

FIRST AND SECOND REPORTS
FROM THE
SELECT COMMITTEE OF
PUBLIC ACCOUNTS

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

*Ordered by The House of Commons to be Printed
10th February, 1931, and 23rd June, 1931*

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 ORDER OF REFERENCE.

[Monday, 10th November, 1930] :—Public Accounts,—Ordered, That the Committee of Public Accounts do consist of Fifteen Members.

Committee accordingly *nominated* of,—Mr. Benson, Mr. Bird, Mr. Butler, Captain Crookshank, Mr. Denman, Mr. Ede, Mr. Gill, Sir Robert Hamilton, Mr. Leif Jones, Mr. Lathan, Mr. Pethick-Lawrence, Sir Assheton Pownall, Major Salmon, Mr. Arthur Michael Samuel, and Mr. West.

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

Ordered, That the Committee have power to report from time to time.

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

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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:—

EXCESS VOTES.

Your Committee have to report that during the year ended 31st March, 1930, expenditure in excess of the amount voted by Parliament has been incurred as follows:—

	£	s.	d.
Navy	122,770	1	11
Civil Departments:			
Class II, Diplomatic and Consular Services	5,523	3	4
Class VI, Office of Commissioners of Crown Lands	74	3	1
Class VIII, Merchant Seamen's War Pensions	907	15	2
Class VIII, Ministry of Pensions ...	342,266	10	1

2. *Navy*.—Your Committee are informed that, as the result mainly of the decision of His Majesty's Government to reduce the 1928 new construction programme, there was a surplus of £10,417 7s. 6d. on the gross expenditure. On the other hand, there was a deficiency of £216,184 1s. 8d. in the receipts authorised by Section 3 of the Appropriation Act, 1929, to be applied under certain Votes as Appropriations-in-Aid of Grants. Surplus receipts are available on other Votes in excess of those authorised by the Act to be so applied to the extent of £82,996 12s. 3d., leaving a net deficiency to be made good of £122,770 1s. 11d.

3. Your Committee are informed that, in preparing the estimate of the probable amount of the receipts during the year, allowance was made for the fact that in previous years the aggregate receipts brought to account had exceeded the estimate. As late in the year as 11th March, 1930, the Admiralty had informed the Treasury that they expected the estimate of Appropriations-in-Aid would be realised, but this forecast proved ultimately to have been too optimistic, and receipts were not collected to the extent anticipated during the last weeks of the year.

4. *Class VIII, Vote 2, Ministry of Pensions*.—The gross excess over the grants of Parliament is £403,932 9s. 2d., of which £47,048 17s. 10d. has been met with Treasury sanction from

savings on various Subheads, leaving a net excess of £356,883 11s. 4d. Parliamentary authority is sought to appropriate in aid of this sum receipts realised in excess of the estimate amounting to £14,617 1s. 3d., leaving £342,266 10s. 1d. to be voted.

5. In December, 1929, the Ministry of Pensions felt grave doubts whether the original estimate would prove sufficient, so much so that they suggested to the Treasury that a Supplementary Vote should be taken for £297,000. Later, on further examination, the Ministry came to the conclusion that the original Vote would suffice and the proposal to present a Supplementary Estimate was withdrawn.

Their calculations were, however, falsified by the event: the considerable drop in the expenditure during the last quarter, which experience of former years led them to expect, did not take place. There were consequently excesses on Subheads K and L, due to an over-estimate of the numbers of deaths and remarriages that were likely to occur, and on Subheads A and O, which could not in fact be met out of savings on other Subheads.

6. While regretting that an excess of this amount should have been incurred, your Committee note that it is not large in relation to the total amount of the Vote.

7. Class II, Vote 2, Diplomatic and Consular Services.

Class VI, Vote 7, Office of Commissioners of Crown Lands.

Class VIII, Vote 1, Merchant Seamen's War Pensions.

The excesses on these Votes, which are of trifling amount, are due to miscalculations in regard to which your Committee have no comment to offer.

8. Your Committee see no objection to the sums as set out above being provided by Excess Votes.

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.

GENERAL.

1. *Out-turn of the Year.*

After an interval of three years Your Committee have thought it well to review again the degree of accuracy to which Departments have attained in estimating the supplies required for the Public Service. The total Supply Grants for the year 1929, including Supplementary Estimates to a total of £12,386,346, amounted to £434,099,000, after deduction of £1,200,000 for the original Vote (Class X, Vote 2) for Grant to Rating Authorities in Scotland, for which a Revised Vote of identical amount was substituted.

The following table shows the ratio of surrenders to estimate for the various Services for the year.

	Estimate.	Surrender.	Percentage of Estimate.
	000's.	000's.	
Navy	55,865	123 (Excess)	.22
Army	41,105	249	.61
Air Services	16,960	79	.47
Civil Services	249,466	2,599	1.04
Revenue Departments	70,703	407	.58
Total Supply Services ...	434,099	3,211	.74

The corresponding percentages for 1925 (quoted by the Public Accounts Committee in 1927), and for the intervening years, were :—

	1925.	1926.	1927.	1928.
Navy ... ..	.82	1.6	.5	.3
Army ... ..	.35	.46	2.26	.89
Air Services ... ..	.41	4.03	2.81	.97
Civil Services... ..	1.1	2.6	3.0	1.7
Revenue Departments ... ..	.1	.71	1.54	.38
Total Supply Services ...	.8	2.0	2.36	1.17

There were special factors disturbing the figures for 1926 and 1927, and Your Committee note with satisfaction the return to the standard of 1925, which compares favourably with the pre-war period.

2. *Use of Appropriation Act to over-ride existing statutory provisions.*

Qs. 827-830
Para. 40 of
C. & A.G.'s
Report. The Committee of Public Accounts 1930, in the first paragraph of their Second Report, commented on the use of the Appropriation Act to override the provisions of Acts relating to the functions of the Ministry of Labour, particularly of the Labour Exchanges Act, 1909, and strongly urged that appropriate legislation should be introduced forthwith to regularise the position by amending the latter Act.

Notwithstanding this emphatic recommendation the necessary legislation was delayed although, as the Committee were informed in 1930, both the Treasury and the Minister of Labour were aware of and accepted the constitutional position, and the Treasury had even then requested the Ministry to take the necessary steps at the earliest possible opportunity.

Your Committee regarded this position as unsatisfactory, but they accepted the explanations given to them on behalf of the Ministry of Labour in regard to the difficulties in securing such legislation during the twelve months which have since elapsed, and note that a clause to regularise the present position has been included in the Unemployment Insurance Bill recently introduced into Your House.

3. *Overhead (or Super-) Cuts in Estimates.*

Qs. 946-995. *Civil Services, Works Votes.*—In the Estimates for each year of certain of the Votes administered by the Office of Works, from 1923 onwards, it has been the practice to make an overhead cut to allow for underspending consequent upon the delays which inevitably occur in carrying out a fixed programme of works.

The experience of previous years had shown that, however carefully a programme might be prepared, there was always a lag in the actual execution of the approved works with the consequence that Parliament was asked to vote sums which in the event proved too high, so that the surrenders at the end of each year were inflated.

In the years which have since elapsed there has been a very large reduction in the surrenders on this group of Votes, and the Treasury may fairly claim, as they do, that this cut, or super-cut as it is called, has carried out the object with which it was introduced, namely, to avoid asking Parliament to vote for approved programmes sums greatly in excess of what would be likely to be spent in any given year.

In the Estimates for the years 1923 to 1929 inclusive the sums so abated from the Estimates were allocated against a specific Subhead or Subheads. But in the Estimates for 1930 for the first time, and without previous consultation with this Committee, the principle of making an overhead deduction was applied more generally, and the deductions were made from the totals of the various Estimates and not allocated against Subheads.

This change may have enabled the Treasury to make the deductions somewhat larger than they would otherwise have been, but it is one of which Your Committee cannot approve. It has made it impossible for the House to ascertain the reduced provision asked for under each Subhead, and has led to somewhat grotesque results and inconvenience in debate, especially where the original reduced provision has proved insufficient and the House has been asked to vote a Supplementary Grant for the service.

Your Committee are informed by the Treasury that this practice has been discontinued as regards Civil Votes. The earlier practice of allocating cuts against Subheads has been reverted to in the Estimates for 1931, and Your Committee are assured it will be observed in future.

Fighting Services.—In the Fighting Services practice has varied. The Estimates for the Army have never published information as to any reduction made in the proposals of the Army Council before submission to the House. Qs. 3743 to 3767.

In the year 1924, and in each subsequent year, the First Lord of the Admiralty has explained in the memorandum prefixed to the Navy Estimates that there has been an overhead deduction intended to discount in advance possible delays in the progress of contract work, on the understanding that should such work proceed without interruption the position would be dealt with when it arose. But the amount of the deduction so made has not been shown in the Estimates, except only that part of it which relates to Vote 10 (Works), where since 1925 an abatement has been made on the Vote as a whole and not distributed over Subheads.

In the Air Estimates in recent years, beginning with the year 1925, overhead deductions have been made and exhibited on Votes 3 (Technical Equipment) and 4 (Works). These deductions have been applied again to the gross total of each Vote and not to the individual Subheads, for the reason, as was stated by the Secretary of State in his memorandum on the Air Estimates for 1925, that they have been superimposed on a normal allowance for the difficulties of one kind and another which are found to impede progress on approved services. "This reduction of the money provision", the Secretary of State added, "is not intended to affect the normal progress of expansion for Home Defence and other approved Services and, should the calculation hereafter prove

to have been mistaken, Parliament would, in due course, be invited to make good the deficiency to such extent as might be required ”.

At the same time, the practice of making an unallocated deduction against the total of a Vote as a whole is, in the opinion of Your Committee, as confusing in the case of the Fighting Services as it is in the Civil Votes, and the complications of accounting or estimating to which it may give rise are well illustrated in the Supplementary Estimate for Air Services presented to the House on 24th February, 1930, (H.C. 80).

In view of these objections, and at the request of Your Committee, the procedure has now been further examined by the Treasury, the Comptroller and Auditor General, and the Accounting Officers of the three Services concerned, and the decisions arrived at are embodied in the Treasury Memorandum printed as Appendix No. 16 to this Report. Your Committee agree with the conclusions therein stated.

4. *Post Office. Provision for Capital Works.*

Qs. 443-452. In the year under review, in virtue of the provisions of the Post Office and Telegraph Money Act, 1928, the whole sum required for the execution of capital works on the Post Office account has for the first time been provided for out of loan moneys. The sum so expended was £10,000,000, of which sum £850,000 was in respect of postal and telegraph services, the remainder being in respect of telephone development.

In previous years it has been the practice to provide out of loan moneys only for the expenditure required for the development of the telephone service (and not for the smaller amount required for postal and telegraph works). On the recommendation of the Estimates Committee of 1928 (Second Report), but without previous consultation with this Committee, it was determined that all capital required by the Post Office should be obtained on a single principle.

This is certainly a logical course, which was somewhat reluctantly acquiesced in by the Public Accounts Committee of 1929 (Second Report). After experience of the working of the new system, however, Your Committee would point out, with renewed emphasis that by this method the House of Commons is deprived of any opportunity of knowing or discussing in Committee of Supply the expenditure proposed, and that the change, on this ground, is most strongly to be condemned as involving a reversal of the practice uniformly observed on the recommendation of the Public Accounts Committee since 1904.

In that year the Committee drew attention to the growing practice of providing for capital works by means of loan, a practice which they strongly deprecated, expressing the opinion that

it would be more in accordance with sound rules of finance, and would tend to simplify the national accounts and maintain an efficient control over expenditure, if the bulk of the services were included as formerly in the annual estimates. The only exception which the Committee then recognised was in favour of special works of permanent character at large cost. On this ground (as Your Committee conceive) the heavy expenditure required for the development of the telephone system has been since then provided out of loan, but all other capital expenditure, whether for military, naval, or postal works, has, broadly speaking, been provided out of votes.

Your Committee desire to associate themselves in most emphatic terms with the opinion expressed by their predecessors in 1904, and recommend that as soon as the expenditure required for the development of the telephone system becomes reasonably constant, a reversion should be made to the practice of providing in Votes of Parliament for all capital works. In the meantime Your Committee invite the Post Office to consider presenting as an Appendix to the Estimates, an Estimate of Post Office Loan Expenditure for the year on the lines of the Appendix of that name to the Appropriation Account. While not requiring to be voted, this Appendix would give Parliament some indication of the capital expenditure which the Post Office propose to embark on in any given year.

5. Gifts of Public Property.

The question of gifts of public property, which have at times been considerable in value, has on various occasions attracted the attention of the Public Accounts Committee. The present rules governing the matter, which were approved by the Committee of 1923 (see Report 1923, Paragraph 85, Epitome, page 670), are as follows: Qs. 4010-4013.

All gifts must be approved by the Treasury.

If the value of the property to be included in a gift exceeds £10,000, a Minute explaining the circumstances, must, before a gift becomes effective, be presented to Parliament by the Treasury.

All such gifts, of whatever size, must be noted in the Appropriation Accounts presented to Parliament.

These rules secure the object to which the Public Accounts Committee have always attached great importance, namely that Parliament shall have full opportunity of reviewing any such gifts. But, if (as often happens in present circumstances) the value of the articles in question is trifling, the details, when recorded fully in the Appropriation Accounts, appear somewhat out of perspective, at any rate so far as the Fighting Services are concerned.

Thus, the Navy Appropriation Account for 1929 informs Parliament that provisions valued at £11. 18s. 7d. were presented by H.M.S. " Dahlia " to the ruling Prince of Hodeida in return for gifts of food made to the ship; that a ship's watch-bell valued at £5 was presented to the family of a distinguished Admiral, and two obsolete guns valued at £5 10s. to the National Nautical School at Portishead.

The Army Account records that a complete set of web equipment valued at £4 was presented to the United Services Institute, and that two unserviceable revolvers found during dredging by the Port of London Authority had been presented to the Port of London Museum.

Finally, from page 13 of the Air Account, Parliament may learn that a series of photographs of aircraft, valued at 13s. 6d., was presented to the Science Museum.

While Your Committee attach great importance to the maintenance of the principle underlying the present rules, they would ask the Treasury to consider whether, in the interests of economy, it might not be advisable to dispense with the individual notation on the Appropriation Account of gifts, however picturesque, if they are of trifling value. The financial limits within which this procedure should be followed, might be left to the discretion of the Treasury, subject always to the requirement that a complete list of all gifts shall be forwarded to the Comptroller and Auditor-General for his scrutiny, and subsequently submitted to Your Committee.

6. *Improper Signature of Certificate.*

Qs. 2942-
2966 and
Para. 50 of
C. & A.G.'s
Report.

The attention of Your Committee has been drawn to a case in which a payment of £1,000 was made to a contractor in virtue of a certificate which did not accurately represent the facts of the case.

They think it unnecessary to recite the circumstances in detail, as they are satisfied that the error of the officer concerned was one of judgment, and attributable to an incomplete appreciation on his part of the proper procedure in the particular circumstances.

They mention the case in order to reaffirm the view on which previous Committees have insisted, that the signature of certificates must not be regarded by the officer concerned as a mechanical act, but as a definite pledge that all the statements made therein are to his knowledge correct. They would also point out that it is always open to an officer to amend or add to a certificate in manuscript in order to make it fit the circumstances of any unusual case.

7. *Economy.*

In the course of their examination of the Accounts, Your Committee found prima facie evidence for a reconsideration of certain

commitments in the light of the present financial conditions. In each such case the Treasury promised that they would submit the matter to the Committee set up under the chairmanship of Sir George May.

8. *Contracts Co-ordinating Committee.*

Your Committee were of the opinion that the time had come for an inquiry into the working of the Contracts Co-ordinating Committee, with a view to the extension of the practice of co-ordinating purchases. On learning, however, that the Estimates Committee were engaged on that very matter, this Committee, to avoid duplication of the work, did not proceed further with their inquiries.

9. *Additional Table to Class VII.*

Your Committee suggest that a Table might be added to Class VII of the Appropriation Accounts, collating under the main Subheads the expenditure out of the various Votes administered by the Office of Works. Such a table might be a helpful addition to the accounts, seeing that it would enable the reader not only to compare each Subhead of each Vote with similar Subheads of other Votes, but also to make a ready estimate of the grand total expenditure on the service provided for by the Subhead in question. Qs. 4208-4234.

Your Committee understand that the cost of preparing such a table would be negligible, and that the Treasury are prepared to adopt the suggestion.

10. *Memoranda on Estimates.*

Another suggestion has been made to Your Committee, viz. that the Estimates for the larger Civil Departments might be supplemented by memoranda somewhat similar to the memorandum issued annually by the Board of Education in explanation of their Estimates (see Cmd. 3815). It is true that the Estimates for Education are in rather a special position, and that the calculations on which the grants are based and the magnitude of the sums devoted to Education by the State and by Local Authorities call naturally for some special explanation. There is perhaps less need for such explanatory memoranda in the case of other Civil Departments, in view of the fact that the Estimates already give full details of rates of pay and numbers of staff (which constitute so large an element in all the Estimates), and contain a considerable amount of detail as regards other Subheads. Moreover, the main features of the Estimates are discussed in the memorandum presented to Parliament by the Financial Secretary, and Qs. 4235-4242.

the chief Departments of State present to Parliament elaborate reports on their activities.

Without making any recommendation on this point, your Committee desire the Treasury to look into the question and favour them with any conclusions at which they may arrive.

PARTICULAR ACCOUNTS—CIVIL SERVICE AND REVENUE
DEPARTMENTS. CLASS VI, VOTE 14.

11. *Vote for Industrial Research supplemented out of Grant in Aid.*

Qs. 1553-
1566.

As the account shows, expenditure on unforeseen requirements has been met to the extent of £10,303 1s. 0d. from the balance of the fund created out of the development grants in aid of previous years. This accords with the arrangement which was explained by the Public Accounts Committee in paragraph 6 of their Second Report 1927, and in which with some misgivings they acquiesced. But this method of providing for unforeseen services is not, in the opinion of Your Committee, a desirable one, and they note that the Treasury have decided, in view of the confusion which it causes in the accounts and of the comments made by the Committee of 1927, not to sanction further grants in aid of development after the balance of previous grants still in hand is exhausted.

They would go further and ask the Treasury to consider whether at the close of the financial year now current, the unexhausted balance might not be surrendered to the Exchequer, leaving urgent and unforeseen requirements, which cannot be met within the limits of the Vote at any time available, to be financed out of the Civil Contingencies Fund pending the presentation of a Supplementary Estimate in the ordinary way.

CLASS VII, VOTE 4. LABOUR AND HEALTH BUILDINGS,
GREAT BRITAIN.

12. *New Labour Exchange, Bristol.*

Qs. 1056-
1075 & 1157-
1208.

The attention of your Committee has been called to the question of providing a new Labour Exchange at Bristol to replace the existing Exchange, which has long been regarded as unsuitable. It had proved a very difficult matter to find any new site, but in 1925 after a prolonged search one was discovered, which, though not ideal, was approved as adequate by the Ministry of Labour after consultation with the Chairman of the local Employment Exchange Committee and purchased with Treasury approval by the Office of Works. The announcement of the intention to erect a Labour Exchange on this site, which is on a main thoroughfare, led to violent local opposition; about the same time.

the Select Committee on Estimates reported that in their opinion it was undesirable to place Employment Exchanges in prominent thoroughfares.

The whole question was then exhaustively reconsidered by successive Ministers, and finally it was decided in 1929 to abandon the original proposal in favour of a new site which had meantime come into the market. On this site which has now been purchased, building operations, as Your Committee are informed, will begin in a few months. The old site is left on the hands of the Office of Works, who had up to 31st March, 1930, spent some £3,500 in legal costs and rent in connection with its acquisition, and have further liabilities to discharge to its vendor.

Your Committee are satisfied that the Office of Works is in no way responsible for the fruitless expenditure which has been incurred. The Ministry of Labour (fortified by the opinion of the Estimates Committee) changed their policy but Your Committee are not convinced that, in its execution, the Ministry paid due regard to the expense involved.

Qs. 1204-1206.

CLASS VIII, VOTE 2. MINISTRY OF PENSIONS.

13. *Gold Coast Pensions.*

In the course of the last ten years a number of pensions in respect of war service have been in payment to natives of the Gold Coast Colony, which were not in accordance with the regulations applicable to native West African troops.

Qs. 108-115,
Para. 55 of
C. & A.G.'s.
Report.

A local investigation on behalf of the Ministry of Pensions has shown that the over-payments have amounted in all to £11,369, the number of pensions concerned being 202 (all of comparatively small amounts). The pensions due under the Imperial regulations have now been recalculated, and for the future the charge against the Ministry of Pensions will be limited to the amount so arrived at.

Your Committee are satisfied that the over-payments in the past were due to a genuine misinterpretation of the regulations governing the rate of pension payable, and they are informed that an offer from the Colony has been accepted to make good the loss to the extent of £5,500.

Your Committee are glad to learn that the Director of Colonial Audit, acting on behalf of the Comptroller and Auditor-General, will in future assume control and take responsibility for the audit of pensions paid by those Oversea Agents of the Ministry whose accounts are examined locally by members of his Department.

INLAND REVENUE.

14. *Frauds by Collectors of Income Tax.*

Para. 6 of
C. & A.G.'s
Revenue
Report &
Qs. 152-186.

In 1926 the Committee of Public Accounts expressed their concern at the progressive increase in losses arising from the defalcations of Collectors of Income Tax, who were then, and are still in most cases, part-time officials appointed by the District Commissioners. They pointed out that changes of system had been introduced by the Commissioners of Inland Revenue, which it was hoped would simplify the accounts and give less opportunity for error or fraud, and that only time could show whether the measures taken would adequately protect the public revenue for the future. But they drew attention to the fact that, in the view of the Commissioners of Inland Revenue, the position would not be completely safeguarded unless the recommendation made by the Royal Commission in 1919 was adopted, viz.: that all Collectors throughout the United Kingdom should be appointed by the Board of Inland Revenue.

In the years which have since elapsed the attention of Your Committee has been called to further deficiencies in the collectors' accounts which have come to notice; the position as a whole shows that an improvement has resulted from the precautions explained in 1926, but all the evidence before Your Committee goes to confirm the view that security for the revenue is obtainable only if the recommendations referred to above are carried out.

Your Committee note that the Finance Bill now before Parliament deals with this problem.

ARMY.

15. *Improper Use of Mechanical Transport.*

C. & A.G.'s
Army Re-
port, Para.6.

In the past two years the Comptroller and Auditor General has called the attention of the Army Council to a number of cases in which there had been failure to observe the regulations governing the use of Army motor transport for non-military purposes, in that either proper authority had not been obtained or payment at the scheduled rates had not been made.

Q. 3205.

Q. 3217.

The cases for the most part have arisen in connection with the regimental transport in the hands of units, who, as Your Committee are informed, have perhaps been slow to recognise that, mechanical unlike animal transport cannot be used for any purpose without imposing definite charges for petrol, wear and tear, etc., on public funds.

In the opinion of Your Committee, more effective steps should be taken to prevent abuses of this kind, and they are glad to learn that the Army Council, who have already issued instructions from time to time to meet cases as they arose, are now preparing a general instruction to deal with the matter.

NAVY.

16. *Payments to contractors for breaches of contracts.*

The account for the year under review records certain payments amounting in all to £112,804 (Vote 8, Section III, Subhead H.H.) made to contractors in respect of certain ships of the 1928 programme, the orders for which were cancelled. Further like payments have since been made, and the Secretary to the Admiralty has informed your Committee that compensation amounting in all to £440,000 has been paid in respect of the cancelled ships, viz. : two 10,000 ton cruisers, two submarines and a submarine depot ship, which would have cost about £5,000,000 in all.

Your Committee call attention to these figures, as illustrating the price to be paid for breaking contracts.

C. & A.G.'s
Navy
Report.
Para. 7 &
Qs. 3983-
3990.
Q. 3989.

17. *Admiralty Electric Generating Stations.*

Your Committee have had before them the view that the generation of electricity by Dockyard Stations is expensive and out of harmony with modern practice of large scale generation and supply. They think this matter should be further considered.

Qs. 4184-
4192.

TRADING ACCOUNTS.

EXPORT CREDITS GUARANTEE DEPARTMENT.

18. *Deduction from gross administrative cost of costs incurred in respect of Parliamentary business.*

In making up the account relating to the Second Guarantee Scheme, the Department has made a deduction of £5,000 from its gross administrative costs, this being the amount estimated to be attributable partly to the closing up of earlier schemes and partly (to a larger extent) to the non-commercial side of its operations, that is to say, to the costs necessitated by Parliamentary, political or administrative considerations, e.g. the cost of preparing answers to questions in the House. This deduction is explained by the Accounting Officer in the foreword to the Account, but is not shown in the body of the account itself.

Qs. 1938,
1947-1973.
Para. 6 of A.
& A.G.'s
Report on
Trading Ac
counts &
Balance
Sheets.

Your Committee recognise that (as the Executive Committee urge) owing to the Department's responsibility to Parliament much work may be thrown on it which is not a part of the business of granting export credits, but they consider this to be a necessary condition of an enterprise conducted on behalf of the State by agents responsible to Parliament and they could not agree as a general principle to the removal of such charges from the public accounts.

The position is, however, exceptional in that the account in question relates to the principal, though still not the only, function of the Export Credits Guarantee Department. In these circumstances Your Committee are prepared to acquiesce in the wishes of the Executive Committee, provided that the costs attributable to work additional to that required for the administration of the Second Guarantee Scheme are shown on the face of the account explicitly as a deduction to be made from the gross cost, the calculation being inset and the net figure being carried out into the body of the account.

POST OFFICE.

19. *Loss on telegraph service.*

The attention of Your Committee has again been drawn to the operating loss on the telegraph service, which in the year under review amounted to £772,789 on an operating income of Qs. 565-599. £4,689,493. This represented an additional loss of £44,256 over the previous year, but Your Committee understand that the increase in the deficit was due to a rise in the rate of bonus and that under present conditions the loss will tend to fall. At the same time it was made perfectly clear to Your Committee that there was no prospect of the telegraph service paying its way.

At a time when all unnecessary expenditure should be curtailed Your Committee think it desirable to draw the attention of the House of Commons to this continuing loss. It is clearly not desirable that so important a subject which has recently been explored by a Departmental Committee should be dealt with by Your Committee as a detail in their survey of the annual Accounts. They are concerned, however, to point out that from a financial point of view these heavy annual losses are regrettable.

ROAD FUND ACCOUNT.

20. *Piccadilly Tunnel.*

C. & A.G.'s
Road Fund
Report,
Para. 4.
Qs. 1397-
1421.

In 1904 the Royal Commission on London Traffic recommended that, to relieve traffic congestion, a tunnel should be constructed passing from Berkeley Square under Piccadilly to the Mall. This recommendation was endorsed by a Committee which sat under the chairmanship of Mr. Kennedy Jones in 1919, but no decision for or against the proposal, which obviously raised a very important and difficult issue, had been taken by His Majesty's Government in 1925, when it was found that certain building operations proposed by private contractors on the projected line of route in Stratton Street would prejudice the ultimate construc-

tion of the tunnel, or greatly enhance its cost, unless special measures were taken on behalf of the Ministry of Transport.

It was then arranged that the foundations should be strengthened and certain easements acquired by the Ministry of Transport, at a cost to the Ministry of some £18,872. In consideration of this payment, the Ministry of Transport secured themselves against a much heavier expenditure which would have been necessary for the purposes of the tunnel had the foundations, etc., in Stratton Street been constructed as originally proposed by the contractor. Q. 1415.

In 1929, when Lansdowne House and grounds came into the market, the question arose whether or not additional easements should be acquired, and it was then decided, after exhaustive consideration by His Majesty's Government, that the amenities of the Park outweighed the possible advantages to traffic, and the scheme was definitely abandoned.

Your Committee have necessarily no knowledge of the reasons for this prolonged delay in coming to a decision, but in the circumstances they are of the opinion that the Department was, as a matter of foresight, justified in acquiring the Stratton Street easements in the hope of saving a considerable sum in the future, though in the event the transaction involved an expenditure of £18,000, which so far has borne no fruit.

SUPREME COURT: PRIZE, &C., DEPOSIT ACCOUNT.

21. *Discontinuance of Account.*

This Account, which has been presented to the House of Commons regularly since 1916, records the receipts and payments of the Accounting Officer of the Supreme Court on behalf of the Admiralty Division in prize since 4 August, 1914. Qs. 745-759.

The transactions in question, which up to 31 March, 1930, involved receipts and payments amounting to £20,900,547, are now completed, with the exception of two small cases involving not more than £8,000, the settlement of which may be protracted. In these circumstances, it has been proposed by the Treasury that the annual presentation of the account should be discontinued, but that, when the two outstanding matters have been disposed of and notified to the Comptroller and Auditor General, one final return should be prepared and laid before the House. Your Committee offer no objection to the course proposed.

 PROCEEDINGS OF THE COMMITTEE.

 THURSDAY, 5th FEBRUARY, 1931.

Members Present:

 Mr. Bird.
 Mr. Butler.
 Captain Crookshank.
 Mr. Denman.
 Mr. Ede.

 Sir Robert Hamilton.
 Sir Assheton Pownall.
 Major Salmon.
 Mr. Arthur Michael Samuel

Mr. Arthur Michael Samuel was called to the Chair.
 The Committee deliberated.

Statements of Excess on the Votes for Diplomatic and Consular Services, Office of Commissioners of Crown Lands, Merchant Seamen's War Pensions, Ministry of Pensions and the Navy were considered.

The Civil Appropriation Accounts, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Sir Horace Hamilton, K.C.B., Sir Frederick Butler, K.C.M.G., C.B., Mr. A. S. Gaye, C.B., Sir George Chrystal, K.C.B., Mr. W. Sanger, C.B., J.P., and Sir Oswyn Murray, G.C.B., were examined.

[Adjourned till Tuesday next.]

 TUESDAY, 10th FEBRUARY, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

 Mr. Benson.
 Mr. Bird.
 Mr. Butler.
 Captain Crookshank.
 Mr. Ede.

 Sir Robert Hamilton.
 Mr. Leif Jones.
 Sir Assheton Pownall.
 Major Salmon.

The Committee deliberated.

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

Ordered to Report.

The Revenue Departments Appropriation Accounts, 1929, were considered.

The Civil Appropriation Accounts, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Mr. E. R. Forber, C.B., C.B.E., and Mr. P. J. Grigg were examined.

[Adjourned till Thursday next.]

THURSDAY, 12th FEBRUARY, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Sir Robert Hamilton.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Mr. Lathan.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Ede.	Major Salmon.
Mr. Gill.	

The Committee deliberated.

The Civil Appropriation Accounts, 1929, were further considered.

The China Indemnity Fund Account, 1929, was considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Mr. Bryan Fell, Mr. J. Luxford and Sir F. G. A. Butler, K.C.M.G., C.B., were examined.

[Adjourned till Tuesday next.

TUESDAY, 17th FEBRUARY, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Bird.	Sir Robert Hamilton.
Mr. Butler.	Mr. Leif Jones.
Mr. Denman.	Major Salmon.
Mr. Ede.	Mr. West.

The Committee deliberated.

The Revenue Departments Appropriation Accounts, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., and Sir Henry Bunbury, K.C.B., were examined.

[Adjourned till Thursday next.

THURSDAY, 19th FEBRUARY, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Gill.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Mr. Lathan.
Mr. Denman.	Sir Assheton Pownall.
Mr. Ede.	Major Salmon.

The Civil Appropriation Accounts, 1929, were further considered.
The Supreme Court of Judicature Account and the Supreme Court Prize etc. Deposit Account, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Sir Oswald Simpkin, K.C.B., C.B.E., Sir Claud Shuster, G.C.B., C.V.O., K.C., and Mr. Roland Wilkins, C.B., were examined.

[Adjourned till Tuesday next.

TUESDAY, 24th FEBRUARY, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Ede.
Mr. Bird.	Sir Robert Hamilton.
Mr. Butler.	Mr. Leif Jones.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Denman.	Major Salmon.

The Committee deliberated.

The Civil Appropriation Accounts, 1929, were further considered.

The Unemployment Fund Account, the Local Loans Fund Account, the Sinking Funds Account and the Irish Land Purchase Fund Accounts, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Mr. F. G. Bowers, C.B., C.B.E., and Mr. M. F. Headlam, C.B., C.M.G., were examined.

[Adjourned till Thursday next.

THURSDAY, 26th FEBRUARY, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Sir Robert Hamilton.
Mr. Bird.	Mr. Leif Jones.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Denman.	Major Salmon.

The Civil Appropriation Accounts, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., and Sir Lionel Earle, K.C.B., K.C.V.O., C.M.G., J.P., were examined.

[Adjourned till Tuesday next.

TUESDAY, 3rd MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.

Mr. Butler.

Captain Crookshank.

Mr. Leif Jones.

Sir Assheton Pownall.

Major Salmon.

The Civil Appropriation Accounts, 1929, were further considered.
Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Dr. G. F. Hill, C.B., Litt.D., LL.D., F.B.A., F.S.A., Sir Lionel Earle, K.C.B., K.C.V.O., C.M.G., J.P., and Sir Francis Floud, K.C.B., were examined.

[Adjourned till Thursday next.

THURSDAY, 5th MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.

Mr. Bird.

Mr. Butler.

Captain Crookshank.

Mr. Denman.

Sir Robert Hamilton.

Mr. Leif Jones.

Sir Assheton Pownall.

Major Salmon.

Mr. West.

The Committee deliberated.
The Civil Appropriation Accounts, 1929, were further considered.
The Widows', Orphans' and Old Age Contributory Pensions Acts Accounts and the National Health Insurance Fund Accounts, 1929, were considered.
Sir Malcolm Ramsay, K.C.B., Sir A. W. Hurst, K.B.E., C.B., Mr. A. E. Watson, C.B.E., Sir E. J. Strohmenger, K.B.E., C.B., and Mr. W. A. Middleton, O.B.E., were examined.

[Adjourned till Tuesday next.

TUESDAY, 10th MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.

Mr. Bird.

Mr. Butler.

Captain Crookshank.

Mr. Denman.

Mr. Ede.

Mr. Gill.

Mr. Leif Jones,

Sir Assheton Pownall.

Major Salmon.

Mr. West.

The Civil Appropriation Accounts, 1929, were further considered.
The Trading Accounts and Balance Sheets, 1929, were considered.
The Road Fund Accounts, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Sir Cyril Hurcomb, K.B.E., C.B., Sir Alfred Faulkner, C.B., C.B.E., and Sir Frank Smith, K.C.B., C.B.E., D.Sc., LL.D., F.R.S., were examined.

[Adjourned till Thursday next.

THURSDAY, 12th MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Leif Jones.
Mr. Butler.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Ede.	

The Civil Appropriation Accounts, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Colonel W. N. Scorgie, C.B.E., and Colonel Sir Robert Johnson, K.B.E., were examined.

[Adjourned till Tuesday next.

TUESDAY, 17th MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Lathan.
Mr. Bird.	Sir Assheton Pownall.
Mr. Butler.	Major Salmon.
Mr. Denman.	Mr. West.
Mr. Leif Jones.	

The Civil Appropriation Accounts, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Mr. E. H. Pelham, C.B., Mr. E. G. Howarth, C.B., Sir E. Crowe, K.C.M.G., and Mr. F. H. Nixon were examined.

[Adjourned till Thursday next.

THURSDAY, 19th MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Ede.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Mr. Lathan.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Denman.	Major Salmon.

The Committee deliberated.

The Civil Appropriation Accounts, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. N. Dixon, C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Brigadier H. St. J. L. Winterbotham, C.M.G., D.S.O., A.D.C., Sir Charles Howell Thomas, K.C.B., C.M.G., and Mr. A. S. Gaye, C.B., were examined.

[Adjourned till Tuesday next.]

TUESDAY, 24th MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Gill.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Mr. Lathan.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Ede.	Major Salmon.

The Committee deliberated.

The Civil Appropriation Accounts, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Mr. R. L. Robinson, C.B.E., Sir Horace Hamilton, K.C.B., and Mr. R. V. Headland, O.B.E., were examined.

[Adjourned till Thursday next.]

THURSDAY, 26th MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Butler.	Mr. Leif Jones.
Captain Crookshank.	Mr. Lathan.
Mr. Denman.	Sir Assheton Pownall.
Mr. Gill.	Major Salmon.
Sir Robert Hamilton.	

The Civil Appropriation Accounts, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. P. Waterfield, C.B., Mr. A. E. Watson, C.B.E., Mr. G. G. Whiskard, C.B., Sir Edward Harding, K.C.M.G., C.B., Mr. S. C. Tallents, C.B., C.M.G., C.B.E., Mr. W. P. Hildred, Sir Samuel Wilson, G.C.M.G., K.C.B., K.B.E., and Mr. F. J. Howard, O.B.E., were examined.

[Adjourned till Tuesday next.

TUESDAY, 31st MARCH, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.
Mr. Bird.
Mr. Butler.
Mr. Ede.

Mr. Gill.
Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.

The Civil Appropriation Accounts, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Sir Lionel Earle, K.C.B., K.C.V.O., C.M.G., J.P., and Mr. A. C. Barnett, C.B.E., were examined.

[Adjourned till Thursday, 16th April.

THURSDAY, 16th APRIL, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Bird.
Captain Crookshank.
Mr. Denman.
Mr. Ede.
Mr. Gill.

Sir Robert Hamilton.
Mr. Leif Jones.
Mr. Lathan.
Sir Assheton Pownall

The Civil Appropriation Accounts, 1929, the Trading Accounts and Balance Sheets, 1929, and the Widows', Orphans' and Old Age Contributory Pensions Acts Accounts, 1929, were further considered.

The Housing Act, 1914, Account was considered.

Sir Malcolm Ramsay, K.C.B., Mr. F. Phillips, C.B., Mr. A. E. Watson, C.B.E., Sir Robert Greig, M.C., LL.D., D.Sc., Mr. George Hogarth, Mr. John Jeffrey, C.B., C.B.E., and Mr. W. W. McKechnie, C.B., were examined.

[Adjourned till Tuesday next.

TUESDAY, 21st APRIL, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Gill.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Denman.	

The Civil Appropriation Accounts, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Sir A. W. Hurst, K.B.E., C.B., Mr. A. E. Watson, C.B.E., Sir Malcolm Delavigne, K.C.B., Mr. J. F. Moylan, C.B., C.B.E., Mr. R. Macdonald, Mr. A. Maxwell, C.B., and Sir Fabian Ware, K.C.V.O., K.B.E., C.B., C.M.G., were examined.

[Adjourned till Thursday next.

THURSDAY, 23rd APRIL, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Gill.
Mr. Bird.	Sir Robert Hamilton.
Mr. Butler.	Mr. Leif Jones.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Denman.	Major Salmon.

The Royal Hospital Chelsea Account, 1929, was considered.

The Army Appropriation Account, 1929, was considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. P. Waterfield, C.B., Mr. A. E. Watson, C.B.E., Mr. W. H. Wilcox, O.B.E., Sir Herbert Creedy, K.C.B., K.C.V.O., and Mr. J. B. Crosland, C.B., were examined.

[Adjourned till Tuesday next.

TUESDAY, 28th APRIL, 1931..

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Bird.	Mr. Gill.
Mr. Butler.	Mr. Lathan.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Denman.	Major Salmon.
Mr. Ede.	

The Army Appropriation Account, 1929, was further considered.
The Army (Ordnance Factories) Accounts, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. P. Waterfield, C.B., Mr. A. E. Watson, C.B.E., Sir Herbert Creedy, K.C.B., K.C.V.O., Mr. J. B. Crossland, C.B., and Sir Reginald Townsend, K.C.B., C.B.E., were examined.

[Adjourned till Thursday next.

THURSDAY, 30th APRIL, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Sir Robert Hamilton.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Denman.	Mr. West.
Mr. Gill.	

The Committee deliberated.

The Air Services Appropriation Account, 1929, was considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. P. Waterfield, C.B., Mr. A. E. Watson, C.B.E., and Mr. C. Ll. Bullock, C.B., C.B.E., were examined.

[Adjourned till Tuesday next.

TUESDAY, 5th MAY, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Sir Robert Hamilton.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Denman.	Mr. West.
Mr. Ede.	

The Committee deliberated.

The Air Services Appropriation Account, 1929, and the Civil Appropriation Accounts, 1929, were further considered.

The Land Purchase Commission Northern Ireland Accounts, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. P. Waterfield, C.B., Mr. A. E. Watson, C.B.E., and Mr. C. Ll. Bullock, C.B., C.B.E., were examined.

[Adjourned till Thursday next.

THURSDAY, 7th MAY, 1931.

Members Present :

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Ede.
Mr. Bird.	Sir Robert Hamilton.
Mr. Butler.	Mr. Lathan.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Denman.	Major Salmon.

The Civil Appropriation Accounts, 1929, were further considered.
The Greenwich Hospital and Travers Foundation Accounts, 1929, were considered.

The Navy Appropriation Account, 1929, was considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. P. Waterfield, C.B., Mr. A. E. Watson, C.B.E., Mr. A. W. Smallwood, C.B.E., and Sir Oswyn Murray, G.C.B., were examined.

[Adjourned till Tuesday next.

TUESDAY, 12th MAY, 1931.

Members Present :

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Butler.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Denman.	Mr. West.
Mr. Leif Jones.	

The Navy Appropriation Account, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

The Dockyard Expense Accounts, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. P. Waterfield, C.B., Mr. A. E. Watson, C.B.E., and Sir Oswyn Murray, G.C.B., were examined.

[Adjourned till Thursday next.

THURSDAY, 14th MAY, 1931.

Members Present :

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.	Mr. Leif Jones.
Mr. Bird.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Denman.	

The General Paragraphs of the Comptroller and Auditor-General's Reports on the Civil Appropriation Accounts, the Revenue Departments Appropriation Accounts and the Trading Accounts and Balance Sheets, 1929, were considered.

The Treasury Minute on the Second Report of the Public Accounts Committee, 1930, was considered.

The Civil Appropriation Accounts, 1929, were further considered.

The Development Fund Account, the Civil Contingencies Fund Account, the Consolidated Fund Abstract Account and the Treasury Chest Fund Account, 1929, were considered.

Sir Malcolm Ramsay, K.C.B., Mr. A. E. Watson, C.B.E., Mr. A. M. Sugars, D.C.M., and Sir Richard Nind Hopkins, K.C.B., were examined.

[Adjourned till Tuesday next.

TUESDAY, 19th MAY, 1931.

Members Present :

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Captain Crookshank.

Sir Assheton Pownall.

Mr. Denman.

Major Salmon.

Sir Robert Hamilton.

Mr. West.

The Civil Appropriation Accounts, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Sir A. W. Hurst, K.B.E., C.B., Mr. A. E. Watson, C.B.E., and Sir John Lamb, K.C.B., were examined.

[Adjourned till Thursday next.

THURSDAY, 21st MAY, 1931.

Members Present :

Mr. ARTHUR MICHAEL SAMUEL in the Chair

Mr. Bonson.

Mr. Denman.

Mr. Bird.

Mr. Gill.

Mr. Butler.

Mr. Lathan.

Captain Crookshank.

Major Salmon.

The Civil Appropriation Accounts, 1929, and the Trading Accounts and Balance Sheets, 1929, were further considered.

Sir Malcolm Ramsay, K.C.B., Mr. E. J. H. Palmer and Sir John Sykes, K.C.B., were examined.

[Adjourned till Tuesday, 23rd June.

TUESDAY, 23rd JUNE, 1931.

Members Present:

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Mr. Benson.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Ede.
Mr. Gill.

Sir Robert Hamilton.
Mr. Leif Jones.
Mr. Lathan.
Major Salmon.
Mr. West.

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

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

Paragraphs 1-3 amended and agreed to.

A paragraph (Post Office, Provision for Capital Works) (Mr. Leif Jones) brought up and read the first and second time, and inserted in the Report.

Paragraphs 4 and 5 amended and agreed to.

Paragraphs 6 to 8 agreed to.

Paragraph 9 amended and agreed to.

Paragraph 10 agreed to.

Paragraphs 11 to 14 amended and agreed to.

Paragraph 15 agreed to.

Another paragraph (Admiralty Electric Generating Stations) (Mr. Denman) brought up and read the first and second time, amended and inserted in the Report.

Paragraphs 16 and 17 amended and agreed to.

Paragraphs 18 and 19 agreed to.

Draft Report, as amended, agreed to.

Ordered, To report together with the Minutes of Evidence and Appendices.

The Chairman read the following letter from Sir Malcolm Ramsay, K.C.B. :—

DEAR MR. CHAIRMAN,

The time has now come when I must tell you, and through you the Public Accounts Committee, that I have asked and received of His Majesty permission to retire from the public service on 1st October next.

It has been a great privilege to have been associated for the past 10 years with the work of the Public Accounts Committee, and I would beg you to assure them on my behalf that I am deeply grateful to them for the support they have given me in my work, and the consideration which they have shown to me personally.

Yours truly,

M. G. RAMSAY.

Resolved, That the thanks of the Committee be tendered to Sir Malcolm Ramsay, K.C.B., for his services to them during his tenure of the office of Comptroller and Auditor-General. (*The Chairman.*)

[Adjourned *sine die.*]

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SELECT COMMITTEE OF PUBLIC ACCOUNTS.

THURSDAY, 5TH FEBRUARY, 1931.

MEMBERS PRESENT:

Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Ede.

Sir Robert Hamilton.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

MR. ARTHUR MICHAEL SAMUEL WAS CALLED TO THE CHAIR.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B. and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VIII.

ON VOTE 1.

MERCHANT SEAMEN'S WAR PENSIONS.

STATEMENT OF EXCESS (MERCHANT SEAMEN'S WAR PENSIONS).

Sir H. P. HAMILTON, K.O.B., called in and examined.

Chairman.

1. Will you turn to page xx, paragraph 53, of Sir Malcolm's report. "The expenditure on this account exceeded the estimate by £907 15s. 2d. The explanation furnished of this excess is that the estimate allowed for a larger number of deaths and remarriages of pensioners than actually occurred." If you will turn to the White Paper, "Civil Estimates. Statement of excesses," on page 3, you will see it says: "The excess was caused by over-estimates of the numbers of deaths and remarriages of pensioners that would occur in the year." Sir Horace, was this really due to there being less people who died, or less people who remarried, or (if you will take us into your confidence) was it really that you made a blunder and tried to cover it up as best you could?—(Sir *Horace Hamilton.*) The over-estimate was due to an arithmetical error in framing the original estimate, the result of which was that the Vote taken was £2,000 less than it ought to have been.

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2. There was an honest accounting mistake or oversight?—It was a mistake in addition.

3. It was nothing at all for us to worry about. It was quite a venial mistake. Does any Member wish to make any observations upon that?

Mr. Ede.

4. I do not quite gather why, if it was an arithmetical mistake in pounds sterling, it should be set out in the way it is set out here: "The excess was caused by over-estimates of the numbers of deaths and re-marriages of pensioners." Was the mistake in adding them up?—Yes.

5. It does not mean that people were healthier and luckier than they might have been anticipated to be?—No, that was not the case.

Chairman.

6. If there are no more questions on that we will pass to page 414 of the Civil

B

5 February, 1931.]

Sir H. P. HAMILTON, K.C.B.

[Continued.]

Appropriation Accounts, 1929. There was an excess of expenditure, as you see, at the bottom of the page of £907 15s. 2d. That is what Sir Malcolm said. Sir Malcolm, do you want to tell us anything about that?—(Sir Malcolm Ramsay.) No, Sir. I think it is a very small matter. I have no observation to make on the Vote. The Committee will remember that these pensions will gradually expire. The question whether they could be more economically administered by another

Department was considered by the Estimates Committee, who said the time was not ripe; that was last Session, if I remember rightly. No general question arises on it.

Chairman.] If there are no other points to be raised I propose, with your permission, to take page 414 and pass that Vote, so that Sir Horace need not come here again.

(Agreed.)

(Sir Horace Hamilton withdrew.)

STATEMENT OF EXCESS (DIPLOMATIC AND CONSULAR SERVICES).

Sir F. G. A. BUTLER, K.C.M.G., C.B., called in and examined.

Chairman.

7. We now turn to paragraph 24 of Sir Malcolm's report on page ix. It says: "The net deficit on this account for which an Excess Vote is required is £5,523 3s. 4d." Have you anything to say upon that, Sir Malcolm?—(Sir Malcolm Ramsay.) I have only to say that it is a big Vote, and if I may say so, Sir Frederick Butler, in making up his accounts, followed the narrowest path of financial rectitude. He made up his accounts as they came in, and they showed this small excess. As he explains in the Statement of Excess, the principal cause is the depreciation of the dollar, which fell steadily towards the end of the year, and therefore they had to remit dollars home at a loss. That is right, is not it, Sir Frederick?—(Sir Frederick Butler.) Yes, that is the main cause.

8. You could not have a gamble in exchange?—No. Just a year ago, when

we had to make up our minds whether we wanted a supplementary Estimate, we saw that it was going to be a very near thing. We could not honestly come to Parliament and say that we needed another £2,000 or £3,000, so we just chanced things going right and they did not; that is all.

Chairman.

