the specialist tools we had to buy in America, I should have thought, not more than 10 per cent. difference. Sometimes it compared favourably with our prices and sometimes about 10 per cent. more.

5290. In fact, what was done—I suppose it was a matter of policy—was to subsidise the home producers to that extent so that they might maintain their foreign markets?—And protect our balance of payments position, as well, of course.

Mr. David Jones.

5291. Did I understand you to say in reply to Mr. Marshall that you had consulted the textile interests in Lancashire before you went abroad?—Yes.

5292. Could you give us the date of those meetings?—Well, they were continuous.

5293. Approximately, not the actual date, the months?—The one I was referring to when General Crawford went up was soon after the rearmament programme started, the 21st December, 1950; after his officers

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[Continued.]

had tried to get orders placed he went up himself.

5294. Were there any consultations with textile representatives in 1951?—Yes, in 1951, similarly, on several occasions early in 1951.

5295. And their advice was still to buy abroad?—Yes.

5296. You are having no difficulty now in getting all your textiles placed in this country, are you?—By and large, certainly not; in fact, as you know, we are placing some special orders that we would not have bought this year otherwise.

5297. That is the point I was coming to, is it possible for you now to place what might virtually be advance orders for textile goods in order to ease the situation which is arising in the textile industry?—That is exactly what is being done.

5298. It is being done?—Yes, to the extent of between £20 million and £25 million. Orders are being placed which would not have been placed but for the position in the textile industry.

Mr. *Benson*.

5299. Did I understand you to say that you were not buying much cotton stuff, that it was mainly canvas?—No, we bought a lot of cotton goods as well.

5300. You said you were operating in a very narrow section of the textile industry?—Yes, special kinds of the Army requirements are rather narrow, drill, and so on.

Mr. *Hoy*.

5301. Turning now to the Accounts themselves; on page 9, item (b) in the explanation to Subhead E.4 refers to reductions of nearly £1½ million in demands from Civil Departments for mechanical transport vehicles?—Yes.

5302. Can you say if this represents real economy, or is it merely a delay in demand?—That I could not tell you because we simply place orders on behalf of the Civil Departments. I could tell you which Departments they were and how large it was. The Post Office and the Home Office were the main people.

5303. But you could not give us the real reason for it?—The Home Office are going a bit more slowly with their Civil Defence programme, I think.

5304. On page 11, in the explanation to Subhead J; item (a) refers to savings of nearly £½ million due to revised arrangements with the British Iron and Steel Corporation. Can you tell us about these revised arrangements?—That is on transportation?

5305. "Revised arrangements with British Iron and Steel Corporation on transport of

German reparations plant"?—It is really an accounting transaction. Provision was made in this Vote for that and ultimately we decided to put it, in the process of things, in a suspense account. There was no actual drop in requirements, it is an accounting arrangement only.

5306. On page 14, Details of Receipts, footnote (d), you refer to an absence of refunds in respect of sales of aircraft to private buyers. How do you come into that? I think we dealt quite a lot with this item last year?—May I look that up, and I will answer the next one, perhaps.

5307. I think it is something to do with Marathon aircraft, is that correct?—With regard to the Marathon aircraft, in fact, we are not going to pay anything on that at all. We have succeeded in getting rid of the whole lot.

5308. You did give them a guarantee, did not you?—Well, we underwrote them in this sense that 40, I think, were ordered altogether, or it may have been 50, and some of these, about 15, the Civil Aviation Ministry ordered on behalf of B.E.A. There were no definite orders in sight for the balance and we thought it was a good aircraft for sales abroad and so we underwrote, you may say, 40. We only had definite sales in sight at that time for 15, but now we have got rid of the lot. We have not been called upon at all to underwrite any of it because the manufacturer has sold them elsewhere.

5309. You mean they found purchasers for the 40 aircraft?—Yes, it is fair to say the Air Ministry are their main customer.

5310. But at least there will be no loss on it as far as your Department is concerned?—Not at all.

5311. Turning to page 16, note 13 refers to a financial settlement with France. Can you say what period this covered?—I think the Treasury are in a better position to answer that than we are. (Mr. *Humphreys-Davies*.) It appears that a statement has been made to Parliament on this point in a Command Paper No. 8210.

5312. What does it say?—I should like to look that up if I may. (Sir *Frank Tribe*.) I believe this financial settlement referred to here is up to the middle of December, 1946, only.

5313. Have you any information since then at the Treasury? Have you any outstanding claims against France which have arisen since that date?—(Sir *Archibald Rowlands*.) Oh, yes. I have a note on this.

5314. Perhaps you might tell us?—The claim referred to in the note on page 16 was only a part of a much larger claim made against the French Government. It was for nearly two million dollars worth

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[Continued.]

of Canadian vehicles and spare parts and they had a counter-claim against us for £205,000 for clothing and textiles. The settlement mentioned covered a great deal of claims and counter-claims between the two Governments. The Ministry of Supply share was only a small part of the total transaction. You asked me, Sir, although it does not arise on this account, I think, whether we still have claims against France. We have, because the Government supplied them with a lot of aircraft before they got their aircraft industry going and particularly we have been helping them in production of Vampire aircraft in France, so we have given them a lot of components, and the total amount will be, I think about £6 million.

5315. What arrangements have been made for recovery?—The French have undertaken to pay it this year.

5316. The Treasury has nothing further to add? You agree with that?—(Mr. *Humphreys-Davies*.) Yes, we agree with it. It is a matter on which we have had long discussions with the French, of course. (Sir *Archibald Rowlands*.) They had to make provision in their budget before they could agree to pay. They have done it and, we, I think, can now dun them.

Mr. *Blenkinsop*.

5317. Turning to Note 3 at the foot of page 15 which says: "The total cost of shares held by the Ministry is." £1,835,000-odd, can you tell me whether there is any representation on the Boards of any of these companies, either of the Ministry or of the Treasury in respect of this shareholding?—Yes, in some. The biggest case is Short Brothers, of course. Short Brothers of Rochester was bought by the Government during the war, if you remember, and it is now really a holding company, it has got its own investment in Short Brothers & Harland, Belfast, and we have representatives on both. In fact, the Treasury solicitor is the sole shareholder of S.B. (Realisations), and one of my officers is also on the board of the company.

5318. I did know about that case, but apart from them does it apply to any of the others?—No, that is by far the biggest, you know. Appendix III gives the details.

5319. It gives the holding, yes?—Most of the others are in liquidation.

5320. There is Power Jets, I see?—Power Jets is a continuing company. One of my officers is a member of the board and he is here today, my Under-Secretary of Contracts

5321. Of course, it is a fairly established principle, is not it—it is a matter we did discuss before—that where there is any considerable shareholding it is desirable to have a nominee on the board?—Certainly.

Mr. *Benson*.

5322. With regard to S.B. (Realisations) the cost of the shares was £1½ million and dividends received in 1950-51 were so much. Does "dividends" mean return of capital, or is it a dividend in the ordinary commercial sense?—Most of them are 5 per cent. preference shares. We are getting the preference dividend but they have paid off some of the shares: they had the option to do so.

5323. Did I understand you to say that the Government were the sole shareholders now in S.B. (Realisations)?—Yes.

5324. And S.B. (Realisations) own Short Brothers & Harland?—As to 82 per cent. 18 per cent. is held by Harland & Wolff.

5325. It is a continuing company, it is not wound up?—We are going to wind it up, it is only a holding company now.

5326. What is the effect on the assets of the company, will they be realised and will you get the cash?—Yes.

5327. Who will take them over?—The Treasury will, we hand over to the Treasury.

5328. I mean, the physical assets of the company?—S.B. (Realisations) is merely a holding company, they have an investment in Short Brothers & Harland where all the physical assets are, but they have got liquid assets as well, they have also made loans to Short Brothers & Harland.

5329. What will happen to Short Brothers & Harland?—They will go on as they are.

5330. Who will be the owners?—The Ministry of Supply will effectively be owners of 82 per cent.

5331. This is merely a financial transaction, is it. this S.B. (Realisations)?—That is so.

5332. It does not affect Short Brothers & Harland?—No.

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[Continued.]

VOTE 2.

MINISTRY OF SUPPLY (TRADING SERVICES AND ASSISTANCE TO INDUSTRY).

Mr. Hoy.] May we now go to the Vote 2 Accounts, Trading Services and Assistance to Industry, on pages 25-28 of the Appropriation Accounts, Class IX? I have no questions on these pages.

Mr. Benson.

5333. On page 28 there is a reference to cars qualifying for subsidy in Appendix II, Note 3. What exactly does that mean?—(Sir Archibald Rowlands.) I will tell you about that. The Treasury agreed to refund

the duty payable on one or two specialised racing cars which were being produced to maintain or enhance the prestige of the motor industry, as the sponsors of the project thought, in racing.

5334. I trust the B.R.M. was one?—That is exactly where we saved the money, they only produced one instead of three that we thought they were going to produce in the year.

NEW WORKS STATEMENT: SECRET SUPPLEMENT FORWARDED IN COMPLIANCE WITH PARAGRAPHS 10 AND 11 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS 1946-47.

Mr. Hoy.

5335. May we now turn to the New Works Statement?—On sheet 9, Sir Archibald, item LH9, why did 16 brick houses at Malvern cost over £70,000?—(Sir Archibald Rowlands.) Well, that is what they did cost. They were the better class houses, you know. We have got four kinds of house.

5336. It seems to me to be terribly expensive. What do you mean by a "better class house", that ran up this figure? What size of house was it?—I will give you the different kinds of houses that we do produce. The type A house is a detached four-bedroomed house with a garage, normally for staff earning more than £1,000 a year. Type B is semi-detached, four bedrooms without a garage for staff earning less than £1,000 a year with large families. Types C and D are semi-detached, 3-bedrooms, for low income groups including the police and, indeed, we have now been going in for a cheaper kind of house, the Laing type of house, the Easiform house, and even 2-bedroomed brick houses.

5337. It seems rather expensive to me. On sheet 10, dealing with the houses at Aldermaston, I see even the Laing houses are costing £2½ thousand each. Are these built in accordance with the Ministry of Housing and the Ministry of Fuel and Power standards?—Yes, only the equipment is probably a bit better.

5338. We will find that out in a moment. I am told that a very old type of fireplace was put into these houses because it saved a pound or two per fireplace. Is that correct?—I would not know.

5339. I think you might inquire into it, Sir Archibald, because I believe the fuel consumption is about four or five times that of the up-to-date one, and if that is so, then surely they could not have been built in accordance with the standards laid down by the Ministry of Fuel and

Power?—Of course, the building programme is carried out for us by the Ministry of Works. I do not think we would have specified the type of grate to go in. It is a detail, but I can certainly make enquiries on that point.

5340. I think it might be well worth while if you did?—Oh, I quite agree.*

5341. On sheet 11, can you explain why the cost of these houses at Seascale is so heavy, well over £3,500 each, and are they superior types to the local authority houses?—They are for the higher staffs there at Seascale and, of course, we had to pay extra for bringing in labour from outside.

5342. That might have been so in the case of certain other districts which you discussed last year, but I would not say quite so much with regard to these cases that we have before us this year?—Even in Whitehaven itself where there is a very live local authority, they at first thought it would cost us over £200 a house for imported labour, and in Whitehaven, I may say, the local authority are themselves building the houses subject to the condition that we reimburse them for the additional cost of importing labour from outside. They thought they would have to go some distance for them and that it would cost over £200 a house. In point of fact it looks as if it will cost only £50 a house because they got the labour from outlying districts.

5343. Mr. Humphreys-Davies, have common standards been prescribed for all Departments which built houses, and if so, do these take account of the limits imposed on ordinary civilian housing?—(Mr. Humphreys-Davies.) Well, Sir, in general we have been working by reference to the sort of housing which the Ministry of Works constructs for Civil Departments, which Sir Archibald has described to you. We do not in the case of the Ministry

* Information supplied; not printed.

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[Continued.]

of Supply have the arrangement of which you have heard from the Service Departments, by which there is a general authority for a certain scale of house and the Service Departments go ahead with their housing programmes according to this scale. In the case of the Ministry of Supply each individual scheme is approved by the Treasury according to the requirements of that scheme. Of course, they are very much smaller numbers in the case of the Ministry of Supply. We have gone into each of these schemes in a great deal of detail and we have got pretty accurate figures for these various points like imported labour, and so on.

5344. When the Treasury is giving approval, does it take into account the limits which are laid down with regard to ordinary private building?—Oh, yes, indeed, and we examine the Ministry of Supply schemes as they come up, of course, in the light of the latest doctrine as promulgated by the Ministry of Housing and Local Government.

Mr. West.

5345. How do these houses compare with those standards laid down by the Ministry of Housing and Local Government?—I think they are broadly in line, taking account of the variations in positions. The smaller houses I think compare quite favourably as regards standards with the local authority standards.

5346. I gather there are some houses which are costing some £3,700 each?—Which house is that?

5347. There are the 180 Seascale houses which are £3,500 or £3,600?—Those are for higher staff, I think Sir Archibald said.

5348. I think that is the point that the Chairman was dealing with and that I am trying to deal with. I understand that you are satisfied that the requirements fall within the policy of the Minister of Housing and Local Government and the standards as laid down by him?—Yes.

5349. Surely if it is a comparable house to that laid down by the Ministry of Housing and Local Government, the normal house does not cost anything like this figure?—Well, a normal house for whom?

5350. I did not realise the Minister of Housing and Local Government had prescribed a different standard of housing for different classes of the community. I thought what he had done was to lay down a maximum and a minimum scale?—Well, I think there is what is called a managerial type house of 1,500 square ft., which is one standard which has been enforced.

5351. As I understood it, perhaps I may be corrected if I am wrong, I thought it was impossible for the millionaire, for instance, to build a house even of the managerial type costing £3,500 today?—I think the limits are related to size, not cost, and I feel sure you are much better informed than I am.

5352. I really thought that the licensing authority which gave the licence for the building of a house prescribed not only the size but the amount which was to be spent upon it, together with a condition on resale?—I think local authority houses vary very considerably in regard to cost. Even the smallest type of local authority house, according to one of the reports which has recently been published varies by something like £400 according to the site and the place where it is put up.

5353. I must be guided by you, but do you know of any local authority which on this housing scheme has spent £3,500 per house?—No, I do not, but I should not have thought that any local authority is building a set of houses, of however many the Seascale houses are, for staff of this particular type. In general it is housing for the lower income groups. (Sir Frank Tribe.) The houses the Chairman was drawing attention to at Malvern were originally estimated to cost nearly £4,400 each. I am not aware that any local authority will give a permit for any private person to build a house costing that amount.

5354. That is what I thought?—(Mr. Humphreys-Davies.) In the case of the Malvern houses, according to our information, the biggest type of house cost inside the curtilage £2,195, and that was in October, 1950. The cost outside the curtilage was £547, which included 100 per cent. imported labour.

5355. What do they pay by way of rent for these £4,400 houses?—(Sir Archibald Rowlands.) The rent is roughly the average rent of similar kinds of houses in the neighbourhood.

5356. You say the rental is fixed on the rate for comparable houses in the neighbourhood?—Yes.

5357. Or of the rents generally payable in the neighbourhood?—Of a comparable kind of house.

5358. Could you tell us, then, what would be, taking the Malvern houses, the rent income received from those houses where you have spent £70,000?—I could not answer that question without notice.

5359. Are you getting a percentage profit on the expenditure there or are you losing money in the process?—I am afraid I am not informed as to the exact rents. I can tell you the principle upon which the rents are based and that is to say, for the type of house we are talking about built

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for a scientific staff, the rents are assessed by the local District Valuer on comparable accommodation in the neighbourhood. It may well be in most cases, therefore, that it is not a full economic rent on the present cost of building.

Mr. David Jones.

5360. I want to come back to this LH9. I work it out that on the original estimate these 80 brick houses are going to cost £2,836 per house and the 76 aluminium houses are going to cost £3,762 each. How do the brick houses and the aluminium houses compare for size?—I have given you the various kinds of houses that were built, the four types.

5361. In this list you simply say, 76 aluminium, 36 Airey, 80 brick, at various prices, lump those figures together and the brick house works out at £2,836 and the aluminium house works out at £3,762. I understood you to say in reply to a question by Mr. West that you could not give us any figures because they are built by the Ministry of Works?—These are the figures.

5362. These are the figures, but the breakdown costs, because they are built for you by the Ministry of Works?—We could get them for you quite easily.

5363. I would like to ask, Mr. Chairman, whether we can get some breakdown of this total figure in LH9?—Certainly.

Mr. David Jones.] And to ask whether we can get some more information about how the licences were obtained and the rents that are paid for the houses?

Mr. Hoy.

5364. You could supply that, Sir Archibald?—Yes.

5365. Would you put in a paper with that breakdown?—I can put in a paper on that quite easily. The rents in the case of the smaller houses are the average of the local authority rents as well, but I will give you the information on that.*

Mr. Douglas Marshall.

5366. If that information is being supplied, will the question of amortisation be supplied as well?—In relation to what? We have not got set aside any special fund for amortisation.

5367. When you are taking into account rent, actually writing down the capital?—No, the rents are not related to the cost of construction in a particular case but to the rent of the nearest comparable accommodation in the neighbourhood.

Mr. Blenkinsop.

5368. I would like to put a question to the Treasury on this whole series, as to

* Information supplied; not printed.

whether they are satisfied that the same supervision and control of expenditure on this type of item is maintained as on general civil departmental work?—(Mr. Humphreys-Davies.) I should say without hesitation that the Treasury exercises at least as close a supervision over this subject as over any other aspect of our work. We have taken a very keen interest in this recently as I hoped we had demonstrated in the hearings on the Service Accounts which this Committee has been taking.

5369. One only feels that here the Department putting forward these proposals have a very strong argument that they can always use that the pressure of the need for particular work of research, and so on, is so great that there must be no hold-up and various extraordinary expenditures must be accepted, and one therefore feels that there is always a danger, to put it no higher than that, that the Treasury may be almost obliged to accept rather looser control than in ordinary departmental work?—I would not say that operated in this field a great deal. We have had a very close understanding, I think, with the Ministry of Supply in this matter and although the cost in some of these cases has been rather staggeringly high, it is chiefly due to these extraneous factors such as the degree of site preparations, and that kind of thing, and the very high cost of importing labour. If I might illustrate it, we have got a batch of houses totalling about 30 in all of various sizes at Paul's Dene. The average cost of the externals in those cases came to over £1,100 per house owing to the isolation of the site and difficulties of that sort. The basic cost of the house inside the curtilage was no more than £2,700 in the case of the bigger houses, running down to £2,400. But, of course, those costs are high and it is a matter which does give us constant concern and we are always working at it to try and get the standards of these houses down, in particular, of course, by relation to the Ministry of Housing standards.

5370. I think we can obviously judge better if we have some of the breakdown that is suggested?—(Sir Archibald Rowlands.) May I point out that amongst the figures of cost will be the fee charged to the Ministry of Supply of 12½ per cent. by the Ministry of Works? Local authorities do not charge that to the cost of their houses at all.

Mr. Hoy.

5371. You may be sure, Sir Archibald, that this Committee has that point very much in mind?—Thank you, Sir. I only mentioned the 12½ per cent. as a figure to be taken into account in a comparison of the cost of our houses and those of local authorities.

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Sir ARCHIBALD ROWLANDS, G.C.B., M.B.E.

[Continued.]

Mr. Benson.

5372. A general question to the Treasury: as the Treasury have already mentioned this problem of high cost applies to the Service Departments as well as to the Ministry of Supply and obviously there must be some account taken of the general isolation of the places where the Departments build, but there are surely local authorities who are building reasonably closely, or are you completely isolated on aerodromes and your Army training schools, and so on?—No, if I may answer this, in certain cases we have been very successful in getting local authorities to do the building for us, to provide it themselves.

5373. What I was after was this: do you build your little congeries of houses away from the local authority sites or do you build them near their sites?—Most of them, I am afraid, are really remote, in the blue, alongside small villages and things like that, but nevertheless in the case of Aldermaston, that has been mentioned, we are going as far as Basingstoke for some of our houses, 400 houses there.

5374. You do not say: "We must have these right up against our particular site"?—Only for security police who have to live on the premises, and people like that.

Mr. Bossom.

5375. Approximately, in a very vague way, these houses are costing in the neighbourhood of £3,000 each? That is a rough estimate, it varies up and down. About what accommodation do you provide for that?—I was explaining earlier, there are four types of house which we build.

5376. The brick and the Airey and the aluminium?—No, as regards accommodation there are four types of house: one is a detached four-bedroomed house with a garage.

5377. What other accommodation is there besides the four bedrooms? A living room and dining room, or one large living room?—I think there are two.

5378. You think one large living room and kitchen?—No, I think dining room and sitting room.

5379. And kitchen?—And a kitchen, of course.

5380. And a workroom?—I should not think there is a workroom. I have not the detailed plans with me.

5381. When a local authority is doing a house of similar size, how much more expensive are these houses than the ones the local authority provide? Are these 50 per cent. higher or 100 per cent. higher?—I should have thought nothing like it; in certain cases they would be fairly high as compared with the local authority, in other cases they would not. Local authority costs

vary fairly considerably as between local authority and local authority.

5382. These houses are very much higher than any I have come across of local authorities?—These houses I have just quoted are for the senior managerial and scientific staffs, not the normal type of local authority house.

5383. Constabulary and essential workers?—No, those are smaller houses.

5384. Yet these 20 brick houses cost £70,000 which is approximately £3,000 each. No local authority building a house of that size would spend anything like that amount of money on it, would they, even in an isolated area?—Inside the curtilage, I would not know.

5385. I know of no town in the country where prices like that have been paid and I have endeavoured to follow it up fairly carefully?—Well, you know, Sir. I will take your view on this because you know more about it than I do, but I am not in a position to be cross-examined because I have not got with me the answers on these questions. To begin with, we do not supervise the building of these properties, the Ministry of Works do.

5386. Can you account for this very great expense for these houses?—I can account for it in general terms: in the first place most of these properties are only put up in remote areas because most of our establishments are in such areas. There is no drainage, we have to lay all the services or, whereas the local authority putting up houses just joins them up to the main drainage. We very often have unsuitable sites even if we are near a local authority. We find that they have, quite naturally, chosen the best sites for their own housing estates and heavy preparation of the site is necessary when we have to put up an estate for our people. Then, it is quite true as I think Mr. Blenkinsop said, there have been occasions on which owing to the urgency of the project, particularly in the atomic energy field, you have had to build houses more quickly than you normally would and bring in labour from outside to do it. In any event, you have to import labour in most cases for these housing estates and you have to pay extra, of course, for that imported labour. So that generally accounts for something between £200 and £300 a house in certain cases and as the Ministry of Works have got 12½ per cent. on top of it, too, that is £250 on a £2,000 house.

5387. What service do they provide for that 12½ per cent.?—They do all the building for us. We do not have to keep a staff to do it.

5388. An ordinary builder does not have to pay 12½ per cent., anyhow?—I accept what you say, but here we are dealing only

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{Continued.

with a transfer from one pocket into another.

5389. They must be doing something for the money, they are not doing it for nothing, of course?—I do not know whether you have had the opportunity of seeing some of the places they have built for us like Harwell or Aldermaston. All the architect gets who is to design a lab is a general idea of the sort of thing the scientist wants. They have to do all the designing of it and they have to supervise the installation of all the very special equipment there. At Harwell they designed the whole of the ventilation system which has to be very special to get rid of toxic fumes in Harwell.

5390. Who is the architect for these houses, as a rule? Do you do them within the Ministry of Works or employ outside architects?—The Ministry of Works do it for us. I do not know how they do it.

5391. I wonder whether we might have that information when we have the supplementary information you are going to render?—I will ask my colleague at the Ministry of Works to give it to me.

5392. It would be a very great help to us, I am sure?—I imagine it varies. With a Laing house, it is a ready-made house, anyhow.

Mr. Hoy.

5393. Perhaps you will let us have all the information you can?—I will try to collate with my opposite number in the Ministry of Works.*

Sir John Mellor.

5394. You said that the rents were related to the nearest comparable accommodation in the neighbourhood?—Yes.

5395. Are you referring to houses provided by the local authority or private enterprise, and if so whether controlled or uncontrolled rents?—In the case of these bigger houses I have been talking about the comparison is with private houses. In the smaller type houses it is a sort of average struck of the local authority and comparable non-local authority types.

5396. In the case of the private houses, is it private houses in the neighbourhood where rents are not controlled?—We would rely on the District Valuer for that. It is

the District Valuer who advises us as to what rents are to be charged.

5397. You appreciate there is an enormous difference between the controlled rents and the uncontrolled rents, probably, in any houses in any given district?—Yes.

5398. Do you know which figures the District Valuer took?—I do not. I do not know whether the Treasury would know that?

5399. Does the Treasury know, in the case of the houses for the senior scientific and managerial staff, if the District Valuer takes comparable rents in the neighbourhood of controlled houses or houses where the rents are not controlled?—(Mr. *Humphreys-Davies*.) I suppose he would have regard to what the average of the houses locally was. If the proportions were, say, 30 to 70, he would adjust his assessment accordingly.

5400. That would not seem to involve any clear principle. It is surely a matter of principle, either you should consider control as relevant or not relevant, and if it is not relevant, you should take the rents of houses which are not controlled as your basis?—I cannot answer that.

5401. It would seem to be rather unfortunate that the Ministry should just leave it to the District Valuer to name a figure without knowing how he arrives at it?—(Sir *Archibald Rowlands*.) It is a general rule in all Departments. I do not know the answer, we can find it for you.

5402. If it is in all Departments, perhaps the Treasury can answer?—(Mr. *Humphreys-Davies*.) The Treasury, like the Ministry of Supply, put immense faith in the District Valuer.

5403. No doubt, but are District Valuers paid by the Treasury?—By the Exchequer, yes. They are Inland Revenue servants.

5404. Then, the Treasury will answer for them. Could we have an answer to that question? Could you get an answer?—Yes, I can get an answer.*

Mr. Bossom.

5405. Is the same principle followed in all cases or is it just hit and miss, some do and some do not?—I will try and cover that question also in my answer.

* Information supplied; not printed.

STATEMENT OF LOANS OUTSTANDING AT 31ST MARCH, 1951: PAPER FORWARDED IN COMPLIANCE WITH PARAGRAPHS 15-17 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

On this Account no questions were asked.

OFFICIAL CAR SERVICES: COST STATEMENT, 1950-51.

Mr. Hoy.

5406. May we pass to the Paper dealing with the Official Car Services, which many

Members have asked for? Sir Archibald, am I correct in saying that responsibility for these services is transferred from your

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Sir ARCHIBALD ROWLANDS, G.C.B., M.B.E.

[Continued.]

Department to the Ministry of Works?—(Sir Archibald Rowlands.) I am glad to say so, yes, Sir.

5407. May I just ask you one or two questions for that period during which you were responsible?—Yes.

5408. In Section D, paragraph 1 (b) of this statement it is said that certain of the vehicles, that is, those allocated for Ministers' use, "are regarded as 'on commission' for the full period of their absence from the garage, although they may be actually in use for only a small part of the period". Does not this mean that the vehicles in Appendix I at 1 (g) and Appendix II and, particularly 25-32 horse power saloons, give an inflated impression of the effective use of cars, because waiting times between the journeys are included in the hours on commission?—Oh, yes, certainly, but that has been stopped now, as you know.

5409. It has been stopped?—Yes.

5410. In what way?—That Ministers, except three who have to have security guards, do not have cars allocated to them now.

5411. Is a record kept of the individual journeys?—Oh, yes, the "log".

5412. In Appendix I, 1 (g) "Percentage of hours on commission to drivers' hours clocked", the percentage of hours clocked by drivers, is that all abolished?—In so far as it eliminates all that waiting time, it will be.

Mr. Douglas Marshall.

5413. On page 2 in item (c) you have got "Depreciation of Vehicles"?—Yes.

5414. The only question I would like to ask on that is this: there, quite rightly and properly, you have depreciation of vehicles but really in substance it comes

to exactly the same thing as I was raising over the question of houses?—Yes.

5415. You might reflect on that when you are giving us some information. The capital has got to be depreciated somehow when you have got a wasting asset?—Yes, I thought you were talking about an amortisation fund or something of that sort. The costs of the service include depreciation, and include even insurance although we do not pay it.

Mr. David Jones.

5416. I gather you said that the cars, with the exception of three, are not now allocated to Ministers?—That is right.

5417. Does that involve very much wasted time on Ministers' part in getting from one place to another, waiting for cars?—Well, the scheme has only just started.

5418. You would not be able to assess it?—It is difficult to assess. In point of fact a large department would have two or three cars allocated to it for the day, and there would be always a car available, probably, for the Minister. He might be unlucky on a particular occasion, but if his Private Secretary anticipated a journey, he has only to ring up and get one sent round.

5419. I am thinking particularly of the Ministries situated some distance from here, where it is quite impossible for the Minister to get by any other means, and the time getting to and from will be fairly considerable?—I do not know the present situation, but the way we used to work it and the way I think it is still worked, is that a number of cars are allotted to that Ministry.

Sir John Mellor.

5420. Could you give me the reason why the service was moved from your Ministry to the Ministry of Works?—It was the successful outcome of a campaign I had been conducting for four years.

TRADING ACCOUNTS AND BALANCE SHEETS, 1950-51 (VOL. II).

ROYAL ORDNANCE FACTORY ACCOUNTS.

RAW MATERIAL TRADING AND MANUFACTURING ACCOUNTS.

Mr. Hoy.

5421. May we turn to the Trading Accounts, 1950-51, Vol. II, the Comptroller and Auditor General's Report, paragraph 3? The last sentence of this paragraph refers to a physical check of the stocks of radio-active materials by the technical staff of the Radiochemical Centre. This was, really, I suppose, a check by the storeholders and not an independent stocktaking?—No, we asked the D.S.I.R. to come and do it for us.

5422. In that case it hardly disposes of the comments of the National Physical Laboratory officers mentioned in that paragraph?—As a matter of fact, it is almost impossible to take a satisfactory stock check of radio-active material because it is in process all the time and it is so highly toxic that if you stand very near it for very long you are off duty for some time.