9. Are there any questions on that? If not, we will pass it. We will go now to page 54 of the Civil Appropriation Accounts, 1929.—(Sir Malcolm Ramsay.) I think it will be more convenient to take the main Vote at another time. It is put on the Agenda merely to dispose of the Excess Vote. The Committee will have to ask Sir Frederick to come back on a later occasion.

Chairman.] Very well, if you recommend us to do that.

(Sir F. G. A. Butler withdrew.)

STATEMENT OF EXCESS (OFFICE OF COMMISSIONERS OF CROWN LANDS).

Mr. A. S. GAYE, C.B., called and examined.

Chairman.

10. We will now go to page xvii of Sir Malcolm's report, paragraph 45: Office of Commissioners of Crown Lands. The excess expenditure on this account is £74. There is nothing in that. It is explained by Sir Malcolm. Have you

anything further to say, Sir Malcolm?—(Sir Malcolm Ramsay.) It is very unfortunate that there was an excess, but the Vote was cut extremely fine, and they could not find a margin to meet this small amount.

Chairman.] Circumstances were too severe for them, I suppose.

5 February, 1931.]

Mr. A. S. GAYE, C.B.

[Continued.]

Sir Assheton Pownall.

11. Had there been an overhead cut in this case?—No, I think not, Sir. Of course, all the Estimates were heavily pruned generally, but there was no specific cut in this case.

12. There was no overhead cut?—No, not specifically. The Accounting Officer will confirm what I say.

Chairman.

13. Mr. Gaye, we are now going to ask you about the Vote on page 261 of the Civil Appropriation Accounts, 1929?—Mr. Gaye will have to come back on another occasion. The General Account

is not out yet. Will you agree to postpone questions on details until he comes back?

14. Do you think Mr. Gaye need come back? Could not we get through that Vote and have done with it?—It is for the Committee. There is a General Account which is not yet published. It is the General Account of the Crown Lands, for which Mr. Gaye answers.

Mr. Deaman.] It is an important account.

Chairman.

15. Cannot we deal with page 261?—There is no objection to that.

CLASS VI.

ON VOTE 7.

OFFICE OF COMMISSIONERS OF CROWN LANDS.

Chairman.] On subheads B and E they spent more than granted. The total excess was £74 3s. 1d.

Major Salmon.

16. With reference to your grant of £30,090, Mr. Gaye, the whole of that money is used for dealing with Crown Lands?—(Mr. Gaye.) That is for the Head Office and the Office in Scotland.

17. Does the whole of your collection of rents come under the Crown Lands Office Vote, or does it come under the Vote about which we are going to hear later?—The money for ordinary administration is not voted by Parliament; it is our own money. We have to account for it, but it does not come out of our Parliamentary Vote. It comes out of Land Revenue.

18. Therefore, it does not really come under the heading of Crown Lands

under this particular Vote?—Not under this Vote. (Sir Malcolm Ramsay.) This Vote is limited to the headquarters administrative expenses. The expenses of receiving and collection throughout the country are shown in the paper which the Committee will have later. They are not voted, but paid out of the gross revenue.

19. The supervision is done under this Vote?—Yes, that is so; and the reason is to bring the matter under the review of Parliament.

Chairman.

20. If there are no more questions, we will say that the Vote on page 261, Office of the Commissioners of Crown Lands has passed us. I think we can therefore allow you to go, Mr. Gaye?—(Mr. Gaye.) Thank you.

(Mr. Gaye withdrew.)

STATEMENT OF EXCESS (NAVY).

Sir OSWYN MURRAY, G.C.B., called in and examined.

Chairman.

21. I understand the probable outturn was communicated to the Treasury somewhere about the 11th March last, and the Admiralty said that they expected there would be no net variation in the Appropriations - in - Aid?—(Sir Oswyn Murray.) Yes.

22. That being the item the shortage of which has caused the trouble?—Yes.

23. How came it about that the calculations made so late as the 11th of March were so very far out? How did the gap between what was actual and what was anticipated occur?—When we examined the position during February (and it is

5 February, 1931.]

Sir OSWYN MURRAY, G.C.B.

[Continued.]

really during February that we have to make up our minds whether there will be a supplementary estimate required or not) we considered the case very carefully, and we considered what the corresponding situation of the Navy Votes had been at the same time in the previous two years, and it was quite clear that, if the course of expenditure and the receipt of money that was due to us was the same during the year we were then considering as it had been during the previous two years, there would be no deficit, but we should be somewhere about £40,000 on the right side. That was again considered at the beginning of March, and there had been a very satisfactory falling off in the potential deficit, and it still looked, according to the experience of the two previous years, that we should be on the right side. That being so, we thought, after consulting the Treasury, that it was better to abide the result rather than to go to Parliament and ask for a sum which, in that case, would have had to be a sum which would have put us beyond all reach of doubt, say £200,000, or something of that sort, which we really did not believe we should need.

24. What do you say to that, Sir Malcolm?—(Sir *Malcolm Ramsay*.) This Committee has always insisted that if there is any doubt Departments should always err upon the safe side, and that it is better to ask Parliament for a Vote which is afterwards proved to be not needed than to run the risk of a deficit and to come later for an excess Vote.

25. We will look now at the Votes?—I am afraid there are no details to account for that beyond the printed statement. The Navy Estimates are not yet out. There is a separate White Paper which gives all the material figures.

26. You were all right on the gross expenditure, but you were out on the receipts?—(Sir *Oswyn Murray*.) Yes. Money did not come in as was expected during the last month. I am sure it will be understood that the coming in of money that is due to us is not nearly as much under our control as the outgoing of money.

Chairman.] Does that satisfy the Committee?

Major *Salmon*.

27. I notice under Vote 2, which is Clothing, the surplus on gross expendi-

ture is £80,857, and yet you say, carrying it forward, "Deficits on Appropriations-in-Aid, £47,555." Would you kindly explain what that means?—The two things are very much connected. We buy stores, clothing and provisions on the one side, and we sell them to the men. If the men do not purchase to the extent that we expect we do not buy; we reduce our purchases, and therefore we get a surplus on our expenditure, but we also lose the Appropriation-in-Aid that we hoped to get.

28. You anticipated getting so much money in if the men had purchased goods from your stores?—Yes.

29. As they did not call upon them within a given date you were short of that amount of money?—We saw that sales were falling off, and we did not spend money in replenishing stock.

30. How do you deal with it on Vote 8, which is Shipbuilding and Maintenance? How does it apply there?—You are talking of Vote 8 (II), I suppose?

31. Yes?—That is quite different. Vote 8 (II) on the expenditure side is for material for building ships in the dockyards, or for sea stores for the use of ships. The Appropriation-in-Aid is for selling ships, for selling old stores, and other transactions of that sort, which are quite disconnected with the expenditure on the other side.

32. Do you depend upon the credits that you will get for the selling of those ships to meet the expenditure that you have incurred under Vote 8 (III)?—We estimate, in our Estimate to Parliament, for a certain sum of Appropriations-in-Aid, and, of course, if we do not get those Appropriations-in-Aid we have either got to come to Parliament to make up the difference, or else we have got to reduce our gross expenditure accordingly.

33. One is contingent upon the other?—Yes.

34. Does that fluctuate year by year to any large extent?—Yes, some of the items on the Appropriation-in-Aid fluctuate a good deal.

35. There is a 33 per cent. difference here between the total surpluses on gross expenditure and the deficits on Appropriations-in-Aid; roughly it is one-third?—Yes, it is.

36. Not quite one-third, but very nearly?—Yes.

37. It seems to me to be a large difference. Is that the easier way of handling

5 February, 1931.]

SIR OSWYN MURRAY, G.C.B.

[Continued.]

the account? Is there no other means of handling it?—A good deal of the deficit on Appropriations-in-Aid here, if I remember rightly, was on the sale of ships. It was thought when we framed the Estimate that certain ships would be sold out of the Fleet during the year. A considerable change of policy as regards shipbuilding occurred during that year. There was a change of Government during the year, and the shipbuilding programme was revised, and some ships that we expected to be sold out of the Fleet were not sold until the following year.

38. Then, I suppose, when you have under the heading "Deficits on gross expenditure" on Vote 9 a sum of £347,296 12s. 8d. it was because you did not spend that amount of money which you anticipated spending on Armaments?—No; that is an over expenditure that is due to the fact that on Navy Votes in this year, as in all years since 1924, an overhead cut was made by the Treasury after we had formed our estimate, on the chance that contractors would not

make the progress that we expected them to make with their work. The estimated deduction was much too great in certain respects.

39. What was the figure of your overhead cut?—£2,400,000.

40. This accounts really for the deficit on gross expenditure of, in round figures, £700,000? That is attributable to that cut?—In part it is, but there would be a good deal to say, which I think will be clearer to the Committee when they have got the accounts before them and the Report of the Comptroller and Auditor-General on the course of Naval expenditure during that year. The change of Government which I have mentioned, and the abandonment of certain shipbuilding which was in hand, had a great effect one way, but that was counterbalanced on the other side by the fact that the overhead cut which had been put on the Vote as a whole was much too high.

Chairman.] I think that accounts for that.

(*Sir Oswyn Murray withdrew.*)

STATEMENT OF EXCESS (MINISTRY OF PENSIONS) CLASS VIII.

ON VOTE 2.

MINISTRY OF PENSIONS.

SIR GEORGE CRYSTAL, K.C.B., and MR. W. SANGER, O.B., J.P., called and examined.

Chairman.

41. We will now turn to page xx, paragraph 54, of Sir Malcolm's report in the Civil Appropriation Accounts: Ministry of Pensions; Excess expenditure over Estimate. What happened in the interim, Sir George? It was suggested that a Supplementary Vote should be taken for £297,000, and then the proposal was withdrawn, yet you have £342,266 10s. 1d. net excess. Sir George, what have you to say about that?—(*Sir George Chrystal.*) I am afraid I must confess that it was an error of judgment on my part.

42. You throw yourself on the mercy of the court, I understand?—There is no doubt that I made a miscalculation, but I think there are certain extenuating circumstances, if I may so put it. On previous occasions, of which

we can give you particulars, we have taken Supplementary Estimates and found that we did not need them at all, the reason being that as far as we could really deduce any general principle from the facts, it was this, that during the last quarter of our financial year, there used to be, and always had been, a very considerable drop. On the occasion that we are now discussing that drop did not take place, and we had an excess instead of a considerable saving on our big subhead K, which is the big pensions subhead. As you will see from the Note which is in the Appropriation Accounts, we relied on a saving on that subhead to cover the smaller excesses on the other subheads, which are mentioned here.

43. That is on page 416 of the Civil Appropriation Accounts?—Yes, page 416. There is a note there.

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5 February, 1931.] Sir GEORGE CHRYSAL, K.C.B., and Mr.
SANGER, C.B., J.P.

[Continued.]

Chairman.

44. Let me ask you a question or two on page 416. What are the administrative expenses, what reduction was there on 1928, and what reduction has there been of staff? I see there is a Motion put down by someone to cut down staff and for rationing.

Mr. Ede.

45. That Motion has not been passed yet?—The reduction of staff is 443.

Chairman.

46. Supposing we were to say to you, on the lines of the demand for rationing: "You shall take off 150 people; we do not care where you take them off, but you have to take them off," what would you say? Could you do it, and do the work efficiently?—It is very difficult to answer that offhand, but 150 is not a very large number on our present staff of 4,680.

47. Then why should not you do it? Have a try; go back this afternoon and take some steps to get that 150 off right away.—I would answer to that, that we take the very greatest precautions not to have a larger staff than we need.

48. What did you say in the earlier part of your reply? Did not you say that you could do it?—I said it would be very difficult to do it. Our work fluctuates considerably. During the last year or more our work has increased considerably in various respects. The new procedure for dealing with over-seven-years applications, for instance, has undoubtedly checked the fall of our provincial establishments, because the procedure, as you probably know, involves that the man aggrieved goes to his local War Pensions Committee, through his Area Office, and that undoubtedly throws more work on the Area Office.

49. May I speak to you in the words of Molière? He said that any Accounting Officer can arrange to have more staff when he has more work, but the really clever Accounting Officer is the man who does more work and has less staff.—I think that has been the record of the Ministry. I think our staff has declined more rapidly than our work has. I think I could make that good if I had all my curves with me.

50. How are the administration expenses going on? Was there a reduction? You told me there was a reduction in

staff. Is there a percentage reduction in administration expenses?—There is no reduction in expenses on this account. I am sorry to say there is a very slight increase. It was 5½d. in the £, and I think we would not be right in saying that it was less than 5¾d. at the moment.

Major Salmon.

51. I see this is the first time since 1922 that the amount under this subhead has increased?—Yes, that is so, and I rather indicated to the Committee on previous occasions that some such change was to be expected.

52. An increase?—Yes; because you cannot keep up the rate of decline as you go on. The unit is a human being. You cannot divide that into two. We have got down so low now that I have for some time past anticipated a percentage rise in the cost of the administration. Of course, it is exceedingly slight at present.

53. But the fact remains that in actual cash you are spending £61,000 more than was granted?—Yes, that is true, and that is accounted for in several ways. In the first place, there was the bonus. There was no reduction, as was expected. I think that accounts for £12,000. The Government did not reduce the bonus. That is not a matter which affects our Ministry alone; that is a general Civil Service matter.

54. How much was that responsible for?—£12,000. Then there was an increase of salary for the temporary staff, which accounted for another £8,500. There are two other causes which were, of course, within our control, but for which there are, I think, quite satisfactory explanations. One was what I just told the Chairman, that our provincial work has not declined as we had hoped, owing to the extra work caused by the new over-seven-years applications procedure. That accounts for £25,000.

55. What accounts for £25,000?—This non-reduction of the provincial staff.

56. If I understand the position clearly, so far as your provincial staff is concerned, you have not reduced your provincial staff to the extent you anticipated you would reduce it?—That is so.

57. Do I understand that when you framed this Estimate you had hoped to reduce your provincial staff, before you arrived at your aggregate figure of expenditure?—Yes.

5 February, 1931.] Sir GEORGE CHRYSTAL, K.C.B., and Mr. SANGER, C.B., J.P.

[Continued.]

58. You have been hit to the extent of £25,000, under that head, because the work has not permitted you to reduce the staff as you anticipated?—Yes.

59. That £25,000, plus the £20,000 to which you referred under the other two heads, makes £45,000 out of the £61,000. There is still £16,000 unaccounted for?—We have, during the last year, tried to expedite as far as we could the operations of the Medical Board and other work dealing with final awards of pension, that is to say, pensions which have hitherto been conditional and subject to constant medical review. By means of these Medical Boards we have now made many of these into permanent awards either of pension or allowance.

60. Would that be reflected under A or under the Medical side?—Under A, because a year or two ago we readjusted the subheads; I am not sure whether it was not in accordance with one of your suggestions. We took most of the Medical work into subhead A, and the position now is that subhead A covers all our administrative work with the exception of the Medical Officers in the hospitals. There have been differences of opinion as to what the best way of showing that was. We did it in this way originally, then it was thought it would be better to split it up, and then we came back to the original way; so in subhead A you can take it that we are dealing with the whole of the administration work with the exception of the hospitals.

61. There is one point on subhead F. "Pensions and gratuities to relatives of deceased officers and nurses." You had a number of new claims under that subhead. What is the new time limit for applying under subhead F? It says here: "Pensions and gratuities to relatives of deceased officers and nurses," and you spent more than was granted. Is there any limit as to time?—No; it is the same as widows. The entitlement is not the same as for an injury. It is one of the things which happen in the course of Nature.

62. On Subhead L, what is the effect on this of undrawn pensions?—I believe it was about £90,000 of that £166,000.

63. Is there any limit to when a pension has to be drawn?—Yes, there is

a limit; it is one year. In theory, if you leave your pension unclaimed for more than a year, you do not get it; but, in practice, I think, on cause shown, it is usually given. I might remind the Committee what happened on this occasion. We had an extra pay day for the convenience of these ladies, and they did not take advantage of it. I think it was mentioned last year.

64. On Subhead O.3. the expenses are £4,000 more than in 1928. Are the new pensioners receiving any special medical treatment which causes this extra expenditure?—This is the medical examination for boarding. It is not treatment.

65. O.3. says: "Expenses of travelling, etc., for treatment"?—What led to the excess was, as I explained, that we did more medical boarding than we had calculated on.

66. That is the cause of the excess?—That is the cause of the excess.

67. With regard to these losses on Subhead QQ: "Losses, compensation and amounts irrecoverable," is this figure larger than usual or not?—No, it is falling satisfactorily, I think; it is gradually falling. I do not think there is any cause for disquietude about that. There are always a certain number of these cases, and, as you will remember from former years, most of them date back.

68. Yes, but there are one or two rather large items that have come to light?—There have been, I am sorry to say, cases which for a long time were not discovered. (Sir *Malcolm Ramsay*.) If you take the whole ratio of money lost to the pensions in payment, the percentage of loss is .047, which is under 5 in 10,000.

69. It is a very small figure, but what struck me was Items 47 and 48 which are charged in this account. Item 47 is £581, and Item No. 48 is £1,261 for this year. They struck me as being rather large figures?—(Sir *George Chrystal*.) These are groups of cases. Nos. 40 to 48 are groups of cases.

70. It might mean a very large number of cases?—That is so. They are miscellaneous over-issues—a very considerable number, probably. (Sir *Malcolm Ramsay*.) They ran into several hundreds. The individual amounts were small.

5 February, 1931.] Sir GEORGE CHRYSAL, K.C.B., and Mr.
SANGER, C.B., J.P.

[Continued.]

Mr. Bird.

71. Did I understand from the answer you gave to Major Salmon that you had been expediting the medical examination?—(Sir George Chrystal.) No, that is not quite the way to put it. What we were trying to do was to expedite our review of what we call the conditional list, that is to say, the list of persons whose pensions are still conditional on frequent medical examinations, so that these pensioners can get what we call a final award.

72. By expediting the case and giving a final award you expect to make some saving?—No, not necessarily. Final awards save administration, but we never make a final award except when it is fair both to the man and to the State. That is the principle.

73. You have not, in anything you have done, injured the interests of the ex-Service man and his pension?—Certainly not. A final award is a thing which people press for, and we are sometimes blamed for not giving enough of them.

74. That is the way I understood it, but the way you gave the answer might have led some people to think that you had expedited the examination for the purpose of making up some of this deficiency?—No; I am sorry if I created the slightest impression of that sort. It is very far from being the case.

75. It did not create that impression with me, but from the way you gave your answer I thought that that was where you hoped to make up some of the deficiency?—No. I said I hoped a saving on Subhead K would make up other deficiencies, but that was based entirely on natural causes, and not on any action of ours.

Mr. Ede.

76. May I ask a question on Subhead N, which relates to Special Grants. I take it that the young children who come on to the list for the first time are now becoming very much fewer in number?—Yes, that is so. In fact, I should say they had almost stopped entirely.

77. The youngest big block of children that you have are those who were born in 1918 and 1919?—Yes, those are the very youngest.

78. They are now getting to the age of 11 or 12?—That is so.

79. Which means that they have now practically all got into a Secondary School, or are not going to get into one?—That is so.

80. Have the Department any figures showing the sort of curve of expenditure that has been followed?—Yes, we can tell you that. Mr. Sanger will give you the figure.

81. Could I be given the figure for the maximum year and the decline since?—(Mr. Sanger.) The maximum year would be the year 1925-26 when we paid for day school grants £72,000, and another £8,000 for boarding, making a total of just over £80,000 on educational grants alone for men. It dropped to £76,000 in the following year. In 1927-28 it was £73,000; in 1928-29 it was £65,000, and in this last year it has been £56,000.

82. Do your figures show how that is split up among the younger children and the older? Take a rather broader division between those at secondary schools and those at higher institutions above secondary school rank; Universities and Technical Colleges?—We have not got the figures here, but we could secure them. (Sir George Chrystal.) It could be done no doubt, but we have not got it here.

83. Are you anticipating that the work in those higher institutions above secondary school rank will be steady for a few more years?—I think that would be about the position, and then there will be a heavy fall.

84. We may take it that there are now practically no children coming on to this particular Vote?—That is the position.

Mr. Denman.

85. With regard to pensions generally, are they working off in accordance with actuarial expectations?—I think so, yes. The decline is gradual and fairly constant, and very much in accordance with what was expected.

86. In one small subhead, subhead P. for funerals, there was 7½ per cent. expenditure above what you estimated?—Yes.

87. I did not know if that meant that pensions were disappearing more rapidly, because the funerals were more expensive?—You cannot build anything upon that. It is a very speculative subhead, and a very small one. A pension may cease because someone dies of something

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[Continued.]

quite different from his War injury. In that case we would not pay for the funeral, so it is doubly misleading. There is the chance of death being due to natural causes, and, secondly, there is the chance that the cause of death is not one for which we would pay for the funeral. We only pay for the funeral if death is caused through an accepted disability. We should not pay if it was due to a street accident, or something wholly unconnected with that disability.

88. On Subhead QQ., on pages 421 to 424, why are all those cases charged in previous years set out? It costs a lot for printing, and it is of no value to us this year?—Personally I should not deplore its disappearance, but I imagine it is necessary for Sir Malcolm Ramsay's purposes.

89. You give us figures for previous years on page 421. I went through the entire page before I discovered that it was entirely irrelevant to the year under discussion?—We have to show the complete loss over the whole period.

90. I suggest a slight economy in printing might be made in the future?—I should certainly not oppose that for a moment. (Sir Malcolm Ramsay.) We have assumed that the Committee would like to know the full extent of the losses discovered in any one year, and page 421 shows, if there is nothing charged in this account, that all those losses which have for the first time been brought to light were irregularly charged in previous years. (Mr. Watson.) The Committee have repeatedly asked for information of this type, and we have in fact impressed on all Departments that they should set out a number of the larger losses for the information of this Committee.

91. Actually, on page 421, all those figures have been dealt with in previous years?—No, Sir. They have only been discovered in this year, but the charge is in respect of irregular issues which started in previous years, and which have only just been discovered, and they are brought to notice for the first time.

92. I beg your pardon?—(Sir Malcolm Ramsay.) If you put only the amount charged to this account you get a misleading picture. Take, for instance, page 422, number 23, £1 12s. charged in this account; but the total amount was over £100. You have to add the two columns together to discover the magni-

tude of the fraud which may have been going on in past years, but which has only now come to light.

93. Obviously that is true where it is continuing, but I did not understand that page 421 related to figures which we had not had before?—They were, for the first time this year, discovered, but it so happened that they did not involve an actual charge against the open year; they had been charged as normal pensions in years for which the accounts have now been closed.

Sir Assheton Pownall.

94. Have we had these lists in previous years?—Yes.

Mr. Denman.

95. It is a recorded loss?—In previous years those payments in the left-hand column have been recorded as pensions properly payable under the Regulations. It now turns out that they were not payable at all, and for the information of Parliament the whole picture is set out in this way. Payments previously thought to be regular have now turned out to be irregular to that extent.

Sir Robert Hamilton.

96. Going back to subhead A, with reference to Major Salmon's question, it is a matter of fact that you are reducing your staff?—(Sir George Chrystal.) Yes.

97. I see this year it is 137 over last year, according to a paper which I have here?—This is for October, not for the whole year; that is why I did not recognize the figure.

98. But there is a reduction?—Yes.

99. That reduction, I take it, is going on continuously?—Yes, but not so fast.

Sir Assheton Pownall.

100. Have you had a figure comparable at all with the £403,000 of excess in recent years?—Once we had, but that was due to an accident; it was due to the presentation of a large bill from the Dominions which had to be charged to that particular account.

101. Perhaps you gave the explanation when I was not in the room, but it does seem to be a very appreciable sum to be out in your calculations?—It was, as is mentioned in the first note here, due to the fact that we anticipated, with

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[Continued.]

some reason, I think, that our pensions subhead K, which is our largest subhead, would show a saving in the last quarter. That had almost always been the case, and sometimes we have taken supplementary Estimates and found that they were not wanted. In one year we were very far out because we not only did not want the Supplementary Estimates, but we did not want the whole of our original Estimate. As I have told the Committee, the principle seemed to be up to now that during the last quarter of the year there was a very appreciable decline in expenditure, and for some reason which I am not able to explain that did not take place. In stead of having a saving on that subhead we had a deficit which led not only to our being out on that subhead, but on several others on which there were unavoidable excesses of other kinds, although small.

102. On page 424, Item 48, a lump sum of £1,261 is mentioned as charged in this account for miscellaneous losses. The others seem such very small items, and there is one lump sum of £1,261. Is not it possible to give any details of the main items?—That is one of the groups of cases. We have authority from the Treasury to deal with categories of this sort, miscellaneous losses and over-issues.

103. What kind?—There may be a mistake made in the office of a misrepresentation or fraud. (Mr. Watson.) They are all small. (Sir George Chrystal.) None of the individual cases exceeds £20.

104. They are all small cases?—They are a group of small cases of that sort.

Chairman.

105. Major Salmon wishes me to put this question on his behalf: Do you adopt the mechanical devices of accounting up to the last moment of invention, like the Prudential Insurance Company adopts, and have you ever gone to a large company like the Prudential and asked them to look at your office arrangements and tell you if they think you could use mechanical appliances which would render it not so necessary for you to have so much staff? That is the question which I put for Major Salmon?—We have had in the history of the Ministry, certainly while I have been connected with it during the last 11 years, an enormous amount of mechanical

work in the office. We have reduced it because it is no longer necessary; we do not keep such elaborate statistics as we used to have. We have also the usual apparatus for addressing letters and mechanical calculators and that kind of thing. I know my colleagues who are more immediately concerned with these matters are in the closest touch with modern business methods. Whether we have invited an official from the Prudential, or any other company to come and see the machines, I do not know, but the firm from whom we got the machines, Hollerith, have been constantly at the Ministry, and have had the fullest opportunity of advising us fully on the subject.

Chairman.] When I was at the Treasury some time ago it always struck me that you were very far behind with your mechanical appliances.

Sir Assheton Pownall.] Do you mean in the Ministry of Pensions as such?

Chairman.

106. No, generally. Therefore, Sir George, I suggest that you should have a talk with Sir Joseph Burn of the Prudential Assurance Company, and ask him to send a man down to tell you whether you are getting all the mechanical appliances that you could get in order to reduce staffing?—We should be delighted to do so.

Chairman.] I am sure he would be delighted to come down, although I have no authority for saying so.

Sir Assheton Pownall.

107. At Montagu House a year or two ago there was an exhibition of all sorts of mechanical devices, which, no doubt, one of your experts went to see?—We are anxious to lose no opportunity of taking advantage of the use of modern appliances.

Chairman.

108. When you are here before us next year, Sir George, we hope to hear that you have tried the system which is known as rationing. You must get your staff down; you must work for that reduction; you must try to get this expenditure down. Now will you tell us what you think about paragraph 55, Sir Malcolm?—(Sir Malcolm Ramsay.) All

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[Continued.]

the facts are set out there. I am sorry to say there have been overpayments, which originated in this way, that there was a misunderstanding between all of us collectively at this end, and the Auditor in the Gold Coast. All along we thought that the pensions had been examined, not merely from the point of view of arithmetical accuracy, but from the point of view of entitlement, and all the certificates we got expressly covered those two points. But eventually it was discovered by the Ministry of Pensions that the local man had certified the accounts under a misapprehension. Sir George sent out a man to investigate the matter, and the result is recorded here. The overpayments are not large considering the numbers involved. The Colony has, I think, very generously undertaken to bear half the loss, and, if I may say so, I think Sir George has made a very good arrangement with the Colony, and the Director of Colonial Audit who has come to attend the Committee to-day, has been good enough to undertake to look after the matter generally in future.

109. That seems to be a very good solution of the difficulty?—I hope therefore that that hole is blocked up.

110. That is very good?—As I say, the leakage is not very serious; still, it is there.

Major Salmon.

111. The only point on that which strikes me is this: Would not it have been possible for your Audit Staff to find this out earlier; or did you never find it out?—We never found it out; the Ministry found it out. We relied on a certificate, which I can show you, given by the local auditor, which in fact was wrong, and no one could have found it out except on the spot. Sir George can tell you the way it was discovered. (Sir George Chrystal.) In the neighbouring Colony where no such mistakes had been made it seemed to us that for a comparable number of people there was a good deal less money being spent, and that drew out attention to it. We might have found it out sooner because we had an officer going round the various Colonies, but he was diverted from the Gold Coast by urgent business elsewhere, or it might have come to light sooner. It was misapprehension rather than any form of wickedness or negligence. The

conditions of administration in these rather remote parts are very difficult, and the rates of pension were not high.

Sir Assheton Pownall.

112. Do you have a representative going round to these outlying dependencies?—Not perpetually, but at that time we were reviewing all our operations in the various parts of the world, and we should have visited this Colony sooner had not it been that an emergency elsewhere diverted our man.

113. In view of this, it might be worth while, if you have not done it, considering sending representatives to some of the places where we have considerable payments to make?—I think I may say that has been now completed. Our officer visited every centre in which we pay pensions on any scale. (Sir Malcolm Ramsay.) I think I might add that my people have visited Canada, for instance, where the Pensions Ministry has a separate office, which has effected great economy of administration and Sir George has been there himself. (Sir George Chrystal.) That is so. (Sir Malcolm Ramsay.) But when it comes to New Zealand, Australia, and Africa, I have always hesitated to send out a man of my own because it seemed to me that the expense of sending him out for a long tour would probably outweigh any saving, in the absence of prima facie evidence to show that things were wrong; and, as a matter of fact, Sir George has sent a representative nearly all round the world and supplied us with very good and clear reports, which I think effectively safeguard the position.

Major Salmon.

114. Except that you did not have a report from the Gold Coast?—He skipped that; he had been diverted and did not get there until this question came up from another source.

Sir Assheton Pownall.

115. It was a relatively small sum?—About £4, or £5 per capita; it is relatively small.

Chairman.

116. There are two points on which I want to ask the Committee's guidance.

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[Continued.]

I shall have to prepare a report with the help of Sir Malcolm. May I prepare this report, agreeing to the Excess Vote? I am sure you will give me that permission as you did last year. I want to ask His Majesty's Treasury if they intend,

as I suppose they will, to lay the usual papers?—(Mr. Phillips.) Yes, I will lay them to-day.

Chairman.] Do you give me that permission, Gentlemen?

(Agreed.)

(The Witnesses withdrew.)

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

TUESDAY, 10TH FEBRUARY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Ede.

Sir Robert Hamilton.
Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1929.

ON VOTE 1 (CUSTOMS AND EXCISE).

Mr. E. R. FORBER, C.B., C.B.E., called in and examined.

Chairman.

117. The first thing we take is page iv of the Revenue Departments Appropriation Accounts, which is in your hands, paragraph 5. I have been through this with Sir Malcolm Ramsay. I went over the whole agenda yesterday with him, and he tells me he has nothing to add to what he has told the Committee in the report in paragraph 5. Is that so, Sir Malcolm?—(Sir Malcolm Ramsay.) Yes; paragraphs 1 to 5.

Chairman.

118. Then we go to page 4, Vote 1, Customs and Excise. I propose to pro-

ceed as I did last year by drawing your attention to those things which I think you would like to examine. Any other things which may occur to you, you will, of course, raise yourselves, but the things which have struck my attention I will at once draw your attention to, and we can proceed to deal with those things first. The first thing that struck me was the saving under Subhead A. The note at the bottom says they were mainly due to the reduction of staff following on the abolition of the duties on tea. They apparently saved £25,000 under Subheads A and B, for less staff. There was £10,500 saved under Subhead A, of which £4,500 was eaten up by the bonus, which was larger than had been anticipated by

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[Continued.]

the Treasury; therefore we saved £6,000. On Subhead B we saved £58,000, but we had to surrender back in account out of that saving £39,000, because the bonus was kept at a higher figure than had been anticipated by His Majesty's Treasury; so there is £19,000 saved there, and £6,000, roughly, saved on Subhead A. The two together make a saving of £25,000 on Subheads A and B, the integral factors of which will be seen a little higher up: A, £6,118 17s. 11d., and B, £19,097 5s. 1d. You saved £25,000 there; you would have saved £43,500 more, but for the bonus being kept at a higher figure than was anticipated.

Now we turn to page 5. The item which takes my attention there is Subhead L: "Less than granted £5,087 1s. 1d." That was mainly due to reduction of staff, owing to the abolition of the Betting Tax, was it not, Sir Malcolm?—Yes. (Mr. Forber.) And tea.

Chairman.] I see nothing else to which to draw your attention on those two pages.

Sir Assheton Pownall.

119. On Subhead M "Decrease in number of rewards to officers for seizures," was that partly an alteration in duties, or was it just a coincidence?—No, there is no alteration in duties. It is purely a coincidence.

120. I was wondering whether it was due to the abolition of the tea duty?—No.

121. It is rather a big sum, £2,250 less rewards given to officers?—I think that is purely a coincidence.

Captain Crookshank.

122. There is only one question I wanted to ask, and that is because this is the first occasion on which it arises. Can the Treasury give us any figures in due course of the extra expense caused by not having brought down the cost of living index? It occurred in that year for the first time, did it not?—(Mr. Phillips.) Yes. There was an estimate given to the House of £800,000.

123. That was spread through all these accounts?—Yes. There was a difference of 2½ points between the figure on which the Estimates were framed and the figure which was actually expended.

Chairman.

124. It was all unforeseen in your Estimates?—It was all unforeseen in our Estimates. In only one case, however, did that decision actually cause a Supplementary Estimate, namely, on the Inland Revenue Vote.

Captain Crookshank.

125. In all the other cases it was re-adjusted?—Yes. The great part of the £800,000, of course, was in the Post Office.

Major Salmon.

126. With regard to the amount of money spent under Subheads A. and B. have the Departments really reduced their staff to the lowest possible ebb, having regard to the fact that they no longer have to make any collection of duty on tea to start with?—(Mr. Forber.) Yes; those reductions which were made on account of the abolition of the duty on tea and the Betting Taxes are permanent.

127. Is it true that you never had any more money from those duties when they were in operation, than the amount of money you have saved?—I do not quite know whether it is possible to evaluate that closely, because people on tea duty do not deal only with tea duty work.

128. Therefore it is only an apportionment of saving?—It forms part of their general duties, and to evaluate exactly the amount of money which you spend on collecting the tea duty is rather difficult. I should say that the amount of staff required from time to time is examined with the greatest care, and vacancies are not filled up unless it is necessary to fill them up; and, when you come to the end of the year, the estimates of staff requirements for the succeeding year are very carefully gone into.

129. Attention is particularly given to those services that have been stopped?—Certainly.

130. On the question of the answer which you gave to one of the Members of the Committee as regards the rewards to officers, presumably you give the rewards on their finding out certain deficiencies or irregularities of individuals?—The rewards are now practically con-

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[Continued.]

fined to the Waterguard, who operate, let us say, at Victoria Station, and in the rummaging of ships mainly. Those are rewards for bringing to notice articles which have not been declared for duty, and on which duty is payable which cases are either taken to Court, or otherwise dealt with.

131. The practice in the Department used to be to do that to a much greater extent?—Formerly automatic rewards were given both to the Customs Officer, the man who deals with the stuff on the quay or in the warehouse, and the Excise people, but now rewards are only given in those cases where some particularly meritorious piece of work has been done.

Sir Assheton Pownall.

132. What is the Fine Fund, Sub-head N.? I should have thought you fined others, not yourselves?—The Fine Fund is a Fund fed from fines imposed on officers for some dereliction of duty. It is quite a small thing.

Mr. Benson.

133. What happens to it?—(Sir Malcolm Ramsay.) It is kept on paper and they make awards out of it. They spent £39 on giving awards to various people. The awards are given out of fines paid by other officers.

134. The evil reward the good?—The evil *pro tanto* reward the good.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS V.

ON VOTE 7.

“OLD AGE PENSIONS.”

Chairman.] We will now turn to page 212 of the Civil Appropriation Accounts, Vote 7, Class V. I propose, as hitherto, to point out to you what I have noticed which is worth drawing your attention to. On sub-head A there is: Less than granted a sum of £585,130 8s. 2d. You will be surprised to hear that that was due entirely to the fact that the cold snap of March, 1929, killed 20,000 people more than had been expected.

These pensioners with whom we are dealing now can be broken up into three classes: (1) the old class of old age pensioners who receive a pension at 70; (2) those who receive a pension at 50 if they are blind, subject to means test; and (3) the new class of persons over 70, who have no means test, if they have paid their insurance contributions.

I find nothing to which to draw your attention on that page. There is one little thing on page 213 which has been noticed by Sir Francis Floud and Sir Malcolm Ramsay. £35,000,000 worth of pensions have been paid out. Imagine the number of transactions. The total of these old age pensions which had been lost was only £24.

Major Salmon.

135. With reference to the paying out of these pensions under sub-head (A)

what figure does it cost to pay them out in the way of expenditure for personnel?—(Mr. Forber.) If you take the whole range, the expenses of the old age pensions committees, the expenses of the Customs, the Ministry of Health and the Post Office, the total is £888,000, which is about 2½ per cent. of the pension payments.

136. Under what Votes do you find that particular expenditure?—£570,000 for Customs and Excise is included in the Customs expenditure in the Vote which we have just done. The old age pensions committees' expenditure is here in his Vote, £39,369 1s. 10d.

137. I suppose it is considered the most economical way of dealing with it through the Customs and Excise?—Rather than setting up a separate staff?

138. Yes, or handing it over to the Pensions Department?—Yes. So far as the Old Age Pensions under the Acts of 1908 to 1924 are concerned there you have to investigate means, and that means that you must have an organization all over the country which is able to go into individual cases. The only office which has really got that completely is the Customs and that, I imagine, is the reason why the Customs were asked to do this

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[Continued.]

job, which has nothing to do with their ordinary administration.

139. There is one other point I would just like to ask you, Mr. Forber, in regard to sub-head E and Old Age Pensions. What does this: "Extra Statutory Grants" under subhead E really mean?—It means, for example, a case where a pensioner has been prevented from cashing an Order within the three months for which the Order is good; on application where one is satisfied of the grounds for failure to cash the Order (that the man was ill and could not appoint an agent) then we allow the payments to be made.

Chairman.

140. I was not quite clear, Sir Malcolm, about this. When you say "Paid Old Age Pension Orders aggregating £24 were lost" does it mean that the old people have made the loss?—(Sir Malcolm Ramsay.) No. The people had the vouchers, and they were cashed, but they were mislaid in transit from the Post Office.

141. The old people got the money?—Yes, the people got the money, but the vouchers were lost. It is to that extent unvouched.

Mr. Benson.

142. I should like to know how the Appropriations in Aid arise?—They are cash recoveries of pensions overpaid under Section 9 subsection (2) of the Old Age Pensions Act, 1908.

143. Are they cases of fraud?—(Mr. Forber.) No. (Sir Malcolm Ramsay.) No, not necessarily. Owing to an accident, the pension is continued after death.

144. These pensions have to be drawn each week, have not they?—(Mr. Forber.) Yes.

145. If anyone draws them after the death of the pensioner, surely that is a case of fraud?—No. You may have a case of a person who dies, and you may have some Orders which were not cashed before the person died. They may have been signed even.

(Mr. Forber withdrew.)

146. In that case they would be due and payable and not recoverable. They can only be recovered if they are paid after death?—But suppose they are not signed, the pensioner himself has not claimed the payment, so we are not really paying the person to whom the pension was awarded in a case of that kind.

147. Do you pay them, or do you not pay them?—We pay them.

148. How does that come into an Appropriation in Aid?—An Appropriation in Aid is money paid back to you?—(Mr. Phillips.) It is Section 9, subsection (2) of the Act of 1908: "If it is found at any time that a person has been in receipt of an old age pension under this Act while the statutory conditions were not fulfilled in his case or while he was disqualified for receiving the pension, he or, in the case of his death, his personal representative, shall be liable to repay to the Treasury any sums paid to him in respect of the pension while the statutory conditions were not fulfilled or while he was disqualified for receiving the pension, and the amount of those sums may be recovered as a debt due to the Crown." (Sir Malcolm Ramsay.) Very often one does not know until after the event that the Statutory conditions were not fulfilled while the Order was being cashed. Occasionally there is reason to vary the rate at which the pension may be paid, and they cut it off, but meantime he has had it paid.

Sir Assheton Pownall.

149. I do not understand why you have two different lots of sums irrecoverable. You have, under subhead D, £292 4s. 6d., and also, on page 213, £5,227 14s. 4d. What is the reason for that differentiation between sums irrecoverable?—(Mr. Forber.) This £292 represents irrecoverable overpayments made during this year. £5,227 is in respect of overpayments which have arisen in earlier years.

150. That is the total up to date since the Old Age Pensions started?—So far as they had not been already accounted for.

151. The £292 is probably included in the £5,227, or will be?—No, it is in addition to the £5,227.

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Mr. P. J. GRIGG.

[Continued.]

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1929.

ON VOTE 2 (INLAND REVENUE.)

Mr. P. J. GRIGG, called in and examined.

Chairman.

152. Will you turn to page iv, paragraph 6, Revenue Departments Appropriation Accounts. As to the first paragraph I shall ask Sir Malcolm to make a statement. On the second paragraph I shall ask him to explain, and Mr. Grigg will probably have a word to say, why these deficiencies are higher than usual. I shall ask him to tell us what type of men these collectors are, and I shall ask Sir Malcolm to tell us if he is satisfied that all the checks and precautions are adequate. They are the questions which I shall put to Sir Malcolm. Perhaps he will take those questions and give the replies to them in his stride, and begin by letting us have a statement generally over the whole of paragraph 6?—(Sir Malcolm Ramsay.) Perhaps it will be clearer to the Committee if at the same time they turn to page 11, where the losses are set out in detail. First of all, the losses written off in this account are considerably bigger than they have been in recent years, but if you will adjust the figures as you ought to, and relate the losses to the tax years in respect of which they arise, the position is altered, and the real fact is that the losses relating to recent years have been lighter than the losses relating to five years ago. In any case they are not considerable expressed as a ratio of the total collection. Then if I may turn to page 11 there are really three classes of loss. There are first over repayments of income tax, which amount this year to £6,922.

153. Spread over numerous cases?—Which are spread over numerous cases. They really attract no comment. It is inevitable, I think, that a certain amount of error should be made, and I have nothing to say about that.

154. There has been no fraud?—I am coming to that. There is another class of income tax repayments, namely frauds, and they amount to £6,099 this year. But as the average annual repayments in the past five years amount to some £43,500,000 in cash, that again is not very large as a percentage. To meet those cases of fraud in repayments the Inland Revenue, as was ex-

plained last year, have been continually on the watch, and they have introduced a number of checks which have incidentally attracted a great deal of public comment, including the production of certificates, and so on. I cannot suggest that any further precautions should be taken which will not raise an intolerable outcry amongst the taxpayers. Finally, we come to the big class, the deficiencies in the accounts of collectors. In this account you have gross deficiencies of £32,871, and a net charge of £14,328, mainly owing to one, No. 115. Those cases are all set out in detail, cases 106 to 116, and some more, on page 14, but the fact that the amount is so large is due to Case No. 115. That relates to the tax year 1925, and has only just been cleared up, and has been, amongst others, instrumental in causing the Inland Revenue to take further precautions in order to prevent the recurrence of these losses. The principal safeguards are that the collectors' accounts are balanced half yearly, that the examination of accounts in Inspectors' offices has been speeded up, and they have taken special steps to communicate with the taxpayer in cases which are described as cases in default, which have very often proved to be cases in which the collector has embezzled the money, and has cloaked himself by pretending that the taxpayer is in arrear. To sum up, the real loss that has occurred since 1925 has been on a steadily diminishing scale, and, at the same time, the precautions have been tightened up, and, though perhaps it is early to speak, it does look as if they were achieving the object in view. There is only one other point, if I am not detaining you too long. The Committee will notice that there is a considerable discrepancy on the detailed figures on pages 11 and 12 between the deficiencies and the amounts guaranteed by Guarantee Societies. I went into that question; indeed the Committee heard some evidence about it last year; it is quite clear that if the Inland Revenue had the right of appointing all its collectors it would be waste of money to guarantee any of them. It would be cheaper to the State to bear its own

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Mr. P. J. GRIGG.

[Continued.]

insurance. But at the present time the majority, I think, of the collectors are appointed by the local Commissioners, who are very sensitive on the point, and they are, under old arrangements, guaranteed in a shape which relieves the collector of the premium and imposes it on the State in a rather indirect way. I am satisfied that on the whole the guarantees are sufficient at the present time, and that we shall have to wait until the time comes when all the collectors are appointed by the Inland Revenue before we can do away with them, but probably it would be cheaper even now, if we could do it. These are only my own ideas, but, subject to anything the Inland Revenue may say, it looks as if it would be cheaper to do away with the guarantees altogether.

Sir Robert Hamilton.

155. Does the State pay the premium?—The Collector has to pay the premium, guaranteeing his collection so far as it extends to instruments which he can negotiate, but not to all. That is one factor in a complicated calculation by which his remuneration is fixed, and he does not get it back *eo nomine*. That is the general position as I understand it.

Mr. Benson.

156. With regard to the Commissioners' appointment of the Collectors, do they still retain the right, or have they had it in the past?—The local Commissioners have the right to appoint Collectors, but if they fail to exercise it it lapses. (Mr. Grigg.) Four-fifths of the Collectors are appointed by the local Commissioners.

157. Even where there are centralized collections?—Centralized collections are only possible where the powers of the local Commissioners have lapsed.

158. What steps have been taken to get the power into the hands of the Board of Inland Revenue?—That is a matter for legislation and for the Chancellor of the Exchequer.

159. You say there is a steady process of lapsing?—No, it is not steady. If the Local Commissioners do not exercise their right within two months the power of appointment lapses to the Board. I do not think the lapses are at all frequent, or at all steady.

160. This is a definite Statutory right?—In a great many cases the local Com-

missioners attach a good deal of importance to their right of appointment, but I think that importance relates more to the office of Assessor than of Collector.

161. That is not the Inspector, is it?—No. The Assessor is a local agent appointed by the local Commissioners. He, in law, though not so completely in fact, performs certain work of assessing; that is of determining the statutory income for tax purposes.

162. But in effect, surely that is done by the Inspector of Taxes. I have never fallen foul of an Assessor yet?—There is no doubt that the Tax Inspector does a great part of the work. It would perhaps be fair to say that the assessments are arrived at by co-operation between the Assessor and the Inspector. In law the Inspector's position is that of a right of intervention to protect the interests of the Crown. The Assessor is, in law, the person who actually computes the liability, and to a certain extent he is regarded as having functions of protecting the taxpayer against the wickedness of the tax Inspector.

Chairman.

163. If you wish to lodge an appeal, the appeal goes to the Assessor, does it not? He puts it up to the Local Commissioners; he is the clerk?—No, it goes to the Local Commissioners. The clerk to the Local Commissioners is a different person again. The appeal is direct to the Local Commissioners, and the clerk to the Local Commissioners fulfils the same functions as the clerk to a Court.

164. How does the Assessor come in when the Appeal is heard?—I am not sure about that, but I think the Assessor's functions are ended when he enters the assessment in the Assessment Book, and takes the book to the Local Commissioners to get the assessments signed. Then they become valid assessments in law, subject to appeal, of course, on the part of the taxpayer.

Major Salmon.

165. I should like to ask Mr. Grigg if the Chief Inspector of Taxes is a permanent official?—The Chief Inspector and every Inspector of Taxes is a permanent official.

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[Continued.]

166. Are the staff employed under him part of the permanent staff?—In general, yes; subject to the fact that there are a certain number of "P" class clerks who are permanent but not established.

167. They would be engaged by whom?—They are under the control of the Board of Inland Revenue.

168. Therefore the Head Office are nominally responsible for all the staff employed in the Chief Inspector's Office?—Yes.

Major Salmon.] I notice on page 23 —

Chairman.] That comes in the next item on the Agenda.

Major Salmon.] Very well.

Chairman.

169. We are considering paragraphs 6 to 11 now. Major Salmon will raise that point when we come to it?—I should like to complete the partial statement which I made. In addition to the "P" class, there are, of course, temporary clerks, as there are in most Government Offices; a temporary fringe. That completes the story.

Major Salmon.

170. Who would engage the temporary staff?—They are actually engaged by the Chief Inspector.

171. When men are engaged are their references very carefully taken up?—I am not sure about that. These are almost invariably ex-Service people and I really cannot say what criteria are applied and what testimonials are required. Of course, they are the same as those laid down by the Treasury for the rest of the Civil Service.

172. One would have thought that when they were taking officials, either temporary or permanent into an Office which handles a large sum of money, careful investigation would be made as to the respectability of the individuals?—They do not actually handle a large amount of money. The large amounts of money are handled by the collectors, and collectors transmit their collections direct to headquarters. The only money handled in the local Tax Inspector's Offices, are the actual sums of money required for the running of the office, such as travelling and incidental expenses. It would be a surprising thing if the

amount of money handled in that office came to more than £200 at one time.

173. I do not want to misrepresent what you say, but as a matter of fact, do I understand that you do not consider it of great importance that a careful investigation of character should be undertaken?—Not at all. All I say is that the investigation which is made into the character and record of temporary clerks before engagement is neither more nor less than the investigation which is made under the conditions laid down by the Treasury for the rest of the Civil Service. The only point I am making is this, to justify not taking special steps to put your people through a sieve in the Tax Offices, that the money handled in a Tax Office is not more than is handled by way of incidental expenses in a great number of Government Offices. The actual money collected for taxes is not handled in the Tax Inspector's Office at all—not a penny of it.

174. Perhaps Mr. Phillips can tell us what the regulations state as regards the engaging of temporary staff?—(Mr. Phillips.) I am quite sure they take references and go into them, but I shall have to put a statement* in, if you want it, on the subject. Are you referring to Case 123?

175. Yes?—That was not cash going through the Office. The man put in forged documents to the Tax Repayments Branch.

176. I am dealing with the matter generally, not with reference to a particular case?—(Mr. Grigg.) I was answering generally.

177. I was rather struck with the number of frauds that did take place, and I wanted to know if special steps were taken for looking into their references. What occurs in the case where the staff are engaged by the Local Commissioners? There is no regulation laid down by the Treasury as to what they should do, is there?—No, the Local Commissioners appoint absolutely whom they like, and the Board of Inland Revenue have no locus in the matter at all.

178. And the Treasury cannot lay down any regulations as to the staff they should appoint?—No.

179. Do you think it would be a good thing if they could?—In 1921 legislation

* See Appendix 12.

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[Continued.]

was introduced into this House abolishing the office of Assessor, who was one of the officials appointed by the Local Commissioners, and transferring the appointment of Collectors to the Board of Inland Revenue. That Bill had a somewhat heated reception, and in point of fact it remained a Bill. The great controversy centres round the proposal to abolish the Assessor and to transfer his functions to the inspector. It was held, I believe, that the Assessor was in point of fact a great protection the individual taxpayer. The same argument cannot be used about the collector, and I believe in 1926 this Committee reported to the effect that the Government should take into consideration the question of transferring the appointment of collectors to the Board of Inland Revenue, so that it could be organized and centralized in such a way that much better checks could be made. There is not the slightest doubt that if that step could be taken, if the responsibility for collectors were transferred to the Board of Inland Revenue, if they could be organized into one centralized service, a system of control, audit and check could be devised whereby, I think it would be safe to prophesy that the question of defaults by collectors of taxes would become practically unknown. Sir Malcolm this year and last year had a sentence in his report to this effect: "None of these deficiencies occurred in areas where the centralized collection arrangements, mentioned in my report on the 1926 Appropriation Account, were in operation."

Mr. Leif Jones.

180. What proportion of the whole are those?—One-fifth, or rather under. One-fifth is the whole of the Board of Inland Revenue appointments, and I do not think quite all of those have been or could be centralized.

Mr. Benson.

181. That is one-fifth of the appointments, not one-fifth of the cash collected?—No, I have not the figures of that. (Sir Malcolm Ramsay.) Roughly 12½ per cent. of the tax is in the hands of your own people, if my figures are right. (Mr. Grigg.) And one-fifth of the appointments. I want to make it clear, Major Salmon, that my remarks on appointments, and so on, have absolutely no

reference to this particular case which, as Mr. Phillips points out, raises quite a different question.

Mr. Bird.

182. With regard to the losses under subhead O, unless there is a loss I suppose it would not appear in this Schedule?—Yes. It does. There are a large number of them.

183. Where there is no loss at all?—If you turn to page 14, you will find a list of 25 cases which are potential losses, but which, in point of fact, have resulted in no charge to the Vote.

184. I had not noticed that. That means they have recovered 100 per cent.?—Under the guarantees or from the people themselves.

185. Or from their relatives?—Yes.

Mr. Butler.

186. By whom are the Collectors appointed at the present time?—One-fifth by the Board of Inland Revenue, and four-fifths by the Local Commissioners.

Chairman.

187. We will go to the next paragraphs Nos. 7, 8, 9, 10, and 11. The observations which I have to make are these, and then I will ask Sir Malcolm Ramsay to run through these paragraphs. On paragraph 8 I want to ask you whether the evasions and frauds are getting bigger. There is a large amount, £2,267,740. Then in paragraph 8 Sir Malcolm says in the third line from the bottom: "One case has been brought to my notice." I want to ask Mr. Grigg later on what the case was and the reasons why a settlement was made which does not appear to fall within the arrangement. Paragraph 9, I take it, refers to the Covent Garden district?—Yes.

188. What it means is that these foreign artistes have their money paid to them here or abroad, and somehow get away with it without paying Income Tax? Some of them do; many of them do; not all of them.

189. You cannot make the impresario liable before he pays the money, can you?—Not without legislation.

190. It is very unfair upon the local native artiste that he has to be taxed on his income while these people escape?

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[Continued.]

—I will deal with that after Sir Malcolm has disposed of paragraph 8.

191. On paragraph 11 there is no criticism to be offered by me. We were interested in this matter last year. Perhaps Sir Malcolm, when he comes to the paragraph, will say something about these excess profits. How much are we getting in, and how much are we likely to get in? I had better ask Sir Malcolm to start with paragraphs 7, 8, 9, 10, and 11, and then I will ask Mr. Grigg to make any observations which he desires to make?—(Sir *Malcolm Ramsay*.) I have nothing to say upon paragraph 7, which is merely statistical. There is nothing unusual in the list of remissions with which I am furnished.

192. Are there any questions? If not, will you deal with paragraph 8, Sir Malcolm?—On paragraph 8, the Committee will remember, it was explained in 1928 that there are certain cases in which the Inland Revenue find it convenient to come to compositions with taxpayers owing to their financial difficulties. The governing rule in all these cases is that the sum accepted should be greater than any amount which could be recovered by legal action against the taxpayer.

Mr. *Leif Jones*.

193. What is that sum of £2,267,740 15s. 11d.?—That is what they got in 111 cases; the tax collected. (Mr. *Grigg*.) This is the amount we failed to get. (Sir *Malcolm Ramsay*.) I beg your pardon; it is the amount of tax technically due which was remitted. The rule governing these cases is that they should accept amounts less than the full amount only provided they are greater than anything they could get by legal action. That rule was explained to the Committee in 1928.

Chairman.

194. That means to say that if there was a claim against a man who ought to pay a certain sum, he might say: "All right, I shall not pay it; I shall go bankrupt; but I will pay this sum," and the Treasury says: "We will look into this matter, and we will take a certain sum, and we shall get more than if we forced him into bankruptcy"?—(Mr. *Grigg*.) Yes.

Mr. *Leif Jones*.

195. Can you tell me the sum paid?—(Sir *Malcolm Ramsay*.) I think we can give you the particulars. There is only one case where this rule was not observed, and there other reasons were brought in for letting the taxpayer off. Paragraph 9, I think you have already covered.

Chairman.

196. Are you going to tell us how they are going to get this money from the foreigners?—I thought you would ask Mr. Grigg. The arrears in that district are four times as big as the average for the whole country.

197. Perhaps when we get to the Vote on the Government's Opera Subsidy we can deal with that?—(Mr. *Grigg*.) I am afraid that is perhaps entrenching upon the sphere of policy.

Sir *Robert Hamilton*.

198. How long has an alien artiste to reside in this country before he becomes liable to pay Income Tax?—It is not a question of his liability on a residence basis. His liability arises because he is paid for performing in this country. He is liable to tax on everything he earns in this country. The only question is whether you can get him.

199. On a single night's performance he would be liable, supposing he was paid a sufficient sum?—Yes. Residence does not enter into it.

Mr. *Bird*.

200. Do you not think it would be possible to make them lodge their passports on arrival in this country?—Here again I am not sure that I am not entrenching on the sphere of policy, but perhaps I will put it in this way: The remedy adopted in the United States is that they prevent the visitor, by some means or other, from leaving the country until he has got a certificate.

Chairman.] He has to show a receipt.

Mr. *Bird*.

201. Could not you make him lodge his passport, and say that he could not get

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[Continued.]

it back until he shows a receipt for Income Tax on the amount he is paid in respect of his engagement?—I have not considered that. Could he not get a passport from this country?

Chairman.

202. Not if he was foreign born?—He might say he had lost his passport.

Mr. Bird.

203. The Consul would know of the regulation. He would inquire whether the passport had been lodged?—Yes.

204. When a person arrives in this country he is asked the purpose for which he is anxious to get into the country. He says: "I have come to fulfil an engagement at the Palace Theatre." They know what he has come for. They would say: "You must deposit your passport, and you do not get it back until you produce a receipt for the Income Tax which you have paid in respect of your engagement?"—It would have to be done by legislation.

Mr. Benson.

205. On a point of order, is it for us to evolve means of doing this?—I think it is for the Inland Revenue. If we express an opinion that it ought to be done, it is up to Mr. Grigg to devise a method.

Chairman.] I rule that it can be discussed, because in paragraph 9 it says: "Special steps have been taken since 1st April, 1926, to ensure assessment of this income, but where visits are not recurrent considerable difficulty is experienced in collecting the amounts due to the Revenue." The paragraph is before the meeting, and I rule that we can discuss it.

Mr. Bird.

206. I am sorry if I have given advice free gratis instead of charging 6s. 8d., plus 33½ per cent., but it seems to me you could do something?—Perhaps I could go back a little further. The Financial Secretary did make a reply in the House on the 9th December, 1930. This is a question asked by Sir Frederick Hall:

"Whether foreign artistes appearing on the stage in this country are charged Income Tax at the time their salaries are paid to them; and what steps the Treasury take to see that it is duly collected?" To which Mr. Pethick-Lawrence replied. As my right hon. friend's predecessor explained in reply to a question asked by the honourable and gallant Member on the 6th December, 1927, the working of the Income Tax machine has been accelerated in the case of foreign artistes visiting this country for short periods. I can only assure him that steps are taken to assess and collect tax as soon as possible after the arrival of the artistes in this country. As the honourable and gallant Member will be aware, the matter has been considered several times in recent years. It is, however, one which I have decided to look into afresh, although it is clear that the revenue at stake is relatively very small.

Chairman.

207. What is the amount at stake?—At a fair estimate it might be £25,000; at a very outside estimate it might be as much as £50,000. I feel a little embarrassment in discussing this because the matter is under review by the Chancellor of the Exchequer at the moment from the point of view of seeing whether it is desirable or necessary to legislate. The decision on that does not rest with me. But the difficulty is this: The burden of Sir Malcolm's report is that the majority of these people are in the country such a short time that the Income Tax machinery does not work quickly enough to catch them.

Sir Robert Hamilton.

208. Could not it be deducted at the source?—That would require legislation.

Mr. Leif Jones.

209. Would not that be the best way?—That is presumably the question which the Chancellor of the Exchequer and the Financial Secretary are at the present time considering.

210. It seems the obvious way. The machinery is always there. The man always knows when he is dealing with a

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[Continued.]

foreign artiste. He must keep a list of his salaries. He would only have to take a percentage of the salary?—From an administrative point of view it is not quite so simple as that. My difficulty in discussing this is that if I said that it was extremely difficult to get the existing machinery to work to catch these people, and should the Chancellor of the Exchequer decide for whatever reason either not to legislate at all, or to postpone legislation until another year, here we have advertised to the people who do pay up that they need not pay. Therefore, although I could say in general terms that the question is not quite as simple as Mr. Leif Jones suggests, I do not very much want to say why it is not so simple.

Chairman.

211. You have it in hand, Mr. Grigg?—It is under the consideration of the Chancellor of the Exchequer and of the Financial Secretary.

212. We can leave it to you to see that His Majesty's lieges are not defrauded by these people getting away?—That they are not treated unfairly. (Sir *Malcolm Ramsay*.) On paragraph 10 I have no criticism to make on the way the cases have been handled. I mention them to tell the Committee that the amounts are large, and, I think, growing. Perhaps you will ask whether the witness is satisfied that he has adequate machinery to deal with these evasions?—The amounts are large.

213. Are you satisfied, Mr. Grigg?—(Mr. *Grigg*.) It is true that some of the fraud cases are large and rather alarming. We have under review the existing machinery for dealing with these cases. At the moment a case which is very large or very difficult is dealt with at headquarters by a special section. The question really is whether that special section shall be strengthened for dealing with these cases, or whether one shall lean on the side of getting these cases dealt with in the districts. That question, as I said, we have under review. I am afraid we have not arrived at any final conclusion yet. There is a good deal to be said on both sides.

214. You have it in hand?—It is certainly under very active consideration.

Chairman.] This Committee can do no more than draw your attention to it.

Captain Crookshank.

215. Is there any graph or statistical information as to the relation between the increase in frauds, and the increase in the rate of income tax? Is there any direct relation between the two: The higher the tax the more the fraud automatically?—I do not know of any graph. I have only been in the Department eight weeks, but I have heard it said casually in quite another connection (but I heard it immediately contradicted by another person present) that the cases of fraud did go down with the reductions of income tax in 1922 onwards, but, as I say, that opinion was a mere casual opinion, and it was immediately contradicted by another person present. If the Committee likes I could try and see whether any statistical investigation of that is possible.

Chairman.

216. It would be a very good thing for us to know whether fraud is encouraged by the high Income Tax. You can show it over a series of years, cannot you?—Not being a statistician, I hesitate to say what is and what is not possible. I should have thought it was almost, so to speak, a rule of Nature.

Mr. Benson.

217. The whole of your statistics would be vitiated by the fact that the Income Tax machinery is gradually growing more efficient?—That is true.

Mr. Benson.] And the methods of probing are becoming more efficient and you steadily discover more.

Chairman.] The reason of the losses is the rise in the poundage of Income Tax.

Mr. Benson.

218. The poundage, on the whole, has dropped in the last ten years?—I think Mr. Benson is right to this extent, that most of the cases which we discover are in respect of periods a very long time ago. The difficulty I have is in assigning the cases to any particular rate of Income Tax. (Sir *Malcolm Ramsay*.) And it is complicated by Excess Profits Duty. (Mr. *Grigg*.) Of course, a large number of them are Excess Profits Duty cases.

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[Continued.]

Mr. Bird.

219. Very large sums have also been received on account of evaded liabilities; that appears in paragraph 10?—That does not mean legal evasion; it means real fraud.

220. In cases where you have gone along and said: "We will not prosecute if you pay 30s. for every £1 you should have paid originally"? We do not proceed on these lines and I must not be taken as admitting 30s.

221. Something greater than you were originally entitled to?—Where criminal proceedings are not taken appropriate penalties are exacted in addition to the tax due.

222. On promise of no prosecution?—That is not quite the case. The man may have an uneasy conscience, and make a confession.

223. Then you take something extra; that is the way that is done. I think it is disgraceful, speaking as a lawyer. If a man does not pay Income Tax he should be prosecuted?—Invariably?

224. Invariably; and not let off prosecution if he pays more. If it were done in ordinary life by a civilian he would be had up for compounding a felony?—It is based on a statement made by Sir William Joynson Hicks in the House in 1923, and that practice still obtains. Voluntary disclosure rules out prosecution.

Major Salmon.

225. On paragraph 11, Excess Profits Duty, do you ever hope to collect this £32 millions?—If you mean the full £32,000,000, certainly not, but perhaps I could give you an example. In the last year the amount of duty outstanding has been reduced from £52,000,000, which was the figure in Sir Malcolm's last year's report, to £42,000,000 which represents a diminution of £10,000,000. Of that £10,000,000 slightly over £2,500,000 have been actually collected, and £7,500,000 have been discharged. That means that in that year we collected about a quarter of the amount nominally in assessment. I cannot say that that percentage will stand, but it shows you that a good deal of it is bad.

226. The £32,000,000 that you speak about as being a potential asset is not a realisable asset?—No, not by any means.

227. And it is very difficult to say when you will get it, and how much you will

get in time?—Yes, especially in a time when people are in a very serious condition financially.

(Chairman.) Now we will go to Vote 2 on page 8. I will take you quickly through the points which occur to me. Subheads A and E should be taken together. There has been a criss-cross there. There was £17,000 more on sub-head A and £10,000 less on sub-head E. Sir Malcolm will tell you exactly how that is arrived at. If you will look at Note (a), subsection (3), the reason for that is the change of pay day at Easter; there is nothing in it; it is merely a matter of curiosity. I see nothing at all to comment upon, until we get to that £12,000 on page 12. We have been discussing these losses out of order, so we have really very little to talk about on those losses. On page 14 there is only one point I was going to draw your attention to. The note I have is: Ask Mr. Grigg is the guarantee system working well; are the covers enough; does it pay to insure at all; why should the State pay it? You have discussed that out of order, and there is nothing to draw attention to now. I see nothing which requires comment on page 14. If there are any other points, please make them.

Mr. Benson.

228. I want to raise a question on the over-repayments of Income Tax under Sub-head O on page 11. I want to raise a question of losses of revenue due to repayment on certificates issued by the Bank on Form R.62. The procedure is roughly this, that an individual has a Bank overdraft, on which interest is charged by the Bank. That interest is not paid, but is added to the overdraft, but it is treated, so far as the Inland Revenue is concerned, as a definite payment and there may be a repayment of Income Tax, or a reduction of Income Tax on other forms of income. In the event of the person who has the overdraft going bankrupt, that interest which is supposed to have been credited to the Bank does not enter into the Bank's profits, but is wiped out as a bad debt, and the result is that owing to a certificate being given by the Bank that they have received interest, the Inland Revenue loses so much tax, and the Bank, which is supposed to have received the interest, makes no payment on that interest?—Yes.

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[Continued.]

229. Here is a definite loss of revenue. What steps are taken to see that the Bank, having given a certificate that they have received interest under Form R.62, are made accountable to the Revenue for that interest, whether the man goes bankrupt or not?—In the case where the man does not go bankrupt there is no difficulty, because the interest comes into the taxed profits of the Bank. Therefore, the man who has the overdraft escapes tax, and if he has already been charged tax on his full income, he is entitled to repayment in respect of that interest on overdraft. It is presumed that he has got an income on which he has paid tax before this question can arise at all. I imagine it would be a trading income for the most part. But, supposing he goes bankrupt he has not got an income; he has not got any profits on which tax is chargeable. In the same way there would be no income tax paid which would give rise to a claim for a repayment. This is how it appears at first sight. The Bank, not having had the interest on the overdraft, it does not enter into its profits. I am not quite clear, at first sight, whether there is a loss to the Revenue.

230. What has happened a good deal is that these overdrafts are carried on from year to year, and there have been some pretty big speculations?—You mean in years when he has made profits?

231. Yes?—And there have been Income Tax assessments?

Mr. Benson.] Yes. It does not necessarily mean there has been one year's transaction at the end. This overdraft may be increasing and increasing by the accretion of interest to it, and at the end, although due allowance has been made every year by the Inland Revenue, nothing goes into the Bank's profits.

Chairman.] The payments to the Bank have been merely notional payments and not actual payments.

Mr. Benson.

232. They have been merely notional payments and not actual payments. A bank will not take an overdraft into its profits?—I am bound to say at first sight it looks as if there is a chance of the Revenue failing to get the tax that it should get there, but I cannot say for certain, and I cannot say what the remedy is. Perhaps I could look into that.

Chairman.

233. As a set off against that, generally speaking, as we are trying to protect the *fiscus*, there are cases where the *fiscus* gets money which it is not entitled to?—Would you put it that the taxpayer neglects to claim repayments or allowances which he might legitimately claim.

Chairman.] Are not there cases where the law compels a taxpayer to pay income tax on something he has not received, and, although the law does not wish to treat him harshly, yet the position is so difficult that it cannot frame a law by which this man may be excused that particular payment? Are not there cases (I believe there are; I cannot remember which particular cases at the moment) where men pay money to the Revenue which the Revenue really, in morals and in justice, is not entitled to get?

Mr. Benson.] I cannot quite see why because the Revenue takes off A money to which it is not entitled that is a definite offset against another individual, B, and a particular bank.

Chairman.] In this particular case it is very difficult, as Mr. Grigg tells you, to circumvent this very involved series of operations. Consequently, I think the *fiscus* must take a broad view and say: "We do lose money there, but, on the other hand, we get money in another way which we should not really get."

Mr. Benson.

234. When any one of the five big banks publish their balance sheet, and write off bad debts, are those bad debts enquired into, and is there any attempt to correlate with those bad debts any sums for which they have given Certificate R 62?—If you mean have the Inland Revenue power to ask the Banks to produce detailed accounts of the sums written off, I think, speaking from memory, that the answer is No, they have no power in law to compel a dissection and detailed analysis of the amount written off.

235. Does that apply to banks, or to everybody?—I cannot say. I am pretty certain it applies to banks, but I cannot tell you in general.

236. In an ordinary concern any bad debt can be dissected by the Inspector?—I have no doubt it is in a good many cases; whether they have the legal

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power to compel it to be dissected I cannot say.

Mr. Benson.] I think that is a point that certainly ought to be looked into, because I am informed that there are very large sums lost to the Revenue by this process of aggregating interest to overdraft.

Chairman.] You say "very large sums." If there are very large sums we must look into it. Tell us more. What do you mean by "very large sums"?

Mr. Benson.

237. I understand that it has been in Lancashire a fairly steady and regular thing. It becomes particularly obnoxious from the Revenue point of view in a period of trade depression where you get a large number of failures?—I am afraid I am a good deal out of my depth here. I think the best thing for me to say is that I will examine Mr. Benson's point.

238. That will satisfy me. There is one question on the disclosure of bank accounts, on the question of overdraft again?—Yes.

Mr. Benson.] I understand there is no power to demand from a bank disclosure of accounts. If a taxpayer wishes to claim tax rebate on interest on an overdraft he discloses Account (A) which is in debit, but there is no power to ask the bank whether this individual has another account (B) which may be in credit. You have simply and solely got to take the one particular account that an individual wishes, and allow that.

Chairman.] That is not so. If a man has a credit account which bears interest he must declare it or commit an offence.

Mr. Benson.

239. He must declare it; but does he? I think Sir Malcolm said that our methods of income tax were getting more and more efficient each year, and the power of investigation was becoming more efficient. Was not it you who said that, Sir Malcolm?—(Sir Malcolm Ramsay.) I

did not use those words. I think there was a general expression to that effect.

240. I gather from people I have talked with (income tax people), that one of the most difficult forms of fraud to check is the banking account which is not disclosed, and there is no power to compel the banks to disclose. It seems to me if you are going to repay income tax on one account you ought to have power, at any rate, to demand a certificate that it is the only banking account that the man possesses?—(Mr. Grigg.) Is not that inextricably bound up with the general question of the disclosure by the banks?

241. I think the Inland Revenue ought to have full power?—I think this point is only one part of the question of the disclosure of accounts by banks. That was recommended by the Royal Commission on the Income Tax, and has been regarded by successive administrations as extremely controversial, and nobody yet has asked Parliament for the power to compel disclosure.

242. Now you are Chairman of the Inland Revenue can we expect it in the next Finance Act?—That is a question for the Chancellor of the Exchequer.

Major Salmon.] Could you give us particulars, or let us have a report, in order to save time, of the reason why the Department has so largely been increased in personnel over the last two years?

Chairman.

243. Do not trouble to answer now?—The answer is the growth of the work they have to do. The work is increasing; the population is increasing, and the number of people who pay income tax is increasing. And I can give you an even better reason; the Quinquennial Valuation which is taking place this year. That is temporary staff.

Chairman.

244. Would it be within your compass to let us have a Memorandum on what is called the rationing of Departments?—No.

(The witnesses withdrew.)

(Adjourned to Thursday next at 2.30 p.m.)

THURSDAY, 12TH FEBRUARY, 1931.

Members Present:

Mr. Benson.	Sir Robert Hamilton.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Mr. Lathan.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Ede	Major Salmon.
Mr. Gill.	Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL, in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS I.

ON VOTE 2: HOUSE OF COMMONS.

Mr. BRYAN FELL and Mr. J. LUXFORD, called in and examined.

Chairman.

245. We will deal, first, with Class I, Vote 2, page 6. There is nothing for me to draw your attention to in Sir Malcolm's Report, if he will be so kind as to say anything he wishes to say.—(Sir *Malcolm Ramsay*.) I have nothing to say. There is nothing unusual about the Vote. Members will remember that the control of the Treasury over this Estimate is limited to items which do not relate to the personal remuneration of officers. The general control of the establishments in the House of Commons is vested in the House of Commons Commission, of which Mr. Speaker is Chairman. That is all I need say, I think.

246. What are the travelling expenses? Are they the Members' travelling expenses?—Yes.

247. It has gone up about £1,500?—Mr. *Fell* can tell you why it has gone up. (Mr. *Fell*.) It has gone up owing to Members making increased use of their privileges.

248. Do you find the amount used per head gradually increases year by year?—Yes; and the number of Members using the privilege also increases.

249. I mean the average per head of those who do use them?—490 Members use it now.

250. Is the average per head of the Members using the privilege larger year by year?—(Mr. *Luxford*.) Yes, it must be.

251. To what do you attribute that increased use of facilities? — (Mr. *Fell*.) I think one of the reasons for the increase in the use of the facilities is due to Wednesday being now a full Private Members' day.

252. You cannot test that by the dates?—You cannot test that at present.

Mr. *Benson*.] I think one reason will be that there are fewer Members of this House living in London, and they go home at the week-ends. Very few Members of the Labour Party have London houses. If there was a General Election, and it resulted in a good Conservative majority, it would probably result in a drop in these charges.

Chairman.

253. I suppose you are keeping a tell-tale check of the thing?—We keep accurate accounts of all vouchers used.

Sir *Assheton Pownall*.

254. £36,000 expenditure divided by 490 Members of Parliament shows an average, I think, of £70 for each of the

12 February, 1931.] Mr. BRYAN H. FELL and Mr. J. LUXFORD. [Continued.]

490 Members of Parliament who more or less habitually use vouchers?—I should say that in this year which we are considering, 1929, it was under 490. 490 is the number using it now.

255. It increases the average figure, obviously?—Yes.

256. Could you give me the number in the year under review?—470.

257. That makes it slightly more than £70 as the average cost per head of the Members going to and fro?—Yes.

258. Are Members allowed to use them when the House is not sitting?—They are.

259. I raised the question two or three years ago with regard to the cost of season tickets. At that time on a lower figure than this, it had been gone into by the Minister of Transport not long before, and it made an appreciable difference in favour of the country on the present lines, but if the figure is increasing, as it has increased, it might be worth while taking that into consideration again and considering whether it would not be better to try to drive a bargain with the Railway Companies, who, we see, are very badly wanting extra money if they can legitimately get it, and save money in that way?—The moment might come when it might be worth while having season tickets, but in the Appendix to the Report of the Public Accounts Committee of 1928-29 all those facts are set out.

260. Have you them there to refresh our memories?—Yes.

Sir Assheton Pownall: I see the cost of the present voucher arrangements at the time of this Report was £33,926. At the moment it is only £2,000 more, I agree. The cost of season tickets available for 12 months was then given as £57,939. It would then have cost £24,000 more. It would now cost £22,000 more. The saving was then £24,000, and it would now be £22,000. That is the answer to my question.

Mr. Benson.] On the other hand, if the Government took the normal price of the season tickets they would naturally have to pay a good deal more than if they bargained with the Railway Companies.

Sir Assheton Pownall.

261. Yes, I think that question was raised some years ago, and it was thought that the country ought not to try to get preferential treatment out of the Railway Company shareholders. It was

rather a question of the dignity of the House. Am I right in saying that?—That is so, and they also had to legislate for these Railway Companies, and therefore they should not be under any obligation to the Railway Companies.

Mr. Leif Jones.

262. Have you a figure of what the estimate was if there had been season tickets?—For 460 Members it was nearly £58,000. It was an increase of 70 per cent.

Sir Assheton Pownall.

263. Or £24,000?—Seventy per cent. over the actual cost.

Mr. Leif Jones.] If a season ticket were given to every Member, all Members would use it presumably.

Sir Robert Hamilton. No.

Mr. Leif Jones.] Very few would not. Very few do not draw salaries now.

Sir Assheton Pownall.

264. That is quite a different matter?—(Mr. Phillips.) That estimate of £57,939 as the cost on the basis of using season tickets makes the assumption that the number of Members taking season tickets is only the same as those now taking vouchers. If more took season tickets than now take vouchers, it would go up.

Mr. Gill.

265. I appreciate the point about not bargaining with the Railway Companies, but there is another type of ticket which the Railway Companies issue presumably at a much less charge than has been referred to here this afternoon, and that is what is known as traders' season tickets. That is based on a certain amount of traffic which has to be given before those facilities are available, but I should say the Government, through its various Departments, are customers of the Railway Companies well in excess of any amount of that kind that would be required?—(Mr. Fell.) The same remark about the Government not being under an obligation to the Railway Companies applies there.

Mr. Gill.] Large industrial concerns which have traders' tickets do not feel that they are under any special obligation because of those facilities.

12 February, 1931.] Mr. BRYAN H. FELL and Mr. J. LUXFORD. [Continued.]

Sir Assheton Pownall.] Do you know what proportion the cost of traders' tickets bears to the cost of a normal season ticket?

Mr. Gill.] I would not like to say the figure, but I know the figure is very much under season ticket rate.

Chairman.

266. A Member had a season ticket for his business, and he told me that he could save the Government money if they would give him a contribution towards his season ticket, which would result in the Government expending a great deal less than they then expended in giving him his voucher?—It was held, I understand, that if one Member had a season ticket all Members should have them.

Sir Assheton Pownall.

267. You cannot differentiate?—You cannot differentiate.

Chairman.

268. We have had five or seven years' experience. I think I carry the Committee with me as far as this. Has experience pointed out where we can make some saving by an adjustment of our methods? Have you come to any conclusion about that, Mr. Fell, after five years' experience, notwithstanding this report?—It is not for me to suggest third class travelling, because it was turned down by the House of Commons.

269. Put that aside?—We have added cheap day tickets. We now allow for cheap day tickets, week-end tickets, and tourists' tickets. Members are advised to take those. Otherwise I do not see how you can prevent the increased use of the railway voucher by Members of Parliament.

270. Could not you circularise each man who lives at a distance and say to him: "We have found that you have quite properly used a ticket in the year which has cost the Government so much. We find a first class season ticket for the whole year would cost so much, which would be less." Would it be possible then to say to that man, even making a differentiation between him and other men: "We prefer that you take out a season ticket, and we will settle with the Company"?—I think that is a thing

which ought to be done by the Ministry of Transport which conducts all the arrangements with the Railway Companies. We really have nothing to do with going into the details of the difference of cost. We have not the staff, and we would not be able to do it. The Ministry of Transport, who presented this report, would be the proper body to do that.

271. If a Member is quite legitimately using his voucher by taking individual tickets as he wants them, and the total of that expenditure for those individual tickets comes to more than a season ticket for the year or quarterly would come to, I think steps should be taken to adjust matters?—They went into these cases at the time, and this report points out that in the case of 65 Members the issue of season tickets would have resulted in a saving to the State, but the conclusion was that you could not differentiate. If one had a season ticket they should all have them.

Mr. Lathan.] I think you would find the difficulty of differentiation would be very substantial. Acting along the lines you suggest it seems to me (the Accounting Officer can say whether I am correct or not) that the Member who to-day costs most with regard to his travelling would have facilities in that he would have a season ticket which could be used at any time as often as was necessary, which a man who was careful in regard to visits and the tickets which he called upon the Government to pay would be deprived of.

Chairman.] I do not take that view. It would not cost the Government any more. It would not cost the Railway Companies any more.

Sir Robert Hamilton.] Supposing he lost his seat on the 2nd January he would have a season ticket which would last for the year.

Chairman.] Tickets might be issued quarterly. It costs no more to the Railway Company to carry one man, and it would not cost the Government any more.

Mr. Lathan.] I do not suggest it would cost the Companies more, nor do I deny that it would cost the Government less, but one Member would have facilities in regard to a season ticket that another Member would not have, and it would create considerable difficulty.

Chairman.] A man can always get a voucher if he is going legitimately to his constituency, and, consequently, a man

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who had a season ticket would not have any more facilities than the man who took a whole bunch of vouchers and used them.

Mr. Lathan.

272. I will leave it there. I take it that that was the difficulty you were up against when you decided that you could not differentiate. Do the Members respond to your suggestion with regard to the week-end tickets?—Yes.

273. There is no obligation there to the Railway Company. Some members of the House, it might be through inadvertence or ignorance, would have a ticket of the same character as an ordinary passenger would have?—It is printed on the outside of the book of vouchers which are given, and I do not think we can do more than call their attention to it in that way.

274. Except that you would notice that a Member going down to his constituency at the week-end might get an ordinary ticket where he could get a week-end ticket, which would mean a reduction of one-third, or about that, in the cost of the ticket?—Yes.

Chairman.

275. We are thinking only of some way of saving the public purse, and if you can discover some method now you have had five years' experience, or more, when you come up next year perhaps you might make some suggestion to us?—I can see no method beyond the three methods of cheap day, week-end and tourist tickets. If a Member is going to his constituency he is entitled to have a voucher. It does not rest upon the Accounting Officer, but upon the Member how many vouchers he is going to use.

Mr. Leif Jones: I do not see any difference, in principle, between a Member asking for a season ticket and asking for a week-end ticket. There is a difference here; some go down for the week-end and some do not. It is a mere question of saving public expenditure. The journey would be paid for in any case, either by voucher or by season ticket, and therefore the Member need have no shyness in using a voucher or a season ticket, and it seems to me there is a possibility of substantial saving.

Chairman.] I took that view.

Sir Robert Hamilton.] The Member has an option.

Mr. Leif Jones.

276. I could not possibly use a season ticket to my constituency, which is in Cornwall?—(Mr. Luxford.) That is one of the difficulties. Where you have a Borough Member, with a stated destination, one can get the cost of a season ticket to his constituency quite easily, but where you have a Member with a scattered constituency, such as Brecon and Radnor, or the Carnarvon Boroughs, he can go to a number of places.

Chairman.

277. I thought they had to make a selection?—He does not always want to go to the same place, or by the same route. One season ticket would have to be interchangeable and available on a form of circular tour.

278. I should not allow the question of machinery to be a difficulty?—It would add to the cost over and above the cost of the voucher. (Mr. Fell.) It would necessitate zoning, and zoning, I take it, would probably be more expensive than a season ticket to a particular destination. (Mr. Luxford.) If a Member would go to one spot in his constituency on a season ticket and undertake to get around his constituency from that particular spot, that might simplify matters.

279. I thought he had to name a place?—Not now.

280. When was that altered?—In 1924. Members now fill in their destinations themselves on their railway warrant.

Mr. Ede.

281. A man is entitled to go to any station in his constituency, although not to a station just outside his constituency?—(Mr. Fell.) He can go to a station outside if the Accounting Officer is satisfied that it is convenient for the Member's Parliamentary duties, and it does not cost more.

Captain Crookshank.

282. Did you say the figures for this year were 470?—For the year under review they are 470.

283. The figure for the previous year, which was the previous Parliament, was 462?—Yes.

Captain Crookshank.] So it does not quite bear out what the Honourable

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Member says, that it would increase with a change in the political colour of the House of Commons.

Mr. *Benson.*] I meant the number of times a voucher would be used would increase.

Captain *Crookshank.*

284. A voucher cannot be taken by a Member to his home, instead of to his constituency?—No.

285. Do you find there is any misapprehension about that?—No.

286. Supposing you represented Edinburgh and lived at Peterborough, and you took a ticket for Edinburgh and got off at Peterborough in order to spend the week-end there, could that be checked? Would it be legal?—I do not think that could be checked, if he were to break his journey on that ticket.

287. Might not that make it awkward?—You are talking about a Member who represents Edinburgh and who lives at Peterborough, and who takes a ticket to Edinburgh and breaks his journey at Peterborough?

Captain *Crookshank.*] Yes. I am not saying it has happened. I am asking if it is possible?—Yes.

Chairman.

288. There is another case, where a man lives at Edinburgh and is called upon to speak at Boston. He takes a ticket to Edinburgh, gets out at Peterborough and pays his fare to Boston. That does not seem to come within the four corners of his right under that ticket?—No.

289. But it could be done?—It could be done.

Mr. *Gill.*] While those instances are being quoted, there are more instances that could be quoted of Members not being able to avail themselves of the facilities that are offered under the regulations. I will put the case from that side.

I will give you my own case. My home is at York; my constituency is Blackburn. Nine times out of ten I have to pay my fare from London to York and from York to Blackburn at the week-ends. The only facility that I can get is a single journey ticket back from Blackburn to London: so while we are thinking of all these other things that might be done, or may be done, and so forth, it is just as well that you should remember the other side that, under the present regulations, Members cannot avail themselves fully of the facilities that are offered.

Captain *Crookshank.*] That is exactly the difficulty I was putting.

Mr. *Gill.*] Nine times out of ten I go home on a Friday and I have to pay my fare to York, and I have to pay the fare from York to Blackburn.

Captain *Crookshank.*] That is the difficulty I am putting. It seems to me the only way out of the difficulties, which experience has shown crop up, is to have a season ticket over all railways. I am not suggesting for a moment that we should do that.

Major *Salmon*

290. The increase of £1,473 on the amount of money granted is a figure over which you have no control. You can only estimate it, and you have no real control over it, and you do not know what it will be until the end of the year. Is that the position?—Yes. We have estimated £42,000 for the coming year.

291. Why should you estimate £6,000 more?—We are here dealing with 1929. It has gone up each year.

292. In ratio?—Yes, but with an increasing acceleration.

Chairman.

293. Do you want to say anything on this, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No.

(Mr. *Fell* and Mr. *Luxford* withdrew.)

CLASS II.

ON VOTE 1 (FOREIGN OFFICE).

Sir F. G. A. BUTLER, K.C.M.G., C.B., and Mr. W. H. ROBINSON called in and examined

Chairman.

294. We will now deal with Civil Appropriation Accounts, paragraph 2,

Votes 1, 2 and 3, Class II, and the China Indemnity Fund Account. All this seems plain sailing. There is nothing for me

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to ask about. I will leave it to Sir Malcolm Ramsay?—(Sir Malcolm Ramsay.) I have nothing to say on the Foreign Office Vote.

Major Salmon.

295. I notice that under Subhead A on page 52 you applied for a Supplementary Estimate of £1,300, and yet, when the end of the year arrives, you have spent £2,288 6s. less than the sum granted?—(Sir Frederick Butler.) Yes.

296. Why was it necessary to apply for a Supplementary Estimate?—Because, when we were looking through the accounts of the year early in 1930, the Naval Conference, which had been unforeseen at the beginning of the financial year, was just about to assemble, and we had to consider whether these unforeseen expenses could be met out of our provision. We were expecting certain savings on Subhead A, but we did not think we should have enough to meet the unforeseen extra cost of the Naval Conference, so we applied to Parliament for what we thought would be the necessary additional amount on this subhead. At the end of the year the Naval Conference had cost less to our Vote than had been anticipated.

297. If you had a special function like the Naval Conference, would not it have been easier to ask for a Supplementary Vote, earmarking it for that purpose?—We did so. It was spread under the various subheads, but it was asked for especially for the Naval Conference.

298. Is it necessary in giving particulars of the expenditure to put it under each Subhead A, B, C and so on?—Yes, in order to bring it under the proper Subheads for salaries, travelling expenses, and so on in the Vote.

299. Is that the usual way of doing it?—Yes.

300. On the matter of Passport Fees, I see the estimated figure was £104,500 and you realised £106,254. Have you any record as to the countries in respect of which you are issuing a larger number of passports than you anticipated?—I have not any handy. I daresay the Passport Office could produce them, with this caution, that a passport is usually made out for a large number of countries, the countries of Europe, or something of that sort. It would be very difficult to say for which countries the passports were used.

301. The passport is issued from home?—Yes.

Captain Crookshank.

302. On page 53 it says: "Refund of salary . . . of officers seconded to the Dominions." To whom does that refer?—Members of the Foreign Office who were lent for liaison work to Dominion Governments. We had one in New Zealand and one in South Africa, and their salaries are paid ultimately by the Dominions Office, as they are really doing their work. We pay the salaries, and the Dominions Office refund the amount to us.

303. There is no charge on the Dominions?—No, there is no charge on the Dominions. It is a charge on Imperial funds, viâ the Dominions Office.

Mr. Gill.

304. In that group headed "Extra remuneration (exceeding £50)" the last paragraph says: "Of three junior assistants in the Code and Cipher School (£200—£500), two were in receipt from the Vote for Superannuation and Retired allowances of Civil Pensions of £1,150 and £796 18s. 8d. respectively." It seems to be a strange position that a retired man in receipt of a pension of £1,150 per annum should be filling the post of a junior assistant?—Yes. It is very special work that is wanted in the Code and Cipher School. We need there people who have been using our ciphers abroad, and who know all the technicalities and all the difficulties, and who can train other people in this country who have not had this experience, chiefly people from the Service Departments, in the intricacies of cipher work. For that purpose we get people who have done their time in the Service and retired.

305. Do you think it is necessary to employ people, one with a pension of over £1,000, and another with a pension of approaching £1,000?—You cannot get people with the requisite experience unless they are, or have been, in the service. You cannot get people in the service, because they are doing their jobs abroad, so we take people who have retired.

Mr. Gill.] If it is possible I should have thought that positions of that kind

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would be better filled by people who were not getting such pensions.

Mr. Benson.

306. I take it that the man with £1,100 pension is not doing full time work for £200 a year?—Yes; he is doing full time work. He gets £300 in addition to his pension, but he is a full time man. He is blocking, as it were, one of the full time positions in that post.

ON VOTE 2 (DIPLOMATIC AND CONSULAR SERVICES).

Chairman.

308. Is there anything you desire to say on this, Sir Malcolm?—(Sir Malcolm Ramsay.) Everything I hope is fully explained. There are notes of the losses on the account. I do not think I need call your attention to any special items. Sir Frederick has had special difficulty this year, because the dollar in China and the monetary unit in Persia, the kran, have steadily depreciated in value, and that, as the Committee has already heard, is largely responsible for the small excess which has been incurred, and which you have passed.

309. I see you have "Anglo-German Mixed Arbitral Tribunal." I think that is now closed up, is it not?—(Sir Frederick Butler.) No, it is still going on, but it is very much diminished, and it ought to finish in the course of this year.

310. I know a little about the working of that, and I do not want to say too much. I also know that the Clearing Office for Enemy Debts is paid out of commissions, and therefore not very much falls on the taxpayer, if anything at all; probably something goes into the Exchequer, on balance?—Yes.

311. But I think some steps should be taken by those in command at the Foreign Office to get that Anglo-German Mixed Arbitral Tribunal brought to a conclusion, and certain branches of the Clearing Office wound up, and the staff dispersed?—I am afraid I have nothing to do with the Clearing Office, but, so far as the Anglo-German Mixed Arbitral Tribunal is concerned, it has been steadily reduced during the last two or three years, and it is now practically at vanishing point. We are taking about one-third this year of what we took last year.

Mr. Leif Jones.

307. With regard to the second item in the Appropriations in Aid, these are all refunds of salaries, and they total £4,928. Why did you only realise £4,824?—It may be due to small fluctuations in bonus or increments that have accrued and which were not foreseen, or it may be that at the time we made the estimate we did not know which officer would go, and we simply took the mean of his scale, or something of that sort.

312. Would you take it as a request from the Committee that the work should be accelerated?—Yes.

313. That is the only thing I have to say upon the Diplomatic and Consular Services. You have nothing to say, Sir Malcolm, have you?—(Sir Malcolm Ramsay.) Nothing further.

Sir Robert Hamilton.

314. Does subhead A, "Salaries, Wages and Allowances," cover the Foreign Office staff as well as the staff abroad?—(Sir Frederick Butler.) No, only the staff abroad. The Foreign Office staff is on the Vote on the previous page.

315. On page 61 the charge for the News Department expenses abroad is £15,400. Can you tell us exactly what that covers?—Yes. The details are always shown in the Estimates, though they do not appear in the Appropriation Account. They cover salaried Press Officers in Paris, Berlin, and Rome, and a British Library of Information, with a staff of four or five people, in New York, which is a centre of official information and sale of official British publications in the United States. Those are the main items of expenditure.

316. What are the particular duties of these salaried Press Officers?—They are attached to the British Embassy in the particular places and they are to keep in touch with the local Press and see that British news gets into the Press, and that anything special which is discussed in the Press is brought to the notice of the Ambassador, and, ultimately, of the Foreign Office, and generally to keep in touch with public opinion.

317. Do you regard it as a valuable service?—It is regarded as very valuable by the Foreign Office.

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Sir Robert Hamilton.] It seems a large sum for seeing that news gets into the papers.

Chairman.

318. It is the other way round also. It is collecting news from the papers also, is not it?—Yes, and studying it.

Sir Robert Hamilton.

319. Would not it be possible for someone in the Embassy or Consulate to look after this work?—It might mean extra staff there for the purpose. We do not think that in these big places it could be done nearly so adequately as by having a special man. That is very seriously looked at from time to time, and that is why these News Department expenses are put under a separate heading. The Treasury, when they sanctioned our having this Department and this service, insisted that the expenses connected with it should always be kept separate, so that they could be watched and the question could be raised from time to time whether the service should go on.

320. It is a comparatively new service?—It is really a relic of the war-time Ministry of Information, and just because it was a relic of that particular organisation it was felt that it ought to be carefully watched; but the Foreign Office think that it has proved its value, and they feel quite definitely that it should go on.

321. You do not think there is any possibility of securing a reduction of the cost?—No.

Chairman.

322. How many officers have you?—Only those three salaried Press Officers, who cost roughly £1,500 a year each for salary, and perhaps something for travelling and such expenses. The British Library of Information in New York is the main item. That costs altogether about £8,000 a year in salaries, travelling and office expenses. That is the main item. It is about half the total, and that, we find, is a very valuable centre of information.

Sir Robert Hamilton.

323. I was thinking more of places like Paris, Berlin, and so on, and whether the work could not be done in the Embassy itself. To pay a man £1,500 a year to take Press cuttings seems rather

a large figure?—Our view is that his services should be described a little more warmly than that.

324. Is the matter being watched?—Yes.

Chairman.

325. An Officer with whom I was acquainted at the League of Nations officially was in the Embassy at Brussels?—Yes.

326. He was exactly what Sir Robert Hamilton desires?—Yes. They are full time men attached to the Embassy in the particular place.

327. They do other work besides this Press work?—That I do not know. They may do. They are certainly working in the Embassy. The Brussels man we have reduced. We have not got him there now.

Mr. Lathan.

328. With regard to the expenditure on outfits on page 55, you explain that in a footnote by saying that it is accounted for by the deaths of heads of missions?—Yes. That perhaps shortens it rather too much. It means that Ambassadors who died had to be replaced and we had to send new ones out. That increased the travelling expenses and the cost of outfits.

329. There was a motor-car for the Ambassador at Moscow. It was a British motor-car, I expect?—Yes.

330. Could you make a little clearer the items of expenditure on compassionate gratuities. Are they annual?—Some are annual allowances and some are lump sums. This covers gratuities and compassionate allowances to native employees at Embassies and Legations abroad who have no statutory rights, but who we think, after long service, should get something, so, under rules laid down by the Treasury, we give them a retiring allowance. It covers people like boatmen, gardeners, kavasses, legation guards and that sort of employee.

Mr. Bird.

331. There is an excess of £4,811 7s. 2d. on Subhead C. You have given an explanation on the point which is raised by my friend, but under Subhead A you do not spend as much for salaries?—No.

332. It seems that if you do not spend so much for salaries there are not so

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many people employed, and the travelling expenses would not have been so great as you had anticipated?—It is all part of the same thing, but at different stages. When an Ambassador dies there may be a few weeks, or possibly two or three months, before his place is filled by a successor. During that period you are saving his salary; but when you send out the new Ambassador you get an increase of expenditure on travelling expenses which you had not anticipated, and for his outfit.

333. You must have been very unlucky if you had an excess of £4,800?—We were unlucky. The one in the Argentine resigned. The one at Rio died, the one at Lisbon died, the one at Washington retired, and the one at Stockholm died.

334. The Brazilian, the Argentine and the Washington ones would be the only expensive ones, so far as travelling was concerned?—Yes.

335. It seems a lot of money just for journeys; or does it include all the aides-de-camps and extras?—Yes, it includes their staff and luggage expenses. If they take out effects, under certain regulations they are allowed so much.

Sir Assheton Pownall.

336. There was a whole personnel going to Moscow in that year?—Yes, there was the whole of Moscow, which was unforeseen. They cost about £700 of that amount.

Mr. Bird.

337. That still leaves over £4,000 for the other places?—The journeys may not be confined simply to the new Ambassador. His move may mean other moves. It may mean promotion to someone else. You may get four or five moves of individuals owing to the death of one man at the top.

Sir Assheton Pownall.

338. It is a "general post"?—Yes. It may mean the expenses of ten or twelve people. I cannot tell you without looking into it.

Mr. Bird.

339. Is it customary to have a "general post" when a Head dies?—Not necessarily. If it is a very important person who dies at the top it may mean promotion for the people

below, and people would expect to go to a more important legation when the people were moved up at the top. You cannot tell with regard to a particular legation. It depends on the people going.

Captain Crookshank.

340. The wireless at Peking, you said, had not been as economical as it had been hoped a year or two ago. What do you mean by "Service personnel"—R.E.'s?—We found the civilian operators were rather expensive. They cost a good deal; also they were family men and wanted to get away, and it cost a good deal in travelling, so we asked the War Office to second certain staff, and we found it much cheaper.

341. Has the whole thing reduced the cost of telegrams considerably?—Yes. I have had a calculation made, and I should think on the working of the wireless, which was not good in the winter, over the whole year we saved about £4,000 on the telegrams from China, after paying for the expenses of upkeep. It is not as much as we could save if we had an efficient transmitting apparatus out there which would work the whole year. I am going into that.