5423. It is also extremely valuable?—Yes, I have a note here, an operator without

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[Continued.]

any screening standing 3 ft. away from one gramme of radium will receive the maximum permissible dose of radiation for one day in approximately four minutes, so he has not much time to take stock.

5424. We appreciate that. It is a very valuable commodity, and in view of the comments we wondered whether you proposed to arrange for further checks of a physical nature?—It is not very easy to get away with.

5425. You mean, there is nothing therefore you can do about it?—Oh, yes, the internal staff are trying to arrange a stock-taking in stages. It will probably take over one year to do it, though.

5426. That is being arranged?—That is being arranged.

Mr. Douglas Marshall.

5427. Is not there any protective clothing that one wears?—The protection in the

case of most of these things is lead pots and lead safes and lead cellars.

5428. And it is still only four minutes that you can have?—Oh, no, not if you are behind all that. When you are taking stock of the stuff you have to open a pot to have a look at what is in it.

Mr. Benson.

5429. Can this stuff be stolen? Is there a market for it? Can it be handled and can anyone get away with it?—No one could get away with radium for long.

5430. I do not quite see how one deals with a piece of stolen radium?—Exactly, you would be poisoned in no time.

Mr. Hoy.] That is all we have for you, Sir Archibald. Thank you very much for coming.

The Witnesses withdrew.

Adjourned till Tuesday next at 4 p.m.

TUESDAY, 17TH JUNE, 1952.

Members present:

Mr. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Blenkinsop.
Mr. Cuthbert.
Mr. Hoy.

Mr. Douglas Marshall.
Sir John Mellor.
Mr. Peter Roberts.
Mr. West.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

SUMMARISED ACCOUNTS OF REGIONAL HOSPITAL BOARDS, &c., FOR SCOTLAND, 1950-51.

Sir GEORGE HENDERSON, K.B.E., C.B., Secretary, Department of Health for Scotland, called in and further examined.

Mr. J. STIRLING, C.B.E., F.S.A.A., Assistant Secretary and Accountant General, Department of Health for Scotland, called in and examined.

Chairman.

5431. Sir George, we had left over the Summarised Accounts of Regional Hospital Boards for Scotland, on which we wanted to ask you some questions, and the questions I want to ask arise from the Report of the Comptroller and Auditor General. First of all, I wonder, Sir Frank, if you could elaborate a little the first sentence of Paragraph 3 of your Report?—(Sir Frank Tribe.) Yes, Sir. My staff is not sufficient to visit a great number of these hospitals, but during the year we visited

six hospitals in Scotland and at each one of those visited we found some defects in the arrangements for the control of the payment of salaries and wages. There were questions like no proof of payment either by signature or certification and no unclaimed wages book to obtain proof of payment to staff who were not attending pay parades, or unsatisfactory arrangements for payments of contributions, or no certificates for the stamping of insurance cards. That is what made me mention this in my Report.

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Sir GEORGE HENDERSON, K.B.E., C.B., and
Mr. J. STIRLING, C.B.E., F.S.A.A.

[Continued.]

5432. Sir George, when, as it states here in Paragraph 3, you or your Department said that systems of salaries and wages control were in general operating, "as well as could be expected", what were you meaning there? Were you meaning you did not anyhow expect to get adequate systems anywhere?—(Sir George Henderson.) What we meant was that we could not have expected up till that time to get a proper thorough-going system going. We do hope to get the position right, but I should like the Committee to realise that we have said so often that we are going to leave the greatest possible measure of discretion to the local Boards of Management that it is a little difficult to do more than try to persuade, not issue directives, at least in the initial stages, and that is a difficulty we are finding in this field and in other similar fields.

5433. If you take the actual case of this defalcation where the hospital have not remedied the defects that were brought to notice by the auditors, have you any means of enforcing the necessary remedial action?—If we were taking a line of policy to control the Management Boards in detail, we could certainly give them directives to do anything we liked.

5434. I see that this was a case where the Treasurer said: "Look, there are certain things you ought to do", and the hospital did not do them. If they had done them the loss of £850 would not have been incurred?—That sort of case arises in this way, that the hospital nearly always plead insufficiency of staff to introduce any kind of reform that they do not want to introduce, and, of course, they take that line partly because it is a natural line to take and partly because I am afraid we are consistently pressing them to save staff, and they say: "Well, what is the good of asking us to save staff and then coming along next week and asking us to increase the staff?"

5435. Can you tell me why the auditors make no detailed examination of wage payments at a number of hospitals?—The auditors?

5436. Yes, this is the last sentence of the paragraph?—I think that again was a question of lack of staff. They did a certain amount. They made a detailed examination of 22 Boards of Management out of 37 in the Western Region. This almost entirely relates to the Western Region. As a result of that position we have now agreed to assist them by our own audit staff to make a sample check of all the hospitals in the Region, and a check of, say, one or two months in each year would be sufficient.

5437. You think that would be ample?—That is a reasonable sample, we think. Of course, they will do more than that,

if they can, but they will do for all hospitals that simple check.

5438. May we go on then to paragraph 4? The statement that you compiled in January, 1951, from enquiries that were started the previous February showed a wide variation in prices. Could you tell us whether those variations were still existing in January, 1951?—I think not, because either then or shortly after then some of the Regional Boards introduced a regional contract system for supplies, and that would, of course, level out the prices.

5439. Have all the Boards reported the results of their reviews?—Not yet.

5440. Did I understand the implication of what you said about contracting to mean that such results as you have heard of have shown substantial reductions in costs?—I have some figures here on that. Regional contracts are fairly common in the Western Area and in the South-Eastern Area and the Eastern Area, and the best example we have got in the Eastern Area, where an estimate has been made of the savings which have accrued from the introduction of a regional contract system. I ought to make it clear on this point that there is no obligation on any hospital to take their supplies through the contract system, it is quite voluntary, but in so far as it has been done, we estimate that in a range of articles from cleaning materials, hardware, non-perishable food, to clothing and similar materials, out of an annual estimate of contract expenditure of £140,000 there has been a saving on the prices paid by the former Board of Management obtaining their own stocks of £10,000 or 6.8 per cent.

5441. We will go on to paragraph 5, "Losses on Market Gardens". Have you reviewed the number of gardeners employed and the type of produce grown since this Report?—I am sorry to say we cannot report very much progress here, but the losses in some cases are more apparent than real. For example, we know that the loss in some cases is simply due to the fact that they do not get any assumed price from the hospital. They have supplied flowers or fruit to the hospital from the garden and it is not taken on charge by the hospital. We are trying to rectify that, and we have just arranged recently that our Department of Agriculture's Horticultural Adviser will visit all these market gardens and will give us his advice on the position, and the object of that survey is to enable us to lay down certain basic principles which will prevent in future the criticism that appears in this Report.

5442. On paragraph 6, Sir George, have you found out why it is that, in spite of your auditors' reports in previous years, some hospitals still have inadequate store accounts in 1950-51?—Again, I think it is

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[Continued.]

due to the difficulty of introducing a system to which they have not been accustomed. In the case of some hospitals the position is perfectly satisfactory, but I admit we are finding a difficulty in getting the local Boards of Management to appreciate what financial control of stores means. Firstly, physical control of stores is not so difficult because that simply means accounting for stores, but we find it difficult to get Boards of Management to appreciate what financial control of stores means, and in particular the necessity for it.

5443. You notice here there is this very large linen loss, which is recorded in this paragraph. Do you know of any other losses of this order?—Not of that order. There are a number of minor losses, but nothing like that amount of money.

5444. Am I right in assuming from what you say, then, that you really think the situation is improving and will continue to improve?—It certainly is improving and we hope will gradually reach—I was going to say perfection—as near perfection as we can make it. We are quite clear about the objective. It is just the difficulty of getting there.

5445. Turning now to paragraph 7. in Scotland you have not used teams to investigate staffing?—Quite.

5446. What you have is costing investigations, and I want to know, if a costing investigation shows what seems to be an excessive staff, what you do about it?—If any investigation did show that, we should proceed in precisely the same way as in the case where an investigation shows any other likely excess. We should have it investigated by an appropriate officer and see whether the assumption made about cost was correct, or whether it was something entirely fortuitous.

5447. Then you would make suggestions to the hospital?—And make suggestions to the hospital, yes.

5448. Suppose the hospital did not like your suggestions or did not do what you suggested?—I think ultimately we would try to compel them. If our costing system is to be worth-while at all it must in the end be backed up by some measure of compulsion. We have not used any measure of compulsion up to the present time.

5449. Have you completed the 1950-51 cost analysis? This is the last sentence of the paragraph?—Yes, we have completed the 1950-51 analysis.

5450. What does it show? Does it show any improvement in the higher-cost hospitals which are thrown up before you sometimes?—Could I answer it in this way: I do not know whether this completely

answers your question, but we have shown that, as a result of the whole series of operations which were comprehensively called costing investigations, there have been considerable reductions as between 1949-50 and the 9 months to December, 1951, for example in hospitals with more than 100 beds I have here one example where the cost of heat, light and power has been reduced from 1s. 3½d. per bed to 10½d., another hospital where patients' laundry has been reduced from 9½d. to 6½d., another one where postages, stationery and telephones, a rather extraordinary one, has been reduced from 3d. to 1½d., and in smaller hospitals domestic repairs reduced from 1s. 11½d. to 1s. 6d., drugs and dressings are reduced from 1s. 11½d. to 1s. 1d., and heat, light and power reduced from 2s. 1½d. to 1s. 8½d.

5451. These are in individual hospitals?—In individual hospitals, yes.

5452. Including the 40 where costs in 1949-50 exceeded by more than 25 per cent. the national average?—Yes, I think all of them would be in that 40.

5453. Now one or two points on Executive Councils, paragraphs 8 and 9. Did you do anything before March, 1951, to detect excessive prescribing?—We had not the staff. We were in difficulty about not being able to price the prescriptions quickly enough, and we were getting into arrears and we simply had not the staff to enable us to do the other job too.

5454. How did you pick out the 120,000 prescriptions that you investigated, which are referred to here in paragraph 9?—I imagine the professional element in the Drug Accounts Committee is pretty expert in sizing up whether the price of a prescription or whether the making of a prescription is reasonable or is not, and they throw out the ones they think are extravagant.

5455. What percentage test was this, can you tell me, and how many practitioners were involved?—About 1 per cent.

5456. Can you tell me how many practitioners were involved?—No, I could not tell you that. When I say 1 per cent., that is the number of forms which were thrown out as on the face of it appearing to be extravagant, and I have not got this divided up amongst practitioners.

Mr. Hoy.

5457. These were selected prescriptions, were they?—No, they were picked out partly at random and partly by the expert going through the bunch of prescriptions and then they were picked out. They were picked out specially as looking as though they were extravagant and closely

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[Continued.]

examined, and then referred to the Executive Councils for action

Chairman.

5458. That is not quite what I mean, Sir George, although I am interested to have the information. You picked out 120,000 prescriptions. You picked them out, you say, on some professional help. You somehow or other find them, and the first question really is this: what percentage test was this in itself? In other words, what is the 120,000, what is that as a percentage figure?—It is now 200,000, and the total is 20 million prescriptions.

5459. Then, if I understand you aright, you having picked out your 120,000, or, you say, 200,000 now?—Two hundred thousand is the total now, that is the 120,000 referred to by the Comptroller and Auditor General plus nearly 80,000 since this Report.

5460. I see. So, you have picked out altogether 200,000 out of 20 million?—Yes.

5461. And of the 200,000 about 1 per cent. have been thrown up, as you would say, as being excessive?—No, I think I conveyed a wrong impression. One per cent. we picked out for examination, that is as much as the staff could do. The 200,000, the 1 per cent., was picked out, and of that number a small number was sent to the Executive Councils. I do think I conveyed a wrong impression.

5462. I am still not clear. You selected your 200,000. Did you examine all those?—All of those were examined, yes.

5463. When you say 1 per cent., therefore, what are we talking about?—The 200,000 is 1 per cent. of 20 million—I think my arithmetic is correct—and 20 million is the total number of prescriptions.

5464. How many prescriptions were selected for reference to Local Medical Committees?—Thirty-eight have been referred to the Local Medical Committees.

5465. And presumably the same number of practitioners, or not?—Well, I cannot give any information about the number of practitioners involved. Several of the forms might have applied to one practitioner, I do not know. I just do not know that, but 38 of the forms were picked out where the prescription was apparently extravagant and, in addition to that, in 740 cases the prescription included something which probably ought to have been classified as food and, therefore, not free, instead of as a pharmaceutical product.

5466. What have been the results of these references?—The Executive Councils have imposed two fines or, rather, two deductions from payment, one of £15 10s 0d.,

and the other of £3 17s. 0d., and they have warned eight other doctors and have decided to take no other action in 11 cases. The remaining 17 are still under consideration.

5467. Do you think that this test is extensive enough?—Personally, I do not think it is extensive enough and, as the staff gets more up to date in their prime duty of pricing the prescriptions, then we shall concentrate to a greater extent on the extravagant prescribing element.

Mr. Hoy.

5468. Dealing with paragraph 3, if the hospital does not pay any attention to a notice which you serve, I think you ought to make it clear that you have the right to issue a directive?—I think they know that. We do not serve notices, by the way, on the hospital, we regard the Regional Board as our agents. We ask the Regional Board to take a certain action to secure certain results, and they get in touch with the appropriate officer or, if need be, with the Board itself, and endeavour to persuade them. I think the hospitals realise that the Act of Parliament enables the Secretary of State to make a directive, as far as I know, on anything connected with the Hospital Service.

5469. If you take the case of the hospital where this £850 was lost, surely that would be a good and sufficient reason for issuing a directive if the hospital in this case had not already agreed to make the alterations that you had asked for?—I think probably there is a little bit of stalling here, and the situation overtook us. The defalcation took place before the persuasion of the Management Board was complete.

5470. I think you said that the excuse might be given that they had not sufficient staff to deal with this problem?—That might be one reason, yes.

5471. Surely that would be a good reason to inquire into the staffing position, because it is much better that you should have a competent staff rather than defalcations? Would not you agree with that?—Yes, I would agree in general, but I do not think it is quite so simple as that.

5472. Then, if it is not the staff, it must be the form of accountancy?—It might be lots of things. It might be what I have mentioned, that there is the psychological difficulty about persuading people who have been accustomed to doing things in a certain way to change their practice.

5473. If all this psychological business means that they go on doing what they have been doing and losses occur as a result of it, surely there comes a time when

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you have to try something else?—I think if the losses were consistent and numerous obviously we would try something else at once, but this is one isolated case, as far as I am aware, in which events overtook us.

5474. May I deal with the same thing on paragraph 6? I think you said you did not have any difficulty with the actual physical control?—That is right.

5475. But this loss would not bear out that statement, because this was a theft of linen amounting to £1,450?—Yes, but this would be discovered as a consequence of the physical control system. I cannot remember what it was, I think it was blankets, but it may not have been. It would have been discovered that X articles were missing and inquiry would show that this is what had happened.

5476. Apparently it had gone on for quite a long time, because if it is blankets, even at present-day prices you can buy a considerable number for £1,500, so it must have been spread over a long time?—It is linen. I see.

Chairman.

5477. May I just interpose here. You said, if I understood you aright, Sir George, it is because they have physical control that this loss was discovered, but if you read the Comptroller and Auditor General's Report he says: "At one hospital linen losses amounting to £1,450 for the six months to 31st March, 1951, had not been so recorded"?—The loss had not been recorded because it had not been discovered.

Mr. Hoy.

5478. I took it from the Comptroller and Auditor General's Report that this loss had not been recorded in the books of the hospital concerned?—Yes.

5479. But did the hospital concerned know that this loss had taken place?—After stocktaking had taken place, that is, after the physical control had operated.

5480. And after they discovered it, they did not enter in the books that the loss had taken place?—Not at the moment, no.

5481. Surely that must be a fault?—Yes, it is a definite fault. That is one of the things we are trying to rectify; we are trying to induce the Management Boards to see that they must keep these loss records in a proper form, in a form which will enable the situation to be seen and evaluated.

5482. I do not suppose there can be many losses of this type?—No.

5483. But in total what do losses of this kind amount to, do you know?—No.

5484. It should be recorded somewhere, I should think?—It is recorded on page 14, I am told. Of course, there may be losses not yet recorded in accordance with the instructions, but you will find paragraph 6 there, which talks about stores losses, "(a) by theft, (b) condemnation of stores"—which is not really the same thing—and, "(c) stocktaking discrepancies". You have also cash losses, which is paragraph 1, and then there is a note about damage and theft of hospital property and equipment. That contains the whole story so far as it has been recorded.

5485. May I ask you if this check is only made for six months and that the loss could not have been discovered before?—(Mr. Stirling.) The practice varies. Sometimes there is a staggered stocktaking throughout the year, different items being checked each month. In other cases stocktaking is at half-yearly or yearly intervals. A lot depends on the size of the hospital.

5486. Did I correctly understand you to say that the produce of the market gardeners is not shown on the income side?—(Sir George Henderson.) That has not always been shown. That is one of the things we are going to insist on in future.

5487. So all the vegetables and flowers and things which are produced in fairly considerable quantities in some of these places have not been shown in the records?—They have not been taken on charge by the administrative account of the hospital. They are obviously shown in the Market Garden account, but instead of a credit to the Market Garden Account and a debit to the Hospital Account, it simply appears as an item of expenditure, the cost of growing. There is no receipt for it.

5488. Is that what you found, Sir Frank?—(Sir Frank Tribe.) Yes.

5489. So it is not a fair return?—No, the accounts do not properly show the position.

5490. On page 13, the first item, "Cost of maintaining patients in Hospitals not vesting in the Secretary of State" shows a further increase of £35,000. I am thinking of one particular hospital in Edinburgh where you have taken over a part, I understand. Does that happen in many other cases?—(Sir George Henderson.) It is not common, and that would not be really what this was intended to convey. These are certain hospitals where it was decided to use the Secretary of State's option not to take them over.

5491. Where would this other item be shown, then?—I should imagine it would be a very small part of that item, but I

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do not know what hospital you are referring to?

5492. I am thinking of the Queensberry?—Yes, that is a special institution. Part of that institution would remain under National Assistance auspices, and the hospital will then, no doubt, I am not sure, have been taken over by the Regional Hospital Board.

5493. Would that come in the Item No. 2, then?—Yes, it might, but it might come under just a straight expenditure.

5494. I see a further increase of £80,000 in that expenditure?—I imagine both of these increases are just the ordinary increases in the price of food and clothing and everything else. (Mr. Stirling.) Or time-lag in settlement, because the settlements are often made considerably after the end of each financial year.

Mr. Douglas Marshall.

5495. You mentioned, when you were answering the Chairman in regard to the prescriptions, that on one or two of them which you queried there was a question whether certain headings ought to have come under food?—(Sir George Henderson.) Yes.

5496. What were those types of heading?—I do not know, I have not got particulars here, but the sort of thing one thinks of are milk products, Ovaltine, things like that, things that are really food. They may have a value or a pretended value, or they may not, but they are not pharmaceutical products.

Mr. Benson.

5497. On page iv, at the top, I see that in the Western Region, the Boards of Management are required to make use of these regional contracts. I thought you said that no hospital was compelled to?—This was correct at the time it was written, but at our request they have changed their position and we no longer force any user of these contracts on the Management Boards.

5498. Why did you change the policy? Why did you make it optional as to whether they used the contract system or not?—We thought it was better that the Management Boards should not be forced into a system against their will.

5499. What has been the result, say, in the Western Region? Have they ceased using the contract system?—I do not think so, to any marked extent. I have not the information here, but my impression is that it has made very little difference.

5500. Will you know whether their prices increase as a result?—We shall certainly use that factor in a comparison of

prices and in our examination of the worthwhileness of the whole system.

5501. With regard to market gardens, are they run purely as market gardens, or is there any therapeutic value in them? Do the patients work in some of them?—In some of them, particularly in mental hospitals, they may have quite a therapeutic value. It may be the only type of occupation which suits a particular patient, and in that case, of course, we would always advocate that these market gardens should be retained. There may be other cases where it is not so clear that it is worthwhile keeping them at public charge.

5502. You are not limited purely to mental hospitals?—Market gardens, no. When I said "mental hospitals", I meant purely therapeutic value.

5503. Is it customary to have a market garden attached to a hospital?—No, I think it is just the way the hospital is laid out.

5504. You say you are making some gradual progress as to the financial stores control inside the hospitals. How gradual, when do you expect to get near to perfection? Are you making rapid progress or are you still meeting some resistance?—I do not want to be too hopeful, we are making quite substantial progress and in order to make it easier for hospitals we have divided the hospitals into two. We have excluded for the meantime hospitals in the following categories: all hospitals with less than 50 beds and all hospitals with less than 100 beds which do not themselves carry stock but depend on another hospital for their stock. That eliminates about 250 hospitals out of 400, and we are concentrating on the other 150, and I think we are making real progress.

5505. On the big hospitals?—On the bigger hospitals; after we have dealt with the 150 we will turn back to the smaller ones and see what is necessary to be done.

5506. Do you feel you are making adequate progress?—Reasonably adequate progress. I would not like to predict when we shall be satisfied.

5507. On Statement B, facing page 10, in the first two columns on the left for 1949-50, what are those? I was completely foxed by them, particularly by the percentages which add up, apparently, to 100 per cent. at the bottom, but not according to my arithmetic?—May I ask my Accountant-General to answer this question? I think it is an accountant's question. (Mr. Stirling.) The percentages represent the ratio which each item bears to the total gross expenditure and the figures between the lines are sub-totals which add up to 100.

5508. Yes, but if you add up the percentages, 17, 47, 72 and 10, those

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apparently should add up to 100?—47 per cent. has not a line underneath it and it

is included in the 72.6. It is a sub-total within a sub-total.

Mr. Benson.] I see, thank you.

Sir George Henderson and Mr. Stirling withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASS IX).

VOTE 5.

MINISTRY OF FUEL AND POWER (WAR SERVICES).

COAL CHARGES ACCOUNT.

MINERS' WELFARE FUND ACCOUNT.

MINERS' WELFARE GENERAL ENDOWMENT FUND ACCOUNT.

Sir DONALD FERGUSSON, G.C.B., Permanent Secretary, Sir ARTHUR WATSON, C.B., C.B.E., Principal Assistant Secretary, Coal Finance and Valuation Branch, Ministry of Fuel and Power, called in and further examined.

Mr. R. J. AYRES, C.B.E., Accountant General, Ministry of Fuel and Power, called in and examined.

Chairman.

5509. Sir Donald, when you came before us last I think we disposed of all the accounts for which you are the Accounting Officer except the Class IX Vote 5 Accounts. I would like to ask you a few questions, most of them arising from the Comptroller and Auditor General's Report. I have nothing on paragraphs 43 to 45. May I go straight to paragraph 46? Your non-competitive contracts seem to be more expensive than your competitive contracts. The three mentioned here are nearly 6s. a ton dearer and there are 39 mentioned in sub-paragraph 2 which are about 4s. a ton dearer. Can you say whether you think this is due to the absence of competition or is there any other reason?—(Sir Donald Fergusson.) I do not think that we in fact get more unfavourable prices by direct negotiation than by competition. The Comptroller and Auditor General shows that in 1950-51 competitive tenders cost us 25s. 8½d. a ton and non-competitive 31s. 4d., but in 1951-52, when there was much less competition, the position was reversed, and the competitive tenders cost us 32s. 11d. and the non-competitive 31s. 4d. The difficulty we are in is that in many cases it would be impracticable to have competitive tenders.

5510. Could we take the actual case here, the non-competitive contract for 1,577,000 tons which is referred to here? Why did you not go out to competitive tender for that?—The reason why we did not go to competitive tender in that case is as follows: this contract covered two sites, one of 729,000 tons and the other of 847,000 tons, and the coal at these sites was of different qualities and had to be blended

in order to make them marketable, and there was only one contractor who had suitable plant available to take on a rather large and difficult contract of that nature. The actual price obtained was, in the opinion of our technical officers, a favourable one.

5511. May I go on to paragraph 47? Are the results of the Ministry's examination of contracts referred to in this paragraph yet available?—Yes, we have had an examination, and that has been completed, and establishes that the 10 per cent. increase provisionally fixed was in fact justified on the figures we obtained from our investigation. That was the Ministry cost involved owing to the devaluation of the pound.

5512. Looking at the last sentence of this sub-paragraph, would it be correct to infer from it that if the Federation had not had this concession the Ministry would not have maintained production at the maximum?—Yes, I think it is quite clear that the industry would not have continued if we had not met the unexpected and very heavy increase in costs which arose in a case like this.

5513. Had you any actual evidence that more attractive alternative work was available to these contractors which made the concession advisable?—I think that, broadly speaking, it is true that with the development of the defence programme there is available to the civil engineering contractors a lot of other work today which was not available for them a few years ago.

5514. What do you suppose would have happened if costs had declined? Do you suppose the contractors would be willing to

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refund to you part of their profit?—No, I think if costs had declined contractors would have had the benefit of it, but I do not think we would have expected contractors to go on on this work if they were faced with heavy losses. They would have got rid of their plant and would not have used it.

5515. May I go on to paragraph 48? I would like to ask some questions about this particular contract. Was Treasury authority obtained for this increase in contract price?—No, Sir, but may I give an explanation of the circumstances?

5516. I would like to get this Treasury point first. Have you got anything to say on the point, Mr. Milner-Barry? Is this the kind of case where you would normally expect to be consulted?—(Mr. *Milner-Barry*.) I think it is rather a borderline case. I would not go so far as to say that this was the kind of case on which we would necessarily think the Ministry ought to come to us, but at the same time I think, perhaps, it might have been a wise precaution to consult us about it. I think we should have taken the same view as they did. Normally, where a contract is revised, it is standing practice that the Treasury should be consulted, particularly where there is any question of *ex gratia* payments and so on, but, as I understand, the circumstances of this contract were very peculiar, and I do not know whether the Ministry would regard it as being exactly a revision of the contract. (Sir *Donald Fergusson*.) No, that was the point I was really going to make.

5517. Very well, let us hear the peculiar circumstances?—Perhaps I might give an explanation to the Committee?

5518. Yes, please?—This contract is the Ewart Hill Deep contract in Northumberland. It was a unique contract. The site was the only one of its kind available at the time the contract was let and justified the importation of an exceptionally large American machine costing £½ million, and the importing contractor who was going to buy this machine for £½ million could not be expected to risk a sum of that kind without an assurance that the machine would be put to profitable use. On the other hand, the full survey and preparation of the contract documents for a very large site of this kind could not be completed before the contractor's option to purchase this machine in America expired, and in consequence a contractual arrangement was made between the contractor and the Ministry in terms of an agreed rate, what we call an agreed unit rate. The unit rate is the rate per cubic yard of material to be excavated, coal and other material, and a unit rate was agreed for approximately 3 million tons of coal. That is the rate for the amount to be excavated. When the quantities were extracted

it was found that one of the seams consisted of a lot of parallel leaves of coal separated by clay, and for contractual purposes this was incorrectly treated as though it was a solid seam of coal instead of a number of separate seams. The result of all that was that the quantity of coal in the contract was exaggerated, but the point I would like to make is that the contractor actually received payment per cubic yard of excavation as we had agreed in the original contract. Neither the total contract sum nor the total work to be done in terms of the material to be excavated have, in fact, been changed. We would not, therefore, regard the position as being a revision of a contract in the ordinary sense of the term.

Mr. Peter Roberts.

5519. You got less coal than you expected?—We got less coal than we expected, but we made our original contractual arrangement for an estimated total amount of stuff to be excavated. In fact, the total amount of coal in the site was not as estimated.

Chairman.

5520. You put down a figure of the total to be excavated and you then put down a figure per ton for what is got out. When you revised the contract, what did you do? According to this report, you reduced the total amount of coal to be excavated and increased the price from 18s. 2d. to 21s. 6½d. Did that actual revision take place?—The total excavation proved to be 28,600,000 cubic yards of material, and that has not been changed, and the real contract sum for the job was 28,600,000 cubic yards, approximately, multiplied by 1s. 11d., and that has not been changed. That is the sum produced by the old tonnage rates as originally agreed and the new ones. May I ask Mr. Ayres to give the actual figures?

5521. May I just ask this, does this mean that what is, I think, usually called the tolerance allowance has been changed?—(Mr. *Ayres*.) If I may reply, Sir, the real difference here is that instead of our normal method of making a bargain with the contractor per ton of coal delivered to us, we made a bargain with him, not knowing the number of tons of coal at the time, on the basis of a price per cubic yard of excavation. That was a contract entered into at the time. The total quantity of excavation was subsequently duly ascertained by the Ministry in the usual way and entered into the contract documents, and the contractor was to agree it. That total quantity of excavation was the 28,600,000 cubic yards that Sir Donald referred to just now, and that was the real basis of the contract. In order to get that contract into the same kind of framework as our normal tonnage contracts, it was agreed

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in the first instance that the total quantity of excavation would be divided between overburden and coal in the usual way. It was that conversion of the total quantity of excavation into overburden and coal which was incorrectly stated in the contract in the first instance. We had too much coal and too little overburden. This is a very large site with very complex seams and strata, and in the ordinary way, of course, the contractor would be very careful indeed to see that every detail was checked up before the contract was signed. I do not think either the contractor or the Ministry, perhaps, went into this with the meticulous care that a new bargain would have been subjected to. After the contractor had been working some time he discovered that one of the seams entered in the contract documents was shown as solid coal instead of part coal, part clay, and it is the correction of that incorrect conversion inside the contract which gave rise to a reduction in the quantity of coal and an increase in the quantity of overburden. We have not increased the total contract sum originally agreed upon, and the total quantity of work, which is the excavating of the overburden plus the excavating of the coal, has also not been changed.

Mr. Peter Roberts.

5522. I think the difficulty seems to arise in paragraph 48, the last three lines of the first sub-paragraph, where it is talking about "no escape clause in the contract which would enable the contractor to receive more than 18s. 2d.". That is rather inconsistent with what you are saying at the moment. You are saying that the 18s. 2d. is a relative figure between the total amount excavated and the coal got out. I think that is the point which seems to be worrying us?—I think at the Public Accounts Committee at that time this question was not pursued in any great detail, and the question that was asked was whether there was any escape clause in the contract which would enable the contractor to increase the contract payment if the circumstances proved unfavourable. I think that was the context of it, and the answer was that there was no escape clause, which is perfectly true, there is no escape clause inside the contract, or there was not at that time, in the sense that the contractor should receive for the work for which he had contracted a greater sum than he had originally bargained to accept. Of course, he has not been paid any more under this revision than he originally agreed to take.