342. It has justified itself?—Undoubtedly.

343. Under Subhead I you have a saving in respect of medicines in Teheran, which is an unhealthy place. Is not that a bad thing on which to save?—It is not for our own staff. It is a relic of the old days. We ran a dispensary there, when Persia could not look after her own health as well as she can now. We had a doctor and a dispensary. We are gradually cutting that out. It is not appropriate now to the conditions.

344. We are not going on with that charitable work. With reference to Subhead T (1), is that a case of any importance? I thought there would be a note about that?—It is a very nasty case. (Sir Malcolm Ramsay.) I did not say anything because it is one of those things you cannot avoid. A man had got into trouble; he was threatened with dismissal, and he drew some bills and discounted them locally, and the Foreign Office had to accept them, although he was under dismissal. They have taken precautions which will stop up that hole. You cannot prevent a man being dishonest, but you can find out at once, as

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the Foreign Office did on this occasion. I think that is so, is it not, Sir Frederick?—(Sir Frederick Butler.) Yes. The notable part of it was that it was what we call an unsalaried Consular Officer, not one of our regular men, but a British subject in trade there, and he had served us well for ten years.

345. Was he prosecuted?—No, he got away to Havana before we could persuade the local authorities that he had done anything criminal. It was in Costa Rica. He drew an allowance of £267, out of which he had to pay his office expenses and clerk hire. He was a local British trader who served us quite efficiently for ten years, then he got into financial difficulties and took this way out.

346. On page 58, Subhead MM, "Transport and Relief of Refugees," the note says, "The excess is due to an acceleration in the rate of dispersal of the Refugees." Does that mean that in this year we were still financially responsible for looking after some refugees?—We are still financially responsible for looking after certain people who are technically British subjects, who were driven out of Smyrna when the Turks captured it in 1922, and who since then have been maintained in Malta at our expense. They have gradually drifted away. Some have gone back home, but in desperation the Government of Malta, getting rather tired of the whole thing, said that, if we would pay passages and put down £50 per family, or per head, they could get rid of the whole lot, so we are trying to clear it up, and I hope it will disappear in this last year.

347. On page 61 you tabulate the Special Missions' expenditure. The Vatican is still called a Special Mission. Is that going to be made permanent?—As I said last year, no Secretary of State has yet decided that it shall be a permanent post and that it shall appear as a permanent post in the Estimates. Until some Secretary of State determines that, I have no alternative but to keep it under Special Missions, though it has been going on for 16 years.

348. The state of the Vatican has changed this year?—Yes.

349. That has not affected it yet?—No. The Minister has been withdrawn from the post for some time this last year, because of our difficulties with the Vatican over Malta.

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350. What sort of subjects do we gratify by £1 presentation. It hardly seems worth mentioning?—No. It had to come in from the accounting point of view. There was a certain gentleman in Colombia who was of great service to some of our West Indian fishermen who were arrested by the Colombian Government for fishing in the wrong place. He got them out of prison and looked after them, and we decided to give him a gold watch. This is an account for the inscription on the watch. The watch itself will appear next year.

Major Salmon.

351. On Subhead G in the explanatory notes I see it says, "Provision made for the Ambassador at Tokyo £1,000." I thought we were building a new Embassy at Tokyo?—We are building one. In the meantime he is occupying temporary quarters close to the site of the new building. He said he must get out of Tokyo in the summer, as has been done in the past, and we made provision accordingly, and he did not go, so we saved the money.

352. Under Subhead J, "Outfits," you say, "Purchase of motor car for the Ambassador." Do we maintain that, or does the Ambassador?—The Ambassador maintains it. We pay the initial cost and one half the insurance, and he maintains it.

353. When a new car is wanted does he have to pay for it?—No; if he can convince us that the old car is past service we sell that for what it will fetch, and provide him with a new one.

354. Have you any definite rule as to how long a car must last?—No. It will vary from place to place, but we satisfy ourselves that a new one is wanted before we get it.

355. Does it always come under the heading of "Outfits"?—Yes.

Chairman.

356. Have you motor cars for our Ambassador in Washington?—Yes.

357. Where are they housed?—I do not know.

358. Are they housed in the new building?—I could not say. (Mr. W. H. Robinson.) I think it is at the new Embassy.

359. Is there a garage at the new Embassy?—Yes.

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360. Is it a sufficiently large garage?
—That is a matter of some discussion.

Major Salmon.

361. Are we called upon to provide garage accommodation for Embassies?—(Sir Frederick Butler.) I think if we built an Embassy House I should expect they would provide garage accommodation with it, but I have nothing to do with the houses. That is the Office of Works.

Chairman.

362. If the Ambassador at Tokyo were to complain would not it come to you?—It would not come to me.

363. It would come to the Secretary of State?—It would come to the Secretary of State and be passed over to the Office of Works. They look after all the buildings which we own abroad.

Major Salmon.

364. On Subhead L, "Special Missions and Services," you mention the Inter-Allied Rhineland High Commission. Is that finished now?—Yes. It began to disappear after the Hague Conferences of 1929. This saving here was the beginning of the disappearance. It has quite disappeared by now. It disappeared last June, I think.

365. Have we in China any military force now, at Shanghai, for example?—Yes, I think there are some in Shanghai, but I know nothing about that.

366. It does not come under your Vote?—No, it is not paid by us at all.

367. On subhead Y, "Incidental Expenses," you have spent more than granted £9,369 8s. 11d. You say: "Due to a loss by exchange on currency funds held in China." How came you to hold the funds in China?—We collect large sums in fees in China, and, after paying our expenses at the Legation and local consulates, there are quite large sums to be remitted home. They are included in Appropriations in Aid.

368. How often are they remitted home?—The Legation Supply Account, which is the central fund, has to remit home every time the amount in hand exceeds a certain limit.

369. Would it not have been wise for the officer in charge on the spot to have seen that with the fall of the market it was desirable to get it home as soon as

possible?—I think they do, but you must always have a certain amount in this central fund, because all the consulates all over China, and the Legation itself, are paying in or drawing on it.

Chairman.

370. Do not you use the Treasury Chest?—(Mr. Phillips.) No.

371. Is not it the same currency?—No; except perhaps in one or two cases. The Treasury Chest is the other way. We make a profit there.

372. If you have money in Shanghai and the Foreign Office have to send it home, it ought to be considered whether it is convenient that that money should be used for paying out what we have to pay out in China?—That would be done if there is any profit on it.

Major Salmon.

373. In the year following should we have sent any money home, or should we have sent it out?—(Sir Frederick Butler.) On balance we always receive money from China.

374. We always receive money from China?—Yes, on balance.

375. The income is always greater than the expenditure?—Yes.

376. On page 60 there is an item: "Fees from passport control officers." These fees presumably are the fees you receive in respective countries?—Yes.

377. Not at home at all?—No, not at home at all.

378. Would it be possible to say which countries have fallen in the issue of passports to visit this country?—Our representatives do not issue passports to visit this country. They affix visas to the foreign passports of foreigners who want to come here. I could get a return on that.

379. It would be very interesting to see it if it is possible?—I think it is possible. I think our people must have the figures, but I have not got them myself.

380. It would be interesting to see if there are less visitors coming to this country from some countries than from others?—Would you like a comparison with this year?

381. If possible. These fees are paid in the countries where the passports are issued?—Yes.

382. The English passports come into the earlier part of your account?—They come under the Foreign Office.

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383. The recovery on the account of the inter-Allied Rhineland High Commission, I see, was estimated at £45,000, and you received only £27,672?—Yes. That exactly corresponds to the saving which we discussed under subhead L. It was simply a book transaction. We used to pay, and the Treasury repaid us, and they only repaid to us what we paid, so it is always the same on both sides of the account.

384. Is the Mexican Claims Commission still going on?—Yes, there has been a long hiatus, because all the claims had not been properly considered when the time arranged by the Convention had run out, and we had great difficulty in getting the Mexican Government to agree to a prolongation of the time. They have now agreed and they are getting to work again, and we hope very strongly that they will finish within the next six or nine months.

385. When you have a special mission going to Geneva to the League of Nations, does the charge appear in this Account?—All our expenses in connection with the League of Nations come under the next Vote.

386. There is the International Red Cross Conference here?—The International Red Cross Conference at Geneva was not a League of Nations affair.

Mr. Gill.

387. On page 59, subhead (N.N.) "Relief in Russia" the expenditure is £2,250 as against the grant of £100. Could you give us any explanation of that?—Yes. We always take £100 on

that Vote as what you might call a token amount, so as to keep that subhead open, because we never know what is coming in. That relates to a transaction in 1919, and it only came up to us in this particular year. It turned out then that a certain Mr. Martens had advanced 500,000 roubles to the man then in charge of the British Consulate in Moscow for the relief of distressed British subjects. He had never been paid, and had never been able to produce the receipt, or to show that he had not received payment, until this particular year, when we paid him.

388. You were satisfied it was *bond fide*?—Yes.

389. The Statute of Limitations did not apply in this case?—No. I do not think anyone would wish it to apply. (Mr. Phillips.) All the payments were investigated by the Treasury.

Mr. Gill.] The special Mission to Tokyo to invest the Emperor with the Order of the Garter cost £6,631. In view of the next figure: "Prime Minister's Special Mission to the United States of America," £1,492: why is there this enormous discrepancy?

Chairman.

390. One of the Royal Princes went to Tokyo, did not he?—Yes; the Duke of Gloucester went, and he had two or three people with him.

Mr. Gill.

391. That is the cost of the whole tour?—Yes. A few hundred pounds were shown in the previous year.

ON VOTE 3 (LEAGUE OF NATIONS).

Chairman.

392. Is there anything to be said on this, Sir Malcolm?—(Sir Malcolm Ramsay.) No. Everything is explained or indicated in the report.

393. Is this in addition to what we pay for expenses?—(Sir Frederick Butler.) No, this is all we pay to the League of Nations, except what appears under the Ministry of Labour Vote. It is additional to what appears on the Ministry of Labour Vote.

Sir Assheton Pownall.

394. Do you remember what the International Labour Office contribution is?—

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(Mr. Phillips.) £36,574 in this year.

395. Approximately £120,000, the two figures together?—The League of Nations was £71,197, and the other was £36,574, making £107,000.

Chairman.

396. Is there any detail given of these Ministers' expenses? When I went to Geneva I did not take a secretary, and I was not allowed even a man to go and fetch my papers. Does Sir Malcolm see the details of the secretaries and Parliamentary Secretaries' expenses?—(Sir Malcolm Ramsay.) Yes, I see complete details. Sir Frederick sends me a complete

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schedule of everything paid. (Sir *Frederick Butler*.) Yes.

397. Do Ministers take Parliamentary Secretaries?—The practice is growing. I think the tendency is for more people to insist on having their secretaries with them. We do our best to keep them down, but it is very difficult.

398. Are they Members of Parliament?—It is only Delegates who are supposed to take their secretaries.

399. I went in 1925. Would I now be allowed to take my Parliamentary Private Secretary?—If we think it is not legitimate we do our best to cut it down but not always successfully.

400. Is there any rule about it?—It must be a delegate or sometimes deputy-delegates.

401. Do they get subsistence allowances?—If they go as members of the delegation.

402. If they go as Parliamentary Private Secretaries?—Yes.

403. Are they housed at the Government's expense at the Beau Rivage?—If they are members of the delegation.

404. Does that come to a lot of money?—The total of all the travelling and incidental expenses for the year is close on £10,000; that is for all the Council meetings, Assembly meetings and all the special meetings.

Mr. *Butler*.] Is £71,500 the total contribution we make to the League

of Nations?—It is the total contribution through the League of Nations Vote, but, in addition, the Ministry of Labour pays a contribution to the International Labour Organisation of about £35,000.

Major *Salmon*.

405. To what extent have these travelling and incidental expenses grown during the last five years?—I could not tell you off-hand. The figure has grown; I am sure of that, because the number of the delegations tends to increase. We have a constant struggle to try to keep it down.

Sir *Assheton Pownall*.

406. There are more frequent visits?—Yes. (Sir *Malcolm Ramsay*.) In 1924 the cost was £8,154; in 1925 nearly £9,000; in 1926, £9,228; in 1927 it was £9,649; and this year it has gone up a little further to £9,936.

407. It increases steadily £300 or £400 a year?—Before that time it was cheaper. It was about £5,000.

Chairman.

408. Does that include the Beau Rivage Hotel?—(Sir *Frederick Butler*.) Yes, and all travelling accommodation and subsistence allowances.

CHINA INDEMNITY FUND ACCOUNT.

Chairman.

409. As the China Indemnity Fund Account has been before the House of Commons there is nothing to be said

about it. I shall ask Sir Malcolm if he has any observations to make upon it?—(Sir *Malcolm Ramsay*.) No. We have audited it. It is quite correct.

(The Witnesses withdrew.)

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

TUESDAY, 17TH FEBRUARY, 1931.

Members Present:

Mr. Bird.
Mr. Butler.
Mr. Denman.
Mr. Ede.
Sir Robert Hamilton.

Mr. Leif Jones.
Major Salmon.
Mr. Arthur Michael Samuel.
Mr. West.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

Chairman.

I draw your attention to the Treasury Minute of the 12th January, 1931, on the Second Report of the Public Accounts Committee of 1930. You will notice in

the Treasury Minute Items Nos. 5 and 6 which indicate that the Treasury has given effect to our wishes and has written to the Post Office. I have to report that to you in a formal way. It requires no discussion.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS: 1929.

ON VOTE 3 (POST OFFICE).

Sir HENRY N. BUNBURY, K.C.B., called in and examined.

Chairman.

410. Will you go to page vi, paragraphs 12 to 18. I will run over these paragraphs. Sir Malcolm Ramsay and I went through them all yesterday. I will make my observations, and then call upon Sir Malcolm. Paragraph 12 is merely a statement. It shows £363,000 surplus to be surrendered; only a half of one per cent. That is to say, £99 10s. was correct out of £100. Now we will go to paragraph 13. That is merely narrative. The last paragraph on that page shows that the Congress cost us £16,000; the exact amount is over the page. On paragraph 14 there is a legal difficulty which has been removed. That will be explained by Sir Malcolm. As to paragraph 15 I shall ask the Post Office to explain that point. They will tell you that coastal districts are always more expensive for reasons which they will go into, but there is some satisfaction in knowing that the development of the control by means of unit costs statistics has resulted in economy. On paragraph 16 I do not understand why the Post Office has been timing in this way. It seems to me that there has been an inaccuracy. I may be wrong, but perhaps

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the Post Office will explain when we come to paragraph 16.

On the first sections of paragraph 17, this was recommended by the Estimates Committee. It rather hides the accounts. This procedure acts as a mask and does away with the necessity for a capital cost Vote in the Post Office Estimates. I do not know whether that will commend itself to Honorable Members, but I draw attention to it. I do not think there is much in the point, but Sir Malcolm will elaborate it. That procedure certainly masks the account.

There is nothing on paragraph 18. I will begin by asking Sir Malcolm Ramsay to run roughly through paragraphs 12 to 18?—(Sir Malcolm Ramsay.) Might I suggest you should take the paragraphs one at a time?

411. If you please?—Paragraph 13 is narrational. Foreign Governments have spent more on corresponding Congresses than was spent on this one.

Major Salmon.

412. Dealing with paragraph 12, I notice the gross expenditure amounted to £61,362,000, and there was a supplementary Vote of £1,046,000. I suppose

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[Continued.]

the only reason that 33 per cent. of the supplementary estimate has been surrendered is because the work presumably has been done first, and they ask for the supplementary estimate afterwards, and therefore there is not a great deal of skill required presumably in arriving at a fairly accurate total figure?—(Sir Henry Bunbury.) That is so. When a supplementary is required it is compiled in January, and all that you have to forecast is the expenditure for the months of January, February and March.

413. And you were out to the extent of 33 per cent.?—That is so; 33 per cent. of the supplementary. The principal reason is that it is very difficult to forecast the division of engineering expenditure between Vote and Loan, especially in the spring months of the year when you are liable to get heavy storm repairs. The effect of storm repairs is to take the gangs off capital works and to put them on to maintenance works.

414. Would that make a difference on your total Vote, if you were putting them on capital account as against maintenance?—Yes. There is another factor. It is also connected with engineering. As a matter of fact it did not have any marked effect this year, but it does sometimes. That is the rate of progression of capital works. Stores are charged to capital as they are issued to the works.

415. What was your total expenditure, first under capital, and, secondly, under maintenance?—Capital £10,800,000.

416. The balance of the £61,000,000 came under maintenance?—The whole of the £61,000,000 of the Post Office Vote is operation. Capital expenditure is charged to Loan; it is not charged to Vote at all.

417. It does not appear in paragraph 12 at all?—No.

418. That is the point, that the House has no opportunity, so far as capital sums are concerned, to know beforehand what is going to be spent. All members know is that you have entered into an indebtedness, and you get loans from the Treasury for it?—They are authorised by Post Office Loan Acts, which are taken every two or three years, authorising the issue of a specified sum for Post Office capital works, and then accounts are presented annually to Parliament showing the expenditure of that borrowed money.

419. When you make a demand on the Treasury do you give them the details of what you are going to spend, or of what you anticipate spending of the capital sum?—Yes. If the Honourable Member will look at Appendix 1 on page 32 he will see there the engineering programme so far as it affects the Vote. On pages 35 and 36 the engineering expenditure out of capital is given. Those are summaries of much more detailed estimates which are submitted annually to the Treasury with regard to the capital expenditure.

420. So, as a matter of fact, if I understand the position correctly, before you enter into any liability for spending capital sums the Treasury have agreed to a block sum of money to be spent during that current year?—Certainly. In fact, the estimates are submitted to the Treasury in quite considerable detail.

Chairman.

421. Do they come before Mr. Upcott, and then go to the Financial Secretary?—I do not know what the procedure in the Treasury is.

Chairman.] Are there any questions on paragraphs 13, 14 or 15?

Major Salmon.

422. On paragraph 15 the engineering costs accounts; I understood from the Chairman that this method has resulted in an economy?—Very considerable economies.

423. In a saving of money?—Yes.

Chairman.

424. It sets up competition, I suppose, between the different units?—That factor does enter in, but the most important feature of these arrangements is the setting up of standards of performance, by which the performance of the particular districts and sections, and of particular gangs, and even of particular individuals, is judged.

Chairman.] That is competition.

Major Salmon.

425. That is to say, you have a Department that assesses what the time occupied in doing a certain piece of work should be, and they put beside that a certain figure, and you work to that estimate?—That is so.

426. Is that how you arrive at it?—The standards of performance are based

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[Continued.]

on technical study of the time that ought to be taken on particular classes of work, in the light of the performance of other countries, adapted to the conditions of this country.

427. What would you think would be your percentage of saving on works coming under that head?—On those classes of work to which the scheme has been fully applied the saving in man-hours was about 27½ per cent.

428. It is a very considerable figure?—It is a considerable figure.

Chairman.

429. We will now go to paragraph 16?—(Sir *Malcolm Ramsay*.) On this I do not think there is very much money involved, but as against the old system the whole change depended on accurate timing of one minute calls. As I have mentioned (and I think Sir Henry Bunbury agrees with me) the timing has not been as accurate as it ought to be, and therefore the change has not quite produced the full revenue that we expected it would. (Sir *Henry Bunbury*.) If Sir Malcolm would allow me I would like to add this: The increase of revenue produced by these changes lies somewhere between £150,000 and £250,000 a year. The loss of revenue due to inaccurate timing was not less than £3,000. That is a minimum estimate, and it is quite possible it might be £6,000 or £7,000.

430. What do you mean by loss of revenue? It means you have not cut off a person until they have spoken for 3½ minutes instead of 3?—What happened was that on a considerable number of calls subscribers who had used 3½ minutes were rounded down to three minutes instead of rounded up to four minutes. They were charged for three minutes instead of four minutes when he only uses one extra minute.

Major Salmon.

431. I suppose you have special clocks?—There are various kinds of apparatus. Special clocks are one of them. (Mr. *Phillips*.) This one-minute timing was a concession to the public. It meant that a man could have 4, 5 or 6 minutes and pay the necessary amount, and not be compelled to pay for an extra three minutes.

Mr. Butler.

432. There is one point about the calls controlled in London. There is a

different system in the country from what there is in London as regards time? (Sir *Henry Bunbury*.) No. The trunk telephone system is the growth of about 30 years as it exists at this moment, and, consequently it includes a fair variety of apparatus, because, during that 30 years, telephone engineering has made enormous strides, so that you get differences of practice as between one exchange and another, according to the apparatus actually installed. It is not so much a difference as between London and the country as between one kind of exchange and another. A trunk call may involve several exchanges so that you get permutations and combinations. You may begin at a magneto exchange, and then the call is passed through a C.B. exchange, and it perhaps finishes up at an automatic exchange. The precise technique of handling and timing that call depends on the exchanges involved in it.

433. One notices a great deal of difference between the timing of calls in the country and in the Metropolis?—Yes, there is a different technique. In fact, the trouble which underlay this was, that instructions which were intended to apply to a particular class of calls were misunderstood by the staffs and applied to a much larger class of calls.

434. I imagine it is possible to eliminate a certain amount of waste in the matter by an extension of the up-to-date systems in the country?—That is so, and I am told by the engineers that a timing apparatus has now been adopted and standardised, and will be installed in all exchanges.

Mr. Leif Jones.

435. How fast are you carrying on the improvement, and bringing the backward exchanges up-to-date by more recent apparatus? Is there a perpetual levelling up?—That is perpetually going on. The governing principle is that the complete replacement of an exchange, which is now out of date by a new up-to-date exchange, is taken in hand when the useful life of the old exchange is exhausted, and not before, in the same way as a Railway Company does not withdraw a locomotive from service until its useful life is exhausted.

436. How do you judge when the useful life has expired?—It is judged by experience. Maintenance costs get heavy, and you know that somewhere between 25 years and 30 years it is no longer

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[Continued.]

worth while keeping it, but it is complicated by other factors, such as the development of the demand for telephones in the area.

437. Exactly. You do not regard it simply from the point of view of the life of the apparatus and wait till the old apparatus is worn out. You must often scrap machines or apparatus which have plenty of life in them?—That is so.

438. But which are so out of date that you lose more than you gain?—In one extreme case that happened recently the exchange was dismantled after about 7 years' life. That is a very extreme case. That was a case in which the development had been so rapid that the economic thing to do was to remodel the exchange facilities in the area.

439. Do you keep a constant watch on that?—It is very closely watched.

440. In developing areas you would want to scrap the old stuff quickly and get up-to-date?—Yes, that is very often done.

441. Do you think it is open to the criticism that Americans often make upon British manufacturers, that we are too slow to scrap our out-of-date machinery?—I think not. I think the technicians would say that up to this point the Post Office has been wise in not going too fast, because the progress of telephone engineering has been so rapid in the last 10 years that if they had gone faster they would have loaded themselves up with things which would become obsolete quite quickly.

442. Is that process of improvement going on now quite rapidly?—Yes. There are very important improvements in automatic working which are being evolved at this moment; quite fundamental improvements.

Chairman.

443. We will now pass to paragraph 17?—(Sir *Malcolm Ramsay*.) This matter has been gone into certainly once, and I think twice, by previous Committees. I do not know whether you want to do it all over again?

444. We had it last year?—Yes, we had it last year. It is done on the recommendation of the Estimates Committee.

Chairman.] It is all dealt with.

Mr. Leif Jones.

445. Has it been going on long enough for you to be able to form any judgment as to the effect on expenditure by the

Post Office?—(Sir *Henry Bunbury*.) I can say this that our expectations that it would simplify working, and also simplify a certain amount of accountancy have been fulfilled. The rather artificial distinction between telephone capital and postal and telegraph capital has disappeared.

446. Have you anything to say on that, Sir *Malcolm*?—(Sir *Malcolm Ramsay*.) I personally take the view that if you withdraw a section of expenditure from the House, Members have no chance of reviewing the programme before the money is spent. They only hear of it after the event in the shape of an annuity which is set up to repay money borrowed. Going back to ancient history, the Honourable Member will know better than I, that loan expenditure was carried out on a very large scale for naval and military works, post office buildings, and public buildings generally. So bad did it get that this Committee protested very forcibly, and said that provision for those capital works, when the load was fairly level, should be provided by means of annual votes, and gradually all the special borrowing for capital works disappeared excepting the telephone works, in favour of which an exception was made, because I suppose they were in a period of rapid development, and it was thought unfair to load the estimates of a single year with a large expenditure in a period of active development. But the Estimates Committee went into it and decided that all capital expenditure, whether it was what I may call normal for post office buildings, or abnormal for telephones, should be paid for out of loan moneys.

447. You say that it was done on the recommendation of the Estimates Committee. Did this Committee express their opinion on it?—Yes, after the event. This Committee was not consulted at the time by the Estimates Committee, and they afterwards demurred.

Mr. Leif Jones.] Was not it an extraordinary thing to do it without consulting this Committee?

Chairman.] It is done with. It is a little late to raise it now.

Mr. Leif Jones.

448. Do you think the Post Office gains anything out of this beyond having disposed of the difficulty of the telephones at the moment?—(Sir *Henry Bunbury*.) The

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position was regarded in the Post Office as a little illogical. If we put up, as we very often do, a combined Post Office and Telephone Exchange, the Post Office part of that building would have to be provided for on the Vote, whereas the telephone part of the same building would have to be provided for out of the loan. It seems illogical. I do not want to put it higher than that.

449. Would not it be better to provide for the telephones out of the annual estimates?—That is a matter for the Treasury. (Mr. Phillips.) It is almost impossible. You now have a large charge on the Votes for the past expenditure on telephones. If you are going to revert to the old system of putting all telephone expenditure on Votes your expenditure will jump up, because you will have the year's expenditure plus interest and sinking fund charges on all past years' expenditure.

450. That could be explained in the footnote. It would only be for one year?—No, it would go on for some time. It would put up the charge by £10,000,000.

451. It would put it up by the amount of the expenditure?—I am not arguing that it is impracticable.

452. Would you argue either way? Do you take any view on the point?—We generally prefer the system of paying out of revenue. (Sir Malcolm Ramsay.) I think perhaps you would like to have the figures on the note. The expenditure out of loan capital is about £9,000,000 or £10,000,000, of which the expenditure on Postal work is about £800,000; something under £1,000,000; so you may take the figures as roughly nine to one.

Chairman.

453. We will now turn to page 16. I propose, with your permission, to take two pages together. I see nothing on pages 16 and 17. We will take pages 18 and 19 together. I see only two points to raise on those two pages, namely, on Sub-head A.2 there has been an over provision for bonus. That £57,000 is accounted for. Contrariwise on Sub-head A.3 there has been an under provision for bonus. The £54,000 which appears on Sub-head A.4 is in respect of a large expenditure of £20,000,000. It is a mere nominal variation which does not call for any comment, so far as I am concerned.

Does it call for any comment from you, Sir Malcolm?—No, Sir. When the Post Office took the supplementary to which reference has been made, they provided out of Sub-heads A.2 and A.4 all the money they wanted for bonus, and they did not think it worth while specifying all the amounts in detail. Hence on Sub-heads A.2 and A.4 they have got too much for bonus, and on other sub-heads they have too little. (Sir Henry Bunbury.) That is so.

Major Salmon.

454. I should like to ask Sir Henry with regard to Sub-head A.1, "Headquarters Establishment," is the staff on the increase or on the decrease, at Headquarters?—Speaking offhand I should say it was about stationary. There are decreases in some Departments and increases in others.

455. In asking for your grant under Sub-head A.1, were you enabled, by reducing staff, to spend less than you anticipated?—There were some quite important economies carried out in Headquarters Departments during this year, which were not fully allowed for in the original estimate.

456. Do those important savings only amount to a decimal point: £4,000 on one and a half million pounds?—It is £14,000, which I suggest is not unimportant.

457. As I understand it, the grant was £1,472,700, and your expenditure was £1,468,341 18s. 11d. There was £4,358 1s. 1d. less than granted?—Yes, but if the Honourable Member looks at the footnote he will see that the staff economies were £14,000, and that was partly counterbalanced by certain unforeseen or unprovided for expenses.

458. In the way of staff?—£17,000 for bonus was not provided for under Sub-head A.1.

459. As regards sub-head A.2, "Metropolitan Establishments," how does your expenditure on the Metropolitan Establishments for turnover compare with your Provincial Establishments for turnover?—I am afraid I cannot answer that question off-hand, but I could put in a statement if the Hon. Member would like it. We have some material.

460. I think it would be very interesting to see what really is the cost for what you call the Metropolitan Establishments. On the one hand you take

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so much money in that area and in the Provincial towns you also take so much?—Yes.

461. Your expenditure on both being respective figures, what is the difference in percentage?—What I am not quite sure about offhand is whether we have complete traffic units for the Metropolitan area. We have complete traffic units for the provincial areas; we have some traffic units for the Metropolitan area, but whether they are complete or not I do not know.

462. Why should there be a difficulty in getting complete traffic units for the Metropolitan area as against the provincial areas?—It is on the postal side. The London Postal Service is a very big thing. It is a little different from the organisation in the Provinces, and I am not quite sure how far what we call the units system has been applied to the Metropolitan area.

463. On the question of the Stores Department, sub-head A.5, I notice that you have spent more than has been granted. Is there any particular reason for that? Was that due to under-provision for the growth of the work?—It is chiefly under-provision for bonus and a certain amount of under-provision for growth of work. That is another of the sub-heads in which we did not provide for the extra bonus in the supplementary estimate. The amount was thought to be too small.

464. When you speak of "travelling, subsistence and trip allowances" under sub-head (B), what does that really mean?—The trip allowances are the extra pay to the men on the travelling post offices, the sorting carriages on the railways. That is partly remuneration and partly allowance for meals. The subsistence allowance is the usual subsistence to officials of the Post Office when they are travelling, and travelling, of course, also includes locomotion and expenses of removal.

465. Would that expenditure under sub-head B. refer to the whole of the service?—Except the Engineering Department.

466. Would you have a similar sub-head?—They would have a similar sub-head, sub-head I. 2.

467. With regard to sub-head D, "Water, Light and Heat", do I understand that to mean the whole of the water, light and heat for the whole of

the Department in the country?—Yes, that is correct.

468. In the explanatory note you say: "The amount transferred from this sub-head to sub-head L. 4 in the 1929 estimates in respect of electrical power costs was over-estimated, resulting in a deficit on sub-head D. and a corresponding surplus on sub-head L. 4". The point I really wanted to try to understand was this: Is the expenditure you have incurred and shown on this paper the expenditure for the light that you have purchased from electric light undertakings in different parts of the country for post offices. Is that what that means?—Yes. Electricity for power purposes is now charged under sub-head L. 4.

Sir Robert Hamilton.

469. What would be the saving to the Post Office in the event of a 5 point drop in the cost of living?—5 points means just about £1,000,000 at the present time.

Chairman.

470. We will now go to pages 20 and 21. On sub-head E. 1 there was an expenditure of £11,833 16s. 2d. less than granted. That is a very small amount on £4,153,000. Under sub-head E.5 there was an expenditure of £26,604 3s. 7d. less than granted. That is a very large sum in relation to £75,000. It is caused by the fact that the public did not use the London to India Air Mail as much as was expected. On page 21 I will point out to the Committee under sub-head F that the railways get 3d. per telegram as a commission. The most important item on those two pages to which we might give a little attention is sub-head G. 2. I understand the Post Office always buys when the markets are slack. We went into this matter very exhaustively before and I remember some considerable discussion about it. How much stock do you carry? There is one other very important point which I want to make and which we did not make before, I think. You have over 200,000 employees?—220,000.

471. Most of them have uniform in some shape or form?—No, uniform is almost entirely confined to the postmen and messengers.

472. There is a very large number of people who require clothing of some sort?—Yes.

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473. Do you work in with the Police, the Prisons, the War Office and the Navy, so that in some degree you get all your purchases of raiment together, and indeed so that you may if you can, wherever possible, use one type of cloth or equipment or button, or this, that or the other, in order that you can buy together and get a reduction on a large quantity? How do you work in with the Prisons, the Police and the three fighting Services as regards clothing and equipment?—The Controller of Post Office Stores, who is the head of the purchasing and storekeeping department, is a member of the Contracts Co-ordinating Committee. That Committee meets regularly and considers every possible means of co-ordinating Government purchasing.

474. How often do they meet and when did they last meet?—I cannot say. I am not a member myself.

475. Can any one of your officials here or anyone else tell us?—(Sir Malcolm Ramsay.) We had a return when this matter was last raised showing that in 1925 it was every quarter. (Mr. Phillips.) I do not know how frequently they meet. I should think they meet fairly frequently, probably at least once a quarter. We had some trouble in making it representative. We have now representatives not only of the fighting services, but of the Office of Works and of the Post Office and the Treasury on it.

476. We went into this matter very exhaustively with regard to the local Police clothing last year?—Yes.

477. Have you gone further into this matter with a view to arranging between yourselves that you buy things which you all want instead of buying one type of cloth and not using it for another service; that is to say, buying one type of store which can be universally used?—That is what the Committee is for, to arrange that kind of thing, and also to secure that one Department knows what another Department is doing.

478. Are you conscious of any saving, Mr. Phillips?—I should have to get you a statement from the Treasury man who is on the Committee, but I should think it has done very useful work.

479. We would like a statement about that. We think there is a good deal of money to be saved if that idea is pushed. Perhaps when you get a statement, Mr. Phillips, you might tell us

how frequently the Committee meets, and when it last met?—And what they claim to have achieved?*

480. Yes. Was not this matter raised in 1926?—(Sir Malcolm Ramsay.) Yes. You had figures for the year 1925, which showed that the Committee then was very active.

481. I do not know whether it comes within your purview, Sir Malcolm, but we would like that principle carried a good deal further, of co-ordinating purchases for Government employees. Will you take note of that, Mr. Phillips?—(Mr. Phillips.) Yes, I will put in a statement. (Sir Henry Bunbury.) You asked a question which I have not yet answered: What the stock of uniform clothing carried by the Post Office is? On the 1st April, 1929, it was £167,000. That is at the beginning of the year now in question. There was also cloth and material, in stock, and in the hands of contractors, amounting to £75,000. That is the amplitude of the stock.

482. How many times do you turn that stock over in a year. How many months' supply is that?—It is about two-thirds of a year's supply.

483. Do you consider that a reasonable stock to carry?—Bearing in mind that Providence did not make every Englishman of the same size, I think it is. The amount of stock varies a good deal according to the time of the year. Issues are made at certain regular periods, and sometimes they are annual, or biennial, or triennial.

484. Did I understand you to say when you were here before that you took occasion to buy when markets were slack, so as to take advantage of a fall in markets?—That is the present policy, within proper limits.

485. Therefore it is not the policy always to have the same amount of stock, because sometimes you may take advantage of the market and buy heavily?—That is so, within certain limits. I should not like to say that the Post Office would feel justified in buying very far ahead, but it might buy cloth, let us say, in January, instead of waiting till March or April, which would affect the charge in the financial year.

486. There is a charge of about £1,000,000 for uniform clothing and stores. We cannot go very much into that except to press again (I hope the Committee will support me) that you must work alongside the other services

* See Appendix 3.

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and try to get the items you use to be of universal application, so far as may be convenient?—I can assure the Committee that the Post Office is exceedingly anxious to follow that policy. There is no reluctance on the part of the Post Office to do it. (Sir *Malcolm Ramsay*.) Subhead G. 1 is the big item:—Mail bags, motor vehicles, cycles and letter boxes. Subhead G. 3 is stamps

Major *Salmon*.

487. On Subhead G. 1 "Stores" do you think it is quite happy to call motor vehicles Stores?—(Sir *Henry Bunbury*.) I am afraid it is an abbreviation. It is set out in detail in the Estimates but it is not repeated in detail in the appropriation account.

488. I should have thought an important item in running a Department is its transport, and it occurred to me that it would be a very useful thing if we knew what the transport costs which was run by the Government themselves, as against what they pay when they employ contractors to do similar work. To put it under the heading of "Stores" may be a nice way of covering that up, but it does not strike me as being a very clear way, so far as being of any use to any Members of the House is concerned?—We have anticipated the Honourable Member's criticisms, because next year it will appear in a separate subhead: "Motor vehicles and Supplies."

489. On Subhead G. 2 "Uniform Clothing," I suppose under that heading comes boots also?—They get an allowance, instead of boots.

490. If they get an allowance instead of boots would you mind explaining what this explanatory note about boots means under Subhead G. 2: "Delays in delivery and lower prices of boots and certain clothing materials"?—I do not know who get boots now. It may be the telegraph messengers. The postmen, who are the larger class, do not get boots. They get money instead. It is comparatively small.

491. It must include a certain number of boots?—It must include some boots. Some years ago the postmen were provided with boots by the Post Office. The boot item was a large one. Now it is a comparatively small one because the Post Office give the postmen an allowance in lieu.*

* *Note by Witness*. Now merged in wages.

Mr. *Butler*.

492. Can you account for the fact of the grant not being used for the conveyance of mails by air?—An over-sanguine estimate.

493. Cannot something be done to make it be used?—A great deal is done. The traffic is growing very steadily.

494. Is there any reason why it has not grown more quickly?—I do not know. There are those who think that mails should be carried by air without additional charge. It is just a question whether the Government would be prepared to adopt that particular policy. There are those who advocate it very strongly, but so long as you make an additional charge for air mail, which covers the cost of sending by air in preference to other means of conveyance, so long there is a certain limit to the amount of air mail that you will get. Quite a fair proportion of the Indian mail is now carried by air. I think, speaking offhand, that the under-expenditure in this case may have been due partly to the start of the India air mail being later than was expected

Sir *Robert Hamilton*.

495. On that point may I ask are there any figures to show what is received for the Air Mail? I do not find them in the accounts?—No, they do not appear separately.

496. Could you give me any idea of whether it is a paying service or how much we lose by it?—The Air Mail in the aggregate pays for itself. The rates are calculated so as to cover the cost and no more, and in fact they are revised from time to time, I think always downwards, as the traffic grows and a margin appears.

497. Seeing that it is a new service and there is a special charge made for it, do you think it would be advisable to show separately the receipts for the service, so that one could keep track of it and see how it was going, and what the taxpayer was paying or receiving for it?—Relatively to other Post Office operations it is such a very small thing.

498. But it may become a very big one. One hopes that it may grow considerably?—Yes. I do, however, rather deprecate multiplying special statements of the cost and revenue of particular services, because when you begin on that course there is no end to it. We carry out so many services of one kind and another.

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499. Would it be difficult for you to give the Committee the figures for a year or two?—I could certainly put in a statement* for last year. All I was deprecating was giving another sectional account.

500. You have your separate accounts for the conveyance of mails by air?—Yes.

501. You have to keep track of it, because you revise your rates?—Sub-head E.5 gives a measure of the growth of the service, which is growing fairly rapidly, and if the Committee will accept my statement that the service pays for itself perhaps that will satisfy the Committee.

502. There is another question I should like to ask you with regard to the conveyance of mails by road. Is that increasing?—No, that is diminishing. The tendency is for the Post Office to run its own transport. These are contract services.

503. But when you run your own transport you run it on the road?—On the road.

504. Can you give any idea of what the cost per ton-mile is compared with the cost on the railways?—I cannot give any ton-mile figures, but the cost per running mile, that is, per vehicle mile, could be given. It depends, of course, on the class of vehicle. We have a number of different sizes of vehicles for this mail work, and there is also another complication in the fact that some of them are used for what are called station services, short runs involving a fair amount of waiting, whereas others are used for road services proper, in which they go out into the outlying country. The cost per mile varies a good deal as between a station service and an out-country service. But subject to those qualifications the cost per mile can be given; but not per ton-mile, because the mails are not weighed.

505. How does that compare with the cost of sending mails by railway?—Perhaps I may answer that question in this way, that a road service is never put on unless it shows an economy over any alternative means which gives an approximately equally good service to the public.

506. As you say, the road service is extending considerably one may gather it is the cheaper means of doing it?—It would be a fair inference, that wherever it has been introduced it is cheaper than the alternatives. It does

not follow that it would be cheaper everywhere. If it did, there would be no rail services.

507. Is the rail account diminishing? You have a very large account for that? No, the volume of mails carried on the railways is slightly increasing. I think it is increasing roughly commensurately with the increase in traffic on the whole.

Mr. West.

508. On sub-head E.2, did I understand you to say that the road traffic is declining—the contract side of it?—Yes.

509. But the work done by the Department itself on the road is increasing?—That is so.

510. What is the reason for the divergence from the contract work to your departmental work? Is it because you are able to do it cheaper than the contract work?—Yes. The Post Office is able to do it cheaper, usually because the postman is also the driver. If you use a contractor, and if the van were to be used for collecting mails, you would have to provide a postman as well as the contractor's driver. When we do it ourselves the postman and the driver are the same person.

511. We may expect that this item under sub-head E.2, contract work for conveyance of mails, will gradually disappear?—It tends steadily downwards. I do not say it will ever disappear entirely, because there are some cases, especially in large cities, where a contractor can give a better service than the Post Office can, especially where you do not need to use the postman-driver arrangement because there is no postman work to be done.

Chairman.

512. I propose to take pages 22, 23, 24 and 25 together. The items of losses by default and so on on pages 22 and 23 are the same vulgar and unpleasant items which we had to deal with and examine at some length last year. The only two points to which I want to draw your attention are these: Near the bottom of page 23 you will see "Counter losses, £12,273 12s. 2d.," and "Compensation, £21,838 5s. 5d." The main integral factor of that total of £42,860 7s. 10d. comes out of those items, which amount to about £33,000. There is one amusing loss on page 23: "Loss on exchange of foreign coins inserted in automatic coin collecting

* See Appendix 4.

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boxes." Someone has made use of his knowledge that foreign coins are not so valuable as English coins, but you cannot stop that. What do you mean by "counter losses"? Are they losses over the counter?—Wrong balances in the counter clerk's accounts.

513. Probably quite innocent?—Yes.

Chairman.] In the third line from the bottom of page 25 a payment made to a contractor is mentioned. The local authority was to blame, so we do not want to ask the Post Office about that. They had nothing to do with it. On sub-head M.2, "Purchase of plant," there was a saving of £8,187 ls. 10d. That was partly because of the Government being able to buy up a debt and to redeem it at a less rate than the face value. There is nothing on those pages beyond what I have told you to which I need call your attention.

Major *Salmon.*

514. You give the total figure of losses, £42,860 7s. 10d.: is that an average figure?—It is tending slightly upwards. (Mr. *Phillips.*) Business is going up.

515. Does this include the losses that were included in the mail bags being stolen?—(Sir *Henry Bunbury.*) So far as they fall on the Post Office.

516. On page 24 you give an interesting figure. I should like to understand it. Receipts from the public £421,000,000, Payments to the public £413,467,000. Does this include the amount of money that you pay out to War pensioners and others?—Yes.

517. How much does that represent?—War pensions are approximately £60,000,000.

518. What other Government moneys do you pay out of a similar character?—Widows' and Orphans' pensions.

519. What does that amount to, roughly?—It is shown in the Commercial Accounts.

520. I am sorry: I did not notice it. The reason I ask that is that at first blush it is rather assumed that this is actual business done by the Post Office *qua* the Post Office, but, as a matter of fact, it is work being done by paying moneys in and out for the different Government Departments?—That is so. It is money which passes over the Post Office counter one way or the other.

Mr. *Butler.*

521. On page 25, Subhead L.7, "Holborn Explosion"; why was there such a difference between the grant and the expenditure. There is a large saving?—The settlement of some large claims for compensation was not made as early as was expected.

Chairman.] We went through it last year, did not we?—Yes.

Mr. *Ede.*

522. With regard to the question of the £42,000 or £43,000 of loss, you say it is going up slightly. Is it going up in proportion to the total business done?—Yes, I should say that it is going up perhaps a little faster than business is going up.

523. Can you differentiate between the losses that are due to the dishonesty of the staff, and those due to the dishonesty of the general public other than the staff?—Yes. As a very rough shot, if that would satisfy the Honourable Member for the moment, it is about half and half, very roughly.

524. Are the proportions steady, or is one of them tending to grow rather more than the other?—I am not able to answer that question. I might be wrong.

525. How far is the increase due to the increased speed and efficiency in detection?—That does not come in, because the losses are known in any case. Otherwise they would not come into this category of losses. The increase is due as much as anything (it is not very marked in any case) to a slight change of policy in dealing with claims for loss of and damage to parcels.

526. The amount shown is out of proportion to the number of incidents?—Yes, that is so. It must not be assumed that the whole of this £42,000 is due to dishonesty on anybody's part. There is also damage to parcels and accidental losses of one kind and another.

Mr. *Denman.*

527. Compensation for damage and loss of parcels is purely *ex gratia*, is not it?—Yes.

528. The Postmaster General has no legal liability?—No.

529. Has that figure increased? It is £11,595 6s. 4d. for loss of unregistered parcels and £5,103 13s. 5d. for damage to unregistered parcels?—Yes.

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530. Are those figures higher?—Yes, those are the figures which are going up as a consequence of the slight change in policy.

531. Last year I commented upon the generosity of the Postmaster General at the public expense. Is it clearly unwise to stick to the technical position that there is no compensation for unregistered parcels, and let the public register when they want compensation?—The Post Office is, after all, a servant of the public, and I think the public would expect the Post Office to behave reasonably, and decently. The old procedure could scarcely be described by those adjectives.

532. But are not you obviously on an inclined plane? What is to stop your generosity?—What was done was that rather more discretion was given to the local Postmasters. The local Postmaster was allowed to settle claims for loss or damage when he was satisfied that the facts were as stated. Previously, to take only one example, unless the member of the public could produce a certificate of posting, we refused to entertain any claim at all. As a matter of fact, the public do not bother to take out certificates of posting, and I am rather glad they do not, because it would give the counter clerks a good deal more trouble if they did, but it was a little hard, if an old lady came along and satisfied you beyond all reasonable doubt that she had posted a pair of socks to her son in Canada and the parcel had not got there, that you should refuse to entertain a claim on the ground that she could not produce a certificate of posting. That was the sort of thing that was eliminated by the the new procedure.

533. Are there any categories in which you can say "This is compensatable loss or damage, and that is not"?—The change of procedure really related to evidence. It did not affect the categories.

534. The category "registered" or "unregistered" is one you can easily maintain, and it is comprehensible to everybody?—Yes.

535. But if a package arrives damaged how can you tell if it is a package on which you can claim against the Post Office or not?—If you can prove the damage you can make your claim. The Post Office is entitled to say, and would say, if the facts were so, that it was carelessly packed.

536. You are, in fact, paying for loss or damage for which you think yourselves responsible?—Yes.

Mr. West.

537. On page 23 I notice this apparently large list of losses amounting to nearly £43,000, but when one turns over and sees the turnover of over £400,000,000 it seems rather insignificant. I would be glad if it were possible to express that loss in a percentage of turnover. A loss of £20,000 is formidable; but if I show that only a halfpenny per thousand pounds carried was lost I should think it was extraordinarily insignificant and wonderful. I do not know if you see my point?—Yes.

538. If it could be expressed in some ratio to the turnover it would appear insignificant to the public mind?—It is roughly one-fourhundredth of one per cent.; that is excluding the loss and damage to parcels.

539. It is extraordinarily small, of course, is it not?—Yes.

540. The second point that fills me with admiration is on page 26, sub-head M. I see the development of the telephone system is 7 million odd pounds. The expenditure in this case, unlike Mr. Micawber's, is short by 1s. That is rather wonderful.—That is because the expenditure was known beforehand.

Mr. Leif Jones.

541. On page 22 there is a deficiency due to the defalcation of a postmistress at Gorleston of £906 2s. 5d. Is not that a good deal of money to have disappeared before you discovered it?—Yes. That was a very peculiar case. She was a lady who had a great many dupes among the public. She created a fictitious savings society and persuaded Savings Bank depositors to take their money out of the Savings Bank and put it in her fictitious society. She was a lady of some local influence, apparently.

542. How long did it run before you discovered it?—I cannot say, but it is fair to assume that it went on for a considerable time. As the Hon. Member realises, in Savings Bank frauds if you can get the confidence of the local people and they will entrust their savings to you as postmaster or postmistress, you can go on for quite a long time before things are found out. I remember a case in Wales where a fraud of that type went on for 15 or 16 years.

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543. Is not that rather serious from the public point of view, because they are in a position of trust, and I should have thought you would be able to discover it before it went on very long. How could it run, in the case you name, to 15 or 16 years?—Because nobody complained.

544. Is nobody looking into it—They were satisfied to hand over their money to the postmistress on her assurance that it was all right.

545. Do you not know what is handed over to postmasters and postmistresses?—We call in Savings Bank depositors' books from time to time to check them with the ledgers. That was abolished during the war on grounds of economy, and has since been revived. I think the matter was before the Committee some years ago.

546. How did you find it out?—(Mr. Phillips.) At long last they found a deficiency in her official accounts.

547. Quite by accident?—No on an ordinary official check. They came on her when she had not the cash in her accounts. She had no doubt escaped on many occasions. (Sir Henry Bunbury.) She put her accounts right periodically, by getting cash by fraud from members of the public.

Mr. Leif Jones.] Do you plead that it is nobody's business to find out if anything is wrong?

Chairman.