Sir John Mellor.

5523. If it was not a question of a change of conditions of the basis of the contract so far as, you say, a seam which was understood to be all coal proved to be part coal and part clay, and both the

Department and the contractor, when they made the contract were under a misapprehension about that and therefore the basis upon which they contracted had gone, was that the reason for the revision of the contract, on the ground that, in fact, they never really did agree because they never really understood what they were agreeing about? Is that the position?—No, I do not think that is quite so. All opencast coal is an excavation job from the contractor's point of view, excavation of the overburden and excavation of the coal. It is a combined operation. For the Ministry's particular purposes we have paid for years now on the basis of coal delivered, because we wish to provide every incentive for delivery of coal, and clean coal at that. But, the basis of all the contracts is really the excavation necessary to obtain that coal, and this contract was expressed in those terms in the first instance, as excavation. The error crept in in converting that total contract sum into terms of a price per ton of coal through an overstatement of the tonnage of coal in the site.

Chairman.

5524. Who found this out and when was it found out?—The contractor found it. As he worked the coal, he found that this seam which was shown in the contract documents as solid coal was in fact, I think, five or seven leaves of coal.

Sir John Mellor.

5525. Was not this a risk that it was intended the contractor should take? Is not this the sort of risk that the contractor contemplated and the Department contemplated should be taken by the contractor?—Not in this particular instance. This is the only contract where we had bargained in the first place for a price per cubic yard of excavation, whether coal or overburden.

Mr. West.

5526. Why did you bargain on the special occasion? What were the reasons for the special bargain?—(Sir Donald Fergusson.) For the reason I gave at the beginning of my remarks, which was this: This was a unique contract in the sense that the contractor had to buy the machine from America for £250,000, and we had to make an arrangement with him before we had gone into all the details of the site, and we bargained with him to pay him a rate of so much per material excavated. That was why we had that original arrangement with him, and on the strength of that he bought this machine. Then, when we came to convert that into the contract documents, the amount of coal was over-estimated.

5527. You did not buy the machine yourselves and hire it out to the contractor?—No.

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5528. You have been doing that, I understand, have not you, buying the machines and then hiring them out to the contractor?—Not recently.

Mr. Peter Roberts.

5529. Would not it really be more accurate if the Public Accounts Committee had been told last time that the contractor would have no escape clause except to receive 1s. 11d. on so many million tons excavated? That is what he could not escape from, 1s. 11d. on so many tons excavated?—I did not know of that.

5530. That would have been a more correct answer?—Yes.

Mr. Benson.

5531. On what basis does a contractor estimate, on your specification of a site?—Yes.

5532. Does he check it himself?—(Mr. Ayres.) It is open to him to check it, and some of them do, but it is an expensive and lengthy business to check up a large site, and very many of the contractors accept our prospecting and prospecting reports and documents which were available to them.

5533. I gather here that time was the essence of the contract?—There was a limited option.

5534. A limited option on the machine, and it had to be done then?—Yes, that is so.

5535. In effect the error arose, then, through your mis-description?—Yes. (Sir Donald Fergusson.) Yes.

Mr. Blenkinsop.

5536. May I just say that even after this revision this has been, I suppose, an outstandingly successful scheme?—Oh, yes.

5537. It has been largely responsible for the improved results in your opencast working account?—It has been successful in getting coal, and it has also been a cheap scheme.

Chairman.

5538. At the end of this paragraph the Comptroller and Auditor General says that the contractor had agreed not to pursue certain claims against the Ministry, and one of the things was a claim on the nature of the overburden. Is not this revision occasioned solely by a difference about the nature of the overburden?—(Mr. Ayres.) No, Sir, not in this sense. What the contractor desired was a higher payment per cubic yard of excavation on account of the overburden actually proving to be harder, having a greater rock content than he originally thought. That we did not admit.

That, of course, would have increased the total contract sum and there would then have been a case—we have had them before—for reference to the Treasury.

Chairman.

5539. Sir Donald, what do you think the legal position was? Did you take a view on it?—(Sir Donald Fergusson.) No, I did not. As we were not going to pay more than the sum we had originally contracted for, we took the view that it was reasonable to correct a mistake made in converting that into contract terms by overstating the amount of coal that would be in the site. We simply took that as a reasonable modification to make in all the circumstances. We did not take a legal view as to whether or not we could have stood by the actual terms of the final contract documents.

5540. On paragraph 49, Sir Donald, the Ministry of Agriculture has got power under existing legislation to compel a farmer to farm his land in accordance with the rules of good husbandry. Why, then, was it necessary to make these payments to secure agreement to use the residue of a holding satisfactorily for agricultural purposes?—I think that was, perhaps, more a matter for the Ministry of Agriculture than for me, but the position as I understand it was this, that it was felt that the compensation previously paid to the tenant was too low, it was based on the Compensation Act scale in the war, the wartime Compensation Act scale, and it was felt that more should be paid to the tenant. I imagine that the Ministry of Agriculture was anxious that in the case of a tenant who had had part of his holding taken away for opencast purposes he should continue to farm the rest of his holding to the best of his ability notwithstanding the interference of the opencast operations. It was, I think, more a matter for them than for this Department.

5541. On paragraph 80, can you say approximately by what percentage selling prices increased in the period shown by this Table, 1941 to 1951?—I could not say that offhand, I am afraid.

5542. Do you happen to know, Sir Frank, from your investigations?—(Sir Frank Tribe.) During that ten years I understand that the general average price of coal has about doubled. (Sir Donald Fergusson.) I cannot confirm it, but I should think that is about it.

5543. Am I right in supposing that the cost of deep mining was increasing more rapidly than the cost of opencast mining?—Well, I think two points might be made on that: in deep mining wages are a very large proportion of the cost, in opencast mining they are not, they are a smaller

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proportion of the cost. On the other hand, of course, in opencast to a greater extent than in deep mining each year that passes you are having to deal with more difficult sites, go down deeper and work more difficult sites. You have worked your easiest sites in the earlier years of opencast, and you are now having to deal with more difficult sites, and that raises the cost.

Mr. West.

5544. Does that indicate that you have had a complete survey, or were not surveys continuing?—Prospecting?

5545. Prospecting, yes, for the purposes of finding out areas some of which might be quite accessible and easily worked and some might be more difficult?—The prospecting, of course, goes on continuously, but a great many of the easiest sites, the shallowest sites to work, have been worked, and as I have reported to Public Accounts Committees on previous occasions we are now having to go down much deeper to get coal in the quantities of 11 million or 12 million tons a year, which means more expensive machinery and, therefore, raising costs and a greater amount of overburden. (Sir Frank Tribe.) Broadly speaking, in this ten year period I understand that the cost of extracting this coal has increased by less than 20 per cent., whereas the selling price for the product went up by nearly 100 per cent.

Mr. Benson.

5546. Can you give us the original cost per ton of coal when it was first started in 1941 and 1942?—The selling price?

5547. No, the extraction price?—The extraction price was 40s. 4d. and the selling price was 24s. 7d.

5548. And what was the extraction price in 1950-51?—In 1950-51 the extraction price was 43s. 4½d. and the selling price, 44s. 2½d. in other words, a profit of 10d. (Sir Donald Fergusson.) I should perhaps qualify what I said just now, I have not got the years before 1945-46 because before then the Ministry of Works was operating this and not the Ministry of Fuel and Power, but, in fact, the costs tended to decline from 1945-46 until 1949-50, and it is only since 1949-50 that costs of opencast have been rising.

5549. What was the lowest cost? That would be in 1948-49, would not it?—1949-50, I think. That was not the actual lowest, which was in 1947-48, but 1949-50 was 43s.

5550. What was it in 1947-48?—42s. 6d.

5551. The Comptroller and Auditor General said that in 1941 it was 40s.?—(Sir Frank Tribe.) I should have said, I am

afraid, the years 1941 to 1944, the first item in this Table, those three years.

Chairman.

5552. Just one question arising from paragraph 51: Previous Committees have been told that there were difficulties in the way of transfer of opencast to the National Coal Board and that it was really best for the Ministry to handle it rather than to hand over the responsibility. What were the reasons which have made the Department change its view on this?—(Sir Donald Fergusson.) I think that the main difficulties referred to previously were, if I may say so, difficulties of timing. The chief difficulty was that in the early years after nationalisation, vesting of the deep mines in the Coal Board, the Coal Board were very fully occupied with the problems of deep mining, and it was felt that in addition to their problems of getting deep mined coal they might not feel they would have been able to have got, perhaps, the maximum amount of opencast coal that we were getting by the Ministry dealing with it. But both the Select Committee on Estimates and, I think I am right in saying, this Committee, were urging us to transfer it to the National Coal Board as soon as we could, and I gave an undertaking to the Select Committee on Estimates, I think, that we would do that as soon as we felt it could be done without endangering production.

5553. I have two final questions on paragraph 52: Can you yet say what the final deficit on the Coal Charges Account is likely to be?—It will remain what it is now, Sir, which is approximately £28 million.

5554. When do you expect the account can be wound up?—I should hope it could be wound up fairly soon now. As I mentioned to the Committee in a previous year, we have certain legal liabilities and certain contingent liabilities in connection with pneumoconiosis. I hope we shall be able to get a settlement of that this year, in which case I think the account could be wound up.

Mr. Benson.

5555. Sir Donald, with regard to the replacing of surface soil, there are complaints, and always have been, that the fertility of the land when it has been reconstituted has been very largely destroyed. Have you made any tests as to that? Have you checked that up?—The responsibility of supervision of the work of restoring the soil rests with the Ministry of Agriculture, and it is thought that by current methods which have been adopted in recent years it is possible to avoid any appreciable loss in the fertility of the soil after restoration, but I think that that is a matter which

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[Continued.]

could hardly be provable within a few years. I think, if I may put it in his way, the people who say the fertility is damaged would say you would not be able to know whether that fertility has been damaged until you had had three or four years' experience of the working of the land after it had been restored.

5556. Of course, you have had many cases. Surely it is worth while testing as to how far this outcry has been justified?—I think it is quite certain, at least I think we can claim, that there are a great many sites which have been restored where the fertility has not been impaired.

5557. It might well be increased by good drainage?—Yes.

5558. But you have never taken any tests, you have never got the Rothamsted people, for example, to check up on that?—No, I think that would be more a matter for the Ministry of Agriculture. We insist on certain things being done by the contractors as regards the replacement of the soil and the like, and then the Ministry of Agriculture supervises the rest of the work that is to be done, and it is under their expert guidance on such matters as drainage and fertilisers, and so on, that that is done.

5559. On the other hand, it is against you that the outcry comes from the farmers?—Yes, but there is a total sum per ton set aside for restoration, out of which this work is done under the supervision of the Ministry of Agriculture. Though I might have been ready to express an opinion when I was at the Ministry of Agriculture some years ago, I do not think I ought to express an opinion on such a controversial subject for the Ministry of Fuel and Power, or not too definite an opinion.

Mr. Blenkinsop.

5560. Do I take it that the compensation which is paid is paid for the period of actual disturbance but there is no actual amount set aside for compensation for any possible loss of income after the restoration?—That is so. Compensation is paid under an improved scale recently devised to the farmer for disturbance and the loss of the use of his land for a period. A further sum is set aside for the purpose of restoring his land. It is probable that the landowner, if it is a question of a tenant farmer, would get that, and that is done under the supervision of the Ministry of Agriculture.

5561. But there is nothing specifically providing for any loss of actual crops and so on that may succeed even, possibly, after a term of a year or two?—No, that is so.

5562. Of course, these opencast operations have, as has been said, now been transferred to the National Coal Board. What numbers of staff have moved across to the Coal Board from you? Has there been an actual physical removal?—Yes.

5563. Or are they still working in the same premises?—We had a staff in certain premises in London, and we had a regional staff also engaged on opencast, and we have transferred that staff, and to some extent the premises, to the National Coal Board. As regards numbers, we have transferred 1,473 people, which exclude 761 industrial staff. That is to say, altogether we have transferred something like 2,200 people.

5564. Do I take it that there has been, in fact, quite a clean transfer over, lock, stock and barrel, of the staff?—Yes.

5565. And has the Coal Board, do you know, been able to absorb part of the work that was previously done by your staff by staff that they already had doing other non-opencast work operations, do you think? Perhaps it is a little bit outside your scope?—Included in the staff that we have handed over to the Coal Board are 146 established civil servants, mainly dealing with accounting and contract work, whom the Coal Board will be returning to us in due course when they have replaced them. I think, also, the Coal Board have in mind to use some of their own staff in the coalfields for prospecting and other work, but I do not know what arrangements they will make about that.

5566. I was just wondering whether they could possibly claim that they could run this work slightly more economically by using some of their existing staff, and to some extent you say that may be true, though it is only a minute amount?—I think there should be savings there, but I also think that another advantage of the transfer is that the Coal Board, I believe, have had in mind to do more prospecting in the coalfields where they are operating deep mines than, perhaps, they would have liked us to be able to do. If they have got it under their own control they can do prospecting there more easily than we could from outside.

5567. Could I just say, too, following up this question in paragraph 48 about the particular contract on which there was a revision, in fact, as I said before, this has proved to be probably the most successful opencast contract you have had?—I would not say that, but I would certainly say it was the biggest and certainly a very good one.

5568. That seems to suggest that provided you get really efficient machinery, even if the excavations are very considerable, you can get comparatively a low cost

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and may be able to meet some of the difficulties of the deeper working which you have now to face?—It does, of course, depend on having a big block of coal and of good quality, otherwise you cannot justify the use of such a big machine. You have got to sit on a big block of coal of good quality, I think.

Mr. Douglas Marshall.

5569. Going back to page xiv, paragraph 43, the first and the second paragraphs with regard to the original freight subsidies which were allowed and of which it is said in the second paragraph that they were still going on in the remote parts of South-West England and Scotland, but have now come to an end in September, 1951; was part of that necessary because the coal, instead of going its normal and natural route to Cornwall, for example, from South Wales, was hauled all the way down from the North of England?—May I ask Mr. Ayres, who handled this particular matter during the war, to answer? (Mr. Ayres.) That may have happened to a small degree, but the main cause was the increase in the sea freight rates for very small vessels. The Cornish ports only take very small colliers, and the sea freight rates for small vessels increased far out of proportion to sea freights generally.

5570. Some of the Cornish ports only take small craft?—Yes. We did not pay subsidies in one Cornish port, I think, at all, but the smaller ports certainly took very small vessels, and I think they would have been supplied with their customary Northumberland coal during most of the time.

5571. At the present moment is coal coming by sea to the smaller ports?—Oh, yes.

5572. The usage of those ports has increased again?—I think the volume of sea-borne traffic has remained fairly constant. I do not think there has been any diminution since the subsidies were removed. The rail freights, of course, are also very high indeed, for long hauls to Cornwall.

5573. But you see no increase from the natural routes of South Wales to the small Cornish ports?—I do not think there has been any material change since the removal of the subsidies.

Sir John Mellor.

5574. Sir Donald, I think you said, in paragraph 47, dealing with the *ex gratia* increase in the fixed price contracts costing £2½ million, that if that concession had not been made the contractors would have got rid of their plant. Were they under these contracts at any time free to break off, or

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had these contracts any definite duration?—(Sir Donald Fergusson.) No, they would have worked out the contracts they were on, but they would not have taken on any more contracts.

Mr. Peter Roberts

5575. Referring to the contracts by tender and discussion, paragraph 46, you said that the latest figures were that competition was 32s. 11d. compared to discussions, 31s. 4d., I think are the figures you gave for 1951-52. Could you tell us what proportion now those are to each other, the competition to discussion?—I can look them up. I have got them here. A large proportion of them arises from an extension of existing sites where you have got the machines on the sites. In 1951-52 16 were let in competition and 30 single tenders by discussion and negotiation.

5576. 16 to 30?—Yes.

5577. Going now to paragraph 50, at the end, where you are discussing the number of concerns which were making a profit or a loss in the September quarter of 1951, are you able to give us any figures which are the result of the new coal price increases of the spring of this year? Would you expect now that most of these which are working at a loss will now, if they are still continuing, be working at a profit?—I should expect that a number of them would, but some, of course, represent a pretty heavy loss. (Mr. Ayres.) We have had losses prior to the December increase in coal prices of the order of 10s. a ton or more, and the coal price increase was on the average about 5s. or rather less in the case of opencast coal.

5578. But some of these 67 are likely to move into this other category?—(Sir Donald Fergusson.) Oh, yes, certainly.

5579. Now, with regard to this Coal Charges Account, the Special Purposes Section, I wonder whether you could give us a little more explanation as to this figure of machinery which was taken over by the Coal Board, I understand, at £4 million, and of which again, as I understand it, £1½ million has been written off, so to speak, from the Coal Board's Account. Is that the position?—Yes.

5580. I would like to ask why that should be thought to be necessary?—A great deal of the machinery was brought over during the war for extensive schemes of mechanisation in the pits. A lot of these mechanisation schemes, as you will remember, were of an experimental character, and many of them proved unsuccessful. The price that the Coal Board paid was, of course, properly related to the current value of the

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[Continued.]

plant and machinery in the industry which they took over, but it would not have been reasonable, I think, to have charged them with the cost of unsuccessful experiments which had been made during the war with this machinery that had come over.

5581. But most of it is, in point of fact, a payment for actual machinery assets?—But some of the machinery proved to be not assets but white elephants. They were of no value.

5582. You say “at a valuation.” Who made the valuation?—(Sir Arthur Watson.) It was largely made by the technical officers of the Ministry acting in concert with the technical officers of the Coal Board.

5583. How far was it the technical officers of the Coal Board and the technical officers of the Ministry?—To a certain extent the same men were operating on both sides. Some of the technical officers of the Ministry went over to the Coal Board, others remained; a sufficient number remained to advise the Mines Inspectorate.

5584. The Treasury, I see, has sanctioned this?—Yes, the Treasury has sanctioned.

5585. Do I understand, Mr. Milner-Barry, that you were satisfied that the Coal Board when they made their valuation were not writing these things down too low?—(Mr. Milner-Barry.) We were satisfied that it was a fair settlement, yes.

5586. How did you satisfy yourselves?—The Ministry persuaded us. (Sir Arthur Watson.) They had a very long report of the negotiations at the time, a fairly full report. (Mr. Milner-Barry.) Yes, we went into it very fully.

5587. It means that the taxpayer has to pay £1½ million for machinery which on the face of it the Coal Board have still got?—(Sir Arthur Watson.) The taxpayer paid the money for the experimental work of war-time, really.

5588. How far is this related to the Capital Outlay Refund Scheme?—It preceded it. This started about 1942 and merged, so to speak, into the Capital Outlay Scheme in 1945.

5589. Is any of this money we are discussing here included in the Capital Outlay Scheme as such?—No, not included in the Capital Outlay Scheme as such. These schemes of capital assistance ran from 1942 until the Capital Outlay Scheme was put into operation in 1945, when nationalisation was approved in principle.

5590. The Ministry will get the capital outlay back 100 per cent.?—Yes, that is quite right, in effect it is part of the compensation payment.

5591. So this figure really relates to a period before that?—That is quite correct.

5592. You are satisfied that the Coal Board have not been pulling a fast one over you?—(Sir Donald Fergusson.) Yes. (Sir Arthur Watson.) The Coal Board say we put a fast one over them. (Sir Donald Fergusson.) It was certainly a very slow one they put over us, because these negotiations were very protracted. We had to satisfy the Treasury, and we therefore had very long discussions with the Coal Board on settling this figure

Mr. West.

5593. With regard to the contracts which have been taken over now by the National Coal Board, do any of those contracts provide for the Ministry supplying the machinery to be hired out to the contractors, and if so, has the machinery also been transferred to the National Coal Board?—(Mr. Ayres.) If I may answer that, the production contracts have never provided for the supply of a machine on hire or otherwise. We had separate hire contracts with contractors when we owned a fleet of excavators, but for three years prior to the transfer to the Coal Board we had been gradually disposing of that fleet to the contractors by sale, and we finished with very, very few indeed. The few that remained are part of the assets transferred to the Coal Board, and they carried with them whatever hire agreements were current at the time, but as a rule the hire agreements were only on a monthly basis. Very few production contracts nowadays are dependent on our machines.

5594. Because you had disposed of them to the contractors who were doing the work for you?—Yes.

5595. Which do you find the more profitable? Did you find it more profitable to hire out the machines?—No. The tendency of some contractors was, if I may say so, to flog our machines to death.

5596. With regard to the personnel who have been transferred to the National Coal Board, have any arrangements been made whereby any of them who are declared redundant are compensated for loss of office, or anything of that sort?—(Sir Donald Fergusson.) No, all our staff, except a small proportion of established permanent staff, were temporary staff on temporary contracts with us.

5597. How many of them have been declared redundant, have you any idea?—I do not know, I have not heard. They were all taken over by the Board on the 1st April.

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[Continued.]

5598. It was not a termination of engagement by you and a re-engagement by the National Coal Board?—Yes.

5599. So that you actually terminated their engagement and then the National Coal Board might or might not have re-engaged them, is that it?—No, I think I

am right in saying that they received by the same post a notice terminating their engagement with us and an offer of employment by the Coal Board. I think that is what happened.

Chairman.] That concludes our business for today. Thank you, Sir Donald.

The witnesses withdrew.

Adjourned till Thursday at 4 p.m.

THURSDAY, 19TH JUNE, 1952.

Members present:

MR. JOHN EDWARDS in the Chair.

Mr. Benson.
Mr. Blenkinsop.
Mr. Hoy.

Mr. David Jones.
Mr. Douglas Marshall
Sir John Mellor

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. P. S. MILNER-BARRY, O.B.E., called in and examined.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1950-51.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASS IX).

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CLASS I.

VOTE 4.

TREASURY AND SUBORDINATE DEPARTMENTS.

TREASURY MINUTE ON PARAGRAPHS 20-29, 81-83, 105-115, 107, 108, 109, 110, 111, 114 AND 115 OF THE FOURTH REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1950-51.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CLASS I.

VOTE 25A.

REPAYMENTS TO THE CIVIL CONTINGENCIES FUND.

CIVIL CONTINGENCIES FUND ACCOUNTS, 1950-51.

Sir BERNARD GILBERT, G.C.B., K.B.E., a Second Secretary, the Treasury, called in and further examined. Mr. N. E. YOUNG, C.M.G., M.C., Secretary and Comptroller-General, National Debt Office, called in and examined.

Chairman.

5600. Sir Bernard, I have nothing which I want to ask on the Revenue Departments Appropriation Accounts, Paragraphs 1-4 of the Comptroller and Auditor General's
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Report, or on the Civil Appropriation Accounts, Classes I-VIII, Paragraphs 1-8 of the Comptroller and Auditor General's Report, but I would like to ask a question on the Civil Appropriation Accounts, Class IX,

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[Continued.]

Paragraph 2 of the Comptroller and Auditor General's Report. I see from this paragraph that the overall percentage ratio of surrender to supply grant on the Civil and Revenue Votes rose very sharply in 1950-51 from 4.8 per cent. to 10.9 per cent. When the figure was as low as 3.2 per cent. in 1948-49, the Treasury witness then led the Committee to hope for even better results, and I think Sir Wilfrid Eady last year more or less apologised for his optimism. I would like to ask you what you think would be a reasonable percentage to expect?—(Sir Bernard Gilbert.) I find it very hard to say. 10.9 per cent. is a very high figure, we are very conscious of that. There is no single explanation of it. The biggest contributor was the Ministry of Food with, I think £121 millions, due to the fact that we were not able to buy in 1950-51 the food which we expected that we should when the Estimate was framed. There are quite a number of large items outside food. There are one or two where we felt fairly confident at the beginning of the year that liabilities would have to be met and, in fact, no claim was made on those. There was about £5 millions for war damage in Malaya. There was a large loan to Burma on which no claim was made. In the American Aid Counterparts Fund only £400,000 matured in schemes out of a provision in Estimates of just over £6 millions. Then, besides that, there is another element which we have for many years tried hard to control with varying amounts of success, and that is the amount put in Estimates for an Estimate which is built up of an enormous number of relatively small items. It is common experience that when each individual scheme is assessed for Estimates by the person responsible, he naturally takes a fairly optimistic view of the progress he is going to make. When you get a lot of those schemes added together, the total is very much more than in practice is going to be spent. There are going to be accidents somewhere, but one does not know where and we do try on these Estimates to make fairly large cuts to try and bring them down to a realistic figure, but we failed rather badly, particularly on Colonial Development and Welfare where there was a saving of over £5 millions on about £16½ millions. 1950-51 was, in fact, a very difficult year. There was the switch-over in the middle of the year to rearmament, which affected some of the home Votes, and there were uncertainties in the foreign field, and in that situation I find it very hard to say just what sort of figure we ought to aim at. We ought to get very close on anything under our control at home, and I think we are improving, but with the uncertainties it is a question of making the best shot you can at the beginning of the year as to whether something will happen or not,

and there is no means of guaranteeing, I think, that one can get it right.

5601. Would it help, do you think, if we were able to establish trading funds for our big trading activities?—It would certainly have taken this £121 millions out of the Supply Votes and would help in that direction. We have, in fact, considered trading funds, particularly for the Ministry of Food, and there was a recommendation of the Crick Committee on that subject, but I think there are two reasons why it is not entirely appropriate to establish a trading fund for that: one is that I do not think we are quite clear just what the extent of State trading in foods is going to be over a period of years, and one would naturally want to legislate for something like a long continuing situation; and secondly, I am not sure that the underlying conception of a trading fund, namely, latitude to a Department to deal with it on primarily commercial considerations, is very easy to establish so long as there is a large element of subsidy going into the fund.

5602. May I go on to the Civil Appropriation Accounts, Class 1, Vote 4, page 13 onwards? On subheads C1 and C2, "Regional Boards for Industry", Sir Wilfrid Eady told last year's Committee that this expenditure was being watched. Can you tell us about the recent developments here?—They have been recently transferred to the Board of Trade, and they are no longer on the Treasury Vote.

5603. Have you transferred the whole of the staff?—Yes, the Board of Trade are doing it, they have merged it in their own work.

5604. You have not transferred Treasury staff?—We have not transferred Treasury staff; the Treasury people, certainly at Headquarters, have been merged in the rest of our office.

5605. Have any redundancies been created as a result of this?—Not as far as I know.*

5606. So, what you have done is that you have absorbed all the staff that were employed on Regional Boards into your ordinary Treasury work?—Yes, speaking of Headquarters staff. The regional staff, of course, goes with the work.

5607. You have transferred the regional staff with the work and you have absorbed all the Treasury Headquarters staff?—They are in other divisions of the Treasury now, yes.

5608. And no redundancies will be created as a result of that?—No, there is none.*

* Note by witness: Subsequent inquiry showed that in fact one officer became redundant on the transfer of work.

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[Continued.]

5609. On subhead H, "Exchange Control", this item represents well over a third of your expenditure on this Vote. It is, I suppose, costs incurred by the Bank of England?—That is so, they do this work.

5610. Have you any control over the use of manpower on this work? Have you any say in the salaries of the staff employed?—We have control over salaries in excess of a certain figure; any appointment above £1,500 requires Treasury sanction.

5611. Could you let the Committee have a statement analysing this expenditure? It is a big item to be unanalysed?—Yes, we could certainly send one in.* We get it in the form of a claim from the Bank of England and then it is itemised, if I remember rightly, into some seven or eight headings.

5612. I do not suggest you should give it to us now?—No, I have not one by me at the moment. I have seen one in recent weeks, and that is how it is arranged.

5613. Have you ever carried out or contemplated an investigation of this rather heavy charge?—No, we do discuss it with the Bank, but we do not investigate it. It is certified by their auditor as being in part on the usual basis for their claims but with, I think, a less charge for overheads than they normally make.

5614. I have got one question on the Treasury Minute on paragraphs 22 and 23 of the Fourth Report of last year's Committee?—That is the B.B.C.

5615. That is right?—Yes.

5616. I have seen from the B.B.C. Accounts for 1950-51 that they had increased their reserves in the year by a further £1½ millions. Could you say whether you have made up your mind about this: is the 85 per cent. grant indicated in the recent White Paper on the Future of the B.B.C. intended to be only enough to meet current year's requirements, or is there anything more provided for?—Our information is that with the 85 per cent. they will only just about make ends meet, and, indeed, may have to draw down their reserves.

5617. In that provision it was not your intention to give them anything extra above their normal current requirement?—No, certainly the effect is not to give them anything extra.

Chairman.] I have no questions on the Class I Vote 25A Account or on the White Paper, Civil Contingencies Fund Accounts.

Mr. Blenkinsop.

5618. Would you turn to the Civil Appropriation Accounts, Classes I-VIII, on page 14? There is a figure here for War Histories, salaries of the staff working on the War Histories. I think I am right in saying

* Information supplied; not printed.

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that that work is now gradually, not coming to an end, but is getting well on. Could you give me any information as to whether that is so, whether some of the work is now complete? We know some it is has been completed, and I take it that some of this work is rather tailing off now?—I am afraid I do not know what the full programme is. There are three volumes to be published in 1952, three more going to press in 1952, and five are in an advanced drafting stage. That is the civil histories. Then, on the military history, there is the Campaign in Norway to go to press in May, 1952, the first volume of France and Flanders to go to press this year, and four volumes in advanced drafting stage, so that progress is being made, but just how long the journey is I am afraid I have not by me.

5619. Just one point about it: where would any revenue be shown? We have heard that some volumes are already published on the civil side?—They would be appropriations in aid of the Stationery Office. They would be in Stationery Office receipts. (*Sir Frank Tribe.*) I believe they have just finished with the history of the 1914-18 war.

Mr. Blenkinsop.] I did not want to suggest that I was expecting any early termination of this, but I rather understood that some of the work of the staff was being completed on the civil side.

Mr. Douglas Marshall.