548. If you follow the evidence you will see the answer at once, as I see it. The lady robbed the public. She was short in her money which ought to be forthcoming for the Post Office. She prevented it being discovered by robbing other people. On one occasion she was not able to find the funds, although on other occasions when the check was properly made by the Post Office the deficiency was made up by taking money from another little fund which had nothing to do with the Post Office. That is the explanation, is it not?—Yes. These are all shop premises, and a dishonest sub-postmaster, if he is careful, can contrive to dodge the inspector's check by borrowing from or robbing other people. He gets to know that there is going to be a check, and he can dodge it by running round and borrowing money to make up his shortage, but he is always found out in the end.

Mr. Leif Jones.

549. How do you know? You know if it is found out, but how do you know if it is not found out?

Chairman.] He can always escape the check by borrowing money to put the accounts right. We must acquit the Post Office of laches there.

Mr. Leif Jones.

550. I still do not understand how a sub-postmistress can take £906 before it is discovered?—Let us call it using the money of depositors to put her accounts right.

551. I shall turn to the Comptroller and Auditor General. Are you satisfied, Sir Malcolm?—(Sir Malcolm Ramsay.) Yes. They do find out these things, but when you have a large population, as you have in my own country or in Wales, some of whom can neither read nor make marks, they fall an easy victim to a fraudulent postmaster, and there is no means of finding it out unless the Post Office suspect something. Take the case at Merthyr Tydfil, £640 5s. 7d. plus £516 9s. 0d., on page 28. There a postmaster persuaded a poor old lady who could neither read nor write to withdraw her money from the Savings Bank. The withdrawal was quite regular, but then he said he had put it in Savings Certificates, and he never did. The old lady knew nothing about business and let him do what he liked with her money. It was not until it came along later to the head office that they noticed that the accounts were not in order and got on the track of it. That is a typical instance.

552. I will not pursue it further, but I think it is fortunate that these people are illiterate, because if they could read the report of what has now passed they would become very uneasy?—(Sir Henry Bunbury.) These cases are very rare, of any magnitude. There are about 16,000 sub-postmasters. Here we have two cases out of 16,000, which is very small.

Chairman.] On pages 27 and 28 I find nothing to comment on. On page 29 I find only one item to draw your attention to, and it is of no importance whatever. There is an item of £509,000 realised. That was repaid for Widows' and Orphans' Pensions administration, as a book entry. I just draw your attention to it for fear that you think the amount calls for an inquiry, but beyond that I have no observations to make.

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Sir HENRY N. BUNBURY, K.C.B.

[Continued.]

Mr. Leif Jones.

553. I have a general question to put which does not exactly arise here: Have you any committee or arrangement for considering possible economies in connection with the Post Office service, going on continually? I have had put before me suggestions about the posting of letters, and distinguishing between letters which are for immediate delivery and letters which might be delayed without any loss to the public, and probably with saving to the Post Office. Have you any systematic consideration of possibilities of that kind?—A perpetual study of the possibilities of economy is going on, and has in fact produced important results in recent years, but it is not done in the form of a special economy committee.

554. Is there any method of encouraging the staff, who must know a great deal about the work of delivering letters,

to put suggestions forward?—Yes; they are encouraged and they put forward a great many suggestions.

555. Useful ones?—Some of them.

556. You think the staff feel that suggestions are welcomed and not discouraged?—I am sure they are satisfied on that point.

Sir Robert Hamilton.

557. Are there rewards offered for valuable suggestions?—There are rewards offered for certain classes of suggestions, mainly technical suggestions, but no reward is given for what you might call administrative or managerial suggestions.

Major Salmon.

558. Have you a research department for dealing with this sort of thing?—No. There is an Engineering Research Department, but no general research department.

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Chairman.

559. The first item I want to draw attention to is on page 39, "Holborn Gas Explosion", to which Sir Malcolm has devoted two paragraphs. The matter is now practically cleared up and the answer given to Mr. Butler, I think, disposes of any observations on those paragraphs. May I now take you to page 4. They are the explanatory notes which no doubt you have all read, and they will help you in going on to page 6, which shows the result of the year's working. That is a new feature?—(Sir Malcolm Ramsay.) That was introduced to meet the request of last year's committee.

560. I have no doubt you have studied it, and if there is any point for you to raise on it you will, perhaps, raise it on page 8. On that page there is a final figure of £19 16s. per head of population. That shows you what it all comes to. I am going to ask you a question, Sir Henry. Do not have any self-consciousness in answering this question bluntly, even though it may appear discourteous. Do you think that when you have made all these costly calculations you have earned anything for the taxpayer? Do you think the game has been worth the candle on the whole? Has it been worth while working it out on a common denominator?—(Sir Henry Bunbury.) There is nothing

in this paragraph 7, and this figure of £19 16s. That is merely a little bit of information. There is no trouble in working that out.

561. What is your opinion of preparing the accounts on the new system? Do not be frightened of offending us. Do you think we were justified in pressing you to do this?—Most certainly.

562. You think it has resulted in a saving of public money; you think it has been useful?—There is nothing in this statement of the result of the year's working which is not common knowledge to those of us who are concerned in the management of the Post Office, but I think it was well worth while for these fundamental data to be made public for the information of the public.

563. You think it was justified?—Yes.

564. You think our pressure was well warranted?—Yes.

Mr. Denman.

565. The actual operating loss on the telegraphs is growing, is it not?—I fear it is.

566. The service is decreasing, and last year the operating loss was three-quarters of a million?—Yes.

567. Does the Post Office contemplate taking any action with this continued loss on telegraphs?—I cannot say that there is any immediate action in contemplation.

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[Continued.]

568. It is mainly incurred by Press, betting and Stock Exchange telegrams? That is the great bulk of the telegraph service?—I think that is so, roughly.

569. And the general public is subsidising those to an extent which produces an annual loss?—There is what I may call an important social traffic as well. It would not be fair to ignore that. In fact the Press traffic has fallen very much. They lease wires for themselves and run their own service.

Chairman.

570. Do you think the time will come when we shall no longer use the telegraph and when we shall do all our quick service through the telephone?—I cannot visualise the time when the telegraph service will disappear, but there is a tendency to convey telegrams more by telephone; a telephone operation in place of a telegraph operation.

Mr. Denman.

571. I do not think we, as a Public Accounts Committee, ought to regard this important loss with equanimity. Are there any special reasons for the increased loss?—Yes, it is wholly due to the increase in bonus. The increase in the loss was £43,000 and the increase in bonus was £50,000, so that the increase in the loss was wholly due to the increase in bonus.

572. There is, however, a very substantial decrease in income on page 19. You are down £100,000 on the income derived from fees?—Yes. The reduction in operating expenses, apart from bonus, was greater than the reduction in traffic.

573. In these days of economy it is clearly not satisfactory to conduct such a service at a loss. Do you say the Post Office is not considering putting this on a remunerative basis?—The Hon. Member will remember the Report of the Hardman Lever Committee on the Inland Telegraph Service some years ago. The Post Office, speaking generally, is following the lines indicated by that Committee, that is to say, it is studying economy very closely and making very many important changes in technique and equipment and organisation; but the question of increasing rates is really left where the Hardman Lever Committee left it. They did not definitely recommend an increase of rates to be charged to the public, and so far as I am aware, the Post Office

does not contemplate asking Parliament to increase the rates.

574. It would clearly not be possible to make the service pay without increasing rates?—That was the view of the Lever Committee.

Mr. Leif Jones.

575. How far are the two services, the telephone and the telegraph services, mixed together; that is to say, supposing you succeeded in getting rid of the loss on telegrams, would that possibly be taken out of the Post Office by telephones? Can you really consider them separately?—They are largely, but not entirely, competitive.

576. They are competitive?—To a large extent, but not entirely.

577. That is to say, if you operated your telegrams so as to have no loss you would probably have less traffic on telephones?—If you raised your charges for telegrams you would probably divert a certain amount of traffic to telephones, and conversely.

578. And at the same time diminish the loss on telegrams?—That is a matter of opinion about which one cannot dogmatise, whether an increase of charges would reduce or increase the loss. The German experience is that it reduces the loss, and our own experience, for what it is worth in the Anglo-Irish service, is that an increase of charges would reduce the loss, but I am not prepared to dogmatise about it.

579. If you could reduce the loss on telegrams without injury to the telephone service you have every motive for doing it, and ought not you to pursue that with energy?—The rate of charge for inland telegrams is still 100 per cent. above the pre-war charge, which itself was never remunerative. This is very much a matter of policy. I think the Government would be reluctant to ask Parliament to authorise a further increase in the charge for telegrams, but it is very much a matter of policy, and I am not really in a position to discuss it very far.

Chairman.

580. You have no recommendation to make by which it would be possible to reduce the loss, in your opinion?—The loss will tend downwards with the fall in bonus, because the cost of telegraph operation consists to a large extent of wages. On the other hand, there is the fall in traffic which you cannot meet

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[Continued.]

entirely by a corresponding reduction in your organisation and your personnel.

Mr. *Leif Jones*.

581. Here is a record in front of us of 18 years, and in not one single year have you made ends meet?—That is so. It is more than 18 years. That matter has been before Parliament time after time, and, except during the war, Parliament has never taken the step of insisting on an increase of charges.

Sir *Robert Hamilton*.

582. You said to a certain extent the services were complementary?—Yes.

583. I believe the practice of telephoning a telegram to a Post Office for the telegram to be sent on is increasing?—That is so.

584. So the actual cost of that message would be the penny call and 1s. for the telegram?—Yes.

585. The cost from the place from which the message is sent to its destination would really be 1s. 1d., partly telephone and partly telegram?—Yes.

586. You have to pay to call up the Post Office?—Yes.

587. Is there any system by which the accounts are kept in order to show to what extent the two services are complementary; that is to say, to what extent the telephone feeds the telegraph?—In this volume there is the net value of services rendered by telephones to telegraphs. It appears, for instance, on page 18: "Net value of telegraph-telephone services, £69,000"; but that is a net figure which is the product of a number of separate debits and credits. That is the only place in which it appears.

Major *Salmon*.

588. I, first of all, want to take you up on one important point. Do you seriously tell the Committee that the reason that we show a loss on these accounts that are here to-day, is attributable largely (I will not say wholly but very largely) to the fact that you had to pay a particular bonus. I want to submit to you that the bonus that you have paid in the year of the accounts under review is no higher sum than you paid the year previous?—Yes, it is 2½ points, £50,000. In the year under review, the average cost of living figure

on which Civil Servants' remuneration was calculated was 70. In the previous year it was 67½.

589. I should like to say, in all fairness, that that does answer clearly the point I had in my mind, because I was rather under the impression that the bonus in both cases was the same. That answers the point. The point I would like to concentrate upon with regard to the telegrams is this. Honourable Members have said "Put up the price." I want to put the very reverse and say "Bring down the price." There is the difference between a progressive idea and a retrograde step?—The German Post Office tried that a few years ago, and they found that their deficit increased when the price was reduced. The demand for telegraph service was not very elastic. The reduction of price did not attract a sufficient increase of traffic to make up for the loss.

590. One has to bear in mind the particular country you are dealing with. You take Germany in a period when she was suffering very seriously from trade depression and unemployment?—Yes.

591. Therefore there was not the same opportunity probably of giving it a fair chance?—Yes.

Major *Salmon*.] But we have spoken about this years ago, before we had the present heavy trade depression, when the Post Office were asked to consider the question of the reduction of the price of telegrams. Would it not be possible, if you did not reduce the general price, to introduce a cheaper telegram for a fewer number of words, so as to encourage persons to use the telegram to a larger extent.

Chairman.

592. The Hardman Lever Committee went over all this ground at some length, did it not?—Yes.

593. We are only pursuing a path which has been gone over by a competent Committee at some length?—Yes.

594. Is the report handy?—It is a Parliamentary Paper; a Command Paper.

595. By the time we assemble next time perhaps Major Salmon might look through that and find what points were not dealt with. Some of the points he is making, if I remember rightly, were dealt with in the report?—Yes.

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[Continued.]

Major Salmon.

596. The point I wanted to make was this; the same problem was faced by the London County Council with their trams, and they put on a service during a certain period of the day reducing the fare to 2d. giving an extraordinary mileage for the money?—Yes.

597. It did not interfere with their other traffic, and it was a help in meeting their deficiency, and it was a very great success?—Yes.

598. I should like the Post Office to consider the effect on the telegraphic service if a 6d. telegram was introduced, obviously with a reduced number of words, but encouraging the public to spend a nimble 6d., because it is a sum that the public are more likely to spend than 1s.?—Yes.

599. From that point of view I would like to ask the Post Office to consider it?—I will pass that on to the proper quarter, and it will get consideration, but I should just like to add that these are very much matters of policy, and, secondly, that the rate of charge for inland telegrams is determined by Act of Parliament. The Post Office has not a free hand in that matter.

Major Salmon.] No. but they can recommend it. It is not the law of the Medes and Persians; it can be altered.

Mr. Leif Jones.] I would like to emphasise that point. I cordially agree with Major Salmon. I do not think the Post Office ought to be deterred from putting forward suggestions which seem to them advisable, merely because an Act of Parliament does not sanction it at the moment. Parliament would be very ready to listen to proposals for economy or profit.

Major Salmon.

600. On page 10, in dealing with the general account, and taking it from a business point of view (because these are supposed to be commercial accounts) one observes that the turnover on the general account is up and the expenditure, instead of being down, as far as wages are concerned is up. Is that wholly due to bonus?—Not wholly. Bonus represented an increase of £500,000, and other working expenses, an increase of nearly £1,000,000.

601. Surely it ought to be possible, with an increased turnover, to have kept

your expenses down instead of your expenses going up?—That is so on the postal side; the expenses did not increase as rapidly as the revenue. On the telephone side they increased slightly more rapidly than the revenue.

602. If you will take for a moment another angle of the method of the telegraph department, you have, I believe, two or three years ago introduced certain mechanisation in connection with the handling of telegrams that was not in existence a few years previously?—Yes.

603. What steps are taken to see that that is made more perfect and to see that we can reduce the cost of transmission or handling of telegrams?—Very active steps indeed.

604. It has been a long time in the offing, has it not?—I think not. All these matters are matters for negotiation with the union, and negotiations have been proceeding with the union for some time. Bearing in mind the voice which the union has in these matters, I do not think there has been any avoidable delay. Matters have been proceeding very actively indeed.

605. It all boils down to this fact. Here we have a commercial account presented to us, and we expect to see commercial methods adopted. Here is an opportunity where increased turnover ought to make reduced expenditure, instead of which we see the most extraordinary phenomenon, that it does not apply to the extent it should apply to an undertaking of this kind?—May I point out to the Hon. Member on page 10 that the percentage of operating expenditure did decrease in the year in question from 80.07 to 79.86.

606. Is that so if you take the case of salaries, wages and allowances?—They fell in the year, notwithstanding the increase in bonus.

607. Here is 3.31 against 3.45?—The ratio of salaries is down from 46.81 to 46.22.

608. We are not on the same figures. I am comparing the figures on page 10, "Maintenance of Telegraph and Telephone Systems: Salaries, Wages and Allowances". It was 3.31 in 1928 and 3.45 in 1929. I thought that was up; I do not know?—Yes, that item of maintenance is up. I can give the Hon. Member the explanation there. £30,000 of that was the higher bonus, and there was a payment of £40,000 of arrears of

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[Continued.]

wages under a retrospective wages award.

Chairman.

609. The result of an appeal in the House of Lords?—No, that was not the Sutton case. It was a revision of the wages of skilled workers and others. It operated retrospectively and you get an arrears charge in this account. There was £10,000 for the Holborn explosion works. There was an accounting adjustment of £37,000 for supervision of maintenance work, and there are one or two other items.

Major Salmon.

610. Do not you have any contingent figure to meet those points in fixing your estimate for the current year, or do you actually charge for the year the actual outgoings and the actual income?—We charge the actual outgoings and income.

611. So you may have an abnormal outgoing and it is debited to that particular year?—Yes, you get that from time to time.

Chairman.] Before you go from page 11, Sir Malcolm points out that on page 11 the figure for "Sundry Services for other Government Departments, etc." in 1929 should be £3,905,537. The figure "3" has dropped out in the print.

Mr. West.

612. On page 11 the telephone business is £21,000,000. I see it includes on another page an item for fees, etc. What I am specially referring to is this: I see on the accounts that a new telephone receiver has been adopted, and there is a charge made I think of 2s. a quarter for the new instrument. Is that a new idea, to charge a special sum to telephone subscribers for improvements?—No, it is treated like an extension or any other special facility. This new instrument is more costly to buy and more costly to maintain than the standard instrument.

613. It seems to me an extraordinary policy. Here you have an improvement of service, and because the service has improved you are charging the consumer an increased price. Would not that be on a par with this: The London General Omnibus Company have a new fleet of motor buses, and when I ride from Shepherds Bush to Notting Hill Gate I go the same distance on a beautifully lit bus with modern improvements for one penny, as I did before. If the London General Omnibus Company had been like the Post Office, they would charge two-

pence for riding in a new bus. Is not that a proper analogy? Let us take another one, if you do not like that. Are not there many cases in industry where a better product is offered at the same price, for instance cheese. Cheese may be wrapped up and perhaps prepared in a better way, owing to the progress of science, and the benefit is passed on to the consumer, because the Company, they say, in the long run will get the benefit. Is not that analogous to the Post Office telephone improvement? Should not that improvement be passed on to the consumer in the same way as in an ordinary business rather than penalise the consumer?—The answer is that the Post Office would have thrown on its hands all the telephones of the old pattern.

614. Surely the London General Omnibus Company would say, "As the old buses are gradually worn out we will put 5 per cent. of the new buses on to the streets". Could not you say, "As the old telephone receivers wear out"—as I presume they must—"we will substitute new ones", in the same way?—I have no doubt that eventually that will be the policy, but this hand microphone is a new thing, and the engineers want to get a certain amount of experience of it, especially experience in the cost of maintaining it, before they put it out as a standard fitting.

615. I want it, but I cannot have it because if I have it I must pay 8s. a year. It is an extraordinary business policy?—It is a question of *tempo*. You would have immediately to face a rather burdensome expense in connection with the old equipment which you had before.

616. I should have thought you wanted the most modern plant installed as rapidly as possible in every house?—I agree with that.

617. As regards deposits, I understand that when a business house wants an extension of telephones in departments they have to pay a deposit, a sort of guarantee, to provide the Post Office with capital free, to carry on their business?—Not for an extension.

618. Do you think it is reasonable business to ask a consumer to pay a deposit for having a telephone installed?—There is no deposit for having a telephone installed. There is a deposit payable by a new subscriber, which is intended to cover his liability for calls. If a subscriber installed a considerable number of extensions—a business subscriber, for

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[Continued.]

instance—that might lead to a demand for an increased deposit, because the deposit is really a prepayment for calls.

619. What is this £2,700,000 on page 24?—That is deposits from subscribers.

620. Does not that mean you are getting capital free to use as you like?—To a large extent those deposits are already due to the Post Office. Payment for calls is made in arrear; payment for rental is made halfway through the quarter. Six weeks is in advance, six weeks in arrear.

621. Do not you think the payment of that deposit diminishes the number of subscribers? It is not an encouragement to become a telephone subscriber?—It would take some amount of the time of the Committee if I were to argue those questions, and I therefore hesitate to go into those questions at all fully. They are complicated, and there is a good deal to be said about them. I will answer the question if the Committee wish it.

622. I do not want to press it. Those seem to me to be two cases where the Post Office do not adopt modern methods, and they should be the foremost exponent of modern methods, in my opinion?—The deposit is fairly common. Most Electric Light Companies charge a deposit.

Sir Robert Hamilton.

623. What steps, if any, are the Post Office taking to popularise the telephone?—Various forms of publicity. Personal canvassing is the main method of activity. In addition to that there is a considerable circulation of literature, and there are other means of one kind and another which are adopted.

624. Is it, as a matter of fact, found that where the canvasser goes round and says that the cost of installation will be £8, or whatever it is, for rent, that is enough to prevent people asking to be put on to an exchange?—No.

625. I am thinking of the country districts particularly?—There has been a considerable rural development in recent years.

626. You do not think the £8 is a handicap?—There are always people who cannot afford to pay £8, just as there are always people who cannot afford £5 or £6.

627. You see my point?—Yes.

628. It is whether you could not consider a reduction of the charges, and

whether the Post Office would not benefit in the end by it?—The question of rates of charge is being constantly and closely studied, but all the evidence goes to show that the provision of service in rural areas, especially with the radius of two miles from the exchange, is not remunerative at the present tariff. Speaking very broadly, it may be taken that a rural exchange does not pay until you get somewhere between 40 and 50 subscribers.

629. That is exactly my point. The difficulty is to get the 40 or 50 subscribers at the high rates you charge?—I mean 40 or 50 subscribers at £8 a time. All the evidence is that the 40 or 50 subscribers do not exist in the rural areas of which the Honourable Member is speaking. You might get eight or twelve, but the 40 or 50 do not exist.

630. Could not you let the wealthy areas pay for the poorer ones in the same way that the short distance letter pays for the long distance letter?—That principle is freely admitted by the Postmaster General, but there is a limit to it.

631. There is one other question I should like to ask, and that is with regard to the cost of the cable ships. Where do they appear in the account?—The operating costs?

632. Both the capital and the operation costs?—The capital would appear under engineering plant for the telegraph and telephone services on pages 21 and 25.

633. Engineering plant?—Yes.

634. The cable ships are part of the plant of the Engineering Department. That would not cover motor cars, or anything of that sort. That comes under Stores, I take it, from what you said before?—Not the Engineering Department motor cars. The Engineering Department motor cars are part of the engineering plant. The wages of the crews of the cable ships come under maintenance.

635. So the actual cost of the working of the cable ships is not set out in any one place. You have to pick it out from different parts of the account?—That is so. It is simply treated as a tool.

636. Has the cost of working the cable ships increased of late years?—I am afraid I could not say offhand. I could find out for the Honourable Member.

Sir Robert Hamilton.] Never mind.

(The witnesses withdrew.)

(Adjourned to Thursday next at 2.30 p.m.)

THURSDAY, 19TH FEBRUARY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Mr. Denman.
Mr. Ede.
Mr. Gill.

Mr. Leif Jones.
Mr. Lathan.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS III.

ON VOTE 9.

PUBLIC TRUSTEE.

Sir OSWALD R. A. SIMPKIN, K.C.B., C.B.E., called in and examined.

Chairman.

637. With regard to Page xiii, paragraph 35, there is nothing that attracts my attention there?—(Sir *Malcolm Ramsay*.) I have two things to say on that paragraph. The Committee last year and the year before asked the Public Trustee a good number of questions about his procedure in regard to both purchases and sales. After that, I presume partly because of that, since the Public Trustee was here last, a Committee was appointed to investigate the procedure, and no doubt this Committee would like to hear what that Committee said about the matter. That is the first point I have. Secondly, the Committee will notice, on page 128 there are certain losses recorded. I have purposely not drawn attention to them. I thought the account would speak for itself, and it seems to me the losses are altogether insignificant in relation to the total volume of business, and therefore I did not bring them specially to notice. That is all I have to say.

638. I shall go back to page xiii. Before I go back I will say that the losses

seem to be very satisfactorily small. I think that is your view, too, is not it, Sir Malcolm?—I think they are trifling; insignificant.

639. It is not often we give credit to anybody. We will give you that credit?—(Sir *Oswald Simkin*.) Thank you.

Sir Assheton Pownall.

640. On page 128 is this sum of £815 under Subhead C.1, the total amount in respect of dividends misdirected in 15 years?—Yes.

641. It seems almost incredible?—It was a very extraordinary case. There were two dividend mandates going out at the same time for two ladies, and, by a clerical error, they were both made out to the same lady. One lady did not receive the dividend for 15 years, and did not call our attention to it; the other lady did receive the dividend for the 15 years and also did not call our attention to it.

Chairman.

642. She thought you could not possibly be at fault?—No; I think she did not bother to look.

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SIR OSWALD R. A. SIMPKIN,
K.C.B., C.B.E.

[Continued.]

Sir Assheton Pownall.

643. Eventually the lady who had not received the 15 years' dividend awoke to the fact, and you had to pay?—Yes. I hope eventually to recover some of it from the lady who did receive it.

644. Plus compound interest?—No.

645. When you pay a certain sum for the life of an individual how do you know when that individual has passed away?—We get a certificate of existence every 12 months, or, in exceptional cases, every six months. It has to be witnessed by a professional person, a solicitor, an accountant, a barrister, or someone like that.

646. In practice does that work very well?—It works very well. We get a certain amount of grouses.

647. You do not get any fraud in connection with that?—I do not think we do.

648. There is always the possibility of someone impersonating?—I daresay we have had two or three small cases, but so slight as to be negligible. You get a certain amount of personation when you are dealing with very small trusts, but it is negligible.

Major Salmon.

649. The only thing I was going to make any observation about was the estimate of your total ordinary receipts, which seem to be very near, to what you actually realised?—Yes.

650. Do you find it has become almost stationary, and that you can give a fairly accurate forecast?—The number of new trusts we take in has become pretty stable, about a thousand a year, and one can get a pretty accurate estimate of fees, except in a slump like this. When you get capital values falling you lose on your fees, and when you get income falling you lose on your fees.

Sir Assheton Pownall.

651. There are some dropping out which are wound up?—Yes; about 500 dropping out.

652. 400 or 500 on balance?—Yes.

Chairman.

653. Does it seem that you have got to saturation point in the demand in the country?—No. The number of people

who are making their wills appointing us seems to be growing very rapidly, and only about 50 per cent. of the people who are going to appoint us under their wills notify us in advance. I think that many of the old trusts have already "got home" with us on some other corporation, and the number of these coming in is about the same as the number going out.

654. 1,000 is about the number you get?—Yes; there are a great many other corporations.

655. That is the reason that is keeping your business down?—It must do. The banks and some of the insurance companies do it.

Sir Assheton Pownall.

656. What percentage is that 400 or 500 of your total number?—The total number is 17,600.

Chairman.

657. Why are the insurance companies and banks doing it? What is there for them in the way of profit? Where do they get an advantage?—They lock banking and insurance business. The banks make a stipulation that practically all beneficiaries shall bank with them, and they charge them higher fees if they do not, and that does lock an enormous amount of banking business.

658. They do it to strengthen their clientele?—Yes.

659. Not so much for the profit they get out of the trusteeship?—No; I should say there is no direct profit, but they do build up an additional clientele, and to some extent filch them from each other, although if you take the banking and insurance community as a whole, there is nothing in it.

660. How is the Manchester branch doing?—It is going ahead quite steadily.

661. Is it justifying itself?—Yes.

Major Salmon.

662. You do not show us in your detailed returns Manchester itself. You ought to put Head Office and Manchester and give an analysis?—In my annual report you will see Manchester by itself in the bottom half of page 7. It has had 2,800 cases since it started. It is now administering about £21½ million.

663. You find that is more convenient than centralising the whole thing in

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[Continued.]

London?—Yes; Manchester is a district in itself. It has its own Chancery Court and its own local Bar.

664. It is an assistance to the public to have the Manchester branch?—Yes, at Manchester; I would not say that applies to any other provincial town.

Chairman.

665. You have not since 1907, taking one year with another, for twenty-four years, covered your expenses?—No, not on the Public Trustee work. I have covered it over and over again with the Enemy Property work, if that were taken in.

666. But not on Public Trustee work?—No; I shall cover it next year, I hope.

Mr. Bird.

667. Do I understand you to say that the banks and insurance companies do this work at a loss?—I should doubt if there was much profit on the fees they charge. I have always understood there is no direct profit in it.

668. There is no loss?—It is very difficult to say, because you have all the questions of overhead charges, extra staff, and that sort of thing. If they have a rush in their Trustee Department they might draft in clerks from other parts of the bank. I have discussed it with them and with insurance companies, and it is difficult to say whether there is an actual profit.

669. They are very anxious to get business?—Because look at the indirect business it gives them.

Sir Assheton Pownall.

670. They do not like the small accounts?—No; they get a certain amount of general float in the trust accounts.

Mr. Bird.

671. They are efficiently run, if they do not like it. They run them very efficiently?—I hear very varying accounts of that; I would rather not discuss that, if you do not mind.

Chairman.

672. Who does your printing?—The Stationery Office.

Major Salmon.

673. Are you charged with rents, rates and taxes?—Everything except Schedule A Income Tax. That is the only thing I am exempt from.

Chairman.

674. Have you any suggestions to make to us?—No, nothing.

675. Is there anything you would like to put forward for the improvement of your Department?—No; the only thing in the last year or two is the question of the Stock Exchange arrangements, and, as Sir Malcolm said, the Committee appointed by the Lord Chancellor went into them very fully. They found nothing to find fault with, but in one respect we have been able to tighten them up with the Bank of England, by making special arrangements.

676. When you are not bound to go to a particular stockbroker do you fan out the work, to spread it out?—We are bound to go to the family broker, but we have a biggish rota of brokers.

677. You do not favour any particular firms?—We have between 50 or 60 brokers on our regular rota.

Mr. Bird.

678. Do you do the same thing with solicitors?—We always have a nominated solicitor, practically.

679. Not always?—I do not suppose there is one case out of 100 that we do not.

680. Quite a number?—I should not think more than one in 100; except very small cases.

681. Is not it a usual thing for an inquirer to call upon you and say he is thinking of making you his trustee, and ask you to supply the name of a solicitor?—It does happen sometimes; sometimes we recommend a solicitor and sometimes we do not.

682. For that purpose have you a rota, or do you send him to the same firm always?—No, by no means. We have certain people whom we recommend, largely by accident.

683. But it is confined to one or two that you recommend?—To a few; there are such hundreds and thousands of solicitors.

684. Yes, there are thousands of solicitors, but is not it the fact that you

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[Continued.]

recommend your applicants to one or two firms? You have not a rota like you have for stockbrokers?—If you had a rota of solicitors, the firm on the rota might not be suitable for that particular class of business. If you suggest that there is any improper favouritism in recommending solicitors I emphatically deny it.

685. It is the same with stockbrokers; you have to recommend them, and you must know something about them?—The stockbrokers' business is much more uniform. I have a rule in the office that in cases of any importance no solicitor is ever recommended without my personal decision, and I pick the solicitors whom I think most suited to the particular case. There are nothing like so many cases as perhaps you might think. I do not suppose we get more than ten or a dozen in a year. Occasionally we get poor people's estates

where there is no solicitor, and we very largely send them to one particular firm because they do the business very efficiently and well, and there is very little profit in it at all—perhaps a pound or two an estate on little estates of £400 and £500.

Chairman.

686. How do you arrange the physical buying and selling of stocks? Do you say: "I will not pay as trustee for a certain stock until I see the certificate in this Office"?—It is all done through the Bank of England. Money is exchanged against the security.

687. I understand. Have you anything more to say upon the business of the Public Trustee, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No.

688. Have you, Mr. Phillips?—(Mr. *Phillips.*) No.

(Sir *Oswald Simpink* withdrew.)

ON VOTE 6.

Supreme Court of Judicature &c.

Sir CLAUD SCHUSTER, G.C.B., C.V.O., K.C., called in and examined.

Chairman.

689. We will now go to page xiii, paragraph 34, of Sir Malcolm Ramsay's Report, Official Solicitor's Department. I see nothing to which to draw your attention to on that?—(Sir *Malcolm Ramsay.*) I have nothing to say on that.

690. Have you anything to say, Mr. Phillips?—(Mr. *Phillips.*) No, we are

doing the best we can. They have cleared up a part of the arrears referred to.

691. We will pass to page 119 in the Accounts. There is nothing there for me to call attention to?—(Sir *Malcolm Ramsay.*) There is nothing for me to call attention to there beyond what appears on the face of the account.

ON VOTE 7.

County Courts.

Chairman.] We will pass to page 122, "County Courts." I see nothing there; it is all plain sailing.

Mr. Denman.

692. On page 124 there is a note with regard to the bonus paid to County Court Judges. The salary of a County Court Judge is fixed by Statute?—(Sir *Claud Schuster.*) Yes.

693. By what authority is an addition made to that salary?—It is voted by Parliament on the Estimates every year.

(Mr. *Phillips.*) The title of the estimate has in the specific words "Including bonus to County Court Judges."

694. Is not this a glaring example of an act of the House, by estimate overriding Statute?—It is so theoretically, but it has been going on for a great many years, and no one has taken objection to it. I think it is generally understood.

695. The Statute is pretty precise, and it deals with allowances. "The salary received by a judge shall be £1,500 a

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year," and then there is a long proviso about travelling expenses. My point is, why is it irregular for the House of Commons to vote money for unemployment benefits without statutory authority, or in extension of existing statutes, and why is it not irregular to do precisely the same thing in respect of the County Court Judges' salaries?—I should have said the action in this particular case is done on sufferance, and it is perfectly open to the Committee to criticise it, but it has been going on for a great many years without criticism being raised.

696. Then I think my next question is to Sir Malcolm. He knows this Committee has expressed very strong views on this payment by Vote in extension of a Statute. Have you any views on this, Sir Malcolm?—(Sir Malcolm Ramsay.) My view is indicated by the fact that I have never thought it necessary to call attention to the fact that, in this particular instance, a Vote of the House extends a statutory provision, because it is stated on the face of every Estimate that there is an extension, by the Vote, of the Act, and no Member within my recollection (I think I can say quite certainly) has ever suggested that it would be necessary to pass the large number of Acts which would be necessary to give formal statutory authority for what has actually been done. I think the Honourable Member, if I may venture to say so, is perfectly right in principle, but, in practice, I do not think the differentiation is such as to require notice by this Committee.

697. To make it in order, would it not be necessary, on our previous rulings, to have an amending Act altering the statute of 1888, and providing that the cost of living bonus shall also be payable?—I think, to be technically correct, the answer is certainly Yes, if you are prepared to recommend the House to pass, not one Act, but possibly a number, to regularise the position. I think that is the question on which the problem revolves. The bonus was given to Civil Servants whose remuneration is not fixed by Statute. Then naturally, other gentlemen who were in exactly the same position, but, unfortunately, depended upon a Statute for their remuneration, had to be provided for, and, to save the necessity of consuming Parliamentary time by legislating for the large number of people

involved, and amending the large number of separate Acts, a note was placed on the Estimates stating clearly what was done.

Chairman.] Which particular paragraph are you referring to?

Mr. Denman.

698. Page 124, the first note?—This practice has been going on ever since the bonus started.

699. Then my question is why you, Sir Malcolm, have thought it necessary to call special attention to it in the case of the Ecclesiastical Commissioners, and in the case of nobody else?—I am afraid I do not follow the Honourable Member; the Ecclesiastical Commissioners?

700. Yes, in your notes to that account you have a special note that a bonus has been paid in excess of what is statutorily permitted, and I may add that the gentleman who ordinarily sits on my left inferred from that that the Ecclesiastical Commissioners had been guilty of some impropriety?—I put that note in, after a great deal of consideration, for exactly the same reason as applies to the note on page 124, not by way of objection, but to tell Parliament clearly what was being done. I am speaking from memory, but I think that the particular account to which I appended the note to which the Honourable Member refers is not a voted service at all, and for that reason Parliament had no means of telling, either before the Vote was granted, what was going to be done, or, in the absence of a report from me, *ex post facto*, what had been done, and that is why I put a note on. When I qualified my certificate I wrote to the Ecclesiastical Commissioners, and said I felt bound to do this for the information of Parliament.

701. If the Ecclesiastical Commissioners had put a note analogous to that of the accounting officer of the High Court, you would not have thought it necessary to qualify it?—No. If there had been a document before Parliament which explained beforehand what was being done with regard to the Ecclesiastical Commissioners, I should not have thought it necessary to qualify my certificate, because I should have assumed that the money was granted on the understanding that the statutory salaries would be supplemented by bonus, and therefore that there was no irregularity to which to call attention.

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Mr. Lathan.

702. Could we have any information as to the sum of money involved in the questions that have now been asked and answered?—£10,000.

Major Salmon.

703. On page 124 I observe that "From the Vote for the Ministry of Labour, 12 Registrars received as fees for services as Chairmen of Courts of Referees sums varying from £94 10s. to £834 15s." Does that mean one official might receive £834 15s. for acting as Chairman of the Court of Referees?—(Sir *Claud Schuster*.) I suppose so. We do not know more than that he has acted as Chairman and has received it. We do not inquire into his duties.

704. How does he get away from his duties as Registrar of a County Court, which I thought would be rather busy, to be able to spend days in taking the Chair at the Referees' Court?—Many of the Registrars are only part time officials. We should not allow a whole time official of ours to act as Chairman of the Court of Referees, or in any other capacity.

705. It is only the part time Registrars?—Yes.

706. Have you any check on the amounts of money that are received in the respective Courts, to make sure that there is no mistake in the sums of money. I notice there are cases of loss. How was it found out that there was a loss in any particular case?—May I take Note (6) on page 123, which is a different one from the others? Nobody can tell how that came about. It is a most curious account. That was an account which began in the year 1847. As far as Headquarters were concerned, it was a paper account only. No money passed through any till up here. It was never balanced until the year 1929, when, some years after we had taken over the County Courts Department of the Treasury, we decided to put an end to the system altogether, which the account was put into operation to carry through. We found we had lost that sum. Whether it was lost in 1847, or some time after, I cannot tell. The strong probability is that it was not lost at all, that it was a paper loss. Nobody can say with any certainty.

707. Will you take Case 3?—Case 3 is just a common theft, assisted, of course, unless I misremember the case, by the falsification of books to this extent, that having the duty to enter the receipt of a sum of money in a book, the man did not enter it. It was probably detected in the long run by the person to whom the money was due coming and asking for it, and the money not being there. I, personally, as far as that case is concerned, after the event looked at the books which were kept, in order that I might satisfy myself whether or no I could impute negligence to the Registrar, and I saw the Registrar, and, after very careful consideration, I came to the conclusion that I could not, and I am afraid I must leave it there.

708. The point I should like to know is this, not specially with regard to this case, but as a general proposition?—One can only take instances. Shall I put it in another way: Where we generally lose money, where we shall always lose money, and where I certainly cannot detect any means to prevent our losing money is here: The bailiff goes out in the morning with a number of warrants to execute all over the district. He comes in the evening, or ought to, and pays in the money which he has obtained in respect of the warrants which he has got in his pocket. Unless you send two or three of them about together it is open to him, when he comes in, to say: "I could not execute Warrant A," when, in fact, he has executed it and obtained the money, and he can keep that going obviously for quite a long time. It is quite obvious also that if we set up the system whereby we sent round two or three bailiffs, we should, in all probability, diminish the number of cases in which we made losses of that kind, but we should also spend more money in paying the bailiffs we sent out than we should save. So all we can do is to keep as tight a rein as we can, to see that when a man does come home in the evening, he is, as far as possible, made to give a reasonable account of what he has done.

Mr. Bird.

709. I suppose you could do it in this way, that the money should not be paid to the bailiff, but that the debtor should come to the County Court and pay it there. It would be inconvenient to the debtor?—It would be an intolerable hardship, and it would not work.

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710. Would not it work?—No; because the bailiff very often goes out with instructions to levy an execution. The debtor is not going to come up to the office, bearing his tables and chairs, to put them in at the office.

711. The bailiff does not go round and execute the warrant and take them and sell them and get the money?—He gets the money very often.

712. He gets the money, but he does not walk off with the tables and chairs; but it would be possible for the debtor to come and pay the money. You are suggesting to the Committee, who may not know as much about it as I do, that he walks off with the tables and chairs?—No, I am not.

713. You were saying the debtor would not be able to walk down to the office with the tables and chairs. That does not apply?—Yes, it does.

714. That is rather an impertinent way of saying it?—I must protect myself.

715. There is no need to be offensive; you are not being attacked?—I do not know about that.

Chairman.] Will you put the question through me, Mr. Bird?

Mr. Bird.

716. It is suggested there is no way of protecting the country against losses of this kind. I said, Would not it be possible for the debtor to take the money down to the County Court and get a receipt. The witness said it would be an intolerable imposition; moreover, it would be impossible for the debtor to take his tables and chairs to the County Court for the purpose of getting a receipt for them?—I did not say “for the purpose of getting a receipt for them.”

717. It will be on the shorthand notes?—May I explain what I was trying to say? The object of the bailiff in going round is two-fold. First, it is, according to his instructions, to levy an execution. He does not go round primarily to collect the money, but to levy an execution.

Chairman.

718. That is to say, to put his hands on the goods?—Yes. In a vast number of cases it is very often on an instalment or something of that kind. In a very great number of cases the debtor thereupon pays. The purpose of my rather foolish

observation about bringing the tables and chairs to the office was this, that the two operations, the mere operation of collecting the money, and the alternative operation of levying an execution, are two ways of looking at the same thing.

719. The debtor can pay the money or surrender up possession of the goods?—He does not surrender the goods because they remain on the premises.

720. The bailiff takes possession?—Broadly; he does not remain in possession; he takes a moral possession of what is there. In the majority of cases the debtor pays, and what the bailiff brings back in the evening are so many warrants executed, sometimes to the effect that he has taken possession, sometimes to the effect that he has had money handed to him.

721. He does not hand the money in?—I do not say he does not in all cases. In the vast majority of cases he does. There is a great temptation not to.

722. Do not you give him a little book, so that if he gives the person who pays the money a receipt you have a check upon the amount of the money?—We have been examining this subject, as our predecessors did before us, for years and years, and we go on continually trying to tighten it up, and we are always in the dilemma that I was trying to put to you. Anybody could devise a system that was perfectly foolproof under which we could lose nothing at all, at such an expense that we could not carry it on. Probably our system is not perfect; I do not suppose it is. We keep on finding holes in it, and, as far as we can we stop them up as we find them out. I do not think we can do very much more. This particular loss under Case 3 was not a bailiff's case. It was a deliberate case of a clerk in an office stealing money, and, to an extent, deliberately falsifying the books.

Major Salmon.

723. My point is that the man who receives the money takes it and enters it in the books?—Yes.

724. Is that a good principle?—Of course it is not.

725. Is not it possible, with the staff you have in your office, to prevent the person who receives the money being the person who enters up the book?—Where we have two or three clerks we can do that; but where you have only one clerk who keeps the book there is no way out

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of it, and that is where the defalcations occur.

726. In every Court you have a Registrar?—Yes.

727. Would not it be possible in every Court for the Registrar to receive the money?—I do not think you could put it upon the single-court Registrars, who are not whole timers, and are not paid as such. The remuneration of a Registrar in some cases is £100 a year, and that is not all in his pocket. I do not think it would be reasonable to ask him to be there all the time. You must not take me as saying, and I do not suggest, that all these old-fashioned single-court Registrars give as much attention to the work as perhaps they should, but you can only bring about a change in that very gradually.

728. Where you have more than one clerk in a Court do you arrange that?—Yes.

729. You keep the receipt of money separate from entering the book?—Yes.

730. That is an absolute rule?—You must not put that upon me, because sometimes, where we have two clerks, one of them has a job which keeps him away from this altogether, but, as far as possible, that is the rule in all Courts.

731. How does this come to light? By an audit or what?—There is a continual travelling audit going on the whole time

by our Headquarters' staff, who are paying regular and surprise visits in their districts the whole time, year in and year out. Without practical experience and actual insight of the system, perhaps it is rash to express an opinion, but all the cases I have seen (and I have looked into all the fraud cases myself personally) have convinced me that if you are clever enough, and determined enough, you can evade any check, and all we can do is to make it as difficult as possible to do so. You have to be wicked and determined and clever, and, if you are all those three things, up to a point you can do it.

732. You have an independent audit going out at present?—Yes.

733. They have found out these cases?—I am not sure whether the auditor found out, or whether it was due to the person to whom the money was due coming to the Court and saying, "Where is my £5?" and the money was not there.

734. To whom would he go?—He would first perhaps go to the clerk, and, if he did not get satisfaction, he would go to the Registrar, and if he did not get any satisfaction from him he would write to us. Then we should look at the books, and if there was no entry in the books, we should trace it, and if it was proved that there was £5 owed to him the fat would be in the fire.

SUPREME COURT OF JUDICATURE ACCOUNT, 1929.

Chairman.

735. We will now turn to page 2, the Report of the Comptroller and Auditor-General. Have you anything to say on that, Sir Malcolm?—(Sir *Malcolm Ramsay.*) I have nothing to add to that report.

Chairman.] Are there any questions on White Paper 46?

Mr. Benson.

736. I should like to know what this vast sum of £60,000,000 represents and how it accumulates?—(Sir *Claud Schuster.*) These sums of money do not belong to us, but to people who have business in the Courts.

Chairman.

737. You are stake-holders?—Yes; bankers.

Mr. Benson.

738. It is money paid into Court?—Yes.

739. The Chancery Court?—It is the whole thing.

740. Any estate that goes into Chancery?—If it goes into Chancery in that sense; not if it is only the subject of a Chancery proceeding.

Chairman.

741. All this money is disputed property?—Somebody may have paid it in because there was a dispute under some Statute, and he pays it into Court and says, "I am not interested in this, and anybody who wants it can go to the Court and fight it out there."

Mr. Benson.

742. Would that be the case if you paid a sum into Court in recognition of

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damages?—That would be so, but they would be in only for a very short time.

743. This would be mounting, I suppose?—Is it mounting? I had forgotten. I should have thought on the whole it was not mounting. There are a great many other people for whom we are stockholders. In regard to land purchased compulsorily under the provisions of the Lands Clauses Act, if you do not know whom to pay when you have taken

your land and the amount you have to pay for it is ascertained, you pay it into Court, and you are out of your difficulty and you leave the claimants to fight it out.

Mr. Benson.] Do you pay no interest?

Chairman.

744. Two per cent.—(Sir Malcolm Ramsay.) That is credited.

SUPREME COURT: PRIZE, ETC., DEPOSIT ACCOUNT, 1929-1930.

Chairman.

745. We now pass to the Supreme Court, Prize, Etc., Deposit Account. I will ask Sir Malcolm if he would like to say anything on that?—(Sir Malcolm Ramsay.) All I have to say is that, in my humble judgment, the utility of this account is spent, and, unless the Committee raise an objection, I should suggest that it should be discontinued in future. I do not know what the Treasury would say about that.

746. Was this the Prize Fund that I had to defend at the Treasury once? There was some arrangement with the Admiralty?—(Mr. Phillips.) Yes.

747. It is now settled?—There are two small cases left which may go on for a number of years. They do not amount to more than £7,000 or £8,000. In those circumstances we do not see any point in producing this account year by year.

Chairman.] Quite.

Mr. Leif Jones.

748. On page 3, with regard to the expenses of sale of cargo, £565,000, and on the next page expenses of sale of cargo £506,000 are not the expenses of sale very large in proportion to the amount realised?—(Sir Claud Schuster.) You mean in the middle of page 3?

749. Yes, Cargo, Expenses of sale £565,000. Paid to Naval Prize Fund £6,776,927?—It is not 10 per cent.

Chairman.

750. Eight per cent.—Yes, I am afraid I am not a judge of that.

Mr. Leif Jones.

751. What check is there on the selling of these things, and the incurring of these expenses?—I am afraid that all this

happened (perhaps this is not a real answer) a good long time ago.

752. It is all dead?—Yes.

Chairman.] Let us consider that for a moment. The amount dealt with is six and a half millions.

Mr. Leif Jones.] Yes.

Chairman.] I suppose there were all sorts of rubbish to be sold in all parts of the world. When you come to think of it 8 per cent. covers brokers' charges, cartage and advertising, and all sorts of things. Is not the answer that it is an immense sum and a variety of articles all over the world?

Mr. Leif Jones.

753. You are answering for the witness, but that is the information I want?—I do not like expressing an opinion on things I know very little about, but when you get a ship seized, the cargo landed and warehoused, and the cargo sold bit by bit, on a forced sale perhaps, you do expect expenses to be heavy, and you do not expect your return to be all you hoped. There are so many counterbalancing things which come into it. Some of these cargoes were perhaps sold on the top of the market, and some not. We should have to analyse the whole thing.

Chairman.] If you look at page 5, you will see, Expenses of sale £817,000 in respect of £7,813,000. There is a similar series of costs.

Mr. Leif Jones.] It is much higher.

Chairman.] 12 per cent. There is commission included also.

Mr. Bird.] Cataloguing.

Chairman.

754. There is a great variety. You yourself have said it. The first was 8 per cent., the second was 12 per cent., and

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the one referred to on page 4 is £500,000 on nearly £4,000,000?—It would be quite childish for me to sit here and pretend that I could defend in detail, or, indeed, on any broad principle, the particular sums of money that were expended on commission on sale at this distance of time.

755. I suppose the Treasury keeps an eye on it?—(*Mr. Phillips.*) We did at the time, but there are no more cargoes to sell now.

Mr. Leif Jones.

756. I want to be assured that it has been somebody's business to see that the expenses were reasonable, and that they are not hidden away here if they should not be?—They were audited by someone in the Treasury, and also looked after by the Supreme Court. As far as we know they are in order. (*Sir Claud Schuster.*) A great deal of trouble was taken to set up a staff, partly permanent, and partly from outside, which worked under the superintendence of Mr. Roscoe, and, very largely, of the Treasury too. I do not know that one can take it very much further.

Mr. Bird.