5620. I have two questions on the Treasury Minute on paragraphs 81-83 of the Fourth Report of the Public Accounts Committee. The last paragraph, *Sir Bernard*, states: "Favourable opportunities should occur to transfer some of the long or undated stocks into shorter-dated securities". Why were they in undated stocks?—(*Sir Bernard Gilbert.*) I think the Treasury direction was given a long time ago, that the Commissioners for the Reduction of the National Debt should invest the Commission's funds in, certainly, long-dated stocks.

5621. Undated stocks?—They were undated at the time, primarily having regard to the yield.

5622. Was it a Treasury direction?—What I had in mind was a Treasury direction of as long ago as about 1920, when the responsibility for these investments was formally placed on the Commissioners for the Reduction of the National Debt, and that was in the terms of long-term stocks.

5623. On paragraph 110, "Participation in Hotels and Holiday Resorts", the Treasury Minute says: "My Lords agree that this type of development should be carefully watched". Is that still going on?—(*Mr. Milner-Barry.*) The one in the Bahamas, I understand, has not been

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Mr. N. E. YOUNG, C.M.G., M.C.

[Continued.]

abandoned, but it is not work going on in the form in which it was originally planned, but I am not quite up to date with the position. Anyway, the project has not been scrapped, I understand.

5624. What was the reason for the State starting hotel-keeping?—(Sir Bernard Gilbert.) I imagine it would be one of the objects covered by the general purposes of the Colonial Development Committee who have a wide range of activities open to them for the general development of the colonies. I am not sure that it is different in principle from Gambia eggs.

5625. One is food, and the other is quite different?—Colonial development is not limited to food.

5626. No, but is not it limited to a certain extent to production of some sort? I do not necessarily mean food, cotton or anything else?—No, I think it is any general revenue-producing activity, general development activity for the benefit of the colony. I have not the exact words of the Statute by me, but I am sure it is a fairly wide formula.

Sir John Mellor.

5627. I would like to refer you again to paragraphs 81-83. In paragraph 83 of the Report of the Committee of Public Accounts for 1950-51, I find the following: "Your Committee are surprised that so large a proportion should be of long date or undated". That is what Mr. Marshall referred to, but it continues: "They were glad to be assured that it was now the policy to put money available for investment into short and medium dated securities"—now, this is what I particularly want you to give your attention to—"and they hope that the Commissioners will watch for any favourable opportunities of transferring some of their present holdings to shorter dated stocks". Your answer to that in paragraph 3 of the Treasury Minute is, if I may take it half-way down, which I think will be fair: "My Lords accept this view, and They have, accordingly, already signified Their general approval of investment of new money"—I emphasise the word "new"—"in short and medium dated securities"?—Yes.

5628. What the Committee of Public Accounts desired to be done was for some of the existing long-dated and undated holdings to be transferred into shorter dated stocks. That is what they said, but in the Treasury reply they merely refer to the investment of new money in short and medium dated stocks. Will you comment on that, please?—May I refer you to the following sentence, which I think covers the position: "They similarly agree that if, before a suitable holding of such securities has been built up in this way, favourable opportunities should occur to transfer

some of the long or undated stocks into shorter dated securities, they should be taken in order to achieve a more balanced portfolio".

5629. What has been done about that?—We have in fact had a favourable opportunity and some £300,000 of the long dated securities have been realised. £80,000 was required for cash, and the remaining £220,000 has been re-invested in Defence Bonds, 1954-58.

5630. What did it come out of, what was sold?—3½ per cent. Conversion Stock and 4 per cent. Consolidated Stock.

5631. That is altogether a little over £300,000 of the longer dated or undated was realised?—Yes, of which £220,000 we re-invested in short dated, and £80,000 was used for cash.

5632. From the Committee's Report, at the end of paragraph 82 it appears that it was regarded as the intention then of the Treasury that they would like to reduce their holding of securities by £1 million or £2 million with a view to investment in land?—Yes.

5633. That you will find at the top of page 23?—Yes.

5634. So you have not gone very far yet towards the reduction of the order of £1 million or £2 million? I think you will agree with that?—Yes, that is so.

5635. In paragraph 2 of the Minute you say this: "My Lords consider that account must be taken of the fact that opportunities for investment in land are at present limited and seem likely to continue to be limited for some time. In consequence it is difficult for the Commissioners of Crown Lands to achieve their desired object of reducing the amount invested in securities". Why was it difficult to sell securities and buy land? There has been a fairly good market in land lately, has not there, a much better market in land than in securities, surely?—(Mr. Milner-Barry.) If I may answer the question, I think the difficulty from the point of view of the Commissioners of Crown Lands is to find land which will be a remunerative investment. I think they like to see their way to getting a certain yield on their money before they will regard it as a proper investment and I am not sure that they are not compelled by their Statute to do so.

5636. Do they regard the yield as more important than the security capital?—I could not say as to that, I am afraid, but I know that is the reason why they have not invested in land, that they cannot find remunerative investments.

5637. Would you agree, Mr. Milner-Barry, that whereas they have suffered very heavy losses on capital by maintaining these investments in long and undated

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[Continued.]

securities, they would have made a profitable investment, certainly from the capital point of view, had they invested in land?—I do not think I can answer the question. They might have done.

5638. You will agree they have made heavy capital losses by the investment in long and undated securities?—I have no doubt they have suffered the same depreciation as other investors.

5639. You will also agree that, in general, land has maintained its value relatively well?—Yes.

5640. And will you also agree that the investment in land is the proper business of the Commissioners of Crown Lands?—Oh, certainly, yes.

5641. Whereas investment in securities is not?—I think that would be agreed, yes. (Sir Bernard Gilbert.) They are supposed only to invest in securities pending suitable opportunities for buying land, which is their primary purpose.

5642. Sir Bernard, if you want to make a temporary investment because you cannot use your money in your proper business, is not the ordinary prudent thing to do to buy a very short dated security? Will you agree with that?—Well, I would agree with that if the opportunity for investing in your primary purpose is likely to come quickly, but they have been in possession of those funds for a long time and it has, in fact, been a long-term holding. Incidentally, on a point you made a few minutes ago, so far as the £300,000 which I said had been re-invested in short dated securities was concerned, that was in fact sold at a price higher than the buying price.

5643. Then, as that fortunate transaction was possible, why was not it carried further? Why was it limited to £300,000 when you have got £1 million to £2 million which the Commissioners of Crown Lands desire at some time or other to invest in land?—I think the answer is that the whole of the amount which could be realised at a profit and re-invested was in fact so realised. In other words, they regarded the fact that they could get their purchase price back as being the favourable opportunity for transferring it into something short.

5644. You mean, they only sell securities when they can sell them at a capital profit?—Sell them without a loss, yes.

5645. Meanwhile they have been watching their remaining long dated securities and undated securities falling away in value because they would not cut a loss, is that the reason? This is a very serious matter, Sir Bernard. Will you agree with me that the prudent thing to do, if you want to invest money temporarily in securities pending the use of it in your proper business, would be to put into very short

dated securities? Will you agree with that proposition?—Yes, certainly I agree.

5646. Will you agree that was not done by the Commissioners of Crown Lands?—Yes, I must agree with that.

5647. Will you agree that they have suffered very heavy losses in consequence, having regard to the present market value of those securities?—The present market value must be considerably less, yes.

5648. So, if they now saw opportunities to invest in land they could only realise their securities for the purpose at a very heavy loss? Will you agree with that proposition?—Yes, certainly.

Mr. Hoy.

5649. One small question on the B.B.C. You spoke about the 85 per cent. of the licence fees being given to the B.B.C., as you said, to meet the normal requirements. Of course, by normal requirements you also meant a certain sum for future development?—I think the 85 per cent., as I remember it, in the current year is only just now enough to meet their ordinary requirements and gave them nothing by way of addition to reserves.

5650. But in the ordinary requirements you also mean their investment as well, or development of television and so on? Surely that is included in the 85 per cent.?—(Mr. Milner-Barry.) I think so, yes. (Sir Bernard Gilbert.) Yes, I think it is.

Mr. David Jones.

5651. Just one question on page 13 of the Civil Appropriation Accounts, "Regional Boards for Industry". You said the whole of the Headquarters staff had been transferred to the Treasury. Could you tell us the size of that staff, in round figures?—It is under 20, Sir, 17, 18 or 19.

Mr. Douglas Marshall.

5652. Going back just for a moment to paragraphs 81-83, in answer to a question I asked you I understood you to say that it was under direction of the Treasury. I am not absolutely clear, was this investment in undated funds desired by the Commissioners of Crown Lands, the Treasury, or the National Debt Commissioners?—I wonder if I may ask Mr. Norman Young to answer that?

5653. Yes, certainly?—(Mr. Young.) That dated from 1921. There was a change in policy then, and it was then agreed between the Treasury and the Commissioners of Crown Lands that future investment should be in long dated securities and that continued from that date I think up to this. The National Debt Office has received requests from the Commissioners of Crown Lands to invest in long dated Government securities, I think, on every occasion, and when it comes to my turn give evidence

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before the Committee I would like to go into the general question of that perhaps a little further, but that has always been read in the National Debt Office as meaning that the money was not required for early re-investment in land and, in fact, of course there have not been opportunities; I do not think the Commissioners of Crown Lands have lost any opportunity which they regarded as a suitable one for investing in land at all from that time to this. I think Sir Osmund Cleverly's evidence before this Committee last year showed that they had bought all the land that it was proper for them to buy. I do not think they have been stopped from buying any land by the nature of their investments.

5654. Does that mean to say that from 1921, with the different Governments that our country has had between 1921 and 1952, the policy remained completely constant without any relation to any fiscal policy that any Government might in fact be carrying out, it was just a blind investment?—No, I do not think that would be quite a fair description of it. My recollection is that the position in 1921 was that there was already a substantial amount held short and available for purchasing land, that since that time the short holdings have not been reduced to a point at which it was thought necessary to replenish them, one of the reasons being that Sir Osmund Cleverly—I am really quoting from his evidence, because it really is his matter rather than mine—I think you will find in last year's evidence said that the Commissioners of Crown Lands had to part with a great deal of land to local authorities and so on, and were receiving large capital receipts in cash. Those, I think, cover the purchase price of any land which they thought it proper to buy, so that, in fact, they were covering the purchase of any land they thought proper to buy without realising any investment at all, and there are certain investments which they hold which could be realised without a loss for quite substan-

tial purchases of land. They have never reached a point at which they would have had to sell any investments at a loss in order to buy land, and they have never reached the point at which they did not in fact buy all the land they thought it proper to buy.

5655. I am sorry if I am confused, but I still cannot quite understand this. The chief objective of the Commissioners of Crown Lands investment policy is investment in the equity of land?—Suitable land, might I say?

5656. Suitable land at a proper value?—Yes.

5657. But in the equity of land?—Yes.

5658. Yet from 1921 to a date quite near to today a policy was carried out which divorced itself from the objective of equity and allowed itself either to deflate or inflate undated stock without any relation to its ultimate objective, as there was no date attached to the stock from the ultimate purchase of the equity of land?—I think the view taken by the Commissioners and the Treasury was that there was almost certain to remain a hard core of investments, that they would probably never be able to invest the whole of those funds in land which they regarded as suitable for the Commissioners of Crown Lands to hold. But there again, I am very much trespassing on Sir Osmund Cleverly's business. I do not like speaking for him, because I am speaking very largely from his own evidence of last year before this Committee.

5659. The original question which I asked Sir Bernard, and which you are replying to, is that a policy was laid down in 1921, and more or less without any deviation that policy was carried out right up to nearly the present day?—I think so. I think in 1921 it was regarded that there was quite enough liquid and therefore investment for yield was proper until the time came to change that policy.

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VI:1).

CLASS VI.

VOTE 12.

DEVELOPMENT FUND.

DEVELOPMENT FUND ACCOUNTS, 1950-51.

Mr. E. H. E. HAVELOCK, C.B., C.B.E., F.R.S.E., Secretary, Development Commission, called in and examined.

Chairman.

5660. I have nothing on the Development Fund Account in the Civil Appropriation Accounts, but I have a number of questions on the White Paper, Development Fund Accounts. I see, Sir Bernard, that

advances are made from the Fund to Government Departments, who treat the grants as appropriations in aid of their Votes. What are the advantages of this system?—(Sir Bernard Gilbert.) I think, Sir, as regards this, they are matters very closely

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[Continued.]

associated with the administration of the Department, but with a Development Fund flavour, and as the Act provides, the Government Department is in fact the administering agency for this particular part of the Development Fund.

5661. Do you think it is administratively economic to do it this way? May I put it this way: would the five Departments to which advances were made in 1950-51 have power to make the payments out of their own Votes?—(Mr. *Havelock*.) May I supplement what Sir Bernard has said? First of all, I think the purpose of the Act was, as Sir Bernard has said, to enable developmental and pioneering work and work which lay a little outside the ordinary run of Departmental expenditure to be helped in this way, and from time to time the Development Fund sheds off responsibility when things have reached a stage, if they do reach that stage, in which they could best be financed direct by the Vote. The really large example of that is that in 1946, voluntarily, the Commissioners suggested they should no longer be responsible for financing agricultural research, educational capital expenditure and the advisory services which they had helped to bring into being, because there was now an Agricultural Research Council and the Departments were also developing very rapidly the whole advisory and educational service. But I feel that you have the advantage of the advice of an impartial body like the Development Commissioners on schemes which are largely either experimental or which have to be handled in a rather informal and, perhaps, not quite usual way.

5662. But the fact that the Commissioners gave advice would not prevent, would it, the Departments just bearing the cost out of their own Votes instead of this arrangement by which you have advances from the Fund for purposes which could be borne quite properly, if I understood you aright, on the Departmental Votes?—I am afraid I did not quite follow that.

5663. If I may put it in another way, I can see that there are advantages in outside Commissioners giving advice. What I am doubting is the desirability of having the Fund which then has to make advances to Government Departments when those Government Departments could equally well bear the cost directly on their own Votes?—I can only say, as far as the Development Commissioners are concerned, that I do not think they could give advice unless it were in connection with an application for an advance from the Development Fund. I think the whole purpose of the Fund as shown in the Act was to create a special and additional sum which would be available for this kind of experimental purpose and, of course, as you see, not only Government Departments but a large number of other agencies can be applicants.

5664. May I press the thing a little further? I do not understand how you prevent advances to other bodies from overlapping the work of other Departments? Take, for instance, Peterhead Harbour, which is an Admiralty concern and has a special Vote to itself, or take the Rural Community Councils, which certainly are the concern of the Ministry of Agriculture and Fisheries, in part, I should have thought?—There certainly can never, in my humble judgment, be a possibility of overlapping because the Act requires that on every application the Commissioners should receive a report from the Government Department or Departments concerned. They are not bound by that report, but clearly the object is that the Commissioners may know the general lines of Government policy within a Department, and may have the benefit of any expert advice which it can give to them. As you know, at Peterhead by no means the whole cost of improving that harbour ever falls on the Admiralty. There is no other source in that case, except the Development Fund, known to me from which advances can be made for the improvement of similar harbours.* In the case of Rural Community Councils, I am not aware that the Ministry of Agriculture and Fisheries at the moment has any power to help Rural Community Councils. I think the advantage, even if they had such powers, in dealing with those bodies is that they are rather informal bodies which require a good deal of close attention from people who have wide interests in the country and see this kind of activity, such as the Commissioners have, and that there are continuing advantages in aid being given to them from the Fund, but I think I am right in saying that there are no powers at the moment whereby the Agriculture Department could help them.

5665. Could you tell me what Department sponsors the Century Theatre and the Mobile Theatre Ltd.?—You mean which Department reports on an application?

5666. Yes?—In those two cases we have had reports both from the Ministry of Agriculture and Fisheries and from the Ministry of Education, and most naturally the Commissioners have kept in very close touch with the Arts Council. The reason why the financing of those two extensions of work was not left to the Arts Council was that their funds, as you know, are limited, and that they have had to adopt a policy whereby they were concentrating

* *Note by witness*: There is the Piers or Quays Fund administered by the Secretary of State for Scotland, but advances from it can only be made if the Local Authority contributes not less than 25 per cent. of the cost of a scheme. The annual rate of replenishment of this Fund is £3,000 and balances are retained.

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[Continued.]

very largely on repertory companies in the towns. The object of the Commissioners was to try and get travelling theatres which would give performances either in country towns or in villages which were not then being given at all on an experimental basis, not purely for entertainment, but, for one reason, because there is a large interest in drama throughout the villages and it seemed to the Commissioners to be a good thing that the villages should have an opportunity of seeing good professional acting. The whole thing was done with the support of and in consultation with the Arts Council, and of those two Departments.

5667. In the case of university payments of the various kinds, why are not the Commissioners' grants included in the list of grants and payments made by the Exchequer to universities and added to the Estimate of the Universities' grant in aid?—I thought they were included.

5668. You say they are?—Yes. Each year the University Grants Committee asks us for the list of grants, but they are, I think, all of them fishery research grants here.*

5669. Am I correct in assuming that the Development Commissioners can make recommendations, but the Treasury finally decide whether to make a grant or not?—I would like to put it in this way, if I may: the Treasury may not spend the Fund unless the Commissioners so recommend,

* *Note by witness*: During the last few years no direct request has been made by the University Grants Committee for a list of grants made to the Universities by the Development Commissioners. Arrangements are being made for the resumption of the practice of making such requests.

Mr. Havelock withdrew.

CONSOLIDATED FUND ABSTRACT ACCOUNT, 1950-51.

PUBLIC INCOME AND EXPENDITURE ACCOUNT, 1950-51.

FINANCE ACCOUNTS OF THE UNITED KINGDOM, 1950-51.

NATIONAL LAND FUND ACCOUNT, 1950-51.

Chairman.

5674. May we turn now, Sir Bernard, to the Consolidated Fund Abstract Account? I see that for the first time there is a foreword to this Abstract Account. A good deal of the Comptroller and Auditor General's Report seems to me to contain the kind of interesting but factual information which is now normally included in Accounting Officers' forewords. I wonder whether you would consider with the Comptroller and Auditor General whether

but the advances cannot be made from the Fund unless the Treasury sanction.

5670. How do you decide on the figure? For example, if you decide to give £20,000 to the National Council for Social Service, how do you settle that?—We first of all try to look at the whole range of our expenditure within the Act to see that we are allocating a reasonable proportion to the very varying purposes of the Act. We then consider the application as to whether or not it is a reasonable one, and whether the proposals are likely to make a good contribution within a field which the Commissioners are anxious to see expanded.

5671. Are industrial developments outside the scope of the Fund?—Industrial developments in the countryside are not outside the scope of the Fund, the words being "rural industries", but the Commissioners would not, I think, feel that if a steel works, on a very large scale, were put out into the country that they should attempt to do anything about it. The words in the Act are "the economic development of the United Kingdom", but we have been advised that those words must be governed by the whole sense of the Act and the words that go before, so that broadly speaking they relate to agricultural, rural industry and fishery development.

5672. Do you operate in development areas?—I should need to look at the boundaries of development areas, but, for instance, you see Gwyrfaai District Council here, where we recommended an advance for putting up a small factory unit; that was done because it was not within a development area and it was felt not desirable to bring it within an area.

5673. What determines whether you make a loan or a grant?—The whole circumstances of the applicant.

a change on these lines should be made in future years in respect of this Account?—(Sir Bernard Gilbert.) Namely, if I have got it right, that most of the information recited in the Comptroller and Auditor General's Report should be in the Accounting Officer's?

5675. It should be in the foreword. You have got a foreword which says singularly little?—Certainly, we will. I do not know whether the Comptroller and Auditor General minds having his fire stolen, but

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[Continued.]

we can discuss it with him. (Sir *Frank Tribe*.) I have felt for a long time that this Report of mine is unlike most of my other Reports. It does not, for the most part, contain anything of a critical nature, but contains facts or figures which are, I think, of interest to Parliament but which, under modern conditions, are more frequently given in the Accounting Officers' forewords. (Sir *Bernard Gilbert*.) We will certainly look into that.

5676. May we go on to the Finance Accounts? I understand that the form of the Finance Accounts has been slightly changed as a result of the Crick Committee Report. Would you care to indicate the changes?—I have not anything like a full list of the changes made. We have given a number of the previous years' figures on pages 6, 7, 8, 9 and so forth, on the left-hand side of each page. We have taken out shillings and pence, as a minor change. We would be very happy to let you have a note showing you what we did accept out of the Crick Report in this sense.*

5677. On pages 72 and 73, dealing with this business of guaranteed loans, the Committee is a bit concerned about the growing total of contingent liabilities resulting from guarantees given under various Acts. The statements of guarantee laid before the House immediately after they are given do not always state the amount involved. Would it be possible and desirable to give at least the estimated amount involved for the better information of Parliament so that we could measure the growth of contingent liabilities?—I think we have always taken the view that the best way to do that was to give the full statement, which we do, here in the Finance Accounts, where you have it all before you. I would suggest that a statement to Parliament as each guarantee is given does not really give you the complete picture unless somebody is keeping the score, as it were.

5678. On the National Land Fund Accounts I see that the Fund is selling to other Departments some of the properties it acquired this year. What determines whether a property is sold or merely transferred?—The Act gives us power to dispose of any properties we take in payment of death duties almost in any way we think proper. At an early stage we had to consider just what we would do with properties offered to us which were of interest to ordinary Government Departments, and we felt that if there was a Department which normally bought land as part of its activities, say, the Forestry Commission, which is a clear case—

Sir *John Mellor*.

5679. Or Crown lands?—Or Crown lands—if we then used the National Land Fund to give it land without charge, we

* Information supplied; not printed.

should in fact be supplementing the provision made by Parliament through Votes through the back door and be open to challenge. We thought the right course was simply to use the free transfer machinery of the Act for bodies like the National Trust or Youth Hostels Association, and possibly special cases, but where land was of interest to an ordinary Government Department for an ordinary purpose we should require them to pay for it from their Vote, which, of course, in fact ought to mean that there is no reason really for the intervention of the National Land Fund, because the vendor is obviously willing to sell, it is a voluntary act of offering to the Government, there is no difficulty about price because it is generally the death duty valuation, and therefore if the Department really wants the land it could buy it by agreement in the ordinary course. These things do come through the National Land Fund occasionally, and there are just these one or two cases where we have passed them on. There is one, I think, transferred to the Ministry of Works, and there is a Scotch estate where part of it has been transferred to the Forestry Commission.

Chairman.

5680. Why has payment by the Commissioners of Crown Lands been deferred?—They were not entirely happy about taking over this at this stage. Lord Portman was anxious that it should be maintained as a single entity; it is a very attractive estate, I am told, I think, in Wiltshire. He wanted it kept all in one piece, we could not find any suitable body to manage it in one piece except the Commissioners of Crown Lands; it was not really suitable for the National Trust.

5681. Who is getting the revenue?—The Commissioners of Crown Lands.

5682. Are they paying any interest or rent?—Not at the moment, no. It is left that, I think it is in five years, we are going to consider what payment they should make.

5683. Do you expect to recover the £120,000 odd which you paid for the estate?—We shall recover some of it, but I understand that Lord Portman himself ran this estate at a loss. It was not revenue-producing in his hands.

5684. Does that mean that you think in that way Crown lands will get the property for less than you paid for it?—They may well do, and I do not think it is unnatural because this house is valued as a large house, but once it has come into State hands and is used as a show property as in the case of properties coming to the National Trust, its revenue-producing properties are very much more limited.

5685. What was the point in doing it? What was the real justification for buying

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[Continued.]

the estate?—That it was an attractive house worthy of preservation.

5686. Purely to preserve public amenities?—Yes.

5687. Is that the only reason that the Fund acquires property?—It is the main sort of property that comes along.

5688. Finally, there is a very large accumulating balance in the Fund. You are not even spending the interest, and you are now recovering most of your expenditure. Do you anticipate heavy expenditure in future?—I do not quite know what to say to that. You may remember that this £50 million was provided in the Budget of 1946. I think, and the use of that money to pay for land taken in payment of death duties was provided for in the Finance Act, but that in fact was as far as we could go in a Finance Act within the scope of the Act. The then Chancellor undoubtedly had other ideas in mind as to future uses of this Fund to be dealt with in future legislation, but, of course, events have worked out rather differently. The Town and Country Planning Act has given power to control land without purchase, National Parks have now come along and are under management by the Parks Commission, again without the purchase of the land, which in 1945 and 1946 was thought to be an essential prerequisite to control, and we shall have to think carefully at some time what to do about this £50 million. I think it is quite obvious that it will be an ever-increasing fund if it continues to be limited to surrenders of land in payment of death duties. There is one possible use for some of the Fund which is under consideration, and that arises out of the Report of Sir Ernest Gower's Committee on the Historic Mansions, but that would not run through anything like £50 million.

Mr. Blenkinsop.

5689. Following up this point on the National Land Fund, in addition to the possibility of use for the purpose you have mentioned with regard to estates of special national interest and buildings as mentioned in the Gower Report, it has been suggested in the past that the Fund might be used for purposes in connection with National Parks and accommodation for National Parks, and so on. If that were to be done, I take it

that it would require further legislation?—Oh, yes, we have no power to use this Fund except under specific Statutes, and the only Statute at the moment is the one enabling us to pay death duties.

5690. That is absolutely the limit?—That is the absolute limit of our powers on this Fund.

Sir John Mellor.

5691. With regard to this property, Lord Portman's estate, the Comptroller and Auditor General in his Report says: "This property of 3,800 acres, which is predominantly agricultural", and so on. I should have thought at the present moment agricultural land with possession usually runs to about £100 an acre or something of that order, but even taking £50 an acre for the 3,800 acres, one would get a value of £190,000 quite regardless of the value of the mansion. It seems to me that it could be managed at a profit, surely?—The actual value at which it was taken was £120,000. It was 3,376 acres and 400 odd acres of woodland, the mansion and a number of cottages. My information is that this estate was, as I said, run by Lord Portman at a loss, and the Commissioners of Crown Lands think that it will be only in time, as they can make economies in expenditure, that they will be able to make it pay. Their expectation is to get a return of about £2,000 a year out of it.

5692. They think they will be able to?—Yes, but it will take time. It has got to be reorganised and economised.

5693. What is the house being used for now? You say it is a large house?—I am afraid I do not know.

5694. It is occupied or unoccupied?—I do not know. I could inquire and let the Committee know.

5695. I do not think we need trouble you?—I think Lord Portman had himself left it and was living in a smaller house on the edge of his estate at the time, but we did look round; it was not a house suitable for people like, say, the Youth Hostels, and the National Trust did not particularly want this one.

5696. It could not be put to any useful purpose as far as you know?—Not so far as I know, no.

TREASURY MINUTE DATED 8TH NOVEMBER, 1880, ON THE REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1880 (SESSION 2).

Chairman.] May we turn to the last item under the heading of the Treasury, the Treasury Minute of the 8th November, 1880, on the Report of the Public Accounts Committee of that year? We have had circulated the letter to the Clerk to the Com-

mittee from Mr. Milner-Barry.* If there are any questions I would like to take them now. Has anyone any question on this? If not, may I take it that the procedure here outlined is approved?

(*Agreed.*)

* Not printed.

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1950-51 (CLASSES I-VIII).

CLASS I.

VOTE 14.

NATIONAL DEBT OFFICE.

Sir BERNARD GILBERT, G.C.B., K.B.E., and Mr. N. E. YOUNG, C.M.G., M.C., further examined.

Mr. O. J. PHILLIPS, O.B.E., F.I.A., Assistant Comptroller, National Debt Office, called in and examined.

Chairman.

5697. May I begin, Mr. Young, by asking you a few questions on the Class I, Vote 14, Account of the National Debt Office? What is the relationship of the National Debt Office to the National Debt Commissioners?—(Mr. Young.) It is the Office of the National Debt Commissioners, but the Commissioners have not functioned as a body for over ninety years, and since that date it is recorded that their functions have been exercised by the Comptroller General.

5698. Who appoints the Comptroller General?—The appointment of the Comptroller General, he being an accounting officer, has to be approved by the Prime Minister but he is appointed by the Commissioners.

5699. And who are the Commissioners?—The Commissioners are a very august body, including Mr. Speaker, but I think for the purposes of the Committee the active quorum of three are the only ones that need to be specifically mentioned here. They are the Chancellor of the Exchequer, the Governor of the Bank of England and the Deputy Governor of the Bank of England.

5700. Are all the Commissioners *ex officio*?—I think, all.

5701. Do they ever meet as a body?—They have not done so for over ninety years.

5702. Are they paid any fees or allowances?—No.

5703. Can one find a list of the Commissioners in any book of reference?—Oh, yes, I can give the Committee a list of them.

5704. Is it in the Imperial Calendar, for example?—I think so, yes, I think they are in it, and, I think, in Whitaker. (Sir Frank Tribe.) I have searched both those volumes and I have not been able to find them. (Mr. Young.) I beg your pardon, Mr. Chairman, I am told they are not in the Imperial Calendar.

5705. Just as a matter of interest, what is the complete list?—The Speaker of the House of Commons, the Chancellor of the Exchequer, the Master of the Rolls, the Lord Chief Justice, the Accountant-General of the Supreme Court, the Governor of

the Bank of England and the Deputy Governor of the Bank of England.

5706. Now, to come more completely to your work of the investments you handle, can you give us a rough estimate of the proportion which relates to funds which you deal with on behalf of some other Department, like, for example the Insurance Funds or the Hospital Endowments Fund?—The division which I make is between the funds which are trust funds and the funds of which the beneficiaries are wholly covered as to capital and income by a Consolidated Fund guarantee. There are only a very few funds in the latter class; there is one big one, the two Savings Banks Funds, and one or two small ones, the Supreme Court Deposit Account and the County Courts Fund. All the rest are funds for which I regard myself as in a position of trust and as responsible to do the best that I can for them in making investments.

5707. Can you put any figures on that?—The total is above £4,500 million. Of that the Post Office and Trustee Savings Banks Funds are very nearly £3,000 million, so that two-thirds, roughly, are funds which are wholly guaranteed by the Consolidated Fund and the rest are trust funds. Much the biggest of the trust funds is the National Insurance Fund, the two funds, the National Insurance Fund and the National Insurance (Reserve) Fund, but there are a great many smaller funds.