757. In fact, the auctioneer was appointed by the Court, and his remuneration was settled by the Court?—I think that is so. (*Mr. Phillips.*) If there had been any real waste of money we should have heard something about it from the Admiralty, who are very much interested

in the question of Naval Prize. (*Sir Claud Schuster.*) Although it may sound impertinent of me to say so, I was perfectly satisfied that Mr. Roscoe was giving very great care and attention to the supervision of the thing, and that the assistance he had was skilled and honest and doing its best.

Mr. Leif Jones.

758. Are you satisfied, Sir Malcolm?—(*Sir Malcolm Ramsay.*) I have only certified the summary on page 2. I was not asked to deal with the details, which were carried out under the supervision of the Court, and I did not come in there.

Chairman.

759. I understand and agree with my colleague's view that, as the sum now has become so small, the Treasury and Sir Claud should put their heads together and see if they can extinguish all this bookkeeping. Is that what I understand the Committee wish?—(*Mr. Phillips.*) We are quite willing to report to Sir Malcolm how the remaining cases are getting on. (*Sir Claud Schuster.*) They will come to the Committee when there is anything to report. I should not like to be left with it myself.

760. Sir Malcolm will see if you are doing anything wrong?—(*Sir Malcolm Ramsay.*) There was an elaborate report printed in 1923, and that covered the bulk of the business? (*Sir Claud Schuster.*) Yes.

ACCOUNTS OF RECEIPTS AND EXPENDITURE OF THE HIGH COURT AND COURT OF APPEAL.

Chairman.] May I take you to the High Court and the Court of Appeal Account? Perhaps Sir Malcolm Ramsay will say whether he has anything to report. It is White Paper 63-23-0-30.

Major Salmon.

761. On page 5 I observe Stationery and Printing £18,790. Is that the stationery and printing for the whole of the Courts?—Yes.

762. Is there anybody who is held responsible for the amount of stationery and printing?—I am, I suppose.

763. Is there anybody really to see that no waste occurs, or how is the stationery and printing ordered in this connection?

—The orders are given direct from the particular Departments of the Court to the Stationery Office. I depend on the Stationery Office to report to me if they think they are receiving orders which they think are extravagant either in quality or quantity. I also depend on myself to look at the thing every now and then, and, if I see particular items which look to me as if they were swollen, to attack them.

764. Do you get a detailed list of the stationery and printing that has gone to particular Courts?—No.

765. How can you judge it?—I did once. I went into the whole thing personally about ten years ago, because I thought, rightly or wrongly, that there probably was a very considerable amount

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of extravagance. I then cut down and settled what the proportions to be supplied should be roughly, and I cut a number of items out altogether. Now, from then on, I rely on the Stationery Office to tell me if they think that that which was then settled is being exceeded, or if it is being supplied in excess in quality or quantity.

766. Is it fair to ask you this: What was the value in those days, when you thought it was necessary to take a survey of the position, of the printing and stationery as compared with what it is to-day?—I have not any recollection in my own mind of what the figure was. It was particular things which I saw which made me think there was a great deal of money to be saved.

767. The figures are rather large. It might be worth while looking at it to see if there is anything to be saved?—I think it is probably more than it ought to be. It is impossible for any one agency to keep a detailed check on the enormous number of people who must necessarily requisition. It is not like an ordinary Government Department where you can standardise everything, and I should be extremely surprised if there is not extravagance, but all I can do is to keep it down all I can. I am sure there is not anything like the extravagance there was.

768. That is difficult for you to say, because you have not had a chance of going through it for ten years?—I know this, for example: When I assumed office I used to go round the Courts after the officials had left the Courts and find out what papers they had left behind. I found that the Registrar had a very beautiful book bound in white vellum, in which he wrote practically nothing at all except the name of the case. That is a thing you can stop by having a copy book which costs 2d. There are other instances which I would rather not give owing to the people to whom they refer.

769. Is this the Court of Appeal?—The High Court and the Court of Appeal.

Mr. Bird.

770. Not the County Courts?—No. I should think there is a considerable waste of paper in the Court itself, not by the officials, but by the public and Counsel, because you cannot refuse to give them paper. They need it, and you can never induce people who can get paper at the public expense not to waste it.

73399

Mr. Lathan.

771. Am I right in thinking that the income was £318,998, and, with the exception of £7,466 shown as Appropriated in Aid, that was actually received through the Courts?—Yes.

772. And the expenditure was £787,695?—Yes.

773. Therefore there was a substantial profit?—On civil business. Would you look over the page to the £75,000, and you will see that that represents what we guess to be the Criminal business expenses. It is a notional allocation of the two figures.

774. Even allowing for that there is a fairly comfortable margin?—Yes.

Mr. Bird.

775. And £75,000 from the County Courts?—No, there is a heavy loss on the County Courts, if you look at the true position. It is a little confusing. The true position in the County Courts, if you take everything in, is a heavy loss.

Mr. Lathan.

775A. The administration of justice in the High Court and Court of Appeal seems to be a fairly profitable transaction for the country on the whole?—That is not quite the whole story.

776. The impression I have is gathered from this account?—This account shows truly what was received, and what was expended, but it does not show the sources of receipt. This is perhaps an impertinence, but I want to make this point. The County Courts nowadays act so much in relief of the High Court, and bear so many of its burdens, that I think it is only fair to look at the two accounts together. The High Court calls upon the County Court to try a great number of remitted actions. It gets rid of the actions which are expensive for them to try, and gets the County Court to try them, and they are most expensive for the County Court. It is not fair to say that justice by itself makes a profit. They ought to be looked at together. That is the moral defence, if I may say so, for taking profit on the High Court.

Mr. Bird.

777. At what page shall I find the loss on the County Courts?—You will not find it on any published account.

778. The account I am looking at shows a profit of £78,000?—It does, but it

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omits rent, I think, and it certainly omits all the salaries of the Judges. I said, taking everything in.

Mr. *Bird.*] Mr. Watson has given it to me.

Mr. *Lathan.*] The statement the witness has made is very interesting, because I think there is a general feeling amongst all classes of people that justice in this country is only obtained at considerable expense.

Chairman.] That is not the first time that has been said in the existence of the world.

Mr. *Lathan.*

779. No; but it is true, and it will bear saying again?—The proper destination of these excesses, if there are excesses, is the pocket of the litigant, but it would not be possible at the moment,

(*Sir Claud Schuster withdrew.*)

with finance as it is, to enter on any campaign of fee reduction, because we cannot be sure where we are. The County Court Vote in particular is very liable to fluctuation, particularly by reason of the fluctuation in trade.

Chairman.

780. The London Chamber of Commerce has been saying a word or two about that?—I understand their complaint to be of a different nature. Their complaint is as to the length of time it takes the litigant, and the fees he has to pay to Counsel. The High Court, as a matter of fact, is supported out of the pockets of those who die. The biggest item in the whole of the receipts is Probate Duties.

CLASS VIII.

ON VOTE 4.

Superannuation and Retired Allowances.

Mr. ROLAND WILKINS, C.B., called in and examined.

Chairman.

781. We will now turn to page 429, Class VIII, Vote 4, Superannuation and Retired Allowances. There is nothing for me to draw your attention to on that. I shall ask Sir Malcolm Ramsay if he has anything to say upon it?—(Sir *Malcolm Ramsay.*) No; I have no report, and the account speaks for itself.

Chairman.] I see nothing there to waste any time on.

Major *Salmon.*

782. On page 429 could we have an explanation of the compensation allowances more than granted of £3,000 odd?—(Mr. *Wilkins.*) The explanation is that six District Probate Registrars retired and this involved an additional expenditure on the subhead of £4,400.

ON VOTE 3.

Royal Irish Constabulary Pensions, &c

Chairman.

783. We will now pass to page 426, Royal Irish Constabulary Pensions. Do you think there is anything there, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No; it is all fully vouched.

Chairman.] Does any member want to ask any questions on that?

Mr. *Benson.*

784. Could the witness give us some idea of the rate at which this Pension Fund decreases?—(Mr. *Wilkins.*) Yes, the last Royal Irish Constabulary pensioner is expected by the Government Actuary to die in the year 1990.

Chairman.

785. How old is he?—About 30. I am no prophet. I can only tell you what the Government Actuary thought some years ago.

Mr. *Benson.*] I should commute him.

Sir *Assheton Pownall.*

786. What about his widow; she may live until the next century?—I do not know if you would like the guesses of the Actuary; the charge will not disappear for some time.

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Mr. ROLAND WILKINS, C.B.

[Continued.]

Mr. Benson.

787. I only wanted to know the rate at which the actual amount decreases?— I have the figures for the last two or

three years. The gross total for 1929 was £1,865,093, and the gross total for 1930 £1,833,898. The corresponding net figures are £706,120 for 1929 and £675,316 for 1930.

(Mr. Wilkins withdrew.)

CLASS I.

ON VOTE 5.

Privy Council Office.

Chairman.

788. As there is only £16 17s. 7d. difference, there is nothing to raise on this

account, is there, Sir Malcolm?—(Sir Malcolm Ramsay.) No.

ON VOTE 6.

Privy Seal Office.

Chairman.

789. You surrender £481 on this account?—Yes.

Sir Assheton Pownall.

790. It was mostly supplementary estimates?—(Mr. Watson.) Sir Richard Hopkins will answer for that. (Sir Malcolm Ramsay.) Yes.

ON VOTE 7.

Charity Commission.

Chairman.

791. There is a surplus to be surren-

dered of £786 11s. 3d. Have you anything to say on that, Sir Malcolm?—No.

ON VOTE 8.

Civil Service Commission.

Chairman.

792. On this account the State got back £1,238 1s. 3d. That is all to the

good; therefore there can be nothing to raise on that, unless Sir Malcolm has anything to say?—No, I have nothing to say.

ON VOTE 11.

Government Actuary.

Chairman.

793. The net surplus to be surren-

dered is £626 14s. 1d. Have you any observations to make, Sir Malcolm?—No.

ON VOTE 12.

Government Chemist.

Mr. Benson.

794. What does the Government Chemist do?—(Mr. Phillips.) Most of the work is for the Customs.

research work?—No; it is mainly revenue work.

797. Rule of thumb duties?—Yes; polarity of sugar, for example.

Chairman.

795. When Mr. Churchill and I were engaged on the Petrol Tax he did a great deal of work on that?—Yes.

Major Salmon.

798. Has the Treasury ever considered whether it would be a practicable idea to merge the Government Chemist with the Research Department, thus getting the practical work with the research

Mr. Benson.

796. His work is by no means experimental, and cannot be linked up with

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[Continued.]

work?—That has been considered several times, but it has been found that this separate unit is a convenient thing which works smoothly.

799. It may work smoothly, but I was wondering whether any economies could be effected by merging the work?—I mean it works economically.

Chairman.

800. You have, in fact, tested Major Salmon's proposal?—I am sure it was done two or three years ago; whether it

has been done very recently I do not know.

Mr. Bird.] We discussed the same point last year, and it was raised by Major Salmon.

Major Salmon.] It is a natural thing to raise.

Mr. Gill.

801. Does the Government Chemist do work for outside firms?—(*Mr. Watson.*) The Department of Scientific and Industrial Research does that.

ON VOTE 16.

National Savings Committee.

Chairman.

802. What have you to say to justify this expenditure, Mr. Phillips?—(*Mr. Phillips.*) The justification is that the number of Savings Certificates sold is constantly increasing. I believe they broke all records last year.

Mr. Leif Jones.

803. Somebody presented £5 5s. to the Fund. What was the motive or the reason for that?—(*Sir Malcolm Ramsay.*) We never know. Sometimes people come forward and give us bundles of certificates to reduce the National Debt, and, during the War, as the Right Honourable

Member will probably remember, a lot of people handed in their Certificates and they were ceremoniously burned.

Sir Assheton Pownall.

804. This £5 5s. might be something of that sort?—Yes. One should never analyse the motives of people who make presents to the public. We had a very handsome donation on one occasion from a gentleman, but a year after it had been gratefully acknowledged it was discovered that he owed a good deal of money in respect of income tax.

805. Did you ask him to transfer his present?—Yes; his present was transferred to supplement the Inland Revenue.

ON VOTE 17.

Public Record Office.

On this account no questions were asked.

ON VOTE 18.

Public Works Loan Commission.

Chairman.

806. That is the local Loans Department, is it not?—(*Mr. Phillips.*) Yes.

Sir Assheton Pownall.

807. I suppose most of these figures remain approximately the same from year to year?—(*Sir Malcolm Ramsay.*) There has been no big variation. This is fairly constant.

Major Salmon.

808. Who is really responsible for seeing that the staff for these Departments

is kept within reasonable numbers?—(*Mr. Phillips.*) The Accounting Officer is primarily responsible, and the Establishments Officer of the Treasury.

809. The Accounting Officer is the officer engaged in the particular work?—*Mr. Barnes* is the Secretary of the Board.

Chairman.

810. He is checked by Sir Russell Scott, who is eventually checked by the Financial Secretary of the Treasury?—Yes; he can get no staff unless he goes to the Treasury.

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[Continued.]

CLASS II.

On VOTE 10.

India Office.

Sir Assheton Pownall.

811. This is a constant quantity?—(Sir *Malcolm Ramsay*.) No, the Grant in Aid varies. It is fixed from time to time. I do not say that it varies from year to year.

Major Salmon.

812. It does not pay anything like the cost?—For the four years commencing in 1926 the normal grant was fixed at £119,000, and there were abatements and adjustments to be made. It is fixed for a period of years.

813. What does it cost to run the India Office. It is much more than this, is it

not?—Certainly. It is only a Grant in Aid of expenditure which they incur on political and administrative services. It is the Imperial share of the India Office.

Sir Assheton Pownall.

814. Do they work it on a 50/50 basis; is it known on what basis it is decided?—(Mr. *Phillips*.) It is agreed with the India Office.

Mr. Benson.

815. Is that the cost after splitting the two items: salaries £6,500 and Grant in Aid of salaries and expenses £103,000?—It is the salaries of the two Ministers.

CLASS III.

On VOTE 2.

BROADMOOR CRIMINAL LUNATIC ASYLUM.

Mr. Leif Jones.

816. They have a farm at the Broadmoor Criminal Lunatic Asylum. Do they publish any accounts of the farm?—(Sir *Malcolm Ramsay*.) No. This farm serves two purposes: first, keeping the patients

busy, and, secondly, the patients devour the produce of the farm.

817. They seem to have made about £200; that is why I am interested?—(Mr. *Watson*.) That is with free labour; there is no labour cost.

On VOTE 8.

LAND REGISTRY.

Chairman.

818. There have been many questions about this Land Registry; they have been harrying them. I wondered whether there have been complaints about any dilatory work there?—(Sir *Malcolm Ramsay*.) I am afraid I cannot answer that. (Mr. *Watson*.) I think not.*

819. You have noticed a number of questions? I have myself. The Attorney-General has answered them?—There have been occasional questions, but there has not been any call on the Insurance Fund for laches that are disclosed there.

Chairman.] It seemed to me there was a covert fault-finding and dissatisfaction. I do not know whether it is the province of this Committee. You might hint to them that we noticed that questions had been raised in the House.

Mr. Bird.] It is not my professional experience that there has been delay in the Land Registry.

Chairman.] There have been complaints. I have noticed them myself.

Mr. Leif Jones.

820. The business is increasing considerably, in this year it has exceeded your expectations. The realised receipts were £262,152 as against an estimate of £250,000. There is a note which says: "The total realised revenue was considerably in excess of the estimated revenue due to expanding business. Has not that been the experience of the Land Registry for years?—(Mr. *Phillips*.) I believe it has been so.

Mr. Bird.] It is cumulative. There is compulsory registration in some areas, so it is progressing the whole time.

Mr. Benson.] Has this Department served a useful function, in the opinion of the Treasury?

Chairman.] The House of Commons has passed the Act. I do not think it is for us to say that the House was wrong in passing the Act.

* See Appendix 10.

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[Continued.]

Mr. *Leif Jones.*] We can say that this is an expensive institution or a useless institution, if we so desire.

Chairman.] I doubt whether you can question the decision of the House of Commons, and say whether the Act of Parliament is useful or not.

Mr. *Benson.*] We have several times questioned a decision of the House of Commons to spend money without legal sanction.

Chairman.] That is a different thing. I am not going to be very rigid.

Mr. *Benson.*] I do not want to raise the matter in a long general discussion. I merely ask whether, in the opinion of the Treasury, it has served any serious and useful function?

Chairman.

821. It is universally accepted as such?—It started by the recommendations of the Royal Commission which were embodied in various Acts of Parliament, dating from 1862. I do not think there has been any feeling in any public

quarter that the Office has not served any useful purpose, because, after the first Act, they went on adding to its business.

Mr. *Leif Jones.*] Would you say that it was the opposite, because they went on adding business?

Mr. *Benson.*

822. Is registration compulsory?—In certain areas.

Chairman.] If it were within the province of this Committee, which I think it is not, I should suggest that we recommend the Government to extend the compulsory areas.

Sir *Assheton Pownall.*

823. That would be a question of policy?—(Sir *Malcolm Ramsay.*) The Department imposes no burden on the general taxpayer. It is supported by fees from those who use it.

Mr. *Gill.*] There is one at Beverley which covers all North Yorkshire; I think it is a safeguard.

On VOTE 10.

LAW CHARGES.

Chairman.] There is a surplus of £128 8s. 2d. on this account. There is nothing to which I need draw your atten-

tion there.

Mr. *Benson.*] "Divorce interventions, £8,000." [It seems an unmitigated waste.

CLASS IV.

On VOTE 2.

BRITISH MUSEUM.

Chairman.] We will not take the British Museum account to-day. Major Salmon would like to ask a question on

it. We had better have witnesses on that account.

On VOTE 3.

IMPERIAL WAR MUSEUM.

On this Account no questions were asked.

On VOTE 4.

LONDON MUSEUM.

On this Account no questions were asked.

(The Witnesses withdrew.)

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

TUESDAY, 24TH FEBRUARY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Ede.

Sir Robert Hamilton,
Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL, in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS V.

ON VOTE 9.

MINISTRY OF LABOUR.

UNEMPLOYMENT INSURANCE FUND ACCOUNT.

Mr. F. G. BOWERS, C.B., C.B.E., called and examined.

Chairman.

824. The first thing on the Agenda is the Treasury Minute dated the 12th January, 1931, on the Second Report of the Public Accounts Committee. You will find that the Treasury has written to the Ministry of Labour and told them that they must not override existing statutory provisions by the use of Appropriation Acts. I hope you are taking note of that, Mr. Bowers?—(Mr. Bowers.) Yes, Sir.

825. We will now turn to page xiv, paragraph 38. I do not seem to have anything to tell you about this. There is a large increase in the amount, but it is the outcome of policy, and therefore we cannot deal with it. On paragraph 39, I have nothing to say. Have you anything to say on that, Sir Malcolm?—(Sir Malcolm Ramsay.) No, Sir. The point of that paragraph is to say that there was rather a shot this year, but in future that difficulty will disappear.

826. As for the two smaller paragraphs in paragraph 39 I am going to ask Mr. Bowers if he can tell us shortly how these figures were arrived at?—(Mr. Bowers.) In the account for the year you are now examining, the legislation, as the paragraph states, came at the end of the year, and we had not therefore kept an account for the earlier period. Therefore, we took such statistics as we had, and, after collating them and examining them carefully, we came to a conclusion as to the amount

that it would be proper to charge. Luckily we had had several counts as to the numbers of persons who were receiving transitional benefit at various dates, and we were able to infer from them with a good deal of confidence what the amount spent on transitional benefit during that period was.

827. As to paragraph 40, you will notice we commented last year upon this matter. I am going to ask the witness this: Are you going to introduce legislation or not? There was nothing about this point when the Bill was read a third time last night. In the Bill which is just before us not a word has been put in with regard to that point. If you do not propose to deal with the point as early as we hoped you would deal with it, after the rebuke you received by our recent report and by the Treasury Minute, we shall have to bring out a Special Report upon the overriding of existing statutory provisions by the use of the Appropriation Act. How does it come about that you did not deal with that in the Bill which you are just handling?—Since the matter was before the Public Accounts Committee last year, the only Bills introduced to deal with Unemployment Insurance have been short Bills to deal with finance and they have been certified by the Speaker as "Money Bills." The Minister of Labour carefully considered the question of legislation on the present subject in regard to each of these Bills. Apart from the

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Mr. F. G. BOWERS, C.B., C.B.E.

[Continued.]

severe pressure on Parliamentary time—and legislation must always be subject to the exigencies of the Parliamentary time table—it seemed out of place to deal with the matter in these Bills, in view of their restricted purpose. I may say that on each occasion the Minister acted with the concurrence of the Chancellor of the Exchequer. The Minister adheres to the view that legislation should be obtained as the Public Accounts Committee desire, and a clause for the purpose will be included in the Bill dealing with Unemployment Insurance, which is to be introduced before the end of the Session.

828. Was that this Bill we have just handled?—Clearly I am making a statement about a future Bill. You spoke of the matter as if the Committee had given a reprimand.

829. I used the word “rebuke”?—What I understand the Committee to do last time was to call attention to a very important principle which the Minister and her predecessor have always accepted. It was due to a very disturbed year in the matter of legislation, and limited opportunities in Parliamentary time, that action was not taken.

830. We will accept your explanation. I think that will satisfy us, will it not, Sir Malcolm?—(Sir Malcolm Ramsay.) Yes. I understand the Accounting Officer is referring to legislation which is going to be introduced, and not to the Bill which has been placed before Parliament. (Mr. Bowers.) Clearly.

831. Before I go to the Accounts, I want to ask a question about page 215, and about a document I got this morning. I see your supplementary was very badly out. It was £300,000. I do not know how you arranged that?—We took a supplementary estimate in December, and we then had to forecast what unemployment was likely to be for the remainder of the financial year, and it will be within the knowledge of the Committee that forecasting what unemployment is likely to be is a very difficult matter. In the result the provision made was not more than 2½ per cent. out, and on so large and uncertain a Service, that does not seem exceedingly wide of the mark.

832. Perhaps not, in view of the increase of unemployment; perhaps we may consider that a valid explanation?—I am sure the Committee do realise that in so many of the matters of finance of the Ministry of Labour, we have to look forward into a perfectly unknown future as to what

the course of these things will be. We have to write down the best sort of figure we can.

833. Before asking the Committee to deal with these accounts, I want to draw attention on page 216 to the fact that you have got into the habit of having pretty wide oscillations of figures. For instance, under sub-head D, you have spent £10,228 more than granted on telephones and telegrams. How many telegrams and telephones are included in £10,000? It is an awful amount to start with, and a very large increase?—Yes, I suppose the most expensive item we have in regard to telegrams and telephones is in connection with long-distance placings. If there happens to be a job in the South-East of London into which you can place one or two men from South Wales, you hear about it in the afternoon, and the people have to be on the ground in the morning, or they get no job; or perhaps you get 1½ days’ notice and there is a considerable use of telegrams and telephones for that purpose; although it is expensive, I do not think the Committee will think it is ill-advised.

Chairman.] I think that is a perfectly valid explanation. I do not want to press you any further.

Mr. Benson.] It is only a book figure.

Chairman.

834. It costs money to do it?—I would regard the increase of 30 per cent. in distant placings within a period of about two years as corresponding to the fact that we have a heavier expenditure.

835. There is another thing where you come very wide of the mark. Under sub-head G.2, “Court of Referees, £155,000”; less than granted, £76,634 14s. 3d. How was that?—That was a matter of larger expenditure which grew out of the Unemployment Insurance Act of 1928, the Blanesburgh Act. That Act provided for a review by Courts of Referees at quarterly intervals, or something like that, of the persons on benefit. At the time these estimates were made we had had a certain amount of experience of the working of that Act. We were not altogether satisfied with the results. There had not been quite so much review of the claimants as had been planned for. It was expected when the estimates were made that the machine would so work as to bring about a greater number of

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Mr. F. G. BOWERS, C.B., C.B.D.

[Continued.]

reviews by the Court of Referees; in fact, that did not turn out to be so. I cannot pretend that to spend half of what was put down was good estimating, but so far as I can recollect, and I do recollect fairly well, the circumstances of the time on this matter, I think we should expect again to spend a sum like £150,000. It was not carelessness; it was quite carefully done, but we made a mistake as to what the events were likely to be.

836. I am going through this Vote to draw attention to the points which I think the Committee ought to notice. On page 217, sub-head M, "Loans and Grants to facilitate the transference of workpeople," and so on, I see you were 50 per cent. wrong. This is a sub-head which the Public Accounts Committee does not like. Would you say a word about that, Sir Malcolm?—(Sir Malcolm Ramsay.) This is the sub-head on which I commented as involving the question of overriding the Labour Exchanges Act. It was this particular item on which I hung my remarks last year. As regards the under-estimate, that is explained in the note; it depends upon a lot of factors which it is very difficult to estimate.

837. We will pass on to the next page, 218, sub-head N, "Training of young unemployed men." Why did you ask for a supplementary there. None of it was used, besides which, £32,000 of the original Vote was not spent?—(Mr. Bowers.) That is quite true. It is in two items. We were expecting at that time to acquire two new training centres, and about £60,000, or thereabouts, was the sum required for them. This was a supplementary Estimate put down in December. We were looking for the two new training centres. We obtained one of the centres in March, so that nothing had to be paid in the year, and the other was obtained at a rental, so we did not have any capital expenditure at all. As regards the other part of the saving, it relates to training less persons for employment overseas than we expected. There was at that time, towards the end of the year, a good deal of activity in regard to various schemes of training men to go abroad, and we made a forecast, which I think was reasonable, and based on experience, but the men were not forthcoming. They were not there to be trained, and we did not spend the money. I do not know whether the Committee will say we ought to have known

whether they would be coming. We took the best advice we could from provincial people and others as to what numbers of persons would be likely to come forward for training for this purpose under these conditions, and we were out to the extent of about £50,000 or £60,000.

838. There is £1,000 referred to in the note to that N sub-head at the bottom of page 218: "Including £1,000 paid to a firm as consideration for being allowed to purchase the property in their stead." Was this the only land available?—No. In point of fact we were considering one or two other properties at the time, and the Office of Works on our behalf endeavoured on the afternoon of a certain day to get an option at a price which would have included £500 of this £1,000. The vendors declined to give it, and they sold. On the next day the persons who had bought offered to re-sell to us if we would pay £1,500. There were various considerations. The factory was well worth the price; in fact, we obtained in the interim the sanction of the Treasury to pay a larger sum. We had to consider whether it was in the public interest to buy in these circumstances, one of the circumstances being that we should have to have an item of this kind, a sum which you pay to somebody to get his rights of purchase. There were obviously prudential reasons for saying, "We will have nothing to do with that," but it was a very suitable factory, and our conclusion was that, the price being within the amount we were prepared to pay, it was well to carry the transaction through.

839. Very well. Sub-head Q, I suppose is a decreasing charge?—Yes, it is.

840. I have nothing to say on page 219. On page 220, I find a sum of £27 9s. 6d. *ex gratia* payment to a man, in consequence of being shot at?—Yes.

841. We do not want to know anything more about that; all we want to know is: Is the man safe?—Yes.

842. He was not injured?—He was injured.

843. But not permanently injured?—He was not permanently incapacitated.

844. He is all right now?—Yes.

845. On page 221, under (A) "Statement of Loans" with an asterisk against it, there is a sum of £56,196, and a little lower down £58,799. I am perfectly certain there is an explanation

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[Continued.]

of that. What was the reason?—The account (A) is made up according to the advances that we make to the workman, that is to say, according to the value of the tickets that we give him; so, week by week during the year, is the total amount built up. The note at the foot records the fact that we do not pay the railway companies week by week. They send us in an account monthly, which has to be examined before it is paid. Therefore we paid to the railway companies during the year a different sum from the total value of warrants issued during the year. We paid rather more. The two amounts are related; that is to say, they relate to the same service, but they do not cover the same period.

846. There is nothing more on that. Before we go back to the beginning of the Vote for examination, let us take the Unemployment Fund Account which gentlemen have in their hands, White Paper No. 25. On page 5 of the Report of Sir Malcolm there is an excess of expenditure over income amounting in the year to £5,000,000, but it is really an excess of £7,000,000. The Exchequer had to pay £4,000,000 out further for transitional benefit, had not it?—Yes.

847. Is not that a masked expenditure of £4,000,000?—No. (Sir Malcolm Ramsay.) No; that is quite right. The receipts and payments differed by the amount stated, but the fund received large amounts from the Exchequer which it did not get in previous years. The receipts into the fund were £8,058,000 more than in the preceding year. That is strictly true, and it is accounted for by the fact that the Government contribution is now one-half of the other contributions, and they are paying the cost of transitional benefit. Those two items very nearly make up the £8,000,000.

Chairman.] We will start now on page 215, and I would like Honourable Members to go from page 215 to 221, and likewise to deal with the Unemployment Fund Account.

Major Salmon:

848. On page 215, sub-head A, one observes the number of staff that you have in the Department was much larger this year than in the year previous, especially when you get the report in Command Paper 3736; your numbers have gone up enormously, over 6,000, if I am correct?—(Mr. Bowers.) I am not

able to check the figures at the instant.

849. I have in front of me a paper on which is stated, first of all, your total staff before 1st April, 1922, but I will go to 1929. In the year 1929 you increased the staff by 5,901, and on 1st July, 1930, you increased it by a further 463. It seems to me an enormous increase of staff?—When you are talking about July, 1930, you are talking of an unemployment of about 2 millions, are you not?

850. Yes?—If we have to deal with an extra 100,000 persons unemployed we have to see them two or three times a week at the unemployment exchange, and so on, and our experience is that 100,000 extra people unemployed means so many extra staff, and there is no way of dodging that.

851. As a matter of fact, have you come to any figure of what 100,000 extra unemployed means in the way of extra staff?—I cannot give you a precise figure because it varies with the circumstances. What would be called an extra 100,000 on the live register at some places, say, in Lancashire would actually mean we were seeing 200,000 people, because they would be on short time. If you go to South Wales, to take another extreme, the shutting down of a particular pit means all the employment there gone. The amount of work you have to do in order to be satisfied that it is proper to pay those people is relatively less, because you know they are not so likely to be employed elsewhere. I cannot give you an over-all figure, but if you, in connection with any of your businesses, had to deal with an extra 100,000 at any time, you would know quite well that it means a large increase, and when the unemployment with which we have to deal goes up from one and a third millions to two millions, it would be idle to tell the Committee we could deal with them without an increase of staff.

852. One appreciates you must have an increase in staff, but are you as particular, from the point of view of establishment, when you have put on the temporary extra staff to meet the temporary pressure, as you hope, by reviewing the position in the different parts of the country, to see that if there is a falling-off of unemployment in particular areas, that the staff automatically do come off?—I think I can give an unqualified Yes in answer to that question.

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[Continued.]

853. The next point I would like to ask you about is regarding Sub-head B. The travelling expenses have gone up beyond the grant £69,900 and the actual expenditure was £82,853, or nearly £13,000 increase?—That is again a case where we have been troubled by the increase of unemployment, and it hits us in a peculiar way. We might have an average unemployment, during a period, of the same number as we have here, and conceivably have less travelling expenses; but if you have a great spate of unemployment in one place, and then some improvement, and a great spate elsewhere, then in both cases we have to strengthen the temporary staff taken on in the locality by the transfer of some permanent staff from other parts. That is an expensive proceeding in actual outgoings at the moment; but it makes the total staff that one necessarily has to gather together somehow to deal with these large numbers much more efficient.

854. Is that the staff that you transfer from headquarters, from one Department to another, or from outlying districts from one Department to another?—This covers the whole travelling expenses of the whole of the staff of the Ministry, and the transfers of staff I am talking about will not be, as a rule, from headquarters, because we have not people of that type in any numbers available at headquarters, but it is a question of transferring people from, say, London exchanges to Glasgow or Wales to help out the hardly hit.

855. When you were explaining the importance of having extra staff on for dealing with the extra unemployment, does that necessitate such an enormous increase at headquarters as well?—The actual increase under Sub-head A (i); is that what you are speaking about?

856. Yes?—I thought you were speaking about Sub-head B.

857. I was, but I want to try to follow it up?—Those two are not closely related. A large increase in unemployment means a great many more cases going to the Umpire for consideration, and it means a considerable increase in the numbers of items at headquarters, making an increase of expense in that way, but the main expenditure at headquarters would be, so far as Unemployment Insurance is concerned, rather less directly related to the volume of unemployment; but I ought to explain that part of the £39,000, apart from unemployment in-

urance, is due to work in connection with the loans under the Development Act. We took that work over during the year, and that made a charge on that heading.

858. Unemployment is not wholly responsible for it?—No.

859. The Chairman asked you a question on the Courts of Referees, but I am going to ask you a question on the Office of the Umpire. If the expenses have gone up by cases being sent to the Umpire, do they go from the Referees to the Umpire?—Yes.

860. Although the work of the Referees was half what you estimated, yet it is an extraordinary fact that the expenses for the office of the Umpire should have gone up to a very large extent if the work is less to the Referees?—It is not true, I think, that the expenditure on Courts of Referees was less than it was in the previous year. The number of cases that went to the Umpire in 1928 was 5,300. The number of cases that went to the Umpire in the year we are now considering was 10,000. The number of ordinary appeals to the Courts of Referees during the same two years, if I give you them in order, was 158,000 in the first year and 221,000 in the second year. The number of review cases, again taking the two years (I find I am giving you calendar years, but that is all I have), was 600,000 for review cases in the first year and 1,300,000 in the second year; so that in both cases there was a large increase in the volume of the work.

861. I think that accounts for it. On Sub-head I, I understand you to say that the contributions by the workpeople were less than expected?—Yes.

862. What does that mean, exactly?—We should take the Exchequer contribution as something based upon the number of contributions paid by employers and workers, and if they paid less contributions than was expected, that means that less of them were in work. The honourable Member will see that the amount is exceedingly small in relation to the whole estimate of £20,000,000. I should like to think that we could be as near as that sometimes.

863. I agree. On the question of the training of the young unemployed men, are active steps being taken to get these centres in working order as soon as possible?—The centres are working exceedingly well, I should have thought.

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[Continued.]

Perhaps some members will have visited them. They are most valuable institutions in improving the technique and morale of the people who come within their influence.

864. I am not challenging the policy. The only point I had in mind was the fact that one of the reasons why certain money was not spent was the difficulty of obtaining the centres, and what I was directing my question especially to was, is there still outstanding at the moment the programme of having more centres, and you cannot acquire them?—No; I think at the moment the centres we have are all in working order.

865. Under sub-head P, "Juvenile Unemployment Centres," is it fair to say that there is an increase in the number of juveniles who are attending unemployment centres?—At the present time the expenditure is much greater than this. There has been a considerable increase since this period.

866. Of the juveniles?—Yes.

867. Do you find those centres work satisfactorily?—It is the general view that they are very valuable. With them it is a question of prevention of demoralisation rather than of vocational training. In that sense they are very valuable institutions.

868. On the Unemployment Fund account Sir Malcolm says that the excess of expenditure over income amounted to £3,000,000, thus swelling the adverse balance of the fund to £39,000,000. What is the cause of this excess of expenditure over income? Is that attributable to administration or to payments?—There is little within the administration of unemployment benefit that is now at the discretion of the Minister. It is governed by Statute. We spent more than the amount of the income of the year because more people established claims to benefit than could be paid for out of the income. That is an experience of which we have had larger and more bitter experience since.

Mr. Butler.

869. I would like to mention two points. On page 216, explanation C: "Various miscellaneous services provided for in this sub-head cost more than was anticipated." It seems to me that is obvious; it does not tell me anything, because the "incidental expenses" as it is conveyed very little to one's mind,

and the explanation is obvious if there is an excess more than granted.—I would like to know what you would write down as an explanation of an excess of £1,500 on "incidental expenses," an excess of 10 per cent. It includes all sorts of tiny bits of expenditure. Part of the excess will have been because we paid more bank commission, but all sorts of small things must go towards making it up.

Mr. Leif Jones.

870. It would save printing if no explanation were given?—If I may have the authority of the Committee, and Sir Malcolm will not be after me. (Sir Malcolm Ramsay.) I have passed a good many sub-heads without explanation. (Mr. Bowers.) I will take note of that.

Mr. Butler.

871. With regard to explanation G (2) at the bottom of that page, "being partly due to administrative changes made during the year," could you develop that and say what those changes were?—I think it was that we had a certain discretion in fixing the period at which people came before the Courts, and we found that with the Courts doing the volume of business that they were there was a danger that the cases would not get adequate attention. I explained earlier that we had been hoping that the Courts would do an increasing volume of business and need and justify a larger expenditure; but we found that they were unable to give adequate attention to the volume of cases that they had before them, so an amendment of the regulations governing the periods at which people were reviewed was made; they were reviewed rather less often, and that goes towards accounting for the reduction in the Estimate. I might have pointed that out when I was speaking before.

Mr. Bird.

872. You talked about 10 per cent. as though it was not a very big difference one way or the other?—On £16,000.

873. Does the amount matter, whether it is on a small amount or whether it is on a big amount? If you had found 10 per cent. on total administrative charges you would have thought it was a big figure, would not you?—Yes.

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[Continued.]

874. On the total amount of administration, is there any advantage at all in having too much?—Down as an estimate?

875. Yes?—None whatever.

876. Would you sooner have too much down than too little down?—I suppose a civil servant has a natural disinclination to be short of money at the end of the year, and so have to come to this House for an Excess Vote, and I think this Committee would not like the Estimates to run short like that.

877. You think the civil servant would sooner come for more than say: "I have too much"?—No; I was rather trying to state the converse, that if there is a bias in making an estimate I should think it is a bias in favour of having a little too much rather than having a little too little.

Mr. Leif Jones.

878. With a strong bias in the Departments against supplementary estimates?—Yes.

Mr. Bird.

879. When you go for a supplementary estimate, as is shown in A (iii), you go for a good deal more than you need when I should have thought you would have been able to have estimated fairly closely what the excess would be?—This was done in December, 1929, and we then had about 1,300,000 people unemployed. Supposing one had had to say how many people are going to be unemployed after Christmas and how much it is going to cost you to deal with them, there would be no assured answer.

880. You just make a shot in the dark?—Absolutely, and there is no one in the world who can do anything else.

Chairman.

881. You say "a shot in the dark." You do not let that go without the qualification that the Treasury has a word to say about it?—Certainly not. It is examined by all the people we can get, and we bring to bear all the wisdom and consideration that we can. Suppose you have to do something which depends on the unemployment which there is going to be, shall we say, for the rest of this calendar year—there are a great many people who would like to know what unemployment is going to be.

Mr. Bird.

882. I should like to know how you arrive at your figure. It is a nice round figure, £300,000?—When you are actually writing down an estimate, when you have made your calculation and have settled the nature of the sum, you round it at one place or the other. You either so arrange that the final total is a round figure, or else arrange that the additional sum is a round figure. If we put down on that line instead of £300,000 something which was £297,528 we should be pretending to an exactness of forecast that would not be true.

883. That would be faking the figure?—Yes.

Chairman.

884. You think it more honest to put down a round figure?—Yes.

Mr. Benson.

885. Under subhead D, "long-distance placings," was that primarily with reference to the depressed areas?—Yes.

886. You do not do long-distance placing of men who are not living in depressed areas?—Yes, we do.

887. Why?—If there is a job going in a particular area, and no suitable man can be found for that job, we do.

888. If there is no suitable man, then do you take the nearest suitable man, or what?—You begin with the area. You say, first of all: "Can you fill the vacancy from the area?" Then I think the process is to look in the immediately surrounding district. If it cannot be filled that way you circulate it widely.

889. There is no attempt to use this long-distance placing in order to get men to refuse to break up their homes, and so you would not give them benefit?—No; besides the Court of Referees would stop that, and the Umpire.

890. I am not sure, but still if that is your policy, I am satisfied. With regard to training of young unemployed men under sub-head N, is that reconditioning centres?—That includes reconditioning centres.

891. What percentage of refusals to go down do you get?—That is to say of persons whom we require to go, and who do not go?

892. Yes?—I do not know.

893. Is there any question that these are used for coercive purposes?—None.

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[Continued.]

894. I know of a case of a highly skilled man in my own constituency who was sent down to one of these reconditioning centres. He was a highly skilled man; he was sent down from the North of England to the South for training?—At what date was this?

895. Six months ago?—Was he a skilled artisan?

896. Yes?—I should like to have the particulars for another reason.

897. I am afraid the thing has gone from my mind?—A skilled artisan is not eligible for training, if it was a training centre.

898. I think he was a joiner. He claimed that he was a skilled artisan, and he was sent down, and he gave me sufficient information to make me think there was something in what he said?—There are two points: first, he is ineligible for training, and, secondly, we do not require a person to go to a training centre unless two Members of a local Panel of Assessors, who are not officials, report that it is reasonable to require him to do so, so we have the two things. I think there must be something wrong in the case you mentioned.

899. With regard to the purchase of a training centre at Watford £26,000, including £1,000 paid to a firm as consideration for being allowed to purchase the property in their stead, I do not like that £1,000, and I want to know whether there was any suspicion that there was a wangle. To begin with, a firm buys it and agrees to sell it next day for a profit of £1,000. In the first place, nobody would buy that except a speculator with the idea of selling it the next day, unless they got a very much finer profit than £1,000. An estate agent does not buy for so small a profit?—You might be very glad to take £26,000 the next day and get on with something else.

900. Was it bought through an agent?—No.

901. It was bought direct from the owner?—Yes.

902. Were you in negotiation with an agent at that time?—No; we were in negotiation with the previous owner. I am bound to say we looked at this with exactly the kind of eyes with which the honourable Member is looking at it. I explained frankly to the Committee the position in which we found ourselves, that we thought it in the public interest to buy, and we have examined the transac-

tion since in the light of the point of view of which you are speaking. We have no reason to think it is fishy.

903. Obviously, there was was no collusion, because the owner could have got £27,000 out of you instead of £26,000?—No, I do not think he could. (Sir Malcolm Ramsay.) That question also crossed my suspicious mind, and there was no evidence that there had been leakage of information.

904. If an owner were selling for himself there would be no object in his putting in a nominee?—(Mr. Bowers.) We did not like the transaction, but we thought in the public interest we ought to go through with it.

Mr. Denman.

905. On page 4 of the Unemployment Fund Account the rate of interest on this account seems unnecessarily high. For how long are these sums borrowed?—We borrow from the Treasury week by week as required, and when we borrow, we borrow for five years.

906. You got some at five and one-eighth; when was that repayable?—We can repay it only in due order. We cannot go to the Treasury and say: "We have a little money; we will repay to-day, and we will repay it off our highest rate of interest." The bargain is that we repay the loans in the order in which they were incurred.

907. Cannot you go into the open market and borrow on more favourable terms and repay the Treasury?—One good answer is that Parliament will not let us. The Act of Parliament requires that any money the Unemployment Fund needs must be borrowed from the Treasury.

908. It really seems to be piling up a debt against this fund in a wholly artificial and unnecessary way. Last November you could easily have had the fund on a 4½ per cent. basis or £4 11s. at the outside, and you have none of it at less than £4 12s. 6d., and some of it at £5 2s. 6d. It seems to me that the whole transaction is an artificial one. To burden the fund with this kind of interest does seem grossly unnecessary?—This matter has been before the Committee over a number of years.

Chairman:

909. Perhaps Mr. Phillips would like to say a word about that.—(Mr.

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[Continued.]

Phillips.) I am afraid I could not quite agree with the statement. I do not think you could borrow in the market, in fact, I am sure you could not borrow in the market on these terms at $4\frac{1}{2}$ per cent.

Sir *Assheton Pownall*:

910. There was a time, a year and a half ago, when it was $6\frac{1}{2}$ per cent. The State would have had to borrow at $6\frac{1}{2}$ per cent. at the time the Bank Rate went up a year and a half ago?—Yes; it is borrowing perpetually. They get the money when they want it; perhaps once or twice a week. They also have the privilege that when they are in funds they can pay it back, and the Treasury are bound to take it back without notice. It is not a marketable security at all. You would find it very difficult, at any quotation, to borrow on those terms, and I should have said that these rates, considering the rate of interest current at the time the particular loans were made, were very reasonable.

Mr. Denman.] There seems no method of correcting the rate when you can borrow on more favourable terms.

Chairman:

911. In other words, do you make a profit out of it, at the Treasury?—The Treasury make no profit. We charge what the National Debt Commissioners charge us.

912. Where is the entry of benefit in regard to the amount collected from this notional fund?—The National Debt Commissioners would be getting interest on their money, which would be paid out of the Unemployment Fund.

913. The National Debt Commissioners would disburse that into what channel for the benefit of the taxpayer?—It would be paid to the Trustee Savings Bank Fund, or whatever fund the National Debt Commissioners had found the money from.

914. That is to say, if there was any benefit on the transaction, the benefit would go back to the taxpayer through various channels?—That is so; the taxpayer or the Savings Bank depositor.

915. Take the 10 years over which this borrowing has been going on: On the whole, has the fund suffered on the lines which Mr. Denman fears?—No, I think not. I think they have been charged a very fair rate of interest.

916. Taking one year with the other?—Taking the whole period together.

Chairman.] Does that satisfy you, Mr. Denman?

Mr. Denman.] I think my questions are answered.

Mr. Leif Jones:

917. On page 218 with regard to sub-head N, the supplementary estimate of £100,000 and an underspending of £132,000, when did you take that supplementary estimate?—(Mr. Bowers.) In December.

918. Ought not you to have been able to say in December that you would not want it?—I do not know whether you were here when I explained that practically the whole of it is in two items. We set ourselves to buy two factories. One of them we did not find till March, so we did not pay for it until the next year, the other was rented, so there was no charge to capital account. Then we had a scheme for men to go to Canada, and contrary to all expectations, the men did not come forward, so there was not that expenditure.

Mr. Leif Jones.] I missed that explanation.

Sir Assheton Pownall.

919. In Note M, at the bottom of page 217, you give the expenditure which goes to comprise the £175,000?—Yes.

920. I do not see the amount under each of those three sub-heads for which a grant was originally made. I want to know where the saving of £168,000 was effected; in which of those three sub-heads?—It was largely because we were not able to move as many families as we wanted to.

921. You give the expenditure under (i), (ii) and (iii). You do not split the estimate into (i), (ii) and (iii)?—Half of it related to the fact that we transferred less families from the depressed areas than we expected to, and they cost us less per family than we expected.

922. I wanted to know how that £168,000 is divided up between sub-heads (i), (ii) and (iii). You are very clear in your expenditure, but you say nothing about the grant?—The answer that I have given you relates to half of the saving. With regard to the other half of the saving, it happens that I have not got the thing classified in the way you are asking me, but I can explain the items of saving, which is pretty nearly the same

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[Continued.]

thing. We sent less people to Canada than we expected, and saved about £50,000 in that way.

923. In other words, you spent £2,000 approximately instead of £52,000. The Estimate shows £52,000?—That was a very special scheme, and that is only a very small part of the expenditure on it.

(Mr. Bowers withdrew.)

924. Could you let us know how those three items were originally shown in the original grant?—It is in the Estimates; they were lumped in the estimates.

925. As you give us the details of the expenditure now to show how the saving was effected, our information is not complete unless we know what was in the original figures?—I will send it along.*

* Loans and Grants to facilitate the Transference of Workpeople within Great Britain and Oversea.

Comparison of Estimate and Expenditure, 1929/30.

—	Estimate.	Expenditure.	Saving.
	£	£ s. d.	£ s. d.
Loans	84,000	53,799 10 7	25,200 9 5
Grants	259,200	114,098 3 6	145,101 16 6
			170,302 5 11
Remanet Service:— Canadian Harvesters; see Note iii. to Subhead M (page 217) and Statement C with the Appropriation Account for 1928 (Class V, Vote 9—page 216) ...	—	2,146 8 8	Excess 2,146 8 8
	£343,200	£175,044 2 9	£168,155 17 3

CLASS I.

ON VOTE 15.

NATIONAL DEBT OFFICE.

Mr. M. F. HEADLAM, C.B., O.M.G., called and examined.

Chairman.

926. We will now pass to paragraph 22 on page viii. I have nothing to say on paragraph 22. The Comptroller and Auditor-General's Report is before us. Has Sir Malcolm anything to say?—(Sir Malcolm Ramsay.) No. These various funds, as you know, account for a very large amount. There are 60 separate funds, and they hold nearly £1,000,000,000 worth of securities. They are covered by that paragraph.

927. On page 26, Class I, Vote 15, I notice Note B on page 26, and when, one thousand years hence, the records of Britain are dug up, there will be a large archaeological discussion as to why the laundry charges come into the National Debt Office?—(Mr. Headlam.) The explanation is that the charge has been taken over by the Office of Works. We

are washing our towels, I understand, once a fortnight instead of once a week.

Mr. Leif Jones.] £150 was saved on that.

Chairman.

928. With regard to "Allowances" under sub-head D, as you call them, I see from the note at the bottom they are medical officers' fees. I do not take any exception to it, but I suppose you have a good reason for calling that amount "Allowances"?—They are fees or allowances to the medical officers.

Sir Assheton Pownall.] It is "Allowances, etc."

Chairman.

929. Is not there rather an element of snobbery in calling a fee an allowance?—I will have the point considered. (Mr.

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[Continued.]

Phillips.) The big thing is the fees to medical officers, but in the Estimates they are set out at length?—(Mr. *Headlam*.) It also includes the allowances to the clerks of the Board who are officials of the National Debt Office. They get a fee in addition to their salary, and that is the ordinary Civil Service phrase, "allowances."