5708. What is your exact relationship to a Department like the Ministry of National Insurance?—It would depend on the exact wording of the Statute, but what I regard as the normal relationship is that which is laid down in the Statutes regulating my relationship to the National Insurance Funds, that is to say, it is the business of the Minister and his Department, who manage the funds, to decide what funds he has available for investment, and when he has so decided to hand those funds over to me for investment with—I do not think this is a statutory requirement, but it is an essential requirement if I am to do my work properly—the fullest information possible about the purposes for which the fund is required and the dates on which the capital is likely to be required and the relative importance of income and of preservation of the capital in the fund.

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[Continued.]

5709. If there were a difference of opinion, for example, between you and, say, the Ministry of National Insurance as to whether funds should be invested in undated securities, who has the last word?—I do not think that the actual investments are the concern of the Department, normally. I think it is for the Department to tell me exactly what is wanted and then, I think, the whole responsibility for the investment lies with me. Obviously, it would be most improper for me not to invest in such a way as to serve the purposes of the Fund as explained to me by the Department responsible for the policy.

5710. Which Minister then, in that case, would in your view be responsible to Parliament for the way in which the funds had been invested?—I do not think it is a single Minister, because the National Debt Commissioners, though they include one and only one Minister, are not, I think, competent to act by less than a quorum. I think that the people responsible are the Commissioners as a body, or more effectively the three active Commissioners who in practice form the operative quorum. I think that is the correct answer.

5711. Could you give us a rough estimate of the proportion of new money invested which is handled by your Department?—It varies very much, Mr. Chairman. As you know, until quite recently the National Insurance Funds were receiving very large accretions of new money; the amount that I had to invest on their behalf was of the order of £140 million a year. That was altered as from, I think, the 1st October last, and the expectation which is set out in the Government Actuary's Reports on the state of the Fund is that, I think, the amounts will only be of the order of £25 million in the current financial year, £22 million in the next financial year, and minus £18 million in the next. That does not, I think, include the Industrial Injuries Fund. The Industrial Injuries Fund is a steady inflow of £250,000 or more a week, I think. That is a fairly substantial one, but it is nothing like the order of magnitude that the Insurance Funds were before. As regards the Savings Banks, the other big one, it depends entirely on the progress of saving. In recent months at least, the Post Office Savings Bank has been rather losing money. The Trustee Savings Banks have been gaining slightly, or holding their own, but a good deal of the loss on the Post Office and a good deal of the reason why the Trustee Savings Banks have not increased more has been that money has been transferred into Savings Certificates since the better terms offered on them.

5712. When you are mentioning "losses", you mean a decline in deposits?—Yes, what I mean is a decline in moneys actually with

me, but they follow so closely that it is practically the same thing.

5713. It results from a decline in deposits?—Yes.

5714. If you had a case like, for example, the last B.E.A. issue, where it was said that over two-thirds of the £150 million was not taken up, and one of the periodicals, "The Banker", I think it was, was saying that Departments were obliged to take it up, in what sense is there any function which you perform in relation to such an issue as that?—I wonder if I might give rather a long answer to that, because I think I could really best answer that by going into the thing a little fully?

5715. Yes, I think we would be interested, because it is the kind of operation which is at the kernel of this matter?—May I start with my general contacts with the Treasury? The most important thing in respect of which it is desirable that my policy on behalf of the National Debt Commissioners should not unnecessarily diverge from the general financial policy of the Government is anti-inflation. There is in every Budget approved by the House in recent years a definite provision for withdrawing money from circulation and so counteracting inflation. If, for instance, when the Trustee Savings Banks have collected £15 million, or some sum, and sent it to me for investment, I give that direct to the Government Broker and say: "Go and invest that on the market in such and such securities", that money would be available again for expenditure and so the anti-inflationary effect of the saving would be neutralised. It is, therefore, important if possible that I should invest the money in such a way as not to cause inflation or to counteract anti-inflationary measures. The way in which the Savings Bank funds, which, as the Committee knows, are subject to special considerations, are dealt with, is that I do not regard it as my duty to invest the moneys at once. I regard it as being quite proper for me to keep that money which comes in until there is an opportunity to invest it in a way which does not cause inflation. There are various ways; one, of course, is when there is a new issue and there is a possibility of my subscribing initially to a new issue. Another is that there may be a special issue: on occasions, many of which the Committee will be familiar with, there have been issues which perhaps would be too small to be worth making a market issue and which have been issued direct to the National Debt Commissioners. Scottish Hydro-Electric has been one, and British Airways has been another. Another way is by the issue by the Treasury to me of a terminable annuity. In fact, there are several ways of that sort in which it is possible for me to invest without causing

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inflation. What happens when a new issue, to come to your specific question, is in contemplation is that the Treasury consult me. They inform me in confidence of the sort of issue that is going to be made and they ask me how much, if any, of that issue it would be suitable for me to take up for the funds I control. Besides the Savings Bank Funds, now we come on to the trust funds. With regard to trust funds, there used to be a specific obligation on me to invest the moneys coming in as soon as might be in appropriate securities. There is no longer any specific direction, but I still regard it as my duty to invest them at once. There is, of course, an obvious dilemma sticking up because it is my duty to invest them at once. If, on the other hand, I invest them on the market, which may be the only place where the suitable securities are available, I should be going counter to the anti-inflationary policy of the Government. The way that has been resolved is that I buy for the Savings Bank Funds not only what I require for them, but I also use them as a reservoir from which I can sell securities to the trust funds, notably the National Insurance Funds. So, when the Treasury tells me there is going to be a public issue and asks me how much of it I require for my funds, I do not take into account only what the Savings Bank Funds themselves require, I take into account also how much I want to fill up the reservoir in order to be able to sell currently to trust funds what I know they will require. So that I keep in the Savings Bank Funds a reservoir of securities suitable not only for them but also for the trust funds and sell them to the National Insurance Fund currently. That is to say, the new money collected by the National Insurance Fund does not go out on to the market and have an inflationary result, but the Savings Bank Funds are used as the source from which they can buy currently. In that way I am enabled to invest trust fund moneys immediately without running counter. That, if I may say so, seems to me a rather good instance of what I regard as the proper *raison d'être* for the consultation between me and the Treasury. It is that I should be in possession of information which would enable me as between two alternatives equally beneficial to the trust funds to choose the one which is less antagonistic to general Government financial policy.

5716. Do you in any sense undertake any underwriting?—I am not sure what the definition of "underwriting" is, but I think that the proper answer to that question is that I may tell the Treasury that I would like to have £X million of a new issue, a new issue which is suitable for the Savings Bank Fund, and also for filling up the reservoir to feed the other funds, but it may be that it may not be convenient to

let me have as much. I may not be able to get as much as that. In that sense I think it would be correct to say I have underwritten the difference between what I have got and what I would like to get.

5717. You do not get any commission?—No. I am sorry, I think I did get commission from one of the nationalised industries, not an underwriting commission, no, it was only a commission on the applications bearing the banker's stamp. I think I earned commission because the Bank of England put in for me and they found that they had got the commission. I get no underwriting commission as such.

5718. Who are your brokers?—The Government Broker.

5719. Does the Government Broker simply carry out your instructions or does he advise you and the Commissioners on policy?—He does not advise me on policy, he advises me on the state of the market. The sort of thing that very often happens is that I say to him that I want such and such securities, and may give him a list of three, and he says: "Well, you can scratch one of those three right off, I cannot get that; I cannot get it without bidding the price up in a way which I am sure you would not want, but as regards the other two, I can probably get the amount you want if you do not mind me taking two months to get it, or something like that, without disturbing the market".

5720. Does he get the usual broker's commission or is his £2,000 for that purpose?—No, he merely gets the £2,000 a year which I do not think covers his expenses.

5721. One final point, and we are very grateful for the way you are explaining this to us: in the Crick Committee Report, paragraph 147, a view was expressed that an annual report of the operations of the National Debt Commissioners embodying material at present scattered in various publications would be useful, but as far as I know the recommendation has not been accepted. I wondered if you or Sir Bernard would tell us why that recommendation has not been accepted?—I think the decision was taken by the Treasury in consultation I think, with my predecessor. I believe it was just before my time that that came up for consideration.

5722. Can you say why?—I do not know if I know quite all the reasons. I know some of them. For one thing I think that the years are different and it would be extremely difficult. The Trustee Savings Bank year, which is the accounting year for the "Fund for the Banks for Savings," ends on the 20th of November; the Post Office Savings Bank year on the 31st December, and many other funds go with the financial year. I am not briefed about the total of the reasons. (Sir

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Bernard Gilbert.) I do not know the total of the reasons, but I think they are also influenced by the fact that a comprehensive statement of all the activities of the National Debt Commissioners might be rather an unfortunate thing to put out in the sense that it would enable people perhaps to form their own judgments as to what was going on and what was likely to happen.

5723. My reading of the paragraph did not lead me to suppose it was suggested that anything should be put out that is not already put out. It is merely that it is in so many different places and it would be rather a convenience to have it in one place? As I understood the Crick Committee that is all they were proposing?—(Mr. Young.) Then does not my difficulty about the dates come in? (*Sir Bernard Gilbert.*) I was thinking it was a question not of a statement of the funds at a particular date but a history of the transactions over the year and of the operations.

5724. I thought it only meant bringing together in one place what was to be found all over the place. I do not know whether you have got that, Sir Frank?—(Sir *Frank Tribe.*) The final sentence of the paragraph was: "It would in our view"—that is, the view of the Crick Committee—"be well worth while to consider the publication by the Commissioners of an annual report, in which would be embodied at least the data concerning their operations which at present are issued in scattered papers appearing at irregular dates."

5725. If you have anything further to say about the reasons perhaps you will let me have them?—(Sir *Bernard Gilbert.*) Perhaps we may look at it? It was before my time, too, on this particular work.

• Sir *John Mellor.*

5726. You say the active Commissioners are the Chancellor of the Exchequer and the Governor and Deputy-Governor of the Bank of England. Do they give you instructions?—(Mr. Young.) Perhaps I should have said they are not spontaneously active. They are only active if I activate them. They are available for me to consult and for me to ask for decisions if I need them. It is comparatively rare that a decision on anything is needed because really the questions which arise, the difficult questions to my mind in investment, are to classify the funds to decide when the funds are going to be wanted. For that it is my business to discuss very fully with the Department administering the policy for which the funds are necessary, and once it is known there is very little difficulty about knowing how to invest. If you know exactly when the money is to be wanted you know exactly which security to put it in, and that does not really raise any question on which I need the guidance of my eminent quorum.

5727. That is a matter of matching the investments to the liabilities?—Yes.

5728. On that you discuss with the Department and have, no doubt, the advice of the Government Actuary, and so on?—The Government Actuary, I think, advises the Department. If I need actuarial advice the Assistant Comptroller, Mr. Phillips, who is here, is an Actuary and he is the Actuary to the National Debt Commissioners, so I do not go direct to the Government Actuary, but he does advise the Department. For instance, the Ministry of National Insurance use his advice a great deal and many other Departments do.

5729. So the quorum of the National Debt Commissioners, which we have mentioned, is really only a sort of Advisory Committee available if required by you?—Oh, no, they give decisions if I ask for them.

5730. On what occasions do you ask for a decision?—Well, I would ask for them if I felt myself incapable of deciding a thing myself.

5731. When was the last occasion you asked for a decision?—I have only been there 18 months.

5732. Were you there with Mr. Pinsent?—No, I was in the Treasury then. I succeeded him.

5733. Could you tell me from your knowledge of the Department, did Mr. Pinsent ever ask for a decision of the Commissioners?—I think he did, yes. I have not got the details in my mind. The way in which it is done is to send an identical memorandum to the three. Whether they consult together or not I do not know, but if an identical answer is received that is regarded as a decision of the quorum without any necessity for them to meet and, as I say, even the quorum has not met within living memory.

5734. In 18 months you have never had occasion to consult them?—No.

5735. I am afraid I did not quite get the name of the gentleman sitting behind you?—Mr. Phillips, the Assistant Comptroller of the National Debt Office.

5736. Mr. Phillips has been for some time in the Department, has not he?—Yes, I think for over 20 years.

5737. How long have you been in the Department, Mr. Phillips?—(Mr. *Phillips.*) I have been in the Department for 25 years.

5738. How often in 25 years has the Department had occasion to consult the quorum of the National Debt Commissioners?—I can only speak as from the time when I became Assistant Comptroller in 1945, because before that time I would not necessarily know when my chiefs consulted the Commissioners. but in that time I think

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we have consulted the quorum on about three occasions in those seven years.

5739. Can you recollect what the subject-matter was on the last occasion?—Yes, the last occasion was concerning the policy to be adopted by the Comptroller General in relation to the reporting to the Police of defalcations by officers of Trustee Savings Banks. The Comptroller General took the line that such offences ought to be reported, the Trustees in some cases did not agree, and the Comptroller General sought cover for his action in directing the Trustees to report them.

5740. Can you remember the other two occasions?—I remember one; one was the question of the rate of interest to be paid on a terminable annuity by the Exchequer to the National Debt Commissioners.

5741. Were the Commissioners ever consulted with regard to investment policy?—Not in my time.

5742. Of course, within your recollection. Have they ever volunteered any instructions or advice to the National Debt Office?—No.

5743. So except upon the two quite minor matters which you have mentioned—?—Well, the latter was a major matter, if I may say so. It was a question of the rate to be paid on a large loan to the Exchequer repayable by terminable annuities.

5744. Yes, that is certainly important, but the Commissioners have not really functioned seriously in the activities of the National Debt Office?—That is so. (Mr. Young.) They appoint the Comptroller General; that is one thing he cannot do for them.

5745. But having appointed him they leave him very much to his own devices?—Yes, but if he misbehaved himself I am sure they would not do so. He is undoubtedly under their control.

5746. Without for a moment contemplating that possibility, how would they know if he did misbehave himself?—I think what would happen probably would be this: supposing he misbehaved himself in relation to the National Insurance Funds, I think the Minister of National Insurance would say to the Chancellor of the Exchequer: "I am very sorry, after so many years' satisfactory relations with the National Debt Office, my Department are not now satisfied with what the Comptroller General is doing. Would you please take counsel with the Governor and Deputy-Governor of the Bank of England and decide whether Mr. Young is still a fit person to remain Comptroller General." That is the way I imagine it would arise; I trust it will not.

5747. On the 29th May of this year we were discussing the affairs of your Department with Sir Bernard Gilbert and he expressed the view, and he will correct me

if I do not put it fairly, as to why the Chancellor of the Exchequer was one of the active Commissioners for the National Debt. Perhaps I may take his own words. I asked him this question: "I now understand that you say the reason why the Chancellor of the Exchequer is a National Debt Commissioner is in order that Government policy may be represented in the investment of public funds," and Sir Bernard replied: "Well, it is in order that the investment of public funds and general Government policy may be kept in harmony with one another," and then I asked him: "Does that apply to both the investment of public funds as such and to the investment of insurance funds like the National Insurance Fund, which are really in the nature of trust funds?" to which Sir Bernard replied: "I think his policy has to be tempered on all these funds by reference to his responsibility to his clients."* You see his answer, and I think he will agree this is a fair summary, is that the Chancellor of the Exchequer is one of the active National Debt Commissioners in order to secure harmony—that was the word he used—between Government policy and the investment of national insurance and similar funds?—Would that not be satisfied by what I was saying just now about anti-inflationary policy? It seems to me that is very much the sort of thing Sir Bernard was referring to. (Sir Bernard Gilbert.) It is anti-inflationary and the other point Mr. Young has mentioned.

5748. You would agree with Sir Bernard about that?—(Mr. Young.) I would put my responsibilities more strongly than that. "Tempered" is not quite as strong a word as I would use. My primary responsibility is to the Trust Funds, but if consistently with that I can choose between two alternatives equally satisfactory to the Trust Funds, one of which is in consonance with general Treasury policy and the other is not, I would obviously prefer the first one, and I can only do that if I know what the general Treasury policy is in relation to the sort of operation I may be doing.

5749. You would not consider it right to have your investment policy on insurance funds so influenced by Government policy that it might be in any way disadvantageous to the fund?—Certainly not.

5750. If the Chancellor of the Exchequer is a member of the quorum for the purposes of securing harmony, as Sir Bernard said, is not it necessary for him to take a more active interest in the affairs of the National Debt Commissioners than he does?—Well, in fact he does not. What happens is that I ascertain what Governmental financial policy is, not from the Chancellor himself, though I have access to him at any time, but it has never, as I say, in the 18 months I have been at the National Debt

* Questions 5209-10.

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Office, been necessary to trouble him, but from the Treasury. The Treasury are perfectly aware of the constitutional position, and perfectly aware that I am consulting them about the Government financial policy without surrendering any of my own responsibility and independence as to the trust funds, and I can obtain all the information which is needed for any operation on my level from the Treasury. I can go as high up in the Treasury as I like; I can go to the Chancellor or I can ask Sir Bernard, but as a matter of fact I can usually get all that I want without troubling even Sir Bernard.

5751. Do you also consult the Governor and the Deputy-Governor of the Bank of England?—There also I do not usually go to the Governor or the Deputy-Governor. I would communicate on minor matters with the Chief Cashier, and I do as a matter of fact have a weekly meeting with one of the directors and the Chief Cashier. The Governor told me when I was appointed that, when he was Deputy-Governor, he thought the liaison between the National Debt Office and the Bank ought to be strengthened, and he then instituted this regular weekly meeting, and he said he hoped that I would be willing to keep it up, and I said I hoped I should be allowed to, because it is obviously extremely useful. So, once a week I see Sir Kenneth Peppiatt and the Chief Cashier and discuss with them anything which is of common interest to us.

5752. Now, a word with regard to the Government Brokers. They are paid a fixed fee of £2,000 a year?—Yes.

5753. That does not cover their expenses, does it?—I should not think so.

5754. Do you consider that a satisfactory scheme?—I think it would be for them to complain if they wished and they have not complained. I think perhaps the position of Government Broker is one not unattractive even to a firm of their standing and eminence. When I say they do not receive anything except the fixed fee I am referring to the main Governmental funds. I think it might well be that some of the consequential business does attract fees, but I do not know about that. Mr. Phillips may know more about that. (Mr. Phillips.) There are certain occasions on which we sell securities which are not really in the name of the National Debt Commissioners. For instance, if we are selling for the Hospital Endowments Fund a security held in the name of the Minister, ordinary fees are payable.

5755. The fact remains, on the business which they get from the National Debt Office the Government Broker makes a loss?—(Mr. Young.) From the business they get from us in our name, yes.

5756. You say it is not an unattractive proposition to a firm even of the standing of the present brokers?—I was deducing that from the fact that they have not asked for more since the last time.

5757. You mean it gives them a prestige which is of value in their other relations?—I should have thought that was undoubtedly true, but I cannot speak for their motives.

5758. Do you think it a desirable proposition that you should employ brokers and give them remuneration which is inadequate even to cover their expenses and leave them to obtain some other advantage through having the cachet of being Government Brokers?—I think there are many instances of people who do public services of that sort and are very well content with the prestige which it brings them, even people who are also exercising a profession privately as well, but I have not considered this very carefully. I think as a matter of fact they are not only brokers to the National Debt Commissioners but they probably have also other official connections. I think they are brokers to the Bank of England but I have no knowledge whatever as to the arrangements they may make with them as to remuneration.

5759. You appreciate I am not casting the slightest reflection on the firm in question for one moment, or suggesting that this arrangement has not worked all right in practice. I was only asking whether you are not quite happy about the arrangement?—I shall remain quite happy unless and until I see any signs that they are not.

5760. You were saying, in order to avoid inflationary effects you have a sort of reservoir of money awaiting investment?—If I may just intervene for one moment, that is to avoid inflationary effects in investment of the trust funds. I avoid inflationary effects in the investment of certain funds by keeping the money until there is the opportunity of acquiring what they need for themselves as well as for the reservoir.

5761. In that way the money does not go on to the market?—No.

5762. You keep it off the market?—Yes.

5763. Do you think that is generally in the public interest? Let me just tell you what I have in mind; is not the trouble at the present time that the gilt-edged market is really no longer a free market as it used to be? It is difficult to do any transaction of any magnitude without negotiation?—I really think, if I may say so, you are getting on to something on which there are two objections to my answering. One is that the budget policy of taking money out of circulation as an anti-inflationary measure has been approved by Parliament, and I

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therefore must not criticise it. Secondly, any future policy in that respect is for the Treasury and not for me.

5764. I am not asking you to criticise Government policy with regard to inflation or anything like that at all, I am merely asking you as a question of fact at the present moment, or in recent years, the gilt-edged market is nothing like the free market it used to be? It is very difficult to conduct a transaction of any magnitude which has to be done by negotiation. Will you agree with that?—Yes, I think that is undoubtedly so.

5765. A broker cannot just go into the market and deal in large amounts of Government Stock at the present time?—I would not know very much generally about that. I would take the Government Broker's advice on particular matters.

5766. I think Mr. Phillips seems to show signs of agreement with what I am saying. My point is this: by withholding these funds from the ordinary market are not you contributing to dry up the market and would not it be perhaps more advantageous to the National Debt Commissioners and to the public generally, who wish to deal in gilt-edged stocks, instead of keeping this reservoir for use within the various funds you look after, if it all went through the market?—I think that the primary weapon for doing what you are suggesting would be the use of the Sinking Funds themselves which is decided by the Treasury. As you know, any sums applied in reduction of debt by the Treasury rank as expenditure for the purposes of classification of the old Sinking Fund, and therefore, as you know, do not reach me at all. The Treasury is responsible for the application of funds which would otherwise have become the old Sinking Fund, and that I should have thought was the way in which the objects which you are referring to would be carried out, and if so it is really entirely for the Treasury and does not come to me at all.

5767. May I finally ask Mr. Milner-Barry if he does not think it would be to the advantage of Government Departments and of the public generally and, indeed, the nation, if the gilt-edged market could be a freer market than it is now, as free as it used to be, and would not it help that freedom if these funds, when they had to be invested, all went through the ordinary market and the Stock Exchange?—(Mr. Milner-Barry.) I would really far rather pass that to Sir Bernard, if I may. (Sir Bernard Gilbert.) I do not know. In dealing with the Sinking Fund I think we have regard to the management of the whole of the debt, the various maturities in prospect, and so on. As regards this particular point of the funds, I should not have thought that the National Debt Commissioners putting their funds through the market would have had

very much effect in freeing it, because you get a contra-transaction very soon where you have then to borrow from the market for the moneys which are at present borrowed through the reservoir set up by the National Debt Commissioners. I think it is a simpler scheme as we do it now. That would seem to be the attraction of it.

Mr. Douglas Marshall.

5768. Before returning to one or two of the points that Sir John has asked, and he has covered the majority of the questions that I was going to ask you, if you take the National Insurance Funds which come under page vii, paragraph 9, and other papers referred to within that paragraph, how is one to know how these investments mature and what was the purchase price and what is the present price from this particular paper?—(Mr. Young.) In the paper for which I am responsible?

5769. The National Insurance Funds?—No purchase price is given in that one.

5770. All that is given is something that means nothing?—That is only a statement. Much fuller information is given in the accounts presented by the Ministry of National Insurance.

Mr. Douglas Marshall.] But is there any reason why that information is not also given in this paper? I do not see the purpose of the paper without further information.

The Chairman.] May I just intervene to say that I am proposing to consult the members of the Committee on this point arising from the question I put at a previous session when you may recollect that I cast doubts on the need for this paper since a much fuller statement was available later on. In fact, I hope to discuss that with the Committee before we adjourn today.

Mr. Douglas Marshall.

5771. If you have already got a note of that, Mr. Chairman, I can pass quickly from it to the general points. I could not quite understand the flow of question and answer over this particular point which I will try and express briefly: you are in control, presumably, of possibly one of the largest funds that you could possibly think of, £4,000 million?—That is the aggregate of the funds, over £4,500 million, yes.

5772. As far as I could gather from you, you said, dealing with certain of those funds, at any rate, the National Insurance Fund and the rest of it, that you tried to balance the point as to the security of the fund and the retention of its capital value, and yet at the same time carrying out more or less the financial policy of the Government in power?—I did not mean to give quite that impression. As regards the generality of the funds, there are many

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[Continued.]

of them, some of them quite small, the trust funds, and I regard it as my duty to do the best I can for them, but all the funds differ and every one of the funds has to be looked at separately in the light of its own circumstances. Some funds will be purely deposit funds, that is, funds of which the whole of the capital is going to be wanted out again quite soon in order to be spent as capital. For such a fund at one extreme, obviously, the preservation of the capital fund is the essential thing and the interest which can be earned is relatively unimportant. At the other extreme there are funds which I call pure endowment funds, funds of which one can say with confidence, or the Department administering can say with confidence, that the capital of this fund is not going to be withdrawn, and its capital is there to provide an income, and it is the income which is to be spent. For such a fund, obviously, the yield obtainable is the only thing one has to look at. Unfortunately, most funds are not quite as clear-cut as either of those two extremes. Almost all the funds come somewhere between the two and it is essential, in my view, to ascertain what proportion of the money in the fund is money which will be wanted out again unimpaired as to capital and what proportion of the fund, on the other hand, is there in order to produce an income, and the considerations on which one is going to divide up a fund into those elements are considerations in which generally the advice of the Department administering the policy which the fund finances is the absolute essential. Sometimes the considerations, of course, are purely actuarial. A fund for pensions for Dartmouth civilian masters, for instance—

5773. May I stop you for a moment, because I am not quite clear on this point: I gather from what you said that the governing body, if we may call them that for the moment, does not come into life unless motivated by you?—No.

5774. On the other hand you have a weekly meeting at the Bank?—And I have meetings with the Treasury, too.

5775. What I do not follow is this: If you have got your investment funds in a particular fund of which your investment, let us say for a moment, was purely directed to the security of the capital in that fund, how can you actually come to that conclusion if at the same time you were, let us say, withholding investment in order to help against an inflationary trend?—But I do not withhold investment of any trust funds.

5776. Forgive me, I want to stop you there again. If you are withholding large investment at any given moment, then that must have an effect as to when you may or may not be investing part of the moneys in another fund, nothing to do with that investment, because your action is in fact

affecting the market?—Of course, the effects of all investors on the market are influencing it. In investing for any particular fund I have regard to that fund and to its investments, but I am afraid I would not be competent to argue about the secondary effect of my investing Savings Bank money on the possibility the following week of investing something else.

5777. The reason I am asking you this is not just to get down to any particular point, but in order to discover a certain point which I am not clear about, and perhaps I have not made myself clear. May I exaggerate the point in order to make myself clear? Supposing that I myself as an individual had two interests, I had a certain fund which was rather small and another fund that was very large, and I had decided with the very large fund (I am exaggerating this point on purpose) to sell 3 million long-dated securities with the knowledge that I was going to buy with this other fund 10,000 long-dated securities. Now, if by any chance I operated with this smaller fund with the knowledge that I was immediately going to come in with this very much larger fund, one could not suggest that it was not going to influence the actual transaction?—But I would never go to the market for a transaction which I would do inter-fund.

5778. I do not mean that at all. Perhaps I will get back to the original point I am asking you, if that is not clear. I was not suggesting that that would happen, it is purely a question of effect. The point that I am asking you is this: In your view the different investments that are made for the different funds which you advise are done purely and simply for the retention of the capital with a reasonable approach as to the interest on the investment and no consideration is given to the monetary policy of the day by the Government of the day?—No. Investments for a fund are made in the interests of that fund whether the particular necessity of that fund is primarily maintenance of capital or primarily obtaining the maximum income, or a mixture of the two.

5779. Do they bear no relation whatsoever to the policy of the Government of the day?—No, the way in which they are related to the policy is, as I instanced, that I would buy for the National Insurance Fund from the Savings Bank Funds at the middle market price which, incidentally, of course, stops them pushing the price up against themselves, and not go to the market, having already filled up this reservoir so as to be able to do it.

Mr. Benson.

5780. I suppose you have read the Reports of the Public Accounts Committee for the last four or five years?—Yes.

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5781. You see there has been a very large amount of questioning on your policy of investment and on the Department's policy of investment?—Yes.

5782. Certain doubts have been raised within the minds of the Committee by it. You say, quite categorically, that, so far as the investment of the trust funds is concerned, you are guided almost entirely by the estimate the Department gives to you as to when the funds are likely to be called upon?—Yes.

5783. And that the Department takes the advice of the Government Actuary on the subject?—The Ministry of National Insurance does and some other Departments, I do not know which, but I think where there are actuarial considerations the Departments do take the advice of the Government Actuary, who is their Actuary.

5784. So, in effect, the decision as to longs and shorts in the Insurance Fund and other funds really depends on the calculation of the Government Actuary?—Yes. I would prefer not to put it as a decision between longs and shorts, but the decision as to the purposes to be served by investment. I do regard the investment itself as my responsibility.

5785. That has to be tempered to some extent by the state of the market?—Well, as I was saying, I do rather think that I make the investment of trust funds independent of the market so long as I can succeed in building up the reservoir to a certain height to enable me to satisfy all the needs of the trust funds by inter-fund transactions which are, of course, done at the middle market price, but it does mean, on the state of the market, except for the price obtained, there is no question about its being impossible to buy such and such an amount of such and such a security, if I have got that amount in the non-trust funds and if, as is the case, the Treasury has agreed that the non-trust funds may be used very, very liberally for the purpose of helping the trust funds. So, I think you really avoid difficulties of any inability of the Government Broker to obtain on the market the amount required of the particular security because I have already obtained it at a time when it could be obtained and can hand it straight over inter-fund at short notice within the office.

5786. Are the National Debt Commissioners troubled by hind-sight, for instance, so that they look back and say: "We made a great deal there," as for instance, when you bought Local Loans at 40 and cleared them out at 100?—I think I would say if ever we had to realise securities, yes, one would say, "Have we been successful in getting enough securities which could be realised, now the need has arisen, without a loss, have we adequately provided

liquidity for all the funds for which we are responsible?" If ever one had to sell securities which have depreciated very much, it would be a clear proof that we had not properly maintained liquidity of the fund and that we had failed. It might be because conditions had changed since we were given the estimate of requirements, but I would regard that as something of a blot on my copybook, and I would certainly be very unhappy if I did not think that all funds which may be required to be realised had got enough liquid securities to be able to do so.

5787. Has that ever happened?—I am not quite sure.

5788. For instance, at the present moment there has been what might be described as a catastrophic decline in national credit, in the last few months?—Yes.