Major *Salmon*.

930. On the question of the estimated figure of £13,760, you realized £17,000. Apparently under "Commissions on Savings Bank Investment Account and Post Office Register account transactions," you were 50 per cent. above your calculation?—The answer to that is that there was more business. We cannot antici-

pate how many people are going to invest their money in this form. In fact, we thought there would be a smaller amount in view of the depression, but they seem to have been rather larger in this year.

931. Is this figure as large as it has ever been?—The £17,000?

932. Yes?—It will be bigger in the succeeding year, because we shall have an extra Appropriation in Aid. We are taking an allowance for looking after the Trustee Savings Banks, which we are permitted to do under the Act of 1929. We shall have a considerably larger Appropriation in Aid in the next account you have before you. (Sir *Malcolm Ramsay*.) They have had as much as £25,000 in Appropriations in Aid in one year.

ON VOTE 10,

FRIENDLY SOCIETIES DEFICIENCY.

Chairman.

933. We will now pass to page 19, "Friendly Societies Deficiency," I suppose that is a nominally arranged figure,

£5,975, is not it?—(Mr. *Headlam*.) That is the difference between the amount of interest on the securities held for this fund, and the amount which we had to credit to the societies.

LOCAL LOANS FUND ACCOUNT.

Chairman.

934. We will now go to Paper No. 33. Has Sir *Malcolm* anything to say about

that?—(Sir *Malcolm Ramsay*.) I have a Report, but it is merely statistical, on page 12.

ON VOTE 19.

REPAYMENTS TO THE LOCAL LOANS FUND.

Chairman.] Let us go to page 33 of the Civil Appropriation Accounts, "Repayments to the Local Loans Fund." There is nothing for me to say there. It is automatic and we can pass it. That has been dealt with by the third entry on the White Paper No. 33. We will now ask Sir *Malcolm* to go to page 12 of his Memorandum. He has put a certificate at the bottom there.

Major *Salmon*.

935. It says: "No sums were written off the assets of the Fund during the

period of the present account." What had you in mind when you wrote that?—(Sir *Malcolm Ramsay*.) Any sums written off the Fund are always made good, by Statute, from Parliamentary Votes. There was no Act passed which made good the assets written off. There will be an Act, I understand, in the present Session.

Sir *Ashton Pownall*.

936. Something was written off the year before?—There was £1,200 written off in the year before in circumstances which were explained last year.

SINKING FUNDS ACCOUNT.

Chairman.

937. On Paper 129, page 2, you see the net result of what the sinking fund did, and the real debt reduction for that year

was round about £47,000,000. Have you anything to say on that, Sir *Malcolm*?—(Sir *Malcolm Ramsay*.) I have nothing to add to what the Paper says. All the figures are given.

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[Continued.]

IRISH LAND PURCHASE FUND ACCOUNT.

Chairman.

938. We now turn to Paper No. 35. I cannot see anything in this account to draw your attention to. Can you find any fault, Sir Malcolm?—(Sir Malcolm Ramsay.) No; it follows the ordinary lines. It is all in order.

939. Are you paying anything back (we raised the question last time) of that 1891

loan?—(Mr. Headlam.) They are not included in this account.

Mr. Leif Jones.

940. How much longer is the Irish Land Purchase Account going on?—(Sir Malcolm Ramsay.) Two generations. (Mr. Headlam.) 68½ years was the original idea, from 1903.

(Mr. Headlam withdrew.)

CLASS IV.

ON VOTE 5.

NATIONAL GALLERY.

Chairman.

941. Let us take page 173, National Gallery. Have you anything to say on

that, Sir Malcolm?—(Sir Malcolm Ramsay.) No.

(The Witnesses withdrew.)

(Adjourned to Thursday next at 2.30 p.m.)

THURSDAY, 26TH FEBRUARY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Captain Crookshank.
Mr. Denman.
Sir Robert Hamilton.

Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VII.

ON VOTE 1.

ART AND SCIENCE BUILDINGS, GREAT BRITAIN.

Sir LIONEL EARLE, K.C.B., K.C.V.O., C. M.G., J.P., called in and examined.

Chairman.

942. The first item we take is on page 320, Vote 1, Art and Science Buildings.

There is an overhead cut on this sub-head A. of £30,000. In 1930 there is a cut of £53,000?—(Sir Malcolm Ramsay.)

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

That is a general cut. This year, as the Chairman points out, the cut was off subhead A.

943. I am going to ask the Treasury about these cuts. When I get to subhead C., I shall ask you, after the Treasury has answered about the cuts, if you have any idea what the amount of money spent on furniture is on your Vote? I have been into the matter and added it up roughly. On these Votes 1 to 11 there is £338,414 for furniture. I do not say it has been made new, but it has evidently been allocated to Departments, and it has come out of stores. That is on Votes 1, 2, 4, 5, 6, 8, 9, 10 and 11. This item C. "Furniture and Removals, £23,000" set me on inquiry. I want to know from Sir Lionel later on how much money he spends a year on furniture. I have made it for this year £338,414 for all his Votes. I will come to that afterwards. On page 321 there is an item to which I want to draw attention. There is an error in estimating, £2,600. I do not think there is very much to say about that. There is a donation towards installing a lift at the Natural History Museum?—It was given by a kind donor in case the staff should get unduly tired if they walked up the staircase, and the public as well.

944. The public paid so much for putting it in?—It cost a little more than the donor gave, but not much.

945. It is an Appropriation-in-Aid?—Yes, it is not very often that public Departments are presented with a gift of that kind.

946. This item "Refreshment Clubs for light, etc.," is an Appropriation-in-Aid. Are these staff clubs given special terms? I will ask the Treasury about the cuts?—(Mr. Phillips.) The Committee is very familiar with the general subject of overhead cuts on works Votes, and perhaps it is hardly necessary for me to defend the principle. Overhead cuts on Works Estimates commenced in 1923, and the reason for them, as everyone knows, was, that however carefully you prepare a works programme it always happens that there is a great lag in the actual execution of it, with the result that the original estimate proves too high, and a large sum of money is surrendered at the end of the year. To illustrate that I have got out the figures for the Vote for Public Buildings, which are rather striking. In 1921 that particular Vote surrendered, at

the end of the year, £722,000; in 1922 it surrendered £800,000; in the next year we started the super-cut, and the surrender dropped to £300,000. That was in 1923. In the six years since then the largest surrender was £90,000. So I think it is fair to say that the super-cut, as carried out, has achieved the objects which we hoped it would.

The particular point you ask was in connection with a certain change of practice which took place in the year 1930-31, which I will endeavour to explain. In that year it happened that the preparation of the Vote for Revenue Buildings was very much delayed, the reason being that that was the year in which the main charge for Post Office Buildings was transferred from Vote to Capital. In connection with the preparation of that Estimate the Office of Works expressed the opinion that perhaps the super-cut arrangement would work more smoothly, and we should get larger cuts if the cut were applied to the Vote as a whole, and not to particular subheads. That idea we thought was worth a trial, and, accordingly, in the Estimates for 1930-31 the super-cut was applied to Votes as a whole. On the whole we are not very satisfied with the experiment. It proves to be open to some objections, which are perhaps technical objections, but still important. For instance, if it proves later that a Supplementary Estimate is necessary, and, if you have made your super-cut from the complete Vote, when you present your Supplementary Estimate it is for a lump sum which is not split up amongst the different subheads, and that, I agree, is not a very desirable form in which to present Supplementary Estimates. It has accordingly been decided not to go on with that experiment, and the Estimates for the coming year, which will be presented shortly, will be in the older form, of showing the cut against particular subheads.

Chairman.] As the matter is quite fresh in Mr. Leif Jones' mind and mine, I will call on Mr. Leif Jones first, because the thing ought to be threshed out.

Mr. Leif Jones.

947. I have not very much to ask. Mr. Phillips has put it before us. You say you made this trial in 1930-31? The Treasury did it?—The Office of Works concurred in the proposal.

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

948. Do not you think you ought to have consulted the Public Accounts Committee?—I think, on the whole, it was not a very important change, with respect. Certainly if we had been doing anything fundamental, like abandoning the super-cut, we should have come to the Committee, but the difference was not very great between the two systems, I suggest, with respect.

949. I am not at all sure of that, because the form adopted by you has raised another issue, which I put before the House a few nights ago, and which I put to you again. If you have a Supplementary Estimate following on the super-cut, you put down the amount of the super-cut, it is distributed over the whole of the items, and the House never votes it under the subheads. Do you think you were right in those estimates in putting the amount of the super-cut? What has the cut at the beginning of the year to do with the money you require for the few months remaining of the year for which you take the Supplementary Estimate? It has no relation to it at all. It may have caused, in some way, part of your under estimate. Supposing your super-cut is £38,000, as it was in the particular Vote, the amount required for the six weeks of the year might be £10,000 or £50,000. It has nothing to do with the £38,000, and, as a matter of fact, the £38,000 was not sufficient in that particular Vote. I do not see why you mentioned the super-cut in preparing the Supplementary Estimate. It is only a sort of sop to the estimators to say, "After all, we thought we would do more work, but we had a super-cut of £38,000, and that accounts for £38,000 of our under-estimate."—I am afraid I am not very familiar with the particular Supplementary. Perhaps I ought to be, but I have already expressed the view that we certainly agree that it is much better to show your cut against particular subheads, so that if a Supplementary comes along there can be a fuller explanation of the extra sum needed.

950. I am very anxious to press this point, that the amount of your Supplementary Estimate should be the amount you are going to spend before the end of the year; that it should not be something you were considering at the beginning of the year. You take your Estimate at a certain period, and you want

a certain amount of money, and it is the amount of money you require and are going to spend before the end of the financial year that should be the amount of your Supplementary Estimate?—It surely must have been.

951. You do not really take the point. I think the amount asked for was £85,000 in the Supplementary Estimate?—Yes.

952. Under subhead A., "New Works, alterations, additions and purchases," £10,000?—Yes.

953. Maintenance and repairs, £5,000?—Yes.

954. Furniture etc., £7,000?—Yes.

Mr. *Leif Jones*.] Rents £25,000 and then "amount deducted from gross original estimate" £38,000.

Chairman.

955. Which had never been voted?—I have already expressed the opinion that the better arrangement, which will be adopted next year is that on the original estimate that £38,000 should have been split up among the different subheads. If that were done it would not appear in the Supplementary Estimate, but again, as a difference on the various subheads A., B., C. and E.

Mr. *Leif Jones*.] You might still talk about the original cut in the Supplementary Estimate. The point I am putting to you is that the original cut has nothing at all to do with the Supplementary Estimate. It may be the cause of your bringing in the Supplementary Estimate, but as to the amount which you require, it really has no relation to it, and I submit to you that no reference to the super-cut should appear in the Supplementary Estimate, unless you choose to put a note "Our original estimate after all was right, but we made a super-cut thinking we should be delayed, but we were not, and are short." You have adopted a form of accounts without consulting the Public Accounts Committee, and I venture to think some of these considerations would have been put to you in time, if you had come to us.

Chairman.

956. I agree with what Mr. *Leif Jones* has said. I was present during this Debate, and he and I put our heads together afterwards, and said we would

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

raise this question here. What has happened is this. For no other reason than the method of accounting, the Department has masked the object for which the extra moneys will be required?—Exactly.

957. And it prevents us from knowing in the House of Commons how it is going to be spent; that is a flaw?—(Sir *Malcolm Ramsay*.) That is the main point.

958. You have masked the objects. We do not blame you very much, because it is merely a question of accounting and you can easily put it right. What do you say, Sir *Malcolm*?—I quite agree. The unfortunate way they made the original cut by taking off a sum of £38,000 made it extraordinarily difficult for them to present a Supplementary which had any necessary relation to that particular sum.

Major *Salmon*.

959. Is it not a fact that the reason you had the cuts is a question of policy? In other words you want to save the spending, in a particular current year, of an aggregate amount of money. You want to reduce the amount of expenditure during that current year, therefore it is a question of policy. Therefore, first of all, you make up your mind you want to collect so many millions of money, and you say: "You must make a cut"?—(Mr. *Phillips*.) The point is we do not like raising more money from the taxpayer than is wanted. The whole idea of the cut arose from the very large surrenders of unspent money which took place about 1921 and 1922, as I stated.

960. That may have been it to an extent?—I am talking of the Works super-cuts.

961. But in the other Departments (because we are discussing super-cuts as a whole) there must be a question of policy behind this; that is to say in giving the estimates the total figure comes out too high, and the Government, in their judgment, do not desire to spend so much money that year, and each Department, they say, can cut so much from their estimates?—Certainly I should not put the thing in that form myself. The only cuts I am aware of are on the Works Votes and the Navy Votes. (Sir *Malcolm Ramsay*.) The cut is quite clearly made for this reason: If you estimate you are going to build 100 buildings in different parts of the country and estimate in full

for each of them, you are likely to ask Parliament to grant you a great deal more money than you can possibly spend, because there are difficulties in laying out the sites and drawing the plans. A cut is therefore made in anticipation of delayed progress. The question of the overhead cut on broad grounds of policy is a different question. I do not say it has never arisen, but it is not this question you are discussing now.

Captain *Crookshank*.

962. On what principle is this cut arrived at?—(Mr. *Phillips*.) I know how the Treasury end of it is done. They would consider the past history of a particular subhead. If they saw that in previous years there had been a tendency to underspend on that subhead, they would try to form the best judgment they could as to how far that was likely to be repeated.

963. On the one we are speaking of the deduction is £30,000 out of £93,000, which seems an enormous proportion. On the one on page 347, the total is £222,200, and the cut seems to be perfectly simply a knocking off of the odd numbers and leaving it at the round sum of £200,000. The proportion of £200,000 to £222,200 is very different from that of £30,000 and £93,000, it is really a sort of glorified guess?—It seems to work out very well.

964. Is it done upon any principle?—The Office of Works know much more than we do about the circumstances of the particular year, and, by a process of reasoning a conclusion can be reached.

965. You do not think there is anything strange, in this particular Vote, in having a reduction of £30,000 out of £90,000. It seems to me a fantastic proportion?—I can easily look that up and find out why that particular cut was so high.

Chairman.

966. I do not think we need bother ourselves much more with this. We are not quite satisfied with this particular system. We like to see the money cut down, but we do not like the masking?—(Sir *Malcolm Ramsay*.) The Treasury have conceded that, in future, they will make the cut against specific subheads. (Mr. *Phillips*.) We stand most firmly by the super-cut, in principle. We do not want to go back to the days of 1920.

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[Continued.]

Chairman.] We agree with the principle, but we do not like the method.

Major Salmon.

967. With regard to the item: "Refreshments Clubs for light": £275, is there any method by which you debit the Clubs for light? Is it by the amount of the light consumed? How do you arrive at the figure?—(Sir *Lionel Earle.*) They actually pay for their light metered.

Chairman.

968. I have found, in Class VIII, there is a total of £338,414 in one year under the heading of "Furniture and removals." That means to say £1,000,000 every three years. I do not know whether that is for furniture taken out of store, or whether it is for new furniture, or partly for new furniture and partly for furniture out of store, but the figures seem to be practically the same in total as they were last year. I want to put that figure to you for you to give us an explanation?—The figures, roughly speaking, are correct, but if the furniture is taken out of store, it may be second-hand or old furniture; store issues are charged against the furniture sub-heads.

969. We know that. Which of that is furniture which was not in store?—That I should have to find out; I cannot tell you accurately now.

970. If the furniture was in store, it was in the Government's possession when it was given out, and therefore, has been credited back when it came in?—No; not in these accounts.

971. Where did you get the furniture from?—From offices that have become redundant.

972. It was already in existence, in the possession of the Government?—I might be able to let the Committee know the exact amount of new furniture as against second-hand furniture from store. I think we might be able to do that.

973. We should like to have, at some future time, a Memorandum on this furniture question, to know how much is spent on furniture and furnishings per year, fresh?—I may tell the Committee we have had many deputations, which the First Commissioners have received about the bad quality of the furniture in the past, from the Whitley Councils and

they ask for better tables for the typists and that kind of thing. We have not given way to all their demands, but it is a very active complaint amongst the working staffs of the departments that the furniture is not of the quality they desire.

974. Whatever furniture you give to the staff to use must be acceptable to them, otherwise it is useless; we agree to that. We know very well a staff cannot use furniture which is not applicable to their purposes. We brush that aside. We want to know what His Majesty's Government spends per year, through your Department, for furniture; what the outlay is?—On new furniture?

975. I did not say that; on furniture?—This year it amounts to about £338,000.

976. No, that is not so. Part of that was in store already?—But it is charged against the Vote.

977. I did not ask that?—You want to know what new furniture we buy?

978. It may not necessarily be new furniture. It may be furniture for which the taxpayer is charged with a money expenditure; you may buy second-hand furniture. You may have bought a second-hand writing table and issued that. I do not want you to confine yourself to new furniture?—Would it be useful to know what we take from store?

979. No; I have not made myself clear. You have a store of furniture existing. A Government Department has to be organised; From your store you take out what you have available, and put it into the new department?—Yes.

980. What you have not available you have to buy new or second-hand. I want to know what the two items are?—I will let the Committee have that.* (Mr. *Phillips.*) The furniture subhead includes the wages of the industrial staff engaged in connection with furniture, and a certain amount for removals.

Mr. Leif Jones.] A good many details are in the Estimates.

Chairman.

981. We will now go to pages 322, 323, 324 and 325. I will draw attention to the points which have attracted my attention. On page 323, at the bottom of the page, the third item from the bottom: "The contractor was paid £200 for extra

* See Appendix 8.

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SIR LIONEL EARLE,
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[Continued.]

expense due to accelerating completion of the contract." There was no irregularity there, was there?—(Sir *Malcolm Ramsay*.) No; that I point out because the Committee always take great interest in extra-contractual payments. On the two bottom items there is a large saving.

982. With regard to the British Museum Repository at Hendon, on page 324, are you satisfied that the best use is being made of the site?—(Sir *Lionel Earle*): Yes; we are extending it to take the newspapers, which are taking up a great amount of space in the British Museum.

983. You are satisfied?—Yes; it is not completed yet.

Chairman.] On page 325 there was an overhead cut of £30,000, which was about right?

Sir Assheton Pownall.

984. On page 325 there is an item "Minor works not exceeding £500." They amount to a rather big total, with an excess of £957. I do not know whether there is anything special in that that is worth recording?—The only thing is that the demands were greater than was anticipated when the estimates were prepared.

985. You cannot tell us on what item it was? There is no outstanding matter?—No; I cannot remember the details of it.

Sir Robert Hamilton.

986. On page 324: "Geological Museum," I wanted to ask you with regard to the present museum in Jermyn Street. Does that site belong to the Crown?—It does; to the Commissioners of Crown Lands. It reverts to them directly it becomes unoccupied.

987. Has any proposal been made for utilising it?—I am told they propose to sell it. I am told they will get a very large price for it, for a cinema or something like that.

988. When will it be ready for the transfer?—I should think about the beginning of the year after next.

Chairman.

989. Many questions were put down about the Geological Museum, and some were put to me when I was at the Treasury. We had a long talk about the roof?—Yes.

990. It was eventually decided, under Lord D'Abernon's scheme, to put up a Museum at South Kensington?—Yes.

991. But it was suggested that the Government should have a talk with the local authorities with regard to the widening of the street. Has any move been made to talk to the Westminster authorities?—It would not be my affair. It would be the Commissioners of Crown Lands' affair; it belongs to them.

992. If the building were sold and a part of it were required for street widening purposes the London Public would then have to find, through the County Council, a large sum for compensation for displacement; that ought to be foreseen. Would it be within our province to call attention to that?—The local authority would have to pay the Commissioners of Crown Lands.

993. We want to save the local authority money which would otherwise go into the cinema proprietors' pockets?—It is a question of their coming to terms with the Crown Lands Commissioners as to what compensation they will get for giving up their portion of the site.

994. There were two or three questions put down about it; I had to answer them?—I think the Minister of Agriculture would have to answer, as responsible for the Crown Lands Department.

995. Do you remember this, Mr. Phillips?—(Mr. *Phillips*.) No; but you could ask the representative of the Commissioners of Crown Lands, when he appears.

Chairman.] We will make a note to ask him that.

Mr. Leif Jones.

996. You spent nothing on the newspaper place at Hendon? What is the position now; are you going on with the works?—(Sir *Lionel Earle*.) Yes, it is in full blast. There was a good deal of agitation in the papers, and the thing was held up, and also there was the question whether the reading room should be at Hendon or whether the papers should be brought to the British Museum.

997. Is that settled?—Yes. The Reading Room is to be at Hendon. Everything will be moved, except that a copy of the "Times" is to be kept at the British Museum.

998. When do you expect that to be ready?—Sometime next year.

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

Major Salmon.

999. I was going to ask Sir Lionel a question on page 322. In giving certain explanations (I am taking it as a general question), you say: "Estimate (revised), £302,810" for the new Science building at South Kensington. Then you go on to say: "expenditure to 31st March, 1930: £262,404." What do you mean by the "Estimate (Revised)"? What was the original estimate? What does it mean? Is it a reduction of your original estimate, or is a larger figure?—It is many years back since the first estimate was put forward; several years back.

1000. The point is that this sort of estimate, if it passed so many years ago, goes into oblivion as to what the first estimate was. All we see is the word "Revised." It might carry a multitude of omissions or commissions. We could never say it was more than your estimate, because it has been revised. There are a number of cases of revision of estimates. On page 323 you will see the same thing; Item 1?—As regards the Science buildings, of course certain alterations were made, on the recommendation of the Royal Commission. For instance, they recommended that a Conference Room should be established, which would make it suitable for lectures, and, at the request of the Museum authorities, it was asked that it should be made possible to adapt and equip the accommodation so that it could be made available for the public, and be used for showing cinematograph films.

1001. I am not challenging the object. I want to know, how does one know what the revised estimate is, as against the original estimate, in the aggregate?—(Sir Malcolm Ramsay.) The latest estimate is shown in the estimates, and the word "revised" in these accounts relates to any change which has taken place in the total estimate during the year.

1002. Is that what "revised" means?—That is the sense in which it is used here.

1003. Would you give an example?—I think that is right. (Sir Lionel Earle.) That is so. (Sir Malcolm Ramsay.) It refers to changes made since the last statement was made in Parliament.

1004. Since the last estimate was before the Committee?—Or the House.

1005. It does not say whether it is a minus or a plus item?—No, I am afraid it leaves Members to make a comparison with the estimate, which goes in great detail into the matter.

1006. These figures presumably are published with an object, that is to give information, but if the information that you are given is so masked that you cannot tell it, it is very little use giving the information. We might save a lot of work. I do not believe in presenting figures unless they have some meaning and objective behind them?—(Sir Lionel Earle.) If you turn back to the estimates for 1929, the estimate there was for £299,155, and it has been revised to the tune of £302,810; probably for the reasons I have given you as to the recommendations as regards the Conference Room.

1007. I am not challenging the reasons, good or bad?—There is the original estimate in the 1929 Estimates.

Mr. Leif Jones.] You do get the estimates revised every year? You can follow the estimates year by year?

Major Salmon.] Up or down?

Mr. Leif Jones.] Which ever way it goes. You must go further back than 1929 to get the history of the new Science building at South Kensington.

Major Salmon.

1008. I am only taking that as an example. Would that apply to page 324, to the new Geological Museum: "The foundation work progressed more rapidly than anticipated. Estimate (revised) £237,800." It was originally £220,000; now it has gone up to £237,000?—In the 1929 estimates it appeared at £220,000.

1009. Now it has gone up to £237,000?—£237,800.

1010. That will come up presumably before the Estimates Committee, or has been before the Estimates Committee of that particular year?—Yes.

1011. Showing that it had been increased?—Yes.

Chairman.] We will now pass to page 326. There is nothing on that for me to say anything about. If there are no questions I will go to pages 327 and 328.

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

ON VOTE 2.

HOUSES OF PARLIAMENT BUILDINGS.

Chairman.

1012. The estimate included handpicking decayed stone work, £1,500. Then there was the restoration of the stonework £50,000. You had a cut of £20,000 giving you net £30,000. There is no cut in 1930?—(Sir *Malcolm Ramsay*.) No, there is no cut in 1930.

1013. Have you anything to say about that?—(Sir *Lionel Earle*.) No. I think the members are very familiar with the picking the stone work at the House of Lords.

1014. Sale of stone removed in connection with the work of restoration: £276 10s. 6d. Perhaps Sir Lionel will tell us who these relics were bought by? The note G. looks as if someone had been taking something they ought not to have had, £210. How did that happen?—Sir Thomas Butler was appointed Yeoman Usher to the Black Rod, and Secretary to the Lord Great Chamberlain in 1896. It was then decided by the Treasury that he should not be granted free supplies of fuel and light for his official residence in the House of Lords. It was, however, agreed that an allowance of four tons of fuel per annum for heating a room used for official purposes, which had been received by his predecessor should be continued. Fuel was issued at that rate until 1918, but from that year onwards demands for larger amounts were met, the limit being overlooked owing to depletion of staff through military service—that is in my department. The demands were prepared by the Resident Superintendent of the House of Lords and counter-signed by the Secretary to the Lord Great Chamberlain (Sir T. Butler) the over issues continued until Sir Thomas Butler retired in 1929, and amounted to 104 tons valued at £210 19s. As it was clear that Sir Thomas was aware that he was only entitled to free supplies for the official room, he was requested, on the error being discovered, to re-imburse the department for the fuel improperly issued. He declined to do so on the grounds (1) that the estimates for the House of Lords offices had for many years contained a note that he enjoyed a furnished official residence "and received fuel"; (2) that the supplies had never been challenged by the department. As the House of Lords

Offices Committee did not desire to pursue the question of recovery from Sir Thomas Butler's pension the amount was written off.

Chairman.] Has anybody any observations to make on that?

Mr. Benson.

1015. I was not quite clear as to the position. Sir Thomas apparently knew that he was receiving more than he was entitled to?—I think he must have known, because he must have known what his allowance was.

1016. His defence was that it had slipped past your department?—His defence was: That the estimates for the House of Lords Offices, had for many years contained a note that he enjoyed a furnished official residence "and received fuel." (2) That the supplies had never been challenged by the department—that is by my department.

Chairman.

1017. His defence was that the consumption by him had been officially acquiesced in?—Yes.

1018. That seems to me a logical argument?—Still I cannot say that I think that that was justified.

Sir Assheton Pownall.

1019. Was he correct in his statement with regard to the fuel? I understand it was only in regard to one room where he was entitled to four tons?—Yes.

1020. Was it correct that his official residence took the coal with it? He certainly used the coal, which I maintain he was not entitled to do, in his house. He enjoyed a furnished official residence and received fuel. Therefore, he has interpreted this as meaning that the fuel was entitled to be used in his house, and not only in his office.

1021. The term "official residence" he has taken to be his home as apart from his office?—Yes; which was not what the intention was.

Mr. Benson.

1022. I do not think that wording can be interpreted that way. It said: He

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

enjoyed an official residence "and received fuel." It does not say he received fuel for his official residence. It merely says he received the two, and if the fuel was given for one specific purpose, I think his defence is entirely invalid?—It obviously could not be for his official residence as it was only four tons a year. It is obvious it must have been for his room.

Chairman.

1023. If he had liked to use the fuel for another room, and brought his official visitors into another room, no accusation could have been brought against him?—I think, if you have only four tons, it is obvious it cannot be for an official residence.

Captain Crookshank.

1024. If you issue more than four tons to somebody who is only entitled to four tons, some blame is attached to the issuing authority?—I agree, but it was largely due to the number of people taken at this time for the War. We had 99 people in my department killed.

Chairman.] Let us leave it at that.

Mr. Benson.

1025. What is the Treasury point of view?—(Mr. Phillips.) The only source from which this could have been recovered would have been by deduction from the gentleman's pension. We put it to the House of Lords Committee. He was a gentleman of 84, with a pension of about £600 a year. The House of Lords Committee did not desire to pursue the question. That is the reply we expected, and it went no further.

Chairman.] We must leave it at that, I think, gentlemen. It was a decision of the House of Lords Committee.

Mr. Leif Jones.

1026. Have you ever taken out, what I may call any long range consideration of the expenditure at the House of Commons on maintenance, carpets, and so on? Do you think we are growing more luxurious or less luxurious?—(Sir Lionel Earle.) I think there is a tendency to grow more luxurious. When I see a gentleman in the House of Commons who asks whether the House of Commons

could not be stripped of its varnish, which would mean a very considerable expense, I think it is a luxury. There was a question asked the other day whether we could not do that. I only went with them yesterday through the House of Lords, the House of Commons and the Speaker's House, to get the opinion of the Fine Art Commission.

1027. I was on more ordinary things than the structure of the building, carpets, chairs, and so on. Are the annual demands greater or less. The number of members remains practically stationary?—I should say on the whole there is rather a tendency to a higher standard of luxury in the way of carpets and things, but when carpets get into holes, as they are in certain portions of the House of Lords, particularly in the Library, there is a danger of some old gentleman tripping up, and coming an awful crash, and we should be to blame. I have called the attention of the House of Lords to it. They said, "Let this go for some years longer." I have warned their Lordships that I cannot be responsible if an old gentleman does trip up in this hole, and goes down, but they distinctly took the line that, in the interests of economy, they preferred to let this go a few years longer.

1028. Do we burn more fuel?—I cannot tell without looking into it, but I should not think so.

1029. I suggest there is an interesting field of research?—There is more consumption in lighting. There are many complaints from members of the darkness. They even complain of the darkness of the Central Lobby. Certainly the lighting has been improved in the corridors.

Mr. Bird.

1030. That cost a good deal of money?—No; it uses more current, but we use some of the old fittings. It is certainly a marked improvement.

Mr. Leif Jones.

1031. Is the building showing signs of wear?—There is this stonework, which is an expensive thing.

1032. Is that increasing?—I would not say it is an increasing annual expenditure, but it will go on for a good many years. It will cost about £1,000,000, spread over a period of years.

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

Mr. Denman.

1033. You are responsible for cleaning the windows in this place?—Yes.

1034. Has that expense gone up or down?—It went down, and there were complaints in consequence. We have had to improve the standard again. We went down to a war standard.

1035. These rooms are very dark, and I should think probably the consumption of light is increased?—That was gone into this year, and the service has been improved, I think you will find. I think it is penny wise and pound foolish not to keep windows clean.

Major Salmon.

1036. Speaking about the amenities of the House, I do not know if you are responsible for the warmth or otherwise of the corridors and rooms during late sittings? The House gets very cold after midnight?—Now you are asking me to spend more.

1037. I am simply asking you to see that what we do get is done efficiently?—It is the first I have heard of any complaint of this, but I will speak to my engineers.

Mr. Benson.] I think we might have an averaging. If you come here in the afternoon you get an enormous heat.

Chairman.

1038. The fact of the matter is that during the day we get a heat of 65 to 66, which is terrible?—I agree.

1039. As Major Salmon has told us, I perpetually hear complaints, after a late sitting that in the cold hours of the morning we get a chill?—I will speak about it, but I do not think there is anything in life that you get more difference of opinion about than warmth and heating. I have known it to split up a

home. It is the same as the ventilation in the Chamber. There are no two opinions alike about that.

1040. Undoubtedly the lighting in various parts of the House has improved. The lighting in the Chamber itself has slightly improved, but it glares a great deal. It is not satisfactory yet. I have found, at times, great difficulty in reading my papers, when I have been at the Box. I wondered if you would consider lighting it from behind, so that the light comes from the backs of our heads. Is the Committee perfectly satisfied with the lighting of the Chamber?—I am bound to say I think it has very much improved. I went to see it while it was in progress, and I am bound to say I thought the result was very satisfactory.

Chairman.] We do not recommend anything. We only say this to put you on inquiry.

Mr. Benson.

1041. On page 327, subhead C., "Maintenance of Approaches and Gardens." That seems an enormous amount. There is a note that you paid for maintenance of Parliament Square and certain streets. Am I to take it that that is what it means? Do we pay maintenance for any streets or roads?—As regards that item it was partly due to the transfer to the Westminster City Council, under the Parliament Square and other Streets Act, of certain roads and footways; a sum of £2,500 appeared in the agreement as the maximum amount payable by the Department in respect of alterations and renewals of lamp standards. We made over the whole of those roads to the Westminster City Council and no longer have the maintenance of them.

1042. In other words, we shall have an annual saving on that?—Yes. £2,500 was accordingly included in the Estimates, but only £2,032 was actually spent.

ON VOTE 3.

HOUSING ESTATES.

Chairman.

1043. We will now turn to page XIX of Sir Malcolm's Report, paragraph 51. I find nothing in those paragraphs. Unless Sir Malcolm says there is something to be said there I am not going to raise any question on them?—(Sir Malcolm

Ramsay.) No Sir, I remind the Committee this is an expiring service.

1044. We will now pass to page 329. This Vote is steadily dwindling. The Office of Works is selling the houses. It was a legacy from the Ministry of Munitions. Look at subhead B. "Annuity."

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[Continued.]

That is an annuity, until 1944, in repayment of the advances for the Woolwich Arsenal Housing Scheme. Look at the bottom, Note C: "The expenditure included an amount of £12,238 in respect of local rates" which we had to pay whether we liked it or not. "Maintenance" looks rather heavy, but it includes that sum. Therefore, do not find fault with the £32,000 without taking off the £12,000. On the next page you will see Woolwich; that is a sale of part of the estate to which I have just referred with regard to the annuity. With regard to the Dudley Housing Estate, I do not think the Committee would like details. All I have to say is, the Department got out of its obligations pretty well, and I think Sir Malcolm will hear me out, will not he?—Yes.

Chairman.] Are there any questions on pages 329 and 330?

Sir Assheton Pownall.

1045. Are there many more of these houses at Woolwich still to dispose of?—(*Sir Lionel Earle.*) At Woolwich we have 249.

1046. They are gradually being worked off?—Yes; we have sold two more estates

since this report was presented. As regards Woolwich the vendors of the land must re-purchase in blocks as the bungalows are demolished, and must re-purchase the whole before Midsummer, 1943.

Mr. Denman.

1047. Can we be told why these estates are being sold?—Because they are a very undesirable property, I think, for the Government to hold.

1048. Not worth holding?—I will not say that. Some of them were temporary houses, and were gradually working to slum houses; and the good ones, I think, it is a very bad thing for the Government to hold, because every conceivable pressure is brought to bear on the Minister not to take stern steps with the people who can pay rent and do not.

Mr. Benson.

1049. You think they ought to be administered locally?—Yes.

Major Salmon.

1050. What is the value of the balance of the estate?—The annual rental of the balance of the estates not sold is about £24,085.

ON VOTE 4.

LABOUR AND HEALTH BUILDINGS, GREAT BRITAIN.

Chairman.] We will now pass to Vote 4, Labour and Health Buildings, Great Britain. In this estimate cuts were allocated to subheads A., B. and H. In 1930 there was a cut of £13,000 but not allocated. Under subhead B. this was reduced by £7,000. There was a further saving of £5,902. I shall ask Sir Lionel to tell us why there was a heavy excess of £11,000 in subhead C. for furniture, and under B. the note at the bottom "Cash Tills." How much does a cash till cost, and why do we have them? On the next page you will see there is a heavy excess on subhead J. "Furniture" due to additional requirements in connection with old age, widows and orphans pensions. I do not see how that came in. "Due to additional requirements consequent upon the passing of the Widows', Orphans' and Old Age Contributory Pensions and Local Government Acts."

Major Salmon.] New offices.

Chairman.

1051. Why does it come into this account? Tell us about the cuts, and the heavy excess on subhead C.?—There was a cut of £22,000 on this Vote.

1052. The cut is on page 347. Tell us about the heavy excess?—Directly this Government came in there was a very considerable acceleration of the Employment Exchange business, partly on account of the enormous growth of unemployment, and partly also to the very inadequate premises that existed in certain places throughout the country.

Chairman.] That is an answer. I think that will be enough for us.

Mr. Bird.

1053. Is not there a lot of furniture stored all through the country, belonging to various Departments?—Not an enormous amount.

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SIR LIONEL EARLE,
K.C.B., K.C.V.O., C.M.G., J.P.

[Continued.]

1054. There is a good deal?—Yes; I do not think it is nearly as much as hon. Members may think.

1055. When the Labour Department requires additional furniture for their unemployment bureaux do they ask another department whether they have a surplus or do they just go and buy it?—Other departments surrender surplus furniture.

Sir Robert Hamilton.] On a point of Order. The particular point you are on has been gone into before you arrived, and the answers will be on the note.

Mr. Bird.] I will read it on the Minutes.

Chairman.

1056. Compensation and Losses, Sub-head NN., on page 344 is for Bristol. You will see that item also on page 338, which I will refer to in a moment. On page 335 I see there is a concession of £55 under Note B. for using more elaborate scaffolding. On page 336, the Camberwell site was not available; that is the reason we did not spend the money. I see nothing on page 337. On page 338 there is Bristol again. The compensation paid was the one to which I drew your attention on page 334. What about the suitability of the site. With regard to Item 12 in the observations was the contractor insured? The points I want you to deal with are: The compensation at Bristol; a contractor getting £55 for more scaffolding; Camberwell site £4,000 not expended; at Aberdare, on page 337, the site was not available, and there was £2,942 not spent. On page 338, there is the Bristol item again. No work was done in the year. On item 12, was the contractor insured? That is all I have to say. Will you tell us about Bristol, on page 334?—The history of the Bristol Employment Exchange is: The conveyance of the land provided for the erection of a building costing at least £18,000 and for a covered roadway in a specified position across the Employment Exchange site to give access to the vendors' factory. It was found that the position of the roadway would have to be altered, and that the building would probably not cost as much as specified. A settlement was reached by payment of the sum of £500 as compensation of the alteration of the roadway, the vendors agreeing to a reduction of £15,000 in the cost of the building.

1057. Does that suit you, Sir Malcolm?—(Sir Malcolm Ramsay.) I think the Committee would like to know whether that site has not been found to be entirely useless. (Sir Lionel Earle.) It has. (Sir Malcolm Ramsay.) They had to compensate the contractor on the first site, because they altered the plans, and now the Ministry of Labour turn round and say the site is not suitable. (Sir Lionel Earle.) Having approved it. (Sir Malcolm Ramsay.) Yes, it is not Sir Lionel's fault. The Ministry of Labour turned round and will not have the original site, I understand.

Sir Assheton Pownall.

1058. What reasons do the Ministry of Labour give?—(Sir Lionel Earle.) In October, 1929, the Board (that is my board), were requested by the Ministry of Labour to suspend work on the drawings for the new buildings, as the Ministry's Local Employment Committee, supported by all the local M.P.'s and the Bristol Corporation, had brought strong pressure to bear on the Ministry to abandon this site, because, they said, its position was unsuitable. Miss Bondfield herself visited Bristol, inspected the site, and was convinced that the position geographically is not now suitable for Employment Exchange purposes.

Chairman.

1059. Was it ever?—It is for the Ministry of Labour to say; they approved the first site.

Major Salmon.

1060. When did they approve it?—When it was bought.

1061. At what date?—June, 1926, it was bought.

Captain Crookshank.

1062. May we make a note of this for the Ministry of Labour when it comes up? It is obviously nothing to do with Sir Lionel?—It is a great deal to do with me, but it is not my responsibility.

Chairman.

1063. The Ministry of Labour representative has come and gone?—(Sir Malcolm Ramsay.) You can recall him.

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[Continued.]

Mr. Bird.

1064. Was it suggested it was not suitable from an administrative point of view?—(Sir *Lionel Earle*.) No; I think it was the position of the Labour Exchange.

1065. For those who would have to call there?—Yes; that, I fancy, was their objection.

1066. The unemployed?—Yes.

Chairman.

1067. What does the Treasury say?—(Mr. *Phillips*.) I am afraid I have not the latest particulars by me.

Chairman.] Would not it be a very good idea for the Treasury to have a word with the Ministry of Labour about this?

Mr. Leif Jones.] I would like to have a word with the Ministry of Labour.

Chairman.] We will call a witness from the Ministry of Labour.

Sir Assheton Pownall.] Might he come next week when Sir *Lionel Earle* will be here again. It seems to me it is only fair to warn the witness from the Ministry of Labour in order that he might refresh his memory.

Chairman.

1068. He will see the Minutes of Evidence?—(Sir *Lionel Earle*.) It was intended, on the first site we bought, to provide an Employment Exchange and also other Government offices.

Major Salmon.

1069. Do I understand, after we purchased the first site, we sold it and got rid of it?—No, that is the worst of it. There is an obligation on the purchaser of that site to put up a building of a certain value on it, and we shall have to negotiate with the vendors to get out of this trouble.

1070. When did you know the site would not be suitable; not before you spent £2,000?—In October, 1929, we were requested by the Ministry of Labour to suspend work on the drawings.

1071. What is the total expenditure?—Only the site.

Mr. *Leif Jones*.

1072. £14 3s. 8d.?—£149.

Major *Salmon*.

1073. For plans only?—Yes.

Sir *Assheton Pownall*.

1074. But there is a liability to erect a building on that site, which would obviously run into a very considerable sum?—The liability is to erect a permanent building at a cost of not less than £15,000 by September, 1931.

1075. We have another seven months to put up a building which we have not yet started upon?—Nor shall I start upon it.

(The Witnesses withdrew.)

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

TUESDAY, 3RD MARCH, 1931.

Members Present:

Mr. Benson.
Mr. Butler.
Captain Crookshank.
Mr. Leif Jones.

Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, O.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS IV.

ON VOTE 2 (BRITISH MUSEUM).

Dr. G. F. HILL, C.B., Litt.D., LL.D., F.B.A., F.S.A., called in and examined.

Chairman.

1076. Dr. Hill, I have no observations to make on your Vote. It is very close accounting, and, to surrender £29 4s. 8d. on a £300,000 Vote, I think my colleagues will say, does you great credit. I have nothing to ask, only, is the Natural History Museum being separated from the British Museum?—(Dr. Hill.) Yes, from April 1st I cease to be Accounting Officer for the Natural History Museum. Dr. Regan will be Accounting Officer.

1077. Not Mr. Harmer?—No, Dr. Regan is now Director.

Major Salmon.

1078. I understood you to say, Dr. Hill, that the Natural History Museum is going to be separated from the British Museum for accounting purposes?—Yes.

1079. Does that mean there will be a special staff put on to deal with the accounts?—There will be an accountant there, and our accounting branch is being correspondingly reduced.

1080. In the aggregate will there be any more officials?—In the aggregate, I think, there will not be any more officials. We are actually going to lose two of our accounting branch.

1081. How many have you in the Accounting Branch?—We have three, and all the income tax business will now be transferred to Departmental Claims, and the Natural History Museum work

will be transferred to the Natural History Museum, so we shall not have so much to do.

1082. On page 169 I notice you have a certain amount of money: "Of this balance £5,047 was in the hands of Sub-Accounting Officers acting as excavators or collectors"?—Yes.

1083. How is that money dealt with? Is it in the bank or what?—It is kept in the bank and paid out on the requisitions of excavators or people who are collecting for us.

1084. Is it there on deposit?—I should think probably some is on deposit and some on current account. I could get the figures if it is necessary.

1085. I did not see any credit put down for interest on money that may not be expended?—Then it is probably only on current account, it is always being called on suddenly. An excavator writes and says his funds are exhausted, and he must have money to pay his men, and the Accountant pays out accordingly.

1086. What is the largest amount of money that has been held in hand as a balance on that class of account?—I am sorry I could not say that. I have only just come. (Sir Malcolm Ramsay.) I can give the Committee some details of that money, if you wish. At that particular date out of the £5,000 roughly £3,000 was in the hands of the Joint Expedition with Pennsylvania Univer-

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Dr. G. F. HILL, C.B., Litt.D., F.B.A.,
F.S.A.

[Continued.]

sity to make excavations at Ur of the Chaldees. Mr. Thompson at Nineveh had £1,500, and the rest was in the hands of another excavator. Since the close of this account the first two items, which account for £4,500, have been accounted for in detail. They were imprests, as we call it; issued to finance these jobs.

1087. The money is found by the Treasury?—The money comes from the Trustees of the British Museum out of their particular fund.

1088. Earmarked for this purpose?—The Trustees earmark it. The grant is given to them to use at their discretion.

1089. Do you find you have as many visitors at the British Museum as heretofore?—(Dr. Hill.) In this year the British Museum numbers have gone up by 10,000, almost entirely on the Sunday opening.

1090. It is very popular?—There was a slight drop on the week-day opening, but they went up so much that we are 10,000 up. The Natural History Museum has dropped considerably.

Sir Assheton Pownall.

1091. Both weekdays and Sundays?—Yes, but nothing like the Victoria and Albert Museum which, I believe, is something like 100,000 down. The Science Museum is up, the Natural History Museum is down.

Major Salmon.

1092. Is there any particular reason you can give for that?—Some people attribute it to the cinema which is in the neighbourhood in connection with one of the Museums.

1093. The Imperial Institute?—I think in the case of the Victoria and Albert Museum, though it is not really my concern, it may be due to the arrangement on a particular system. It is arranged by crafts there, which appeal to the craftsman, but not so much to the public which likes to know all about Egypt, or all about Assyria, but not so much all about metal work or woodwork.

1094. Therefore as regards the amount for printing of catalogues for the Natural History Museum, if you have a large decrease in the number of visitors presumably you do not want so much printing under the heading of "Catalogues"?—That would apply to guides,

but the catalogues are scientific publications.

Chairman.

1095. Pictorial postcards have shown an increase?—That is booming at the British Museum. Last December we took over £1,800 in one month. It is a very prosperous concern.

1096. And photographs have done well?—We are doing very well with photographs. In fact, I want leave to increase the Photographic Studio accommodation, because it is really a paying concern.

1097. Do you find that the lighting arrangements are adequate and satisfactory?—No. The whole of the front of the Museum, which is a very beautiful building, is quite unsuitable for exhibition purposes. That splendid facade with the colonnade is a good thing in itself, but it is not suitable for a Museum, but we cannot pull that down. Our lighting arrangements are rather antiquated, I am bound to say that, and if we build any more we must build in a modern way.

Major Salmon.

1098. I suppose it would not be possible to bring up to date the lighting arrangements?—No; we can increase the skylights in certain parts. Before the War we were engaged in re-roofing the whole of the upper floor. I remember the room in which I was particularly interested which concerned my old Department. I planned a new Exhibition on the understanding that the skylight was to be much widened. Then came the War, and the necessity for economy, and the whole of that roofing which, I may say incidentally, was being done for the purposes of security against fire, came to a stop, and we have not gone on. That room which I arranged in that way is so dark that one cannot see all the exhibits that one ought to.

1099. Do I understand by that statement that the public are not really getting as much benefit from the exhibitions as they would get if the lighting was more efficient?—That is certainly true.

1100. Does that refer purely to daylight as well as to artificial light?—No, I think the artificial lighting is pretty good, although I would like more interior case lighting such as any shopkeeper uses

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F.S.A.

[Continued.]

to show his wares, but that is very expensive and is always being turned down on the ground of economy. We could make the Museum a much better place and much more efficient if we had more money.

Chairman.

1101. I asked that question, because I am an old Museum Chairman, and I have always felt, and, in fact, I raised the question in the House of Commons in Mr. Fisher's time, that the artificial lighting in the British Museum, and the artificial lighting in the Victoria and Albert Museum was simply a clog upon visitors going there?—Yes.

1102. It might be advisable for you to get out some sort of report, and ask for the sanction of the Treasury to have done what you thought ought to be done at the minimum expense, so that you might get the cases lighted as they are at shopkeepers' establishments?—Yes, with interior lighting.

1103. Perhaps you will think of that?—I should be glad to think of that.

Sir Assheton Pownall.

1104-5. Could you tell us the reason of this very gratifying increase in receipts of between £2,000 and £3,000 on page 169. It is the sale of pictorial postcards, and also the item below it. Was it anything special at all?—We sell postcards, and they are very, very much cheaper than the ordinary postcard, and very well done. We sell 15 very good postcards in a set with a text and introduction for 1s., or, if they are in colours, we can sell them for 2s. 6d., and, towards Christmas time, the place is simply thronged with people. They are much the best Christmas cards to be got in the country.

1106. Is this the South Kensington Museum as well as the British Museum?—The Natural History Museum have a certain number, but they do not lend themselves to it so much.

1107. It is mostly the British Museum?—Yes.

1108. Are these the receipts only, or is the cost included?—I think that cannot be net.

1109. I should like some idea of the actual costs?—(Mr. Watson.) You can take it roughly 10 per cent. profit, or something of that description, after pay-

ing costs, is broadly the result at the British Museum.

1110. All I could get was printing photography £13,000 and a small item on page 168, and those came to more than the receipts, but no doubt there was a great deal of other printing?—There is staff as well. (Sir Malcolm Ramsay.) There is a great deal of other printing too.

1111. You are quite sure there is a profit?—(Dr. Hill.) I am quite sure about that. If our scientific productions showed the same profit I should be pleased, but, of course, they do not.

1112. You have a museum out Hendon way?—Yes.

1113. Are the costs of that included in these figures?—(Sir Malcolm Ramsay.) The staff is included. The building is provided by the Works Vote. (Mr. Watson.) That is so; it is the newspaper storage.

Mr. Benson.