5789. Would you consider selling your shorts and putting into longs in the hope of making a profit in future?—No, I think that would be speculation, which is certainly not my proper function.

5790. Do you attempt to estimate future trends and changes of values years hence?—I do not think really that I do, no. What I do is to try to find out, as I said, from the Department what they are going to want and when they are going to want it, and I try immediately to invest in such a way that, provided these expectations are somewhere near the mark, I shall be able to satisfy their requirements, or my successors will, in so many years' time, keeping a margin of safety, of course. If you look at the short holdings, for instance, of the National Insurance Funds, I think you will agree they are very much more than ample for their requirements.

5791. You are the largest holder of investments in this country?—Probably in the world, I think.

5792. And you have probably a bigger flow of funds to invest over any given period than any other investor?—That is very much less so now than it was a year or so ago. A year or so ago there was this very large amount of £140 million coming in every year from the National Insurance Funds. Now that has been damped down to something relatively unimportant by the changes last October. At the moment the Savings Bank Funds are going down a bit in the summer, when people draw out for their holidays, going up again a bit afterwards, but the changes are not spectacular. The Savings Bank's increased enormously between, say, 1938 and 1946, but at the present moment the flow is not great by past standards.

5793. Governments have differing policies from time to time. At one time, a few years ago, it was quite clear that the Government was trying to force the rate of interest down.

19 June, 1952.]

Sir BERNARD GILBERT, G.C.B., K.B.E.,

[Continued.

Mr. N. E. YOUNG, C.M.G., M.C., and Mr. O. J. PHILLIPS, O.B.E., F.I.A.

Quite recently it has been quite clear that the Government is definitely and deliberately raising interest, and that has affected capital values. Do you consider that it is your duty to take some account of what the Government policy is, or do you feel that if necessary you can run quite counter to and completely ignore the Government policy?—I cannot help taking account of what it is, because what it is has already had its effect, but I cannot regard it as part of my business to consider what it is going to be, because for the trust funds, which is what I am talking about now, I regard it as my duty to invest the moneys becoming available for investment forthwith. Up to about 1948 there was a specific direction in the Unemployment Fund Investment Regulations that the moneys becoming available for investment should be invested as soon as might be in the appropriate securities. That is no longer a specific instruction, but I regard it as part of my duty to invest them forthwith in the appropriate things. At one time, of course, I can obtain a larger income for a certain investment than at another. But when I have got to invest forthwith it is really irrelevant if subsequently I may do better. I would regard it as speculative to wait in the hope of doing better, because one might do worse, but if it is my duty to invest at once, then, really, the question does not arise.

5794. You bought the stocks that were known as Daltons?—Yes, or my predecessors did.

5795. What percentage of the total stocks known as Dalton's issue did you buy?—It was my predecessors who did, but I must answer for them, of course. As regards that part of the National Insurance Funds, which was the Health Insurance Fund, you are, of course, aware that there was an express instruction in the Act of 1911 that the National Debt Commissioners should give preference to loans issued for the purpose of financing housing, and that meant nothing but undated stocks in those days, i.e. Local Loans stock. When the Local Loans stock was repaid and 2½ per cent. Treasuries, 1975 or after, were issued, there was, of course, an opportunity for my predecessor if he disagreed with the policy which had under that instruction from Parliament been in force between 1911 and 1946, I think it was, to alter that. In fact, he did not; he thought it was perfectly right that a substantial part of these funds should be in stocks which gave the greatest yield, and that was then put into the 2½ per cent. Treasuries at a time when they gave the best yield that was obtainable.

5796. So that you have over a very long period dealt in undated securities?—Yes, undated securities as well as others.

5797. So, since 1945 there has been no change in that policy at all?—None, I think,

no. Undated securities have never been bought until a fund was adequately provided with liquid securities, and, of course, would not be, because there would be a risk of their having to be realised at a loss.

5798. Over many, many years the National Debt Commissioners have bought undated securities?—If you go back far enough, there was nothing else to buy, that is, if you go back 100 years.

5799. The National Debt Commissioners were first established in 1786, were not they?—Yes.

5800. In the whole of that period their funds have been steadily accumulating?—Yes, pretty steadily, I think. There have been some downs, but by far more ups, and Savings Bank funds, of course, have increased enormously.

5801. In other words, on balance you have had to do very, very little realisation?—On balance, very little, yes.

5802. Your problem has been accumulation rather than realisation?—Yes.

5803. So that you really have not lost anything much by capital depreciation?—No, very little, if anything. Mr. Phillips would speak more accurately to that. You did not mean book losses, you mean realised losses?

5804. Realised losses?—Little or nothing.

5805. You regard yourselves as long term investors?—For some parts of some funds, the whole of some funds and some parts of other funds.

5806. You are, broadly speaking, long term investors and your accumulations grow and grow?—Yes, very long.

5807. I presume you work on the basis that the fluctuations over a century work themselves out, providing you have adequate short term funds to meet any probable demands?—I think I would agree with that proposition, but I have just now said that I do not work on that assumption, I work on the assumption that I have got to invest trust funds becoming available for investment in the best way that I can at the moment they become available, but I would agree with that proposition.

5808. Of course, your investment for the trust funds is in the largest of the trust funds controlled very largely by the demands of the Government Actuary, is not it?—Yes, except, of course, that we have got now so strong a liquid position that it would have to be a very sensational reversal of previous estimates by the Government Actuary which would mean any very big change in the present policy.

5809. In other words, you have, and have had for some time now, all the liquid funds that you are likely to require unless some quite inconceivable catastrophe occurs?—

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[Continued.]

On all the important funds, yes. On one or two of the smaller funds I have wondered whether, perhaps, we hold quite enough. On one occasion I consulted with the Department and they consulted the Government Actuary, and they were quite satisfied that there was enough. It seemed to me to be small, and I wanted to be certain that they were quite sure that nothing was wanted to be realised. In one or two of the smaller funds, of course, it is a very narrow margin. The tiny one I spoke about a little while ago, the Dartmouth masters, there are so few of them that if you get three masters retiring you may find you have got to sell out something even at a loss, the alternative having been to play too safe for normal expectation and so not earn all that you could for them.

5810. Again, taking the broad general line of your investment now, the yield is really the most important factor of the lot, you have got all the liquid securities you require?—For all new investment, yes.

5811. So, in effect, by the logical situation you are more or less driven into long term securities?—If I am to do the best I can for the funds, yes, because I regard the best that I can do for the funds is to earn as much as I can for them consistently with perfect security.

5812. Have you ever known any case of a Government interfering, or the Treasury interfering, or a Chancellor interfering in such a way that you thought the Treasury was tending to sacrifice the funds, for the moment, shall I say, to Government pressure?—They could not, they have no power. I do not think that a single National Debt Commissioner has any power to give me instructions. I do not think that I would be justified in taking instructions which were not in complete accordance with what I believe to be the right thing for the funds from less than the quorum, and the Treasury could only speak for one National Debt Commissioner, if for him. As I said a little while ago, if there is a new issue, the Treasury or the Bank of England on their behalf will ask me how much, if any, of such an issue I regard it as proper for me to take for my funds. I would tell them, but they know perfectly well that it is my business to decide how much it is proper for me to take, and they have never in any way sought to interfere with my discretion in that respect.

5813. So, once again, putting it this way, your position generally is so liquid that, roughly, yield is the thing that you are after now?—On National Insurance funds, very much so. I cannot think at the moment of any other trust funds on which there is any reason to be dissatisfied with the liquidity of the shareholding. Can you, Mr. Phillips? (Mr. Phillips.) No. (Mr. Young.) I looked through all these funds,

of course, very carefully when I took over from Mr. Pinsent, eighteen months ago, and I came to the conclusion that they had been handed over to me in a very sound condition in that respect.

5814. So, fluctuations up and down of capital is not a matter really of any practical concern?—I regard fluctuations in capital value of something which is not going to be realised as something which is completely unimportant.

Chairman.

5815. If I understood you aright, you said it was your desire to insulate yourself as much as you could from the market, that you only went to the market if you had to?—I am not quite sure whether I said "desire." I said my practice had that effect and my desire was, if I could do so consistently with my responsibilities to the trust funds, not to do anything which was contrary to the Treasury Budget policy of avoiding—

5816. I did not mean that. In other words, you try to put ordinary market considerations, considerations which would affect the person going to the market to buy and sell, to one side. You try to do as much as you can within your own compass and only go to the market when you must?—Yes. That, I think, is a consequence of the anti-inflationary policy of the Government. If that were to change, if the Government were to decide that so strong an anti-inflationary policy were not necessary, that would no doubt change. That is predicated on the present policy of the Government.

5817. While you regard it as part of your public duty to prevent the use of your funds having any inflationary effect, you do not think it part in any way of your function to promote any Government financial policy as such, narrowly considered?—Well, I would just make a reservation on that. As regards the Savings Bank funds, I would regard the Treasury, who have given a guarantee in regard to principal and interest to the depositors who are my *cestui que trust*, as having a very great voice in any policy, and if in respect of these non-trust funds I was asked to do something which went a little beyond what I would have done in the sole interests of that fund, I might well agree to do so.

5818. In respect of the trust funds, there are no circumstances in which you would put anything higher than the interests of your beneficiaries?—No, I regard that as my primary interest.

5819. You have told us you have never had any political direction or political pressure, you have said that the Treasury are quite well aware that they cannot interfere with your discretion, but could you tell us whether the Treasury seek to influence your

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decision?—Well, when the Treasury ask me how much I am prepared to take of an issue, for instance, they would obviously say what they would like me to take, but they never suggest for a moment that I should do anything except answer them in accordance with my own responsibilities and on my own responsibility.

5820. You are absolutely satisfied that you have complete independence and that

nobody can really interfere with your operations, except a quorum of the Commissioners?—A quorum of the Commissioners, yes. No one else has power to.

5821. And no one in practice tries to?—No one in practice tries to.

Chairman.] That, then, is all we have to ask you. Thank you very much, Sir Bernard and Mr. Young.

The Witnesses withdrew.

Adjourned till Thursday, 24th July, at 4 p.m.

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APPENDIX 1

PAPER forwarded by *Mr. G. P. Humphreys-Davies* on 2nd May, 1952.

COST OF MARRIED QUARTERS FOR OTHER RANKS, ARMY AND R.A.F.

1. The Treasury have been asked to explain, in the light of paragraphs 16 and 17 of the Comptroller and Auditor General's Report on the Appropriation Account for Army Services 1950-51, and paragraphs 15 and 16 of his Report on the Air Services Account 1950-51, any difference which they may have approved in the standards of cost and construction of other ranks' quarters as between the Army and the Royal Air Force.

2. Standards for married quarters, including married quarters for other ranks, are the subject of inter-Service agreement and the approvals given from time to time by the Treasury have been on the basis that, apart from minor variations of design, there will be general uniformity between the Services for corresponding ranks.

3. Owing to the wide variation in site conditions and other local factors, it is difficult, and may be misleading, to try to arrive at representative "average" costs for housing. In recent years, therefore, the Treasury have given financial authorities to the Service Departments in terms of "costs within the curtilage", i.e. in addition to the cost of the bare house, the cost of such external services as are within the boundary fences, but excluding the cost of roads, water, sewerage, and other services outside the confines of the individual property.

4. In the case of other ranks' married quarters in 1951 the War Office had Treasury approval for a limit of cost "within the curtilage" of £1,750 and the Air Ministry one of £1,520. The difference between these two figures is not due to any appreciable difference in approved standards of construction, but mainly to the fact that the limit approved for the War Office was designed to provide, in the light of tenders then received, a reasonable maximum within which that Department could operate, whereas the Air Ministry did not find it necessary to ask for more than the working limit which they had found to be sufficient to cover the great majority of their cases on experience up to that time. The figures however took account also of a variation in practice in accounting for equipment installed in the houses to the value of £40-£50: the War Office included this figure in the tender price whereas the Air Ministry account for it separately. Both Departments were under an obligation to report periodically to the Treasury their actual experience in placing contracts against the approved cost limits and to seek authority specially for any case where it appeared that the limit was going to be substantially exceeded.

5. As regards the actual outturn of costs for other ranks' quarters, the Comptroller and Auditor General states in paragraph 16 of his Report on the Army Account that quarters completed by War Office contractors in 1950-51 averaged £1,875, including costs "outside the curtilage". The Air Ministry estimate their costs for the corresponding period at £1,800 per quarter including "outside the curtilage costs", but excluding the £40-£50 in respect of equipment referred to in paragraph 4 above.

APPENDIX 2

PAPER forwarded by *Mr. G. P. Humphreys-Davies* on 11th July, 1952.

ASSESSMENT OF RENTS OF MINISTRY OF SUPPLY HOUSES

1. At the session of the Committee held on the 12th June, 1952, the Treasury were asked to supply information on the question whether regard was paid by District Valuers in assessing the rents of Ministry of Supply houses to the proportion of houses subject to rent control in the neighbourhood. The Treasury were also asked whether there was any general principle in this matter.

2. The general rule hitherto followed in the assessment of Ministry of Supply rents, by agreement with the Treasury, is as follows:—

- (a) where, of all the comparable properties which are let in the locality those let by local authorities definitely predominate in number, the rent of the Ministry's property shall be assessed by comparison with the local authority's properties only.
- (b) Where, of all the comparable properties which are let in the locality those let by private owners definitely predominate in number, the rent for the Ministry's property shall be assessed by comparison with privately-owned property only.

(c) Where, having regard to all the comparable properties which are let in the locality there is a "good mixture" of local authority and privately-owned houses, the rent for the Ministry's property shall be assessed by arriving at a direct average between the figures obtained by methods (a) and (b) above.

3. Houses owned by Local Authorities, and included in the Housing Revenue Account which they are required to keep under Section 128 of the Housing Act, 1936, are excluded from the provisions of the Rent Restriction Acts, 1920 to 1939, by virtue of Section 3 (2) (c) of the 1939 Act. Where, therefore, the rent of Ministry of Supply housing is assessed by reference to Local Authority houses the question whether the comparable property is rent-controlled does not arise.

4. The 1939 Rent Restriction Act brought into control all dwelling houses which were let at the 2nd September, 1939, or were first let after that date, where the rateable value did not exceed £100 in London and £75 elsewhere. Since the rateable values of Ministry of Supply houses practically all come within these limits, the comparable properties with which comparison is made come within rent control under the 1939 Act. The controlled rent of comparable houses first let after 2nd September, 1939, would, of course, be at a rent obtainable at the date of the letting.

5. Where there is a sufficiency of lettings of comparable properties at recently assessed rents to indicate the state of the market the District Valuer would assess the rent by comparison with such lettings. But if, in the District Valuer's view isolated lettings in a scarcity market are unreliable for the purposes of direct comparison, he would take account of this in making his assessment.

APPENDIX 3

PAPER forwarded by *Mr. P. S. Milner-Barry, O.B.E.*, on 21st May, 1952.

TREATMENT OF BLOCKED CURRENCIES

1. One of the matters which I undertook at last Thursday's meeting to investigate was the accounting treatment of blocked currencies arising from the disposal of surplus stores or other assets abroad. I told the Committee that I was not clear whether such assets were brought to account immediately, or only as and when the blocked currency is spent.

2. It will be convenient to take two different categories of case, according to whether the blocked currency is an Exchequer asset (e.g. reparations, or the global settlement of war debts) or whether it is a departmental asset (e.g. an asset which, if held in the form of sterling, would be brought to account as Appropriation in Aid).

3. So far as the first type is concerned, we have recently laid down (in the case of proceeds arising from the sale of ex-German property in Japan) an accounting procedure which will serve as an illustration of the points which we regard as essential. It involves the following arrangements:—

(1) The appropriate H.M.G. representative on the spot (usually the Embassy) will deposit the blocked currency in the local bank.

(2) The Treasury Accountant will be kept informed and will record the assets and drawings.

(3) It is proposed that such assets should be recorded in the Statement of Estimated Assets in the Finance Accounts of the United Kingdom (pages 62-63 of the 1950-51 Accounts).

(4) A Department requiring the currency for its current needs will draw the amount required from the Government representative and will pay over to him the sterling equivalent. He in turn returns it to the Exchequer. (In practice, this roundabout procedure may be short-circuited, but this is what happens from a formal accounting standpoint.)

4. The second category covers the case of blocked currencies which are properly treated as departmental assets. These are not, to our knowledge, sufficiently numerous or standard in nature to necessitate promulgating an invariable rule of procedure. Normally, however, sums received in this way would be held in suspense until they are used. As and when they are used, we would expect the expenditure to be recorded in the ordinary way against the appropriate Subhead of the Vote, and the corresponding amount taken into Appropriations in Aid in reduction of the balance in the Suspense

Account. If the use of the blocked currency is by a Department other than that holding the Suspense balance, an interdepartmental transfer would be involved, the debit to the Appropriation Account appearing against the relevant Subhead in the Vote of the user Department, and the credit appearing in the Appropriation Account of the holding Department.

5. Provided these arrangements are followed, Parliamentary control over the expenditure of blocked currency should in our view be complete. The only difficulty which appears to arise from the Parliamentary point of view is that, where Suspense Accounts are involved, the Public Accounts Committee is not normally aware of the amounts held in suspense. This, however, is not a difficulty peculiar to Suspense Accounts which arise from blocked currency; the same point occurs wherever amounts are held in suspense. Nevertheless, the Committee is in a position to supervise the use of these balances to the extent that the Comptroller and Auditor General may draw the Committee's attention to any particular Suspense Account. He would, I imagine, regard it as part of his normal functions to see that, if stores are disposed of for inconvertible currency, the receipts accruing from the sales are credited to Suspense Account in precisely the same way as he would ensure that Appropriations in Aid or Exchequer Extra Receipts were credited if the proceeds of the sale were transferable in sterling. He would no doubt draw the Committee's attention to any case in which the balance appeared to have been used in a manner inconsistent with the principles which govern Parliamentary control over expenditure by Government Departments.

APPENDIX 4

EXTRACT from letter from Mr. *P. S. Milner-Barry*, O.B.E., relating to
Emergency Housing

Treasury Chambers,
Great George Street,
London, S.W.1.

19th March, 1952.

. . . In connection with the Minutes of Evidence of Day 9, which have now been returned to you, I thought the Committee might like to know that the Treasury remains of the opinion that the Ambit of the Vote as revised does what was intended of it—viz. it covers the provision of food in connection with the Rest Centres. The Ambit now ends with the words:—“. . . of the provision and improvement of housing accommodation, and of services in relation to emergency housing, in England and Wales”. In our opinion, the expression “services in relation to emergency housing” can, on a reasonable interpretation of the words, be held to include the provision of food. I do not suggest that any footnote to the evidence is necessary, but if you thought that one was desirable it could perhaps conveniently come in answer to Mr. Bossom's question at 1419, or to Mr. Peter Roberts' at 1397. It may be that the Committee will not wish to pursue this matter, but I thought it as well to let you know, in case they do so, our view of the position. Of course, as the Comptroller and Auditor General said, it is for the Committee to decide whether they are satisfied. . . .

APPENDIX 5

LETTER, with Annexes, from *Sir Edward Bridges*, G.C.B., G.C.V.O., M.C., in
amplification of Evidence given by him on 29th May, 1952

Treasury Chambers,
Great George Street, S.W.1.

24th June, 1952.

Dear Gordon,

I am returning the corrected minutes of my evidence before the Committee on the 29th May. Apart from a tidying up of the text, which I have done in manuscript, I enclose copies of four notes (Annexes 1-4), dealing with various subjects on which

either I promised the Committee further information, or some further explanation seems desirable to clear up misunderstandings. These notes deal with the Inland Revenue, the Admiralty, the Prison Commission, and the Board of Trade.

There is, however, one point arising from the evidence generally (particularly perhaps in questions 5174 and 5175) on which a note may be helpful.

It is the question of the reconciliation of, on the one hand, the judgment which was made by the Treasury of the number, be it 1, 2 or 500, by which each civil department might reduce its staff, and, on the other hand, the Department's own view of what could or could not reasonably be done. The Committee may be under the impression that the Treasury imposed on Departments figures by which they must reduce willy-nilly. It is true that the Treasury did give to each Department a figure by which it thought its staff should be reduced, the figure being the result of a judgment based on the Treasury's knowledge and experience of the circumstances of the Department. It is true too that the Treasury did its best to persuade Departments that it would be possible to achieve the reduction asked for, and to achieve it reasonably. But not only was it constitutionally open to Departments to protest and to ask for a revised staff limit, but there was in fact considerable discussion between Departments and the Treasury on the feasibility of the reductions asked of them. There would have been such discussion in any event, but it so happened that the time the cuts were proposed coincided with the period in which the 1952-53 Estimates were being prepared: as the reductions asked for affected the Estimate staff provision, this provided a natural, and indeed inevitable, opportunity for all Departments to put to the Treasury their point of view. In the event in a fair number of instances the cuts were reduced in this way—reductions were made in the cuts originally asked for from, for example, the Ministry of Health, the Ministry of Housing and Local Government, the National Assistance Board and Customs and Excise Department.

Yours sincerely,

(Signed) EDWARD BRIDGES.

C. A. S. S. Gordon, Esq.,
Clerk to the Committee of Public Accounts,
House of Commons.

ANNEX 1

INLAND REVENUE—VALUATION OFFICE

In question 5096 it was suggested that a saving of 1,300 staff in the Valuation Office (Rating Branch) was being made at the expense of increased expenditure of £1,000,000 on the employment of 1,000 additional outside valuers: and that from the national manpower point of view, the Civil Service manpower savings were largely illusory.

This conclusion might well be drawn from the mere comparison of the Estimates for 1951-52 and 1952-53. But it is not the true conclusion. The facts are as follows.

The difference between the staff provision in the Estimates for the two years does not reflect a saving of staff actually in post.

The 1951-52 Estimate provision for 7,906 staff was based on the best estimate which could then be made of the number of staff which would be needed (and which could be recruited) to deal with the current list work and to complete the rating revaluation by the statutory date 1st April, 1952.

In the event it proved impossible to recruit staff in these numbers: the staff in post expanded only from 6,201 on 1st April, 1951 to 6,548 on the 1st April, 1952.

The 1952-53 Estimate provision for 6,645 staff represented, therefore, not a decrease of 1,300 on actual numbers in post, but an increase of 97. It was based on

- (a) a revised estimate of the practical possibilities of recruitment;
- (b) the strong possibility of a postponement of rating revaluation.

At the same time the provision for payments to private firms was increased from £500,000 (reflecting the putting out of work to the equivalent of 700 staff) to £1,500,000 (reflecting the putting out of work to the equivalent of about 1,500 staff). This increased

provision for contract work was made, not in order to be able to show a reduction in the number of civil servants, but because of the inability to recruit sufficient civil servants to cope with the rising volume of work in order to carry through valuation.

The fact that the increase in fees payable in 1952-53 as compared with the previous year is larger, proportionately, than the increase in the outside staff employed is due to the method of payment of fees on an instalment basis.

ANNEX 2

ADMIRALTY STORES

In questions 5155 and 5156 it was suggested that the Treasury had imposed cuts on the staff of the Admiralty Stores Department, that protests have been made by the Admiralty, but with very little results.

There has been considerable discussion between the Admiralty and the Treasury on the total numbers of staff required by the Admiralty as a whole. The discussions have, however, been general and no specific representations have been made by the Admiralty about any possible loss of efficiency in the Stores Department in particular.

The question at issue has been, not by what number should the Admiralty staff be reduced, but what is the least number by which, over the Department as a whole, they must be increased.

The Treasury has recently suggested to the Admiralty a total figure which allows some small margin for still further expansion over and above that which has already taken place in the Department in the last twelve months or so. Discussions are about to begin on the detailed distribution between the various parts of the Departments of the total numbers proposed, and in the course of these discussions the needs of the Stores Department will be examined.

Meanwhile the three Departments of the Admiralty mainly concerned with stores have expanded as follows between the 1st January, 1952 and the 1st April, 1952.

<i>Department</i>	<i>1st January, 1952</i>	<i>1st April, 1952</i>
Stores	2,716	4,909
Victualling	571	658
Armaments Supply	1,806	1,943

ANNEX 3

PRISON COMMISSION

In question 5108 it was suggested that the Treasury had imposed a cut on the discipline staff of the Prison Commission. In question 5112 this suggestion was amended to a statement that there is pressure on the Prison Commissioners to cut their staffs. The facts are as follows.

At the end of 1951 the Treasury suggested to the Commission that a reduction of 50 might be made in its staff which then totalled just over 6,000. It was thought that a reduction of this order could be made in the Headquarters staff and in the non-discipline staff outside Headquarters.

It was always realised that the discipline staff could not be cut, and the 1952-53 Estimate makes provision for an appreciable increase in this staff, on the Commission's own estimate of the likely growth of the prison population.

The Commissioners went some way towards effecting the reduction proposed, but as soon as it became clear that the cut of 50 could not be made without reducing the discipline staff, the Commission's manpower limit was raised and no discipline staff were dismissed.

The prison population has on fact increased more rapidly than was expected and the Commission has recently been authorised to recruit additional numbers of discipline staff.

ANNEX 4

BOARD OF TRADE

In question 5151 it was stated that of the reductions made by the Board of Trade 25 per cent. of the cut was represented by cuts in the messenger staff.

Of the 72 posts saved in the Board of Trade between the 1st November, 1951 and the 1st April, 1952 11 were posts for messengers, the remaining 61 being made up of posts in the administrative, executive, clerical and sub-clerical classes. The savings included one post of Under Secretary (£2,500), one post of Assistant Secretary (£1,500-£2,000) and one executive class post on the scale £1,500-£1,900.

APPENDIX 6

EXTRACT from letter by Mr. *P. S. Milner-Barry*, O.B.E., relating to the Milk in Schools Scheme

Treasury Chambers,
Great George Street,
London, S.W.1.
8th February, 1952.

. . . As you know, the Committee of Public Accounts has for some time past taken a lively interest in the financial arrangements for providing milk in schools and Sir John Maud, Sir Frank Lee and I were all questioned on the subject last year in connection with paragraphs 108-109 of the Treasury Minute of the 4th January, 1951. The Committee were informed that it had been decided to transfer financial responsibility for the scheme from the Ministry of Food to the Education Departments, and that legislation would be necessary to effect the transfer.

In the light of the views which previous Committees have expressed on the subject, we think it is a matter of courtesy to let you know in advance that the proposed transfer of charge has now been considered by the Government, but that it cannot be carried out at the present time owing to the pressure of other Parliamentary business. . . .

APPENDIX 7

CORRESPONDENCE between the Chairman and Sir Wilfrid Eady, G.C.M.G., K.C.B., K.B.E., relating to the Ministry of Transport Trading Accounts

I

Treasury Chambers,
Great George Street, S.W.1.
7th February, 1952.

Dear Mr. Chairman,

I am writing to you in connection with the Trading Accounts of the commercial operations of the Ministry of Transport, which will shortly be before your Committee, to suggest for the Committee's consideration that little purpose would be served by the publication of a further set of accounts covering these operations after those which you will shortly be considering.

As you know, it is well established practice that, where a Department undertakes trading operations, the cash Appropriation Accounts of the Department should be supplemented by Trading Accounts drawn up as near as possible upon a commercial basis. Only in this way is it possible for Parliament to review, and if necessary criticise, the out-turn of these operations in the light of the real cost (or profit) to public funds. There is, of course, no intention of departing from this principle.

The case of the Ministry of Transport is, however, rather a peculiar one. There was always a certain amount of doubt about the necessity for submitting Trading Accounts of their commercial operations, for the reason that it has never been the

policy of the Ministry to continue to operate commercial vessels; on the contrary, the aim has been to withdraw from the business as soon as possible. This consideration might well have been decisive against the publication of Trading Accounts, but for the fact that, at the time when this matter was under consideration at the end of 1947, there was a prospect of operating a large fleet of some 300 vessels, under the European Recovery Programme, on Government account; these ships were to be obtained from the United States. In the upshot nothing came of this project, but by that time the decision to publish Trading Accounts had been taken.

During the years for which these Accounts have been published, viz., 1948-49, 1949-50, and 1950-51, the process of liquidating these operations has made rapid progress. In the trading year 1948-49 there were 279 ships in the Ministry's operation. By March, 1950, the number had dropped to 119 and by March, 1951, to 27. The number has since been reduced to 14 only. It is being further reduced.

In view of the small scale of the present operations, the Ministry have raised the question whether the time has not come to cease the publication of these Accounts. Our own feeling is that, while during the years in which they have been produced, the Accounts have certainly served a useful purpose, they have now exhausted their utility and there is no further justification for taking up the time of the Ministry with their preparation or of the Committee with considering them. The transactions affecting the Ministry's trading operations are segregated in their Appropriation Account, and with so few ships remaining in operation, we feel that members of the Committee can very readily raise any questions which they wish to do on the Appropriation Accounts. I have written to you in advance of Jenkins' appearance before you so that you may, if you so wish, pursue the matter with him or with the Treasury Officer of Accounts. I hope that the Committee will take a sympathetic view of our request.

Yours sincerely,

(Signed) W. EADY.

John Edwards, Esq., O.B.E., M.P.,
House of Commons.

II

House of Commons,

S.W.1.

23rd April, 1952.

Dear Eady,

I write to inform you that your letter to me of 7th February, in which you suggested the discontinuance of the publication of the Ministry of Transport Trading Accounts, was considered by the Public Accounts Committee yesterday.

The Committee have no objections to the course which you propose.

Yours sincerely,

(Signed) JOHN EDWARDS.

Sir Wilfrid Eady, G.C.M.G., K.C.B., K.B.E.
H.M. Treasury.

APPENDIX 8

PAPER forwarded by *Sir John Lang*, K.C.B., on 17th June, 1952

COSTS AND ECONOMIC RENTS OF NAVAL MARRIED QUARTERS

1. For the purpose of assessing the degree of subsidy attached to married quarters provided for service personnel, an assessment has been made of what might be regarded as a fair economic rent for an officer's Type V quarter and a rating's quarter.

2. In assessing the rent for a rating's quarter calculations have been based on the all-in capital costs of the houses of this type for the year 1950-51. No officers' married quarters were completed in 1950-51 and the rent for an officer's quarter has been based on the costs of a small number of officers' Type V houses built in 1951-52.

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These costs are based on tender prices and comprise the cost within the curtilage (including fittings and equipment items), external services (site preparation, gas, water, electricity, sewage, roads and paths, etc.), variations of prices (materials and labour), contingencies and welfare (of contract labour).

A rating's quarter in 1950-51 is estimated to have cost £1,912 and an officer's type V quarter in 1951-52 about £3,200. In addition the cost of land was about £20 and £45 respectively.

3. On this basis the following assessment of economic rent has been made:—

	<i>Officers</i>			<i>Other Ranks</i>		
	per annum			per annum		
	£	s.	d.	£	s.	d.
(a) Interest on capital cost of land and building at 3 per cent.	97	7	0	57	19	0
(b) Sinking Fund on capital cost of building at 3 per cent. over 60 years	19	12	0	11	14	0
(c) Maintenance estimated at 1½ per cent. of capital cost of building	40	0	0	23	18	0
(d) Rates included water rate (estimated)	35	0	0	20	0	0
(e) Management (estimated)	3	10	0	3	10	0
(f) Insurance at 1s. 6d. per cent.	2	8	0	1	9	0
(g) Furniture (estimated average)	85	0	0	45	0	0
Total	£282	17	0	£163	10	0

These figures take no account of voids which in present circumstances are practically non-existent; otherwise they provide for all the outgoings in respect of a fully furnished house.

4. The rents charged for furnished married quarters are for ratings 17s. a week or £44 4s. 0d. a year and for junior officers (i.e. those occupying Type V quarters) £100 a year. These rents include rates and water but exclude fuel and light which have to be paid for separately. Moreover, in the case of an officer, marriage allowance is reduced by £55 a year when his family occupies public quarters.

5. If these figures are to be taken as the basis for estimating the degree of subsidy it should be borne in mind that the Admiralty saves the cost of providing single accommodation to which all personnel are entitled without charge as a condition of service.

APPENDIX 9.

PAPER forwarded by *Sir George Turner, K.C.B., K.B.E., J.P.*, on 3rd July, 1952.

RENTALS OF ARMY MARRIED QUARTERS.

A. Subsidy Element in Service Housing.

1. For the purpose of assessing the degree of subsidy attached to married quarters provided for service personnel an assessment has been made of what might be regarded as a fair economic rent for an officer's Type V quarter and an other rank's Type B quarter.

2. In assessing rents for these quarters calculations have been based on the all-in capital costs of the houses for the year 1950-51. These costs are based on tender prices and comprise the cost within the curtilage (including fittings and equipment items), external services (site preparations, gas, water, electricity, sewage, roads and paths, street lighting), variations of prices (materials and labour), contingencies and welfare (of contract labour). An other rank's quarter in that year is estimated to have cost £2,065 and an officer's Type V quarter £3,674. The cost of land has been excluded in both cases as this element is difficult to assess and in any case is very small. Most building has been done on Service land purchased many years ago.

3. On this basis the following assessment of economic rent has been made:—

	<i>Officer's Quarter</i> £ per annum	<i>Other rank's Quarter</i> £ per annum
(a) Interest on capital at 3 per cent.	110	62
(b) Sinking Fund at 3 per cent. over 60 years ...	22·5	12·7
(c) Maintenance estimated at 1½ per cent. of capital cost	46	26
(d) Rates, including water rate (estimated)	35	20
(e) Furniture (estimated average)	85	45
(f) Insurance (at 1s. 6d. per cent. on capital cost)...	2·8	1·6
	301·3	167·3

4. These figures include nothing for management which is not identifiable and take no account of voids, which, in present circumstances, are practically non-existent. Otherwise they provide for all the outgoings in respect of a fully furnished house.

5. The rents charged for furnished married quarters are:—

For other ranks from £40 to £44 a year according to the size of the quarter and size of family and for the junior officer (i.e. one occupying a Type V quarter) £100 a year. Moreover, in the case of an officer, marriage allowance is reduced by £54 15s. a year where his family occupies public quarters. These rents include rates and water but exclude fuel and light which have to be paid for separately.

6. If these figures are to be taken as the basis for estimating the degree of subsidy the following points should be borne in mind:—

- (i) about 87 per cent. of the quarters were built before 1940 and an economic rent based on the capital cost of those houses would be very much lower than the figures set out in paragraph 3 above. Rents cannot, however, be varied according to whether a house was built pre-war at comparatively low cost or post-war at a much higher cost;
- (ii) the department saves the cost of providing single accommodation to which all personnel are entitled without charge as a condition of service.

B. Basis of Assessment of Quartering Charges.

The new Services pay code of 1946 was based broadly on the level of pay of civilians and it was decided that quartering charges for accommodation provided for officers and men should be fixed in relation to what civilians generally of comparable income would pay by way of rent. It was realised that if a charge were made calculated on the actual cost of the type of official quarter provided it would absorb an undue proportion of Service emoluments. It was also considered that regard should be had to the fact that quarters are allotted compulsorily.

2. To ascertain the rent which officers and other ranks would be likely to pay for accommodation obtained privately, recourse was made to the Massey Report*, which showed the result of a survey of expenditure of a sample of the middle classes and to the findings of an enquiry by the Ministry of Labour in 1937-38 respectively, to see what comparable civilians would expend.

3. *Officers.*—The Massey Report shows the proportions of weekly expenditure of a household spent on housing and other items in 1938-39 in various income groups. The following information was extracted from the Report:—

<i>Total Expenditure</i>	<i>Gross income required in 1938-39 to produce this sum</i>	<i>Expenditure on housing</i>	<i>Percentage of gross income</i>
£	£	£	
354	359	49	13·6
451	460	52	11·3
592	640	67	10·5
836	950	91	9·5

* The Massey Report was a Paper read by Philip Massey before the Royal Statistical Society in June, 1942, reviewing the expenditure of 1,360 British middle class households in 1938-39.

Applying percentages in step with the above to the gross emoluments of officers under the new pay code the following figures emerged:—

	<i>Gross Income</i>	<i>Housing Percentage</i>	<i>Result</i>	<i>Furniture Percentage</i>	<i>Result</i>
	£		£		£
Lieutenant (4 years)	618	10·5	65	6·0	37
Captain on appointment	728	10·0	73	5·5	40
Major on appointment	947	9·5	90	5·0	47
Lieutenant-Colonel	1,312	9·0	118	4·5	59

In order to conform with the "banding" of officers for allowance purposes, it was decided that Groups IV and V should be allotted to officers of the rank of major and below according to the size of their families irrespective of rank. On the whole it was decided that £70 a year (unfurnished) or £100 a year (furnished) would be appropriate; such rents to cover rates and water, but not fuel and light.

Larger quarters are generally allotted ex-officio and officers required to occupy them would normally spend much less in rent than the "fair rental" of the quarter. The quartering charges for Group III and larger quarters were fixed in relation to the rent of the smaller quarters as follows:—

<i>Type of Quarter</i>	<i>Normally allotted to</i>	<i>Rent</i>	
		<i>Unfurnished</i>	<i>Furnished</i>
		£	£
Group III	Lieutenant-Colonel	95	135
Group II	Colonel		
Group I	Brigadier... ..	110	160
Special	General Officer	120	175

4. Other Ranks.

The Massey Report did not cover civilians in income groups comparable with other ranks, but the following information was obtained from the Ministry of Labour enquiry in 1937-38:—

	<i>Average weekly income</i>		<i>Percentage spent on housing and furniture</i>
	s.	d.	
Industrial workers	86	3	15·9
Agricultural workers	57	11	10·7
Rural area workers	56	8	9·8
			Average (say) 13·0

Other ranks, except Warrant Officers, are allotted furnished quarters according to the size of their families. Applying this percentage to the average total emoluments of ranks up to Staff Sergeant (say 120s. a week) the soldier with an average family would pay for an average sized quarter (B type) 15s. 6d. a week. The scale of rents for other types of quarters was fixed in relation to this figure as follows:—

A Type	14s. 0d. a week
B Type	15s. 6d. a week
C Type	17s. 0d. a week

* Warrant Officer quarter (special type) 23s. 0d. a week

* These types of quarters are not now being constructed.

5. As indicated above the quartering charges cover rates and water, and furniture where applicable.

C. Furnished Hirings.

The following table contains a comparison between the maximum hiring rates authorised for furnished houses and flats and the quartering charges raised against military personnel occupying them.

<i>Hiring Charges</i> (Maximum Rates) <i>Furnished Houses and Flats</i>		<i>Quartering Charges</i> <i>Furnished (A.C.I. 739/51)</i>	
OFFICERS			
In London Allowance		Colonels in Command ...	} £135 per annum
Area 6 guineas per week		Colonels not in Command ...	
In selected expensive areas* 5½ " "		Lieutenant-Colonels ...	} £100 per annum
In all other areas ... 5 " "		Majors	
		Captains or Subalterns ...	
OTHER RANKS			
In all areas 5 guineas per week		Up to and including 1 child	15s. 6d. per week
		2 or more children ...	17s. 0d. "
		Warrant Officer, Class I...	17s. 0d. "

Footnotes :—

1. Hiring Charges cover rates and water but not fuel and light. The Officer or Soldier pays for his own fuel and light in addition.

2. *Average cost per hiring—financial year 1950-51—Officers* £229
O.Rs. £202

*3. *Selected expensive areas (5½ guineas).*—The special provincial higher rate for officers only is to facilitate the acquisition of suitable accommodation in expensive areas where the general level of rents is above the average, and where serious difficulties have already been met in finding hirings within the limits previously imposed. Such areas are selected by Headquarters Commands after consulting Command Land Agents and with the concurrence of Command Secretaries, and are notified to the other Service Departments.

Expensive areas selected by the Admiralty or Air Ministry are in turn notified to the War Office. Selections in these Departments are however made at Headquarters level as they do not have the equivalent of Command Secretaries. Their local land representatives do however consult Command Land Agents of the War Department before making recommendations to their respective headquarters.

4. *Effective dates of hiring charges.—*

£250 p.a.	ALL RANKS	31st March, 1949.	
£273 p.a. (5 guineas)	" "	20th August, 1951.	
£300 6s. 0d. (5½ guineas)	OFFICERS ONLY	7th March, 1952.	Expensive areas outside London
£327 12s. 0d. (6 guineas)	" "	7th March, 1952.	London allowance area

APPENDIX 10

PAPER forwarded by *Sir James Barnes, K.C.B., K.B.E.*, on 1st July, 1952

RENTALS OF R.A.F. MARRIED QUARTERS

(A) *Subsidy Element*

1. For the purpose of assessing the degree of subsidy attached to married quarters provided for R.A.F. personnel, assessment has been made of what might be regarded as a fair economic rental for an officer's Type V married quarter and an airman's quarter.

2. In assessing rents for these quarters calculations have been based on all-in capital costs of the houses for the year 1950-51. These costs are based on tender prices and comprise the cost within the curtilage (including fittings and equipment items), external services (site preparation, gas, water, electricity, sewage, roads and paths, street lighting) variations in prices (materials and labour), contingencies and welfare

(of contract labour). An airman's quarter in that year is estimated to have cost £1,900 and an officer's Type V £3,250. The cost of land has been excluded in both cases as this element is difficult to assess and in any case is very small. Much building has been done on Service land purchased many years ago.

3. On this basis the following assessment of economic rental has been made:—

	<i>Officer's Quarter</i>	<i>Airman's Quarter</i>
	per annum	per annum
	£ s. d.	£ s. d.
(a) Interest on capital at 3 per cent.	97 10 0	57 0 0
(b) Sinking fund at 3 per cent. over 60 years ...	19 18 8	11 13 0
(c) Maintenance estimated at 1½ per cent. of capital per annum	40 12 6	23 15 0
(d) Rates including water rate (estimated)	35 0 0	20 0 0
(e) Furniture (estimated average)	85 0 0	45 0 0
(f) Insurance (at 1s. 6d. on capital cost)	2 8 9	1 8 6
	£280 9 11	£158 16 6
(say)	£280 0 0	£160 0 0

4. These figures include nothing for management which is not identifiable and take no account of voids, which, in present circumstances, are practically non-existent. Otherwise they provide for all the outgoings in respect of a fully furnished house.

5. The rents charged for furnished married quarters are:—

For airmen, other than Warrant Officers, from £36 to £44 a year according to the size of the quarter and for the junior officer (i.e. one occupying a Type V quarter) £100 a year. Moreover, in the case of an officer, marriage allowance is reduced by £55 a year where his family occupies public quarters. These rents include rates but exclude fuel and light which have to be paid for separately.

6. If these figures are to be taken as the basis for estimating the degree of subsidy the following points should be borne in mind:—

- (i) About 50 per cent. of the quarters were built before 1940 and an economic rent based on the capital cost of those houses would be very much lower than the figures set out in paragraph 3 above. Rents cannot, however, be varied according to whether a house was built pre-war at comparatively low cost or post-war at a much higher cost.
- (ii) The department saves the cost of providing single accommodation to which all personnel are entitled without charge as a condition of service.

(B) Basis of Assessment

7. The new Services pay code of 1946 was based broadly on the level of pay of civilians and it was decided that quartering charges for accommodation provided for officers and men should be fixed in relation to what civilians generally of comparable income would pay by way of rent. It was realised that if a charge were made calculated on the actual cost of the type of official quarter provided it would absorb an undue proportion of Service emoluments. It was also considered that regard should be had to the fact that quarters are allotted compulsorily.

8. To ascertain the rent which officers and other ranks would be likely to pay for accommodation obtained privately, recourse was made to the Massey Report*, which shewed the result of a survey of expenditure of a sample of the middle classes and to the findings of an enquiry by the Ministry of Labour in 1937-38 respectively, to see what comparable civilians would expend.

* See footnote to Appendix 9 (p. 525).

9. *Officers.*—The Massey Report shows the proportions of weekly expenditure of a household spent on housing and other items in 1938-9 in various income groups. The following information was extracted from the Report:—

<i>Total Expenditure</i>	<i>Gross income required in 1938-39 to produce this sum</i>	<i>Expenditure on housing</i>	<i>Percentage of gross income</i>
£	£	£	
354	359	49	13·6
451	460	52	11·3
592	640	67	10·5
836	950	91	9·5

Applying percentages in step with the above to the gross emoluments of officers under the new pay code the following figures emerged:—

<i>Army</i>	<i>Gross Income</i>	<i>Housing Percentage</i>	<i>Result</i>	<i>Furniture Percentage</i>	<i>Result</i>
	£		£		£
Lieutenant (4 years) ...	618	10·5	65	6·0	37
Captain on appointment ...	728	10·0	73	5·5	40
Major on appointment ...	947	9·5	90	5·0	47
Lieutenant-Colonel ...	1,312	9·0	118	4·5	59

In order to conform with the "banding" of officers for allowance purposes, it was decided that Groups IV and V should be allotted to R.A.F. officers of the rank of Squadron Leader and below according to the size of their families irrespective of rank. "Fair rent" figures for these quarters estimated by the Controller of Lands, War Office, representing the probable rent which would be charged in the civilian market had to be reduced generally to arrive at the rents which officers would be likely to pay for accommodation of their choice within their means. On the whole it was decided that £70 a year (unfurnished) or £100 a year (furnished) would be appropriate; such rents to cover rates and water, but not fuel and light.

Larger quarters are generally allotted ex-officio and officers required to occupy them would normally spend much less in rent than the "fair rental" of the quarter. The quartering charges for Group III and larger quarters were fixed in relation to the rent of the smaller quarters as follows:—

<i>Type of Quarter</i>	<i>Normally allotted to</i>	<i>Rent</i>	
		<i>Unfurnished</i>	<i>Furnished</i>
		£	£
Group III ...	Wing Commander ...	95	135
Group II ...	Group Captain ...		
Group I ...	Air Commodore ...	110	160
Special ...	Air Vice Marshals and above ...	120	175

When marriage allowances were increased on 24th November, 1948, two scales of rates were introduced, the higher rate for married officers living out and the lower rate (3s. a day less) when in occupation of married quarters.

10. *Airmen.*—The Massey Report did not cover civilians in income groups comparable with other ranks, but the following information was obtained from the Ministry of Labour enquiry in 1937-38:—

	<i>Average weekly income</i>	<i>Percentage spent on housing and furniture</i>
	s. d.	
Industrial workers ...	86 3	15·9
Agricultural workers ...	57 11	10·7
Rural area workers ...	56 8	9·8
		Average (say) 13·0

Airmen, except Warrant Officers, are allotted furnished quarters according to the size of their families. Applying this percentage to the average total emoluments of ranks up to Flight Sergeant (say 120s. a week) the airmen with an average family would pay for an average sized quarter (B) type 15s. 6d. a week. The scale of rents for other types of quarters was fixed in relation to this figure as follows:—

A type	...	...	...	...	...	...	...	14s. 0d. a week
B type	...	...	...	...	...	...	...	15s. 6d. a week
C type	...	...	...	...	...	...	...	17s. 0d. a week
* Warrant Officer quarter (special type)	...	...	...	...	...	...	...	23s. 0d. a week

* These types of quarters are not now being constructed.

11. As indicated above the accommodation charges cover rates and water, and furniture where applicable.

APPENDIX 11

PAPER forwarded by *Sir James Barnes*, K.C.B., K.B.E., on 3rd July, 1952

THE COST OF AIRMEN'S MARRIED QUARTERS IN RELATION TO LOCAL AUTHORITY HOUSING

1. According to the Second Report (1950) of the Committee appointed by the Minister of Health to enquire into the cost of house-building (The Second Girdwood Report) the average cost of local authority houses completed in October, 1949, exclusive of surveyors' and architects' fees, was £1,479 comprising £1,321 for the house and external services within the curtilage and £158 for land and site development.

2. On available figures covering the greater part of the airmen's quarter programmes approved for 1946-47, 1947-48 and 1948-49 (the mean completion date of which would be in 1949) the average cost is calculated at approximately £1,828, including £1,545 for the house and external services within the curtilage and £283 for site development but not land. If £20 be assumed as the order of cost per house of land for the local authority housing schemes, this would give a net cost for the local authority of about £1,459 for comparison with the airmen's quarter cost of £1,828. This comparison is set out in detail in the Annex to this paper.

3. The Air Ministry figure of £1,545 for the house itself includes an element assessed at about £135 in respect of payments under the national working rules for travelling time, guaranteed time, subsistence allowance, etc., resulting mainly from the need to import labour which is common to the great majority of airmen's quarter projects because of the relatively isolated location of R.A.F. stations. The corresponding local authority figure, vide the Second Girdwood Report, paragraph 17, is £4.

4. The Air Ministry figure also includes an element, estimated at about £60, for additional costs over and above normal local authority practice in respect of extra fittings such as electric cooker, light fittings, curtain and valance rails, more complete range of cupboards, and for preliminary work on gardens. Precise assessment is impossible since local authority practice itself varies from area to area, but the figure given is thought to be conservative. The requirement springs chiefly from the liability of the Service family to frequent postings and the transitory nature of their tenancy of the particular quarter, which means that the family must be provided with a fully equipped house.

5. Thirdly, the Air Ministry figure of £1,545 is estimated to be higher, by perhaps £13, in relation to local authority costs due to the smaller average size of Air Ministry projects. This figure is arrived at, necessarily on broad lines, by relating known variations in cost between larger and smaller Air Ministry contracts to the difference in average size between Air Ministry and local authority projects. It was suggested in paragraph 18 of the C. and A.G.'s Report on the Air Services Appropriation Account, 1950-51 that in the last quarter of 1949 local authorities' contracts were smaller than those for airmen's quarters of the 1946-49 programmes, but it seems to have been wrongly assumed for this purpose that all the quarters built at any one R.A.F. station during the three years concerned were under one single contract, which is not the case. Over 96 per cent. of the airmen's quarters were in fact in projects of

from 6 to 60, and fewer than 4 per cent. in projects over 60. It appears from the table in paragraph 18 of the C. and A.G.'s Report that something like 30 per cent. of the local authority houses may have been in contracts of over 60, and many were in contracts of over 100.

6. The Air Ministry figure of £283 for site development outside the curtilage includes an element assessed at about £24 for payments under the national working rules for travelling time, guaranteed time, subsistence allowance, etc. Secondly, it covers costs incurred for the development of fire and water mains and electrical distribution over and above the average it is thought may have been incurred by local authorities who in many cases had these services already available on the sites, or were able to rely upon separate provisions by water and electricity undertakings, at little or no cost to themselves. It is believed that this factor might account for an average of at least £25 per house. Thirdly, the figure of £283 takes account of the very high extra costs it was necessary to incur at a number of exceptionally difficult sites in connecting the married quarter site with distant water, drainage or electricity services, or in abnormal site development of other kinds. Apart from the fact that R.A.F. stations are usually at a distance from existing centres of housing development and services the freedom of choice in the siting of married quarters within the area of the station itself is always limited by technical conditions inherent in the layout and operation of an airfield. Again, the cost of external services at many sites covered an appreciable measure of forward provision of water, drainage and electrical distribution services designed to serve not only the quarters under construction but also further requirements in the planned development of the station, such as further married quarters, airmen's clubs or barracks. These various factors, averaged over the airmen's married quarter projects as a whole, may account for something over £90 per quarter within the total of £283 for external services.

7. The big special factor affecting the Service quarters is clearly that of the isolation of the sites with consequential importation of labour on a large scale. This means payment of the district rates of wages in force at the centre from which the men come, where higher than local rates; fares on joining and leaving the job; periodic visits home; daily conveyance of men to the site; travelling time; subsistence; and in some cases the cost of providing labour camps. It is evident from paragraph 17 of the Second Girdwood Report that local authorities rarely incurred appreciable expenditure under these headings.

8. The effect of importation of labour on building costs is clearly brought out by paragraph 10 of the Second Report from the Select Committee on Estimates, Session 1951-52 and the memorandum by the Ministry of Housing attached to that Report as Appendix 10, which estimates that the local authorities who are to co-operate with the Ministry of Supply in providing some thousands of houses for defence workers may incur additional costs per house of as much as £200 where their labour has to be imported.

9. The average size of the airmen's quarters was somewhat smaller than that of the local authority houses, and this may well represent a saving in cost of the order of £70 a quarter. (Strict comparison is difficult, as for example as much as 110 square feet of the local authority area of 1,050 square feet is stated to have comprised an outbuilding, whereas the outbuilding for the airmen's quarter was much smaller.) As against this, however, a point not reflected in the Annex to this paper is that the need to import labour into remote sites does not result only in extra payments of the kind referred to in paragraph 7 above. It has an appreciable effect on tender prices also. There is no doubt that contractors make an allowance in tender prices to cover the fact that imported labour is less efficient and possible extra costs of materials in isolated areas: the experienced and more highly skilled craftsmen, with full employment in towns or near their homes, will less willingly work "in the blue". Over 78 per cent. of Air Ministry quarters are in rural areas, against the 21.6 per cent. for local authorities stated in paragraph 63 of the Second Girdwood Report.

10. The original post-war designs for airmen's married quarters were agreed in detail with the Ministry of Health in 1946. From early 1947 onwards, considerable economies were introduced in the designs and specifications so agreed and virtually all of the 65 possible economies in house-building published as Appendix IV to the Second Girdwood Report for the guidance of local authorities had in fact been adopted as standard Air Ministry practice a considerable time before. Further economies in design and reductions in superficial area comparable with the reduced standards now proposed by the Ministry of Housing for civilian houses, are at present being planned.

11. The general conclusion from the above is that allowing for the special factors which arise in the construction of airmen's married quarters, the costs incurred in the post-war programmes up to 1949 compare closely, like for like, with those incurred on the local authority housing programme under review, and there is no reason to expect that this does not similarly apply to later years' programmes.

ANNEX

Comparison with Air Ministry and Local Authority costs, broken down into elements

<i>Local Authority</i>				<i>Air Ministry</i>			
<i>(Completion in 1949)</i>				<i>(average over three years' programme)</i>			
			£				£
Tender price	...	...	1,286	*Notional tender price plus variation	...	...
Variations in work, and wage and materials price variation clauses			31	of price clause liabilities (excluding extra fittings)	...	...	1,337
			1,317	Extra fittings	...	...	60
Recoverables for guaranteed time, travelling time, etc.	...	...	4	Increase due to smaller size of A.M. projects	...	...	13
				Recoverables -- guaranteed time, etc.	...	...	135
<i>Total for house</i>	...	...	1,321	<i>Total for house</i>	...	...	1,545
<i>Externals</i>	...	...	138	<i>Externals</i>			
							£
				*Notional Basic figure	...	...	140
				Additional payments under National working rules	...	...	24
				Add for effect of site costs at abnormal sites and forward provisions	...	...	92
				Add for development of fire and water mains and electrical distribution over and above normal L.A. requirements	...	...	25
				Add due to smaller size of A.M. projects	...	...	2
							283
<i>Total Cost</i>	...	...	1,459	<i>Total Cost</i>	...	...	1,828

* NOTES: (1) These two figures represent the balance obtained after deducting from the known total costs for house and externals of £1,545 and £283, the items of cost special to the Air Ministry quarters as shown.

(2) It is estimated that the Air Ministry costs might be some £70 higher if the quarters were of precisely the same size as the average local authority house (but see para. 9 as to the effect of the isolation of the R.A.F. sites on tender prices).

APPENDIX 12

PAPER forwarded by *Sir Archibald Rowlands*, G.C.B., M.B.E. on 16th July, 1952

HOUSES ERECTED FOR THE MINISTRY OF SUPPLY: RENTS OF MARRIED QUARTERS

NOTE: The rents quoted in this Table are in respect of unfurnished houses and do not include rates.

Type of House	Range of Rents		Rents assessed for houses at Malvern
	From (per week)	To (per week)	
Type A	s. d. 29 0	s. d. 42 6	s. d. 29 0
Type B	22 3	32 6	22 6
Type C	18 0	28 0	20 0
Type D	18 0	27 0	20 0
Airey Urban	19 0	—	19 0
Aluminium Bungalows	7 11	16 0	16 0

APPENDIX 13

PAPER forwarded by *Mr. E. Hale*, C.B., on 28th March, 1952

EARMARKED RECURRENT GRANTS

1. Universities and Colleges in receipt of recurrent grant from the Committee are required to render accounts of their income and expenditure in forms prescribed by the Committee. Each account is certified by the Chartered or Incorporated Accountants employed as auditors by the institution concerned.

2. Each University in receipt of an earmarked recurrent grant for medicine, dentistry or agriculture has been required to submit annually to the Committee in respect of each such grant a separate certified account of the expenditure aided by the grant.

3. Separate accounts have not been required for the expenditure aided by other earmarked recurrent grants, but have in certain cases been rendered unasked. These grants and the expenditure aided by them are included in the main accounts submitted annually to the Committee. A list of any unspent balances of earmarked recurrent grants (i.e. of the amount, if any, by which the grant *for the year* has been underspent) is appended to the account.

4. Grants for salaries supplementation and any unspent balances of such grants are required to be shown as separate items on the income and expenditure sides of the accounts respectively.

5. The accounts rendered by Universities and Colleges are checked in this office to ensure

- (a) that the correct amounts of grant have been brought to account; and
- (b) that the accounts have been prepared in the prescribed manner, e.g. that items of income and expenditure have been brought to account under appropriate heads.

6. The second of these checks is needed because the accounts rendered by Universities and Colleges form the basis of the financial tables in the annual volumes "Returns from Universities and Colleges" (of which the latest is Cmd. 8307). Unless the figures for each institution were on a uniform basis, they would not be comparable and the totals for all institutions would not be correct.

APPENDIX 14

PAPER forwarded by *Sir John Hawton, K.C.B.*, on 9th July, 1952

REMUNERATION OF DENTISTS IN GREAT BRITAIN

Numbers of General Dental Practitioners in Great Britain in single-handed practice without assistants, who are estimated to have received the gross remuneration shown in the years ended 31st December, 1949, and 30th June, 1951.

Range of Gross Remuneration (1)	Year ended 31st December, 1949		Year ended 30th June, 1951			
	Number of single-handed principals without assistants (2)	Percentage of total (3)	Actual		If 10 per cent. reduction in fees had been fully effective	
			Number of single-handed principals without assistants (4)	Percentage of total (5)	Number of single-handed principals without assistants (6)	Percentage of total (7)
Up to £6,000 ...	4,269	76.5	5,546	83.7	5,644	85.2
£6,000—£12,000	1,283	23.0	1,046	15.8	952	14.4
£12,000—£18,000	27	0.5	34	0.5	30	0.4
£18,000—£22,300	—	—	2	—	2	—
TOTALS ...	5,579	100.0	6,628	100.0	6,628	100.0

NOTES

1. *Gross remuneration* is the amount paid to the dentist (before deduction of his superannuation contribution) plus the Exchequer superannuation contribution.

2. *Columns (2), (4) and (6)*. The figures are derived from analyses of the earnings of dentists in single-handed practice, without assistants, who were substantially providing General Dental Services throughout the years specified.

3. *Year ended 31st December, 1949*. During the six months February to July, 1949, fees in excess of £400 per month scheduled to dentists were reduced by half under the National Health Service (General Dental Services) Fees (Amendment No. 2) Regulations, 1948 (S.I. 1948 No. 2803) and the corresponding Regulations for Scotland.

Account has been taken of these deductions and also of the Exchequer superannuation contributions in arriving at the figures in Columns 2 and 3. This is why these figures differ from those set out in paragraph 85 of the C. and A.G.'s report for 1949-50.

4. *Year ended 30th June, 1951*.

(a) From 1st May, 1950, dentists' fees were reduced by 10 per cent. under the National Health Service (General Dental Services) Fees (Amendment) Regulations, 1950 (S.I. 1950 No. 663) and the corresponding Regulations for Scotland. During the year ended 30th June, 1951, the actual reduction was on average about 7 per cent. since fees for treatment under contracts made before 1st May, 1950 (which were not subject to this reduction) were included in the fees paid during the period.

(b) The numbers in Column (4) reflect the actual gross remuneration in the year and Column (6) shows the corresponding numbers if the 10 per cent. reduction had been fully effective during the year.

(c) From 1st April, 1950, superannuable remuneration attracting the Exchequer contribution is limited to £3,500 per annum.

5. The table does not reflect in any way the effect of the charges for dentures which applied only to dentures supplied as a result of arrangements made between dentists and patients on or after 21st May, 1951.

APPENDIX 15

PAPER forwarded by *Sir John Hawton*, K.C.B. on 9th July, 1952

PRESCRIPTIONS

	1949	1950
1. Average number of prescriptions per person on doctors' lists		
England	5.17	5.43
Wales	5.78	6.47
(1951 figures not yet available).		
2. Comparison of average cost of prescription at various dates.		

*National Health Insurance**National Health Service*

	d.		d.
January to December, 1947 ...	19.7	July to December, 1948	32.42
January to June, 1948 ...	22.21	January to December, 1949	36.0
		January to December, 1950	38.47
		January to December, 1951	44.5
		(estimate on 1 per cent. sample)	

3. Percentage of total prescriptions which were for proprietary preparations (estimated).

	<i>Number</i>	<i>Cost</i>
January to December, 1947	7 per cent.	} Not available
January to December, 1949	15 per cent.	
January to December, 1950	18 per cent.	33.5 per cent.
January to December, 1951	23 per cent.	(Not yet available)

APPENDIX 16

PAPER forwarded by *Sir George Henderson*, K.B.E., C.B. on 8th July, 1952

PRESCRIPTIONS—SCOTLAND

	1949	1950	1951
1. Average number of prescriptions per person on doctors' lists (excluding persons for whom dispensing doctors dispense)	3.6	4.1	4.3
2. Comparison of approximate average cost per prescription at various dates.			
<i>National Health Insurance</i>		<i>National Health Service</i>	
January to December, 1947	2s. 3d.	July to December, 1948	3s. 6d.
January to June, 1948	2s. 7d.	January to December, 1949	4s. 1d.
		January to December, 1950	4s. 4½d.
		January to December, 1951	4s. 7d.
3. Estimated percentage of total prescriptions for proprietary preparations, based on sample surveys in certain months:			
1947			4 per cent.
1948 (February)			13 per cent.
1948 (September)			15 per cent.
1949			22 per cent.
1950			26 per cent.
1951			30 per cent.

APPENDIX 17

PAPER forwarded by *Sir Donald Vandeppeer*, K.C.B., K.B.E., on 30th June, 1952

THE MEASUREMENT OF CAPITAL EMPLOYED IN AGRICULTURE AND THE RETURN THEREON

1. *Tenants' Capital.* The best estimate that this Department has been able to make of the capital invested by farmers in their farming enterprises is a figure of the order of [figure supplied; see *Third Report, paragraph 77*]. This has been built up by a series of calculations for the various elements included in tenants' capital—machinery, livestock, tillages, unexhausted manures, and so on. The calculations are at best no more than very rough approximations and the margin of error in the above figure may be as much as [figure supplied] either way.

2. *Landlords' Capital.* This consists mainly of agricultural land and buildings. The Ministry knows of no reliable estimate of the total value of landlords' capital invested in agriculture and has not found it necessary to compile one for the purposes of Part I of the Agriculture Act. The landlord's return on his capital is represented by rent, and this is one of the items of expenditure taken into account in arriving at farmers' aggregate net income. Another part of the Agriculture Act makes provision for adjustments of rent in individual cases, and landowners and tenants can resort to the machinery there provided if they are not satisfied with the existing rents.

3. *Net profit in relation to turnover.* The aggregate farming net income in the United Kingdom in 1951-52 is estimated at £294,000,000 (see White Paper*). As explained in the earlier White Paper† this has to provide for the remuneration of the farmer and his wife for their work, and a return on the farmer's capital investment. The total sales of end products by the industry in the same year are estimated at £1,043,000,000. To this should be added a figure of the order of £300,000,000 to cover farm to farm sales of livestock, feed, seeds, etc., which may be regarded as part of turnover, making a total of £1,400,000,000-£1,500,000,000. On this basis, aggregate net income bears a ratio of about 20 per cent. to total turnover.

* App. II Table B, Annual Review and Fixing of Farm Prices 1952, Cmd. 8556.

† Cmd. 8239—para. 16.

APPENDIX 18

PAPER forwarded by *Sir Arnold Overton*, K.C.B., K.C.M.G., M.C., on 25th March, 1952

GRANTS TO THE AIRWAYS CORPORATIONS: INITIAL DETERMINATION AND REVISION

On reading the transcript of evidence of my examination by the Committee on 28th February, I feel that I may not have made fully clear to the Committee the position on "material assumptions" in connection with the initial determination of Exchequer grants for the Airways Corporations, and any later revision of those determinations. In case there was any misunderstanding, I would like to make the following comments in the hope that they may be helpful to the Committee.

The main point which may need clarifying is whether or not the Ministry, at the time the initial determination is made, is aware of the assumptions on which it is based. The answer is that the Ministry is fully aware of the principal assumptions. The Programme and Estimate submitted by the Corporations are in considerable detail. The principal assumptions, such as the routes, services and aircraft to be operated, the utilisation and deployment of resources, the level of wages, prices and fares, and the expected volume of traffic, are all either stated explicitly or are implicit in the detailed figures.

The point which I tried to make in evidence was that, at the time of the initial determination, we do not normally attempt to define those changes (if there should be any) of material assumptions which will be taken into account in any revision of the grant. There are good reasons for this. In the first place, it would not be possible for such a definition to be comprehensive. Secondly, any decision beforehand on the factors which would rank, or not rank, for revision would tend to reduce the incentive of the Corporation to effort or economy. In the past we have not defined the changes of material assumptions which would be taken into account. For 1951-52 we did

inform B.O.A.C. that any increase in mail conveyance rates would rank for a revision but for the rest we informed the Corporations that the term "change of material assumption" would be reasonably interpreted and in any case not so narrowly as to deny to them the fruits of any improved performance or administrative economies which they were able to secure.

I submit that this procedure is not only in accordance with the statute but is conducive to efficiency in that it gives the maximum incentive to the Corporations to economy and effort.

This note has been drafted in consultation with the Treasury, who agree with the views expressed in it.

APPENDIX 19

PAPER supplied by *Sir Harold Emmerson, K.C.B.*, on 16th May, 1952

THE COST OF REBUILDING THE HOUSE OF COMMONS

In view of the questions asked by the Public Accounts Committee about the cost of rebuilding the House of Commons, it may be helpful if I submit more information.

I was asked whether the estimate of £1½ millions given in 1944 was prepared on the basis of bills of quantities, drawings and specifications. The estimate was not so prepared, but was a provisional one designed to give a rough indication of the scale of expenditure and of the use of building resources. This provisional estimate was obtained to enable a decision to be taken whether or not to start rebuilding in the existing economic conditions. The Government of the day wanted an early estimate and did not wish to wait for the preparation of detailed bills of quantities and specifications. In a statement on the subject in the House of Commons on the 25th January, 1945, the Rt. Hon. Mr. Duncan Sandys, then Minister of Works, said that the whole scheme was likely to cost rather over £1,250,000 but that this was a very rough estimate at the then ruling prices.

Following a decision to go ahead with the project, working drawings, specifications and bills of quantities were prepared. By the end of 1946 these had been completed for the Chamber but not for a good deal of the work which was required to repair the surroundings of the Chamber and to connect the Chamber with the rest of the Palace of Westminster. It was desired to make a start on the rebuilding of the Chamber for reasons of national prestige, and the work was put in hand. Tenders were invited and a contract was let in February, 1947, for £1,580,880. In view of the highly specialised character of much of the work and the fact that details were not ready for the surrounding area, this contract figure included very large sums for prime cost and provisional items. On the basis of this rather unusual contract, the total cost was estimated in February, 1947, at £1,753,400.

The rebuilding of the Chamber was completed in October, 1950, and work on the surrounding area was completed in September, 1951. Measuring work is still proceeding and accounts are being cleared as quickly as possible. It is estimated that the final cost of the work, excluding any claims which may be received, will be approximately £1,943,000. It is understood that the main contractor will be submitting a claim but the Ministry has not yet received details.

We estimate that in the period 1944 to 1951 the average cost of building and civil engineering work increased by approximately 60 per cent. This work started in 1947, when the increase was only about 25 per cent. as compared with 1944, and the major part of it was carried out in the years 1948, 1949 and 1950 when building costs remained fairly steady at an average figure of about 35 per cent. above the 1944 figure. There was a fairly considerable rise in 1951 to about 60 per cent., but by that time the major part of the work had been done. The increase in the cost of building and civil engineering work might, therefore, fairly be expected to account for an increase of the order of 35 per cent. on the 1944 estimate. Certain economies were made in order to counteract increases.

In the light of subsequent events, it seems clear that the rough estimate of 1944 was on the low side but, having regard to the very substantial increases in costs and to the fact that so much of the estimate comprised provisional figures, the figures of cost now given cannot be regarded as unreasonable, and we do not consider that there is ground for criticism on this point.

APPENDIX 20

PAPER forwarded by *Sir Harold Emmerson, K.C.B.*, on 23rd May, 1952

RIO DE JANEIRO EMBASSY

The Committee asked how much of the increase in the estimated cost of the building scheme—from £60,000 in 1939 to £150,000 in 1944—was due to the provision of separate living accommodation for the Ambassador. It is difficult to compare the two schemes. Between 1939 and 1944 building costs rose by about 110 per cent, and the value of the pound sterling, as taken for the purpose of estimating in 1939 and 1944 respectively, fell by about 20 per cent. It is estimated that the post-war cost of the building scheme prepared in 1939 would have been about £160,000 if no changes had been made in the plan.

In fact, the changes in design were not confined to those needed to include private living accommodation in addition to the State rooms. In revising the scheme considerable economies were made in construction. In the revised plan, there was a decrease in the cubic content of the building, due mainly to changes in ceiling heights, although the floor area was increased. Thus the extra cost of the living accommodation was more than offset by these economies.

A statement is attached showing the increases in cost on the revised scheme between November, 1945, and February, 1952.

STATEMENT

Date	Increase	Rate of exchange	Devaluation	Rise in prices and wages	Modifications and additions
		£	£	£	£
(1) Nov. 1945 ...	£150,000 to £215,000	—	—	45,000	20,000(a)
(2) June 1946 ...	£215,000 to £241,000	—	—	26,000	—
(3) Sept. 1947 ...	£241,000 to £315,000	—	—	55,000	19,000(b)
(4) July 1948 ...	£315,000 to £342,000	16,000(c)	—	11,000	—
(5) Sept. 1949 ...	£342,000 to £400,000	—	58,000	—	—
(6) June 1950 ...	£400,000 to £405,000	—	—	—	5,000(d)
(7) Feb. 1952 ...	£405,000 to £413,000	—	—	4,000	4,000(e)
		16,000	58,000	141,000	48,000

(a) The rough sketch plans on which the estimate of £150,000 was based were altered to provide for a better treatment of the main entrance and the approach to the reception room floor and the provision of a lift.

	£
(b) Additional excavation work due to removal of large boulders	1,000
Improved standard of reinforced concrete design	6,500
Additional electrical works	600
Additional hydraulic and drainage works	1,300
Additional basement accommodation below Porter's lodge for water storage and purification plant	1,800
Air-conditioning plant	5,000
	16,200
Increase in contractors' fee due to additions	2,000
Increase in Architect's fee due to additions	1,000
	say 19,000

(c) Retrospective adjustment for fluctuations in the rate of exchange.

(d) Swimming pool (separate contract).

(e) Various minor jobs had to be done prior to occupation and expenditure had to be incurred in making good certain damage following extensive rains and in providing additional drainage to take away storm water. (This was one of the worst rainstorms ever experienced in Rio; it was in December 1950).

APPENDIX 21

PAPER forwarded by *Sir Henry Hancock*, K.C.B., K.B.E., C.M.G., on 24th June, 1952

AGENCY ASSOCIATIONS

1. At the meeting on 13th May, 1952 the Committee asked for further information regarding the wartime associations formed to act as the Ministry's Agents for first-hand and wholesale distribution.

2. A list of the major associations, with details of their gross remuneration for 1950-51 and, where known, their net profit, is given in an Annex. Where the net profit is not ascertainable an estimate amounting to no more than an informed guess has been provided. It will be seen that the number of bodies listed is ten. Two bodies, the Port Associations for Citrus Fruit and Apples and the Tea Selling Brokers, which were in the original list referred to in evidence, have been omitted, as the arrangements with respect to them have been terminated and the work handed back to the trade. A considerable part of the expenditure shown in the Ministry's Trading Accounts as falling within the category of Commission and Expenses of Ministry Agents is in respect of direct services rendered by commercial agents and not by wartime bodies.

3. The other subject on which the Committee sought amplification was the extent to which members of these associations were operative. The organisations fall into two categories; those in which all or the major part of the functions are centralised and those in which the major part of the work is carried on in the private offices of the individual members. In the former type the sums distributed to members represent profit, out of which the member has to find the cost of maintaining his permanent organisation (e.g. his rent and the salaries of key personnel). In the latter type the cost of the functions performed in the individual offices has to be met before the net profit to members emerges.

4. Where the work is fully centralised, as in the case of M.I.N.D.A.L. and the W.M.S.As., a self-contained ad hoc organisation was set up to perform all the functions, and the members of the association, which may be limited companies, partnerships or individual traders, do not as such participate in the work. In these cases, therefore, all the members may in one sense be characterised as non-operative. More than two-thirds of the net remuneration of £4 million per annum goes to members of these fully centralised associations. The central organisation only requires to employ part of the available manpower of the trade, with the result that the whole or part of the staff of some members is not utilised. This was a deliberately planned result and far from being a reflection on the arrangements is evidence of economy in cost and manpower. The member may, and in many cases does, supply personnel (in some instances free or at a reduced cost) or services or both. The persons so utilised by the central organisation may be directors of a member-company, partners of a member-firm, or individual members, or employees of any of these types of business. There have naturally been many changes in staff over twelve years and a member who may have made a valuable contribution to the work of the association at one time may have fallen out, another member taking his place. For this reason the numbers of members employed are not readily obtainable and can only at best be roughly estimated. Any such estimate would have to be so qualified as to be valueless and would in any event provide no true criterion of the efficiency or economy of a particular scheme.

5. The reference in evidence to the minute proportion of the remuneration paid to dormant members was to members who would be unable or unwilling to resume business on the termination of control and whose maintenance during control could therefore not be justified. There is ample evidence that the larger component-members of all those bodies are in active business. The uncertainty is mainly confined to individual members of the Wholesale Meat Supply Associations in a small way of business who formerly handled home-killed meat. Such individuals had little need of premises, since before the war they could buy fatstock and sell meat and make use of a public abattoir for the purpose. No tangible proof therefore exists as to the reality of their intention to resume business, and a direct enquiry on this point would not be likely to elicit reliable information. An analysis, however, of the membership of the W.M.S.As. has shown that such members receive only ten per cent. of the total remuneration of £1,700,000 and even if as many as half of these members by number were assumed to be in the doubtful category their individual shares are probably well below the average share of small members, so that they would account for considerably less than five per cent. of the total profit distributed by

the W.M.S.As. Since there is not the same degree of doubt as to intention of members to resume business in the case of other war-time associations the proportion of the £4 million net profit for all the associations which is involved must be indeed minute. The position has been reviewed from time to time but no solution has been found which would be equitable and not open to abuse by unscrupulous persons.

ANNEX

REMUNERATION OF MAIN MINISTRY AGENCY ASSOCIATIONS—1950-51

(1) Agents	(2) Gross Remuneration	(3) Estimated Net Profit element
	£	£
Meat Importers National (Defence) Association Limited (M.I.N.D.A.L.)	687,223	491,318
Wholesale Meat Supply Associations	3,810,639	1,693,750
*Livestock Auctioneers	1,126,076	100,000
National Egg Distributors Association Limited (N.E.D.A.L.)	662,686	242,980
National Association of U.K. Oil and Oilseed Brokers Limited	280,000	180,000
Marcom Limited	590,874	212,874
Grain Trade	1,075,000	500,000
Flour Importers (Distribution Control) Association Limited	196,278	110,000
*Butter and Cheese Association Limited (B.A.C.A.L.) ...	1,045,529	300,000
*Bacon Importers National (Defence) Association Limited (B.I.N.D.A.L.)	525,943	150,000
	£10,000,248	£3,980,922

NOTES

(i) Except in the cases marked * the work performed for the Ministry by the above agents is wholly or largely centralised and the profit element in the remuneration can be identified or estimated. The work of Livestock Auctioneers, BACAL and BINDAL (marked *) is mainly carried on in the private offices of the individual members and the estimate in column (3) is no more than an informed guess.

(ii) The Port Associations for Citrus Fruit and Apples and the Tea Selling Brokers have been omitted as the arrangements have been terminated.

APPENDIX 22

PAPER forwarded by *Sir Henry Hancock*, K.C.B., K.B.E., C.M.G.,
on 24th June, 1952

AMOUNT OF GUARANTEE FEE PAID TO THE MILK MARKETING BOARD EACH YEAR
TOGETHER WITH BAD DEBTS WRITTEN OFF

Year ended 31st March				Amount of Fee	Bad Debts written off
				£	£
1943 (six months only)	...	...	...	67,274	} 350
1944	...	...	...	131,190	
1945	...	...	...	110,579	311
1946	...	...	...	115,670	30
1947	...	...	...	117,528	2,761
1948	...	...	...	126,603*	169
1949	...	...	...	152,421†	914
1950	...	...	...	83,292‡	125
1951	...	...	...	86,190†	3,921 (Provisional)
1952	...	...	...	96,481*	3,232 (Provisional)
				<u>£1,087,228</u>	<u>£11,813</u>

* Increase caused by rise in selling prices.

† Increase caused by rise in gallonage.

‡ Fee reduced from 3s. to 1s. 6d. per £100 net sales.

APPENDIX 23

PAPER forwarded by *Sir Archibald Rowlands*, G.C.B., M.B.E., on 30th June, 1952

IRON AND STEEL PRICE CONTROL: BASIS OF PRICE-FIXING

1. Prices are built up of the elements

- (a) Costs of production.
- (b) Standard margin.
- (c) Levies.

Standard margin covers

- (1) Depreciation on fixed assets.
- (2) Return on capital employed (or profit).

2. Pricing is done product by product, on regular returns of costs of production and earnings, plus *ad hoc* returns of capital employed and accounts or forward estimates of abnormal costs which fall to be dealt with by the levies element in prices.

3. The costs of production element is based on returns rendered monthly from wide ranges (over 80 per cent. in most cases) of the producers of the products. They are rendered through McClelland Ker & Co. who vet them and summarise them for the Ministry, calling attention to particular or unusual features affecting the results. The cost figure included in prices has been, over some years past, the average cost of production of the cross-section, on the ground that maximum output has been required from all available capacity.

In a review of price structure now being carried out by the Ministry, consideration is being given to the limitation of the average to a smaller cross-section excluding the least efficient proportion of the ranges of production.

4. The depreciation element was fixed from 1st April, 1949, on recommendations of the Iron and Steel Board of 1946-49, at a level somewhat higher than Inland Revenue rates for taxation purposes, having regard to the heavy modernisation and

development programme which had been embarked upon and would continue for several years, and the very considerable rise in capital costs, compared with pre-war, at which that development would have to be carried out.

The allowances for depreciation thus arrived at, product by product, still apply in current prices, but as the result of the considerable additional capital since invested in development schemes which have come into operation, those allowances now represent probably no more than normal Inland Revenue allowances on the new values of fixed assets.

5. The return on capital (or profit) element was fixed from 1st April, 1949, on the Iron and Steel Board recommendations at 9 per cent. on capital employed, applied to 90 per cent. of operative capacity, and was considered to be the lowest return that would yield, after taxation and reasonable distribution of dividends, a modest and prudent provision for reserves. The Board ascertained the capital employed, product by product, through an investigation on their behalf by Sir Andrew Macharg (McClelland Ker & Co.) of capital employed at the end of 1946, to which was added new capital expenditure to the end of 1950 on assets that had come or would come into operation by that date. No additional allowance was made for greater working capital than at the end of 1946. In a revision of prices in the summer of 1951, account was taken of the fact that the major part of the Industry had come into public ownership and might therefore be expected to work to a lower profit element. Some reductions were made in profit margins and it was then broadly estimated that having regard to new capital expenditure since the Iron and Steel Board's assessment, the reduced allowances would yield at the end of 1951 a return of the order of $6\frac{1}{2}$ per cent.

6. The levies element in prices is applied to cover extra costs over home selling prices of steel and raw materials imported from abroad at world prices, plus extra costs of certain out of line production at home in the national interest and other special services involving costs in excess of normal allowances. The policy is to spread these extra costs over all users of steel in home controlled prices and to collect into a Central Fund by way of levies on the steel producers the sums necessary to finance the extra costs. Accounts of the Fund are rendered six-monthly, when the Fund, levies and prices are reviewable on the basis that the finances shall be self-balancing. It has however happened, in the course of 1951 and early 1952 particularly, that sharp increases in the costs of imported steel and materials have necessitated upward revision of the levies and prices in advance of past Accounts. In these exceptional circumstances, forward estimates of volume and prices of imports have become the basis of the levies element in prices.

7. In the course of general upward revision of prices in February, 1952—to meet increased costs of imports and of wages, transport, fuel, etc., at home—a proportion of the total increases (about a quarter) was withheld from the price increases, to be borne at least for the time being, by the Industry. To that extent, the profit margin in prices has been further reduced.

8. Inasmuch as the prices of controlled iron and steel products are based on average costs of production and average depreciation and return on capital, product by product, and having regard to the fact that the overall demand calls for the maximum output that can be achieved from resources available, the granting of price concessions on Government orders, by the Industry as a whole, would inevitably involve either an encroachment on the level of earnings which has been fixed as fair and reasonable overall, or an advance in prices to other users to restore the approved level of earnings. The supply and demand position and control of maximum prices does not permit the recoupment of short earnings on Government business by greater production for other customers.

APPENDIX 24

PAPER forwarded by *Sir Archibald Rowlands*, G.C.B., M.B.E., on 30th June, 1952

IRON AND STEEL PRODUCTS: ALLOCATION OF MINISTRY OF SUPPLY CONTRACTS

1. The principal iron and steel products (i.e. products of the iron and steel industry) bought by the Ministry of Supply for which prices are controlled are sheets, bars, billets and ingots. They are used mainly in Royal Ordnance Factories in the manufacture of tanks, guns, ammunition, etc.; to a very limited extent such products are used by the War Office and Air Ministry and at Ministry of Supply outstations.

2. Ministry of Supply orders are normally placed as a result of tendering, some 7 to 20 firms being invited according to the nature of the order. Not all the firms invited submit tenders; quantities required may be too small to justify interference with normal production programmes or full order-books may prevent reasonable delivery.

3. In many cases no tenders are received. It is then necessary, in such a case, to approach a specific supplier, recommended by the Ministry's technical experts, and to allocate the contract accordingly.

4. For certain products, e.g. gun billets, for which requirements are extensive but capacity is very limited, contracts have to be allocated to particular firms in order to secure deliveries at the right time.

5. Prices quoted are almost invariably the controlled maximum prices. When the quantity required is not less than 2,500 tons the possibility of securing a lower price is considered, but hitherto the Ministry has come to the conclusion that requirements are not sufficiently large to justify any price concession under existing trade and controlled price-fixing conditions.

6. Deliveries offered by tenderers vary considerably, according to the ease or difficulty with which the requirement can be fitted into firms' planned production programmes. Firms' delivery dates are carefully examined before orders are placed, and contracts are awarded to those suppliers whose offers are most favourable to the Ministry having regard to the manufacturing requirements, etc., of the Royal Ordnance Factories, etc.

APPENDIX 25

PAPER forwarded by *Sir Archibald Rowlands*, G.C.B., M.B.E., on 30th June, 1952

BULK SETTLEMENT FOR SUPPLIES TO THE SERVICE DEPARTMENTS BY MINISTRY OF SUPPLY: METHODS OF ASSESSMENT OF VALUE OF DELIVERIES

(1) Under the procedure outlined in Treasury Minute of the 27th February, 1950, the sums to be paid by the three Service Departments in respect of supplies and services by the Ministry of Supply in any one financial year are reviewed on two occasions; first, during the financial year, i.e. in January, and secondly, after the close of the financial year. On the first review the Treasury settle the amount to be paid by, and included in the Appropriation Account of, each of the Service Departments. On the second review Treasury decide what, if any, adjustments should be made in the sums provided in the Service Departments' and Ministry of Supply Estimates for the then current financial year in respect of over-charges or under-charges for deliveries in the prior financial year.

(2) The intention of the Treasury Minute was to secure "that the total sum paid by each Department shall be related as closely as practicable to the value of the stores and services furnished or to be furnished by the Ministry of Supply during the year as seen at the latest possible date." The Treasury recognised that some degree of estimation must enter into the assessment of the value of deliveries.

(3) In applying this procedure the Ministry of Supply has been obliged to adopt different methods of evaluating deliveries based on

- (a) delivery records;
- (b) expenditure records;
- (c) demands by Service Departments;
- (d) other records.

(a) *Delivery Records.*

In respect of what may be described as "major" items, the Ministry of Supply maintains detailed records from which the value of deliveries can be determined. In 1949-50 and 1950-51 such "major" items accounted for 57 per cent. and 58 per cent. respectively of the total payments covered by the bulk settlement arrangements.

(b) Expenditure Records.

Over a large part of the "minor" items (i.e. those not included under (a) above) Ministry of Supply expenditure on behalf of a particular Customer Department is taken as representing the value of deliveries to that Department during the year in which the expenditure is incurred. The items so dealt with number many thousands, and detailed records of deliveries of such items are not centrally maintained. "Minor" items for which expenditure was taken as representing the value of deliveries, accounted for 33 per cent. of the total bulk settlement in 1949-50 and for 37 per cent. in 1950-51.

(c) Demands by Service Departments.

In the case of "minor" stores of a common nature (i.e. stores required by more than one customer department) the value of deliveries to each customer department has been taken as broadly the value of the demands placed on the Ministry of Supply by that department, adjustment being made to allow for the lag in deliveries at the beginning and end of the year. Of the bulk settlements, 10 per cent. was dealt with in this way in 1949-50 and none in 1950-51.

(d) Other Records.

Apart from exceptional cases in which ad hoc methods have had to be adopted, the other method has been to arrive at the value of deliveries of "minor" stores on the assumption that deliveries of such stores have progressed at the same rate as deliveries of related "major" stores. Under this method it is assumed that the percentage of "minor" stores demanded which has been delivered is the same as the percentage of related "major" items demanded which has been delivered. In 1949-50 this method was not used; it was applied to 5 per cent. of the total bulk settlement for 1950-51.

The main classes of stores and the method of valuation used for each are shown in the Annex.

(4) The principal reason for the use of different methods of evaluation of deliveries is the impossibility, without a considerable increase in staff, of maintaining a detailed priced record of each and every delivery to each of the Service Departments. The avoidance of such meticulous accountancy was, in fact, the main reason for the adoption of a bulk settlement arrangement when inter-departmental adjustment between the Ministry of Supply and the Service Departments was introduced after the war. It is inevitable that in such an arrangement the value of deliveries must to some extent be calculated otherwise than on the basis of detailed delivery records.

(5) The main object of the financial adjustment between the Ministry of Supply and the Service Departments is to secure that the latter pay for what they receive and that the former is paid for what it supplies. While no method of bulk adjustment can be expected to produce a result which is 100 per cent. accurate in respect of any one financial year, the Ministry of Supply is satisfied that, under the methods now used, the sum recovered from each of the Service Departments in respect of deliveries in any financial year is as near as can reasonably be related to the value of stores delivered, and that, taking one year with another, the adjustments between the Service Departments and the Ministry of Supply are satisfactory.

(6) It will be seen from para. (3) that the field in respect of which the more arbitrary methods were adopted was only 10 per cent. in 1949-50 and 5 per cent. in 1950-51. Recent improvements will make it possible in future to effect a more accurate adjustment between customer departments in respect of expenditure on common stores, and thus reduce the extent to which methods (c) and (d) in para. (3) will need to be applied. Apart from a very small percentage possessing exceptional features necessitating ad hoc treatment, the sums payable by the Service Departments under the bulk settlements will then be calculated by the Ministry of Supply by reference to:—

- (a) Ministry of Supply delivery records;
- (b) Ministry of Supply expenditure records.

Delivery records will be used wherever they are available. For the remainder, the only practicable method by which the objects of the bulk settlement can be achieved is to regard Ministry of Supply expenditure as broadly representing the value of deliveries.

ANNEX

VALUATION OF DELIVERIES BY M.O.S. TO SERVICE DEPARTMENTS
IN 1949-50 AND 1950-51

Assessment based on	Stores	
	1949-50	1950-51
(a) <i>Delivery records</i>	Airframes Aero-engines Airframe repair, modification and conversion. Aero-engine repair, modification and conversion. Weapons Ammunition, explosives, etc. Vehicles (wheeled and tracked) Instruments and machine tools Clothing and Textiles Electronics equipment (land)	Airframes Aero-engines Airframe repair, modification and conversion. Aero-engine repair, modification and conversion. Weapons Ammunition, explosives, etc. Vehicles (wheeled and tracked) Instruments and machine tools Clothing and Textiles Engineers' Stores Electronics equipment (land)
(b) <i>Expenditure records.</i>	Airframe spares Aero-engine spares Propellers Gun turrets Instruments and electrical stores (Air). Miscellaneous Air stores (ground equipment; photographic; marine craft, etc.). Engineers' stores General stores Minor items of: Vehicles (spares, repairs etc.) (see also under (c) below) Machine tools Electronics equipment (air) (see also under (c) below).	Airframe spares Aero-engine spares Propellers Gun turrets Instruments and electrical stores (Air). Miscellaneous Air stores (ground equipment; photographic; marine craft, etc.). See under (a) above General stores Minor items of: Vehicles (spares, repairs etc.) Machine tools Electronics equipment (air) (see also under (d) below).
(c) <i>Demands by Service Depts.</i>	Minor items of: Weapons Ammunition, explosives, etc. Vehicles (spares, repairs etc.) Clothing and textiles Electronics equipment (land) Instruments	See under (d) below " " (d) " " " (b) above " " (d) below " " (d) " " " (d) "
(d) <i>Other records ...</i>	Nil.	Minor items of: Weapons Ammunition, explosives etc. Clothing and textiles Electronics equipment (land) Instruments

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