1114. With regard to the Police do you adopt the policy of hiring the Police from the Metropolitan Police?—(Dr. Hill.) Our actual Police have been very much reduced. We have only got about one on the premises during the day time, and we get them in the ordinary way from the Metropolitan Police Force. Then we have Police pensioners at 8s. a day and Commissionaires.

1115. According to the estimates there is practically £3,000 for a Sergeant and Constables?—£2,792.

1116. You have six there, and 22 pensioners?—Yes.

1117. Which is nearly four times as many for an extra £550?—Yes.

1118. Is it essential to have these highly expensive constables?—I think it is very desirable to stiffen the pensioners. We want a certain amount of actual police authority there.

1119. Do the Police pensioners wear uniforms?—They wear uniforms very much like the Commissionaires' uniforms.

1120. They wear a different uniform from the policemen?—Yes.

1121. Is there any particular reason why they should. You want discipline for the visitors, not for the police themselves?—Yes.

1122. Is there any reason why they should not wear a form of police uniform which would give you very much the same results?—I should think the police

3 March, 1931.] Dr. G. F. HILL, C.B., Litt.D., F.B.A.,
F.S.A.

[Continued.]

authorities would have something to say to that. I do not think we should mind.

1123. The police authorities have not a copyright in the form of police uniform?—I do not know.

1124. Otherwise the Railway Companies would not be able to put their men in police uniform?—Do not the Railway Companies hire their men?

1125. No, they have their own police with their own uniforms which are based upon the police uniforms?—Yes.

1126. I see no reason why you should not do the same. You are getting 22 men at practically the price of six?—Yes.

Mr. Benson.] There is a fair saving to be made, and I think it is worth while considering it.

Chairman.

1127. Yes, quite so. Perhaps Dr. Hill will consider it?—I should not like to give up the police altogether.

Mr. Benson.

1128. You might keep your sergeant?—The constables are there at night, and I should not like to reduce the number of men.

1129. I am not suggesting you should reduce the number of men, but the cost of a constable is considerable. With regard to the lighting, I think the facade is the most beautiful in London?—I agree.

1130. But it is hidden by those railings?—We must not get rid of the railings. They are a definite security, and I do not think they are ugly myself.

1131. You can get used to anything, you know. You have got used to them; why cannot you get rid of them?—It would mean the public would have free access to the square, and we should have exactly the trouble we are now up against on the north side where the railings are unfinished. It was only at the last Trustees' meeting that I reported that there were complaints of the sort of undesirable people who haunted that part. As a matter of fact a man was arrested for indecent conduct there only last year, and I proposed to the Trustees, you will be sorry to hear, to finish those railings and enclose it.

1132. I was going to suggest that the whole of your facade ought to be flood lighted at night; flood lighting is not an expensive matter, and it is a beautiful facade. I do not suggest you ought to

get rid of the railings, but you should have a four or five foot railing which would not be easily climbable instead of 15 foot railings, or whatever they are. They hide the far more beautiful facade. If they were cut down to about five feet, and you had your flood lighting at night, you would get over all your difficulties with undesirables?—I am not sure about the flood lighting, if I may say so, because I have connected it so much with shop advertisement. I think one or two lights under the colonnade are extraordinarily effective, more effective perhaps than flood lighting. They give a touch of mystery to the place, which is just what is wanted.

1133. The railings give that unfortunately?—They give a touch of inaccessibility, which is also desirable.

1134. With regard to your printing and postcards, what method of publicity do you adopt?—We are not allowed to spend money on advertising.

1135. Why not?—That, I think, is the Treasury rule. The Treasury has always looked very sternly into anything of that sort. The posters which you will see of our exhibitions in the Underground Railway are done by the Underground Railway at its own expense, not by us. We do not advertise our publications except in a very, very small way. I think a few very small grants have been allowed for that purpose. I should like to see more done, I must say.

1136. Are they put on the market at all?—Anybody can have them on trade terms. Any bookseller can have them on trade terms.

1137. If an ordinary commercial firm took that line that anybody could have their wares on trade terms if they wanted them, they would not do a very big turnover?—I quite agree.

1138. I have never seen these things in Manchester, and, if they sell readily in London, there is no reason why they should not go well in Manchester?—They would sell readily anywhere, but we do not send a bagman round.

1139. Have the Treasury any objection to that?—(Mr. Phillips.) I should like to see fuller details of the proposal. The sale of goods, catalogues and postcards has almost doubled itself since 1921, so I should have thought the present practice was moderately successful.

1140. Yes, but at a guess 90 per cent. of your sales are confined to visitors to

3 March, 1931.] Dr. G. F. HILL, C.B., Litt.D., F.B.A.,
F.S.A.

[Continued.]

London and callers at the Museum?—
(Dr. Hill.) I should think so.

1141. You are touching only a very small public there. Is there any reason why they should not be put through ordinary trade routes, particularly at Christmas time when there is a very big demand?—(Mr. Phillips.) I should have to ask for expert advice on that. I am not satisfied that there would be an enormous demand from outside. (Dr. Hill.) I think we should welcome that.

1142. Would Mr. Phillips put in a Memorandum on that?—I will see what can be produced.

(Dr. Hill withdrew.)

CLASS VII.

ON VOTE 4.

(LABOUR AND HEALTH BUILDINGS, GREAT BRITAIN) (continued).

Sir LIONEL EARLE, K.C.B., K.C.V.O., C.M.G., J.P., and Sir FRANCIS L. C. FLOUD, K.C.B., called in and examined.

Chairman.] We go now to page 336 of the Civil Appropriation accounts, 1929.

Captain Crookshank.

1144. There is an observation at the bottom of page 336: "In view of the uncertainty of future requirements in this district, the original scheme was abandoned." Surely that observation would apply to any scheme of Labour Exchanges. You cannot possibly be certain of what the requirements of unemployment are going to be at any given moment, can you? If that is so, why should the scheme have been abandoned, and a temporary building erected on a leased site? My only point is that if it is so uncertain that you can scrap a scheme and put up a temporary building on a leased site, why cannot you do that in a great many cases where you do not do it?—(Sir Lionel Earle.) This was a site at Barking, and the land on which the temporary building was erected is owned by two parties, and two leases were necessary. Both are for a period of seven years from the 29th September, 1929, with breaks at three and five years. There was a church hall which, besides being inadequate and inconvenient, was

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Mr. Benson.] I do not want anything very elaborate. I just want a consideration of it.

Major Salmon.] Mr. Phillips in considering it might consider having it mentioned in Government publications.

Mr. Benson.] The people who are interested in Government publications are not the people who send Christmas cards as a rule.

Major Salmon.] No, but the publishers might be interested in it.

Chairman.

1143. Have you anything to say, Sir Malcolm?—(Sir Malcolm Ramsay.) No.

required by the Church authorities who served notice to quit. The provision for a new building which was made in 1929 was abandoned because the Ministry were not in a position to decide on the proper position for an exchange in this rapidly developing area. No alternative premises were available for hiring, and a site was leased, and a temporary building put up.

1145. When you have this great and abnormal increase, at the present time, would not that be a better general policy in a great many cases?—I am afraid that is a question for the Ministry of Labour. (Mr. Phillips.) I think I can answer that. Certainly no one contemplates erecting permanent buildings on the basis that the unemployment figure is going to continue at over 2,000,000. When you erect a new Labour Exchange, you contemplate a normal figure of three or four per cent. on the insured population.

Major Salmon.

1146. How is it that in the case of Barking the Ministry of Labour did not bring a scheme of a temporary character forward until they saw that the district was going to develop?—(Sir Francis Floud.) I am afraid I cannot answer about this particular case. I have not

E 3

3 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O. [Continued.
C.M.G., J.P., and Sir FRANCIS L. C. FLOUD, K.C.B.

had an opportunity of looking into it. I have only been at the Ministry of Labour a few months, and I do not know the actual conditions at Barking. I can let you have a note on that if the Committee like.

1147. I cannot imagine how it happens that the Department requisitioned the Office of Works to acquire land for premises, and, when they get the land, they say they are going to re-design the whole scheme. That applies not only to Barking, but if you follow through the Appropriation Accounts you will find quite a number of schemes that are being revised. There is not the slightest objection to people altering their minds, but it seems a wasteful method of procedure to ask a Department to go and deal with a scheme and work out plans, and then say, "We want it all revised." It does not seem to be a businesslike method?—I rather suspect the conditions in Barking are somewhat peculiar locally. There has been a considerable development there on account of building, and that may possibly be the reason.

1148. Take the case of Camberwell: "Negotiations for the acquisition of the site took longer than anticipated, and commencement of the building work was further delayed owing to modifications of the scheme." Again there is modification of the scheme. My point is why, when you decide to take a particular site, is it not possible then to draw your plans out according to the particular site you are acquiring?—Yes, but the conditions of unemployment have changed so rapidly that arrangements which might have been adequate at the time these plans were prepared might be quite inadequate now, and the present policy of the Minister of Labour is to try to improve the accommodation in the Labour Exchanges so as to make them more efficient for the work they have to do. There is a regular programme going on on those lines all over the country in co-operation with the Office of Works, and buildings have been scheduled in particular classes according to their suitability, and are being tackled as soon as possible. A different policy has been adopted recently from that which was in force two or three years ago.

1149. In selecting a site do you make it a condition that the Office of Works should only offer you sites in primary positions or in secondary positions?—No, we are guided there by the advice given

by the Select Committee on Estimates who took the view that it was undesirable, both on grounds of economy and on grounds of general convenience, that Employment Exchanges should be in main positions, and the present policy is not to put them in such places, partly from the point of view that it is undesirable to have large masses of the unemployed congregated in the busy streets, and partly from the point of view that it is expensive to get sites in such streets.

1150. If you take No. 7 it says: "Owing to the various interests involved, the purchase of the site could not be completed as early as expected, and building could not be commenced until late in the year. Estimate (revised) £7,615; expenditure to 31st March, 1930, £2,148." What was the original estimate?—(Sir Lionel Earle.) £7,815.

1151. Was that the original?—Yes. You will find that in 1929.

1152. So the revised estimate means that it is a lesser figure, not a larger figure?—(Mr. Phillips.) £200 down. (Sir Lionel Earle.) Yes.

1153. In building the Exchanges is there any regulation, or do you try to get a building up by a certain time, Sir Lionel?—We try to get it up as soon as possible for the benefit of the Labour Ministry naturally, but there are delays very often in the acquisition of sites. The legal ramifications very often take very much longer than one can expect. It is the same with post office sites, and that has largely accounted in the past for underspendings.

1154. When you go to the Treasury having agreed on a site, do you go to the Treasury with a tentative estimate, if I may so put it?—An estimate of cost of site, plus building.

1155. Have you worked out all the working drawings, or is that done after you have acquired the site?—They must make rough sketch drawings in order to prepare an estimate, because they would base it on the cube.

1156. Therefore it is only a matter of alteration of partitions, and things of that kind ultimately?—Yes.

Chairman.

1157. We will go to page 338. I want to straighten out the facts in my mind so that I may be quite clear about the Bristol item. I have been through that

3 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O., [Continued.
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matter again yesterday and have drawn up a series of questions which I want to put seriatim to you, so that I may be quite clear. Then I will get Sir Malcolm to take note of what emerges. Sir Francis Floud is here, and will probably be able to tell us something after I have finished my questionings. Sir Lionel, I understood from you at our last meeting that in June, 1927, with the approval of the Ministry of Labour, you hired a site in Bristol, on which you covenanted to erect a building of the value of £18,000?—It was in 1926.

1158. Which was later reduced to £15,000, where you proposed to house an Employment Exchange and other Government Offices. Am I right about that?—That is so.

1159. What rent are you paying for that site, and what is the total expenditure under that head since you acquired it?—£750 a year.

1160. What is the total expenditure?—There has been no expenditure because we have done nothing.

1161. What is the total expenditure for the rent?—We have held it for four years.

Sir Assheton Pownall.

1162. That would be £3,000?—(Sir Malcolm Ramsay.) About £2,500 up to 31st March, 1930.

Chairman.

1163. I understood when you were last here that you had paid the vendors £500 as compensation for alterations in your original covenant. Is that correct?—(Sir Lionel Earle.) Yes, you will find that in the foot note on page 334.

1164. Have you had any legal or other expenses in connection with this site?—I do not think so, except those mentioned in Note NN. on page 334.

1165. What do you make the total money spent?—About £3,000.

1166. Is that what you make it, Sir Malcolm?—(Sir Malcolm Ramsay.) Yes. Compensation £521; say, £2,500 for the rent; they have done a little work on the site which cost £145, and they did, as a matter of fact, pay a little for legal expenses. I make it £3,500 all in, in very round figures. There is a liability to put up a building which is to cost £15,000.* (Mr. Phillips.) When you refer to that £521 for compensation part of the consideration for that was

the reduction in the sum to be spent on the building from £18,000 to £15,000.

1167. I also understood that in October, 1929, more than two years after the site had been acquired, the Ministry of Labour asked you to stop work on the ground that the site is not suitable. Is that so?—(Sir Lionel Earle.) To stop work on the drawings.

1168. Does that mean you were asked not to proceed with work on the site?—That is so.

1169. Sir Francis, I do not know whether you have been long enough at the Ministry to tell me this; if not, I must ask you to let me have a Memorandum. Can you tell me the reasons for the Ministry of Labour's change of mind in this matter?—(Sir Francis Floud.) Yes, I think I can. The existing Employment Exchange in Bristol by common agreement has been regarded as unsuitable for the last ten years, and great efforts have been made by the Office of Works, ourselves, and the local Employment Committee, to find a better site. For five years nothing much could be found, but in 1925 a site was suggested by the Office of Works and considered by the Ministry of Labour. I do not think any of us felt that it was ideal, but it appeared to be the only site available, and it was sufficiently large to put up the building that was necessary, and it was agreed by the Minister of Labour that it should be taken. It was put to the Treasury, and they gave their approval, and it was acquired on the terms Sir Lionel Earle has mentioned. The local Employment Committee who are always consulted in these matters as far as possible were told about it, and, for a time, they more or less accepted it as, as any rate, some improvement on the existing building; but it was not very long before they came along to the Ministry and said, "We think this site is quite unsuitable." It was about that time that the Select Committee on Estimates dealt with the general question on the lines that I have already mentioned in replying to Major Salmon, and reported that it was undesirable that Employment Exchanges should be placed in prominent thoroughfares, and that less expensive sites should be obtained. This particular site that was obtained is in one of the main thoroughfares. It is the main thoroughfare, I understand, leading from the principal railway station to

3 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O [Continued.
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the city. Representations were made to the Ministry by the local Employment Committee, which were subsequently backed up with great force by all five Members of Parliament for Bristol, by the Civic authorities, and by the Bishop, saying that in their opinion this was a thoroughly unsuitable site for a Labour Exchange; that it would be inevitable that there would be queues of unemployed in the street outside. It is a corner site on the main road with a narrow side street running down at one side of it. It was felt that there would be these queues of unemployed waiting outside, and that it was undesirable that that should be the case in one of the more important thoroughfares leading to the city, and, as I say, they came with a deputation to both the Ministers in the last Government, and to the present Minister, to represent that it was very undesirable indeed, from all points of view, that this site should be used for an Exchange. The present Minister of Labour received a deputation soon after she came into office, and she was so much impressed by the case that they made that she made a personal visit to Bristol to look at the thing herself. By that time another site had been found in a more convenient situation not on a main shopping thoroughfare, and better planned altogether. It was almost an island site with three sides facing the street, which made it possible to provide separate entrances for the men, women and juveniles, and altogether it appeared to be a more suitable site. The Minister went down there, met the local Employment Committee, inspected both these sites, and came to the quite definite conclusion that the original site was quite unsuitable, and that the alternative site was suitable, and was in every respect very much preferable. She thereupon decided that the site that had been originally purchased should be given up and a new site obtained, and the matter was put by her personally to the Chancellor of the Exchequer, and he agreed on behalf of the Treasury that this should be done. The result has been that the new site has been purchased, the plans have been prepared, and, I think, the building will actually begin in a few months time. In the meantime the other site has not yet been disposed of.

1170. Before I ask Honourable Members to cross-examine, would you like to say anything, Mr. Phillips?—(Mr.

Phillips.) Perhaps I should make two remarks. Of course, when this scheme reached us in April, 1926 (I am talking of the old site) the first thing we did on getting a letter from the Office of Works was to consult the Ministry of Labour as to whether they were satisfied with the proposal. When they said they were we authorised the purchase of the first site. As regards that obligation to erect a building at an expense of £15,000 on the old site, that, in fact, was not reported to us until December, 1928; that is to say, two years after we had authorised the purchase of the site. I think that was a mere oversight on the part of the Office of Works, but it is a fact that we did not sanction that condition until some time after the site had been bought because it had not been brought to our notice.

Mr. Butler.

1171. I understand £3,500 has already been expended. What has the nation got out of that money which it has expended so far?—(Sir *Lionel Earle*.) Nothing. I am afraid that has been a sheer loss.

1172. What is the exact figure of this new building on which the work is to commence very soon?—The exact cost is, site £5,250, and the building £27,280.

Sir *Assheton Pownall*.

1173. For other Government offices, or the Ministry of Labour only?—The Ministry of Labour.

Major *Salmon*.

1174. I should like to be quite clear about one important point as it strikes me. I am discussing now the old site. I understood you to say that you were paying a ground rent of £750 a year?—That is so.

1175. You do not tell us how many years lease?—Freehold.

1176. If you are having a freehold what was the capital sum you paid for it?—(Mr. *Phillips*.) It was a perpetual rent.

1177. You will be paying £750 a year for a practical freehold property covenanting to build on it a building to the value of £15,000?—(Sir *Lionel Earle*.) Yes.

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1178. At that period when you asked permission of the Treasury you did not tell them the whole of the circumstances?—No. I did not know myself, but I presume that the section that deals with Employment Exchanges committed a mistake in not doing so.—I do not think it was done intentionally.—(Mr. Phillips.) No.

1179. I am not suggesting it was done intentionally, but surely there ought to be some method adopted whereby you can make sure that the Treasury, when they agree to a scheme, are told the whole facts?—Yes.

1180. Have you any system which would prevent a recurrence of this?—There have been some very strong comments in the Department on the fact that it was not reported, but I do not see what steps beyond that we can take. It was a clerical error, or an absence of intelligence.

1181. In the building that you were going to erect on the site provision was made for other Government Departments?—Yes.

1182. Did that £15,000 cover sufficient buildings for the other Government Departments?—I do not think it did, but I am not sure about that. (Sir Francis Floud.) I saw, on looking through our papers this morning, that the original intention was to put up a building on this site to house not only the Exchange, but also the Divisional Office, and I think one or two other smaller branches. After subsequent consideration that proposal was dropped, and a less expensive scheme was proposed, so the ultimate figure of £15,000 was only for the Exchange. (Mr. Phillips.) With respect, I think the £15,000 is only the sum which the owners of the site stipulated. It has nothing to do with any actual building.

1183. If we may take the estimate of the old site, what estimate was given for the old site for the Labour Exchange and the other Government offices that were contemplated originally?—The revised estimate was £20,685, and the expenditure to 31st March, 1930, was £149. I wanted to explain to you that the obligation is to spend £15,000. It did not say the building would cost £15,000, but we were not to put up a building of less than £15,000.

1184. That is quite a common form which many landlords insist upon, but

the point I am trying to arrive at is that an estimate was agreed upon for £20,000 odd not only to deal with your ordinary Exchange, but to deal with something else?—(Sir Lionel Earle.) No. That only included the Exchange.

1185. So it was never contemplated originally that there should be other buildings put on the site?—Yes, it was certainly contemplated that the site would carry other buildings, but that was not included. It had originally been intended to provide for both an Employment Exchange and for other Government offices on the site.

1186. Did your Employment Exchange cover the whole site, or only a part of the site?—The whole area.

1187. I am a little confused, because if the £20,000 was the estimate not only for building a Labour Exchange, but, in addition, for having offices for work connected with the Labour Exchange, was it not a mistake to take a site that could not hold the whole of that work?—I think it was.

1188. Therefore there was an initial mistake irrespective of the fact of its being unsuitable from the point of view of public convenience. It was too small to do what you originally contemplated?—There is one other factor, that Employment Exchange requirements have increased rapidly in recent years.

1189. But when you were asked to acquire a site at Bristol you were told the potential requirements of the Employment Exchange?—Yes.

1190. I presume that in your first notification you were given not only a requisition for a Labour Exchange and central offices, or whatever they were called, but other Departments. You were told of the requirements?—We were. (Sir Francis Floud.) I think we said we wanted a certain space for an Exchange, because, in planning an Exchange, you want room to deal with your clients. Consequently we wanted certain ground area. The subsequent discussions with regard to the inclusion on the site of the Divisional office would have merely meant adding another story or two to the building, but we should still have required the whole of that site for the area necessary for the Employment Exchange alone.

1191. Am I correct in saying that the site area, if you were to put a building

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sufficiently high on it, would have accommodated efficiently and satisfactorily all you required?—So far as the site area was concerned, yes, but I think the question of the addition of the Divisional offices was decided simply on the ground of the extra expense that would be involved in that larger building, and it was decided that that would not be worth while in view of the fact that the Divisional office is already housed elsewhere fairly satisfactorily.

1192. But the Divisional office would have been above or below the area on which the Labour Exchange was going to stand?—It would have been above it.

1193. There was, in your view, sufficient room to carry all that you desired?—So I understand.

1194. It was not one of the reasons for discontinuing the site that the place was not large enough?—No.

1195. It was simply a case of position *vis-à-vis* the local Exchange Committee and the local Authorities?—Yes.

1196. Did not the local authorities tell you at the time, or did not the Employment Exchange Committee raise any point at the time?—(Sir Lionel Earle.) Not that I knew of. The Chairman, I believe, actually agreed to this site. (Sir Francis Floud.) He did. He concurred in it. He was told that the site had been acquired. One of the difficulties is that you cannot tell too many people when you are in negotiation for a site, but he was told of it, and he did not demur to it. It was later that the opposition developed. (Sir Lionel Earle.) I fancy there was great difficulty in getting a site at all.

1197. It is extraordinary that when the difficulty arose you immediately found a site to meet that difficulty?—No; four or five years afterwards.

1198. What is going to happen with regard to the old site?—I cannot tell you.

1199. I understand £500 was given to the owner to reduce the liability from £18,000 to £15,000?—(Mr. Phillips.) There was some dispute about the covered pathway across the site, and, in regard to that, £500 compensation was paid to one of the vendors, and we got as a further set off, that he wrote down the stipulated sum for the building from £18,000 to £15,000.

1200. You used the expression “one of the vendors.” Was there more than one vendor?—There were two vendors.

Major Salmon.] It is a very unfortunate position. It seems that a number of misunderstandings have occurred on two or three sides.

Sir Assheton Pownall.

1201. Might it not be that in 1925 when you first started looking for this site the premises you found in 1928 were not in the market at all?—(Sir Lionel Earle.) I do not think they were. The Lands and Accommodation Branch searched Bristol high and low, and could find practically no site in 1925.

1202. I imagine that probably a factory became derelict, or something of that sort, and in 1925 you could not possibly foresee that this more suitable place would become available in 1928?—That is so.

Sir Assheton Pownall.] If you are going to pay £750 a year in perpetuity, not for 14 or 21 years, I do not see that it matters very much to the owner of the land what is the cost of the building that may be put up on that land.

Major Salmon.] As security.

Sir Assheton Pownall.

1203. He has the security of the Crown?—(Mr. Phillips.) The Crown could sell to anybody.

1204. This liability to erect a £15,000 building was present to the minds of the Chancellor of the Exchequer and of the present Minister of Labour when they agreed not to use that site?—I think so. (Sir Francis Floud.) I asked the Minister of Labour this morning, and she said she did not know about this covenant.

1205. It makes a great difference if you have an old site, and in scrapping it you are incurring £15,000 for scrapping the old site, in addition to £20,000 for the new one. I presume steps were taken to acquaint the Chancellor of the Exchequer of this covenant. I presume the Treasury took steps to acquaint the Chancellor of the Exchequer with the material facts?—(Mr. Phillips.) Yes, there was a full statement of the case.

1206. If the Minister of Labour did not know, that must have been a vital matter?—That is the responsibility of the Ministry of Labour staff. They must have known of it.

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Sir Assheton Pownall.] The Minister of Labour having gone to Bristol, and not being acquainted with a fact of that sort, seems to be unfortunate.

1207. What is the site area net?—I am afraid I do not know. I could let you know.

1208. Do you know what it is roughly. Is it 500 yards?—I have no idea, I am afraid.

Chairman.

1209. Before we go back to the detailed consideration of Sir Lionel Earle's accounts I want to ask you, Sir Lionel, a question which I may not be able to put as well as I should like to put it. I want to ask you and Mr. Phillips whether you are both satisfied that the accounts give a clear picture of the expenses of your Department? I do not want you to answer now. I want you to think it out. But I want you to consider the

possibility of adding a Table which will give the expenditure for each Vote under certain main headings, such as "New Works, Maintenance, Fuel, Light and Heat, Rents, etc., Furniture," and so on, so that anyone on this Committee or elsewhere could see at a glance the expenditure under these headings. I will hand to you the Table, and I will leave it to you to consider what you think is proper.

Mr. Leif Jones.] They are all given, are not they?

Chairman.] They are not properly collated.

Mr. Leif Jones.] They are not added, together.

Chairman.] I found a great difficulty in trying to form a picture. I would like these two gentlemen to think it out, and let us know what their opinion is.

(The Witnesses withdrew.)

(Adjourned to Thursday next at 2.30 p.m.)

THURSDAY, 5TH MARCH, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Sir Robert Hamilton.

Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.
Mr. West.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Sir A. W. HURST, K.B.E., C.B., and
Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS V.

ON VOTE 1.

MINISTRY OF HEALTH.

Sir E. J. STROHMENGER, K.B.E., C.B., called in and examined.

Chairman.

1210. Page 196, Vote 1, Class V, Ministry of Health. May I read a general note on this. By far

the greater bulk of the expenditure on this Vote, i.e., some £19,000,000 out of the £21,000,000, takes the form of stereotyped grants which, once the policy is

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[Continued.]

determined, do not lend themselves to criticism or economy. Is that so?—(Sir *Malcolm Ramsay*): That is my view; it represents facts.

1211. The balance of the expenditure out of this Vote, roughly £2,000,000, is in respect of the cost of carrying on a very large number of functions by the Ministry of Health, including the administration of the National Health Insurance and Widows' and Orphans' Contributory Pensions Funds, and a large number of other odds and ends and different multifarious duties. Is not that so, Sir Ernest?—(Sir *Ernest Strohmenger*): That is so.

1212. I will make three observations. The surrender on page 200 is £20,000, roughly £1 per £1,000. It is very close. A great deal of the expenditure is on Administration; sub-heads A to E, England, and sub-heads L to P, Wales. That is recovered from the National Health Insurance Fund, is it not, and from the Pension Fund?—Partly recovered from the National Health Insurance Fund and partly from the Pension Fund.

1213. The local authorities. That comes in the Appropriation in Aid, I believe?—Yes.

1214. A great deal of extra legislation has caused a great deal of the extra expenditure, has it not?—Yes.

1215. The only other question I have to put, which you will answer afterwards, is on A.2 down below. I want to ask you how economy can be effected. Probably you will make a general statement upon that. I will take pages 196 and 197. Sub-head D.2, includes payment for printing pension orders. Sub-head F.1 accounts for half the whole vote, and there are more costs on sub-head D.2 because of fresh legislation.

Mr. *Leif Jones*.

1216. With regard to sub-head F.1, housing grants, it is a very large Vote. Is it more than the preceding year?—Yes.

1217. When shall you reach the end of this?—I cannot say that.

1218. Does it depend on the amount of building?—Entirely. The grant is so much per house built; so much per working class house provided by the local authority.

1219. Up to now, has it been steadily increasing?—Every year.

1220. That is still going on?—Yes.

1221. The other question is on sub-head F.2 "Losses on repayment." Are those real losses?—Sub-head F.2 is the provision for payments which the Ministry have to make to the Local Loans Fund when a subsidised house which belongs to a public utility society is sold and the loan is repaid prematurely. Then the Local Loans Fund incurs a loss which the Ministry make good.

1222. A loss in the sense that they do not get what they expected?—They borrowed the money when money was at a different rate of interest from what it is now.

1223. Is it not a good thing that the loan should be paid off sooner?—There may be an actual loss.

1224. Only from the money lender's point of view?—The money was borrowed by the Local Loans Fund when the money was at an entirely different rate from what it is to-day.

1225. These are quite unavoidable losses?—(Sir *Malcolm Ramsay*): It is to compensate the Fund for the rise in the price of the stock that was issued to make the original advance.

1226. Is there ever a gain?—If there is a gain I take it the Fund will have it. (Sir *Ernest Strohmenger*.) It is very improbable there will be a gain, because the money was borrowed when the stock stood at a very low figure.

Major *Salmon*.

1227. On sub-head A.2, you say you had a revised system of medical examination. How long has it been in practice?—This has been the first year. The saving arose in this way. When this service was first instituted, we used to summon everybody referred by the approved societies for medical examination, and it was found that a considerable number of the people summoned did not attend. They either went back to work, because they thought their sickness was being questioned, or they went off the funds in the ordinary course. So for this year, we altered the system altogether. We warned people that they would be summoned. At the same time, we obtained a report from the insured person's doctor, and these reports often showed us that the person had ceased to draw benefit, so we only summoned those people who were likely to attend. That

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[Continued.]

enabled us to reduce the number of sessions, and to effect this saving.

1228. There is no less efficiency in carrying out the work?—No; greater efficiency.

Major *Salmon*.] Less waste of time.

Captain *Crookshank*.

1229. With regard to sub-head B, I see in the note the saving is due partly to the extension of cheap travelling facilities. Could you amplify that?—Cheap travelling facilities; cheap return tickets which we make the officers use if we possibly can. The railway companies have extended these facilities very much recently.

1230. The week-end tickets, and things like that?—Yes; return tickets, day tickets and facilities of that kind.

1231. Is every effort made to see that the cheapest method of travelling is employed?—Certainly.

1232. What sort of proportion of your administrative officers travel first class?—That is a general Service rule; all over a certain maximum salary.

1233. What is the salary?—(Mr. *Watson*.) £400 a year basic.

1234. Everybody with a salary of over £400 a year goes first class?—That is basic salary. (Sir *Ernest Strohmen*ger.) That means £550 with bonus. (Mr. *Watson*.) I will correct that figure at the next meeting if it is wrong.

1235. I do not know that this is the right moment to raise it. I have been trying to get the information, but the Treasury has not got it?—I think the right time to raise it is when the Treasury accounts come up for examination, by which time we can give you the information. (Sir *A. W. Hurst*.) We will not be able, I imagine, to give the number in the various categories.

1236. If it is anybody over a basic salary of £400 a year, somebody must

know how many people there are of that grade, roughly?—I do not suppose there is a figure readily available. It would mean going through each department and adding them all up.

Captain *Crookshank*.] I could do it myself by counting up the different Votes of the Estimates, provided the Estimates are a true figure of what they set out to be. I wanted to know when it could be most properly raised. We will see when the Treasury Vote comes up.

Chairman.

1237. On page 198, all these miscellaneous grants are towards local authorities' expenditure. All sub-heads G.2, G.4, and G.5 and part of sub-head G.1 will disappear when they are block grants?—(Sir *Ernest Strohmen*ger.) That is so; the whole of sub-head G.1.

Chairman.

1238. With regard to sub-head G.8, how does that "compensation to air raid victims" come into this account? I find nothing to which to direct the attention of the Committee on page 199, myself. There may be one or two points by honourable members, but I do not see anything. These subheads apply to Wales, as the preceding ones apply to England. There is nothing on page 200 that I wish to speak about. There is nothing on page 201, except that there is a special receipt: "Proceeds of sale of hutments at Cambridge, the purchase price of which was a charge against the Exchequer in a prior year." What was the original charge and when?—On page 202, "Claim Abandoned," this was a test case and we lost it. The borough was technically liable for costs, but they were waived on the ground of the importance of obtaining a general decision.

(At this point Mr. *Leif Jones* took the Chair.)

Mr. *Benson*.

1239. On page 198, there is sub-head G.4: "Grants for the treatment of venereal diseases." On page 200, there is also a further grant there. What is the difference in the grants?—One is in England and one in Wales.

1240. With regard to sub-head G.4, what percentage of the expenditure does

the Treasury bear?—For this year, 75 per cent.

1241. A good deal of experimental work and test work, such as Wassermann tests and bacteriological tests, are done at the public expense?—Yes, that is so.

1242. An ordinary doctor takes the blood or the swab and sends it along and gets a free test?—That is so.

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[Continued.]

1243. I seem to remember some time ago there were prophylactic stations, and then they vanished?—I think there was only one, in Manchester.

1244. I am a Manchester man. Was that abolished by the local authority, or from London?—If it has been abolished, it would be abolished by the local authority.

1245. I am pretty certain it has been abolished?—It is the only one I know of.

1246. It would be done locally?—Yes.

Mr. West.

1247. With regard to sub-head H 1 on page 199, to whom is the medical benefit paid, first of all? Is it paid to the Approved Societies?—We pay the Insurance Committees and the Insurance Committees pay the doctors. Medical benefit under the National Health Insurance Acts consists of services rendered by the doctors to the insured people, under capitation terms, and by chemists for drugs, and the Insurance Committees pay both.

1248. Is that a 75 per cent. grant also?—No, this is a grant of so much of the expenditure; one-seventh or one-fifth of the expenditure.

Major Salmon.

1249. What is the difference between subhead G 1, "Grants for maternity and child welfare," and sub-head H 2?—Sub-head G 1 is the 75 per cent. grant to local authorities in respect of the local Maternity and Child Welfare Services. Sub-head H 2 is the ordinary statutory grant from the National Health Insurance Fund for maternity benefits given by approved societies.

1250. Under sub-head G 2 you have "Grants for the treatment of tuberculosis." Is tuberculosis going down at all?—No, the expenditure is still increasing. That is, the number of beds provided for people suffering from tuberculosis is rising year by year.

1251. I was under the impression, apparently wrongly, that tuberculosis was decreasing in the country.—I do not say that is wrong, but there is still a large amount of work to do. One could not say that there is yet complete provision for the treatment of tuberculosis everywhere in this country. I think over the country generally you might say that, but there are still places where accommodation is required.

1252. Do you think the treatment they are receiving is gradually eradicating it?—I do not think it is for me to say; I hope it is going as far as possible in that direction.

1253. With regard to sub-head G 8, "Compensation to air raid victims," what does this actually mean? Will this figure provide for the whole of the compensation under this sub-head G 8?—Yes.

1254. It will not be repeated again?—Yes; this is a yearly payment. It will die away as the people die, or their circumstances get such that you do not have to compensate them.

1255. It is an annual liability?—Yes.

Captain Crookshank.

1256. May I ask, on that, why it is on this Vote?—During the war the Local Government Board, as it was then, administered it. I do not know that there is any other reason for it.

1257. It is just a historical remnant of the war?—Yes.

1258. On sub-head G 2, may I ask what form of oversight you have with regard to the expenditure of the local authorities on tuberculosis, or is that all washed out?—It is largely altered now, but up to March, 1930, it was an ordinary 50 per cent. grant, and local authorities were rationed at the beginning of the year as to the amount of expenditure which would rank for grant. Then there was our control of developments during the year.

1259. Your auditors, I suppose, saw that it was properly spent?—That is so.

1260. That does not occur any more?—From the 1st April, 1930, the grant was abolished and a general block grant was put in its place.

1261. The whole responsibility for the efficiency of the services will rest on the local authorities now?—Not the whole. The Minister has to sanction loans for new capital expenditure and has to be satisfied from time to time that the public health work of the local authority is being carried out satisfactorily.

Major Salmon.

1262. Will the effect of that be to reduce administrative expenses at head office?—One hopes it will. It is very difficult to say. The Local Government Act was a huge measure which really has revolutionised local Government finance.

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[Continued.]

and a fairly substantial staff is required to assess the grants and pay them to the local authorities. On the one hand, a lot of detailed work on the administration of these public health services was swept away, and there will be a saving of staff on that account. On the other hand, there is the addition of staff for the calculation of grants?—(Sir A. W. Hurst.) The second staff should be temporary. (Sir Ernest Strohmenger.) The second staff, at its present size, should be temporary.

Captain Crookshank.

1263. The grant calculating staff should come down?—Yes.

1264. But the staff administering the services would stay about the same?—Because the old grant was a percentage grant the Minister had to authorise an enormous mass of detailed payments. All that work will disappear. There will only be the approval of new capital expenditure and a general oversight by the Minister, to satisfy himself that the service is being carried out as a whole efficiently and satisfactorily.

Sir Robert Hamilton.

1265. There is the point that the Chairman raised about the proceeds of sale of the hutments at Cambridge, on

page 201: "the purchase price of which was a charge against the Exchequer in a prior year"?—In 1919, just after the end of the war, the Ministry bought huts at Cambridge for the purpose of housing the working classes. They were converted into working class houses, purely as a temporary measure. These huts have now been taken over by the local authority.

1266. They have been sold to the local authority?—Yes, I think that is so; I am speaking from memory now. I would like to confirm that, but I think the payment was made by the local authority.

Mr. Leif Jones.

1267. Was that the whole sum received for the sale, or a portion of it?—I think so; I would like to confirm that, too.*

1268. Perhaps, at the same time, you could tell us what they cost when they were put up?—Yes; these were purely temporary huts. Their value to-day would be extremely small.

Major Salmon.

1269. It is interesting to observe that the estimate of the realised appropriation is an extraordinarily close calculation?—Is that a criticism?

Major Salmon.] No, I think you are to be congratulated.

(Mr. Arthur Michael Samuel returned to the Chair.)

On VOTE 5.

GRANTS IN RESPECT OF UNEMPLOYMENT SCHEMES.

Chairman.

1270. We will go to paragraph 36, on page xiii. This paragraph is merely informative, to explain the procedure. On paragraph 37, I think I had better ask Sir Malcolm to help me?—(Sir Malcolm Ramsay.) The object of this is simply to explain the provisions of section 113 of the Local Government Act, which relieved the County Councils of certain parts of the obligations which Boards of Guardians had undertaken, and which, under the Act, were transferred to them. I have put there the figure at which we estimate the loss to the Exchequer owing to the County Councils being, on the passing of the Act, relieved of these partial obligations of the Boards of Guardians, amounting to something like £225,000 a year over a long term.

1271. What about the words "without interest"?—Those are the words of the Act. The object of the paragraph is to point out what the cost has been.

Mr. Benson.

1272. On what account do the interest and sinking fund of grants that are otherwise than by way of loan come. This is merely loans to local authorities, but under the present large scheme for dealing with unemployment under what vote does that come?—(Sir Ernest Strohmenger.) That is on page 209.

1273. This is a very limited matter?—No; these are the grants to local authorities.

* See Appendix 5.

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[Continued.]

1274. But we have approved schemes to the tune of £150,000,000 or so?—Part will come on this vote, part on the Road Fund.

1275. But there will be, on £150,000,000, something like £7,000,000 interest. I was trying to find out on what grant the bulk of the cost of our unemployment scheme will fall. It does not appear likely to fall on this?—Yes, I am afraid the bulk of it will fall on this. (Sir *Malcolm Ramsay*.) In future years it will grow very big. (Sir *Ernest Strohmenger*.) This is 1929-30. (Sir *A. W. Hurst*.) There are three sources concerned: this Vote, which is concerned with the grants administered by the old St. David's Committee; another Vote, which is concerned with grants to public utility companies trading for profit, administered by the Lewis Committee; and the big item of road grants which appear in the accounts of the Road Fund.

1276. Will the St. David's Committee and the Lewis Committee come under this particular grant?—No, this only covers the St. David's Committee. There is a separate vote for the Lewis Committee.

Mr. *Denman*.

1277. There are certain quite plain cases of default on page 210. Sir *Malcolm* estimates that the loss will be approximately £225,000. Does that include default, or is that simply the actuarial loss owing to absence of interest?—(Sir *Ernest Strohmenger*.) There is no loss due to default. (Sir *Malcolm Ramsay*.) That includes no item for default; that is simply the cost of the section, provided everybody pays up. (Sir *Ernest Strohmenger*.) All payments due have been made.*

1278. This absence of repayments in 1929 simply means they were not due?—Yes.

Mr. *Leif Jones*.

1279. Why was nothing due from Barrow-in-Furness in 1929? On £246,000 nothing was paid off in interest; was there any special reason for that?—Yes, the Committee had the power to arrange with local authorities the terms on which repayments should be made and the terms in some cases were that the repayment of principal was postponed for a period of years.

1280. Without payment of interest?—And in some cases interest was postponed too.

1281. It depends on the special terms made with the local authorities?—Yes.

1282. These were, in no cases, default of any kind, but it was simply that the arrangement did not provide for any repayment of that year?—Yes.*

Major *Salmon*.

1283. Is the effect of your answer to be seen in sub-head B on page 209, where your grant was £15,000 and your expenditure was £44,000? (Was it anticipated that you were going to get interest?—No; these are grants only, nothing to do with the Votes. On page 209, sub-heads A and B are grants paid in respect of unemployment works. Page 210 deals with an entirely different matter.

1284. I am on page 209?—A and B on page 209 have no reference whatever to loans to local authorities.

1285. On page 209, I see, under sub-head B, you have grant £15,000, expenditure £44,000?—These were St. David's Committee grants. During the year the Committee had power to approve more of these revenue grants, and this expenditure went up on that account.

1286. It was a thing you could not anticipate. When you ask for the grant, you could not have anticipated under sub-head B that you would have wanted £15,000?—No. (Sir *A. W. Hurst*.) One of the sections of the St. David's Committee's activities relates to what are called wages schemes, schemes financed out of revenue, in respect of which the applications of local authorities have been going steadily down and down. With the advent of a new Government and the stimulus that followed therefrom, there were many more schemes submitted for this grant than we had expected.

* Two sums of £5,000 and £13,475 due to be paid on 31st March, 1930, by Boards of Guardians on account of outstanding loans were not paid by that date. Under the provisions of the Local Government Act the liability in respect of the loans was transferred to the County Councils by whom the Poor Law functions were taken over on 1st April, 1930, and the payments due were made by the County Councils during the year 1930-1.

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[Continued.]

CLASS IX.

ON VOTE 4.

GRANT IN AID OF THE LORD MAYOR'S FUND.

Chairman.

1287. With regard to paragraph 60, I think that will have to be explained by Sir Malcolm; it is the grant in aid of the Lord Mayor's Fund?—(Sir Malcolm Ramsay.) Owing to accidents I need not enter into, the accounts do not quite bring out the position. The point of this paragraph is to show that the expenses of administration have been charged rather differently from what was originally intended, but the total spent on administration will, on any showing, be less than the estimate.

Sir Assheton Pownall.

1288. Further expenditure amounting to £1,038 has been brought to account. Will there be further items?—(Sir Ernest

Strohmenger.) Very little more. (Sir Malcolm Ramsay.) It is practically finished, but I can say confidently that the total expenditure on administration will be well inside what the Government intended.

Sir Assheton Pownall.

1289. Which was £20,000?—Yes.

Chairman.

1290. On page 444, Class IX, Vote 4, at the bottom, "Relief in Distressed Mining Areas," this relates to the expenditure out of Grant in Aid made in 1928, namely, £20,000?—Yes.

Sir Assheton Pownall.

1291. This £125,000 odd is all closed now?—(Sir Ernest Strohmenger.) Yes.

ON VOTE 6.

NATIONAL RADIUM TRUST.

Chairman.

1292. We will now go to paragraph 61, National Radium Trust. Sir Malcolm, you had better say a word about that. The account is on page 446?—(Sir Malcolm Ramsay.) I think the paragraph really explains itself.

1293. I think so too?—The members will all know the circumstances in which the Radium Trust was set up. I have been picked to audit the accounts. The accounts have been circulated with the report of the Trust.

1293a. It is all in order?—Yes.

CLASS X.

ON VOTE 1.

GRANT TO RATING AUTHORITIES, ENGLAND AND WALES.

Chairman.

1294. With regard to paragraph 62, that was on derating. Most of us know what that is?—(Sir Malcolm Ramsay.) I put on record a few notes which I hope will make the account easier to understand.

1295. On page 450, this £12,000,000 covered all the relief from the 1st October, 1929, to the 31st March, 1930?—That is

the Vote. The £12,000,000 began on the 1st October.

1296. At the bottom we have: "Agricultural Rates Act, 1929: received under Section 24, Finance Act, 1928, £2,059,699." This was only on agriculture?—(Sir Ernest Strohmenger.) Yes.

Chairman.] That seems to be plain sailing, and a matter of record. I do not think we need waste any time on that.

NATIONAL HEALTH INSURANCE FUND ACCOUNTS.

Chairman.

1297. With regard to the House of Commons Paper No. 24, I understand from Sir Malcolm he has nothing to say about this whatever, and, as it calls for no observations from me, I will ask honourable members if they have any

questions to ask. If not, let us go to page 43, the Report?—(Sir Malcolm Ramsay.) It is simply calling attention to one or two new developments. There is a report on page 43 of the National Health Insurance Accounts.

Chairman.] This only calls attention to things of interest.

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[Continued.]

WIDOWS', ORPHANS' AND OLD AGE CONTRIBUTORY PENSIONS
ACCOUNTS.

Chairman.

1298. Let us go now to Widows', Orphans' and Old Age Contributory Pensions, Paper 34. This is the financial fund behind this scheme. The Parliamentary Grant was £4,000,000. Page 3

(*Sir Ernest Strohmenger withdrew.*)

shows the amounts which were paid. Page 8 is the report of Sir Malcolm. I see nothing to draw attention to in that. I do not know whether Sir Malcolm has anything to say upon it?—(*Sir Malcolm Ramsay.*) No.

CLASS V.

ON VOTE 4.

NATIONAL INSURANCE AUDIT DEPARTMENT.

SEVENTEENTH REPORT ON WORK OF NATIONAL INSURANCE
AUDIT DEPARTMENT.

Mr. W. A. MIDDLETON, O.B.E., called in and examined.

Chairman.] I have no observations on pages 207 or 208.

Major Salmon.

1299. I should like to ask a question on this report. I should like to know the number of accounts that have been audited this year; and what is the percentage of the number of accounts that have been audited to the total number of accounts that you have?—(*Mr. Middleton.*) The number of accounts audited in any particular year must vary with the order in which we take them. This report deals with our work done in the year 1930, but it covers part of the accounts for the account year 1928, and part of the accounts for the year 1929. On page 22 of our report we find some figures that perhaps convey what is wanted. It shows that the accounts for 1928 which we audited in the year 1930 number 3,719, and the accounts for the year 1929 which we audited within the calendar year 1930 numbered 5,331.

1300. This is only a part of the total number of accounts, is it not?—The whole accounts that we have to audit of Approved Societies and Branches for any particular year number 8,106. I think that is the latest figure. It varies from year to year by amalgamations.

1301. So, as a matter of fact, in one year you cover one audit?—We cover the whole of that ground, and 200 insurance committees, and other audits besides.

1302. Do you find generally that your instructions and criticisms of your officers are being carried out by the respective bodies?—Yes; the tendency is in the right direction. Our function ends when we report the character of the defects. Any action to be taken on our reports is rather a matter for the Ministry of Health, the

Department of Health for Scotland, and other administering authorities, who direct the attention of the Societies to these defects, and take any steps necessary.

1303. Do you get flagrant cases of negligence in attending to your directions?—We should hesitate to regard any case as one of negligence. There are certain cases in regard to the regulations where error is excusable, but the standard of efficiency is rising slightly, and, on the whole, it is very good, considering the very difficult work these Societies have to carry out.

1304. There is power, in the Ministry, of surcharging these Societies if they do not carry out the orders that have been given to them?—Under the Insurance Act, 1928, there was given to Auditors a power of surcharge and disallowance in approved Society affairs, in relation only to administration expenditure, so that if they repeatedly incurred administration expenditure that was improper, that will now be disallowed and surcharged on the persons responsible, unless it is sanctioned.

1305. It is purely from an administrative point of view?—Yes; that does not occur in respect of benefits. Improper payments of benefits, if not recovered within a given time, are charged against the administration account.

1306. So it comes to the same thing?—No. The penal effect of charging it to administration is that a deficit may be thrown upon the administration account, and when it exceeds 6d. a member, the Society have to levy their members, and that is not altogether agreeable.

1307. That is the best way of putting a stop to it, you think?—Yes.

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Mr. W. A. MIDDLETON, O.B.E.

[Continued.]

1308. There is one very serious thing that occurred to me on reading this report in paragraph 13 on page 14, that is with regard to the signing of blank cheques. I feel that it is a very serious thing for officials to put their names to blank cheques, so that they put their name to them and the last man can put in anything he desires?—Undoubtedly this defeats the whole purpose of requiring two or three signatures to the cheque. We refer to it year after year in our Report, and I know the central departments do impress upon the Societies the impropriety of acting in that way, but they apparently do not fully understand what might accrue from that action, and we still get this. In some cases we get a whole new book of cheques with the signature of one party adhibited.

1309. When you report, as you have done here, do the Ministry then write, or do you write to the offending body and call their attention to it?—In the individual cases referred to in this paragraph a report issues, a copy going to the Society responsible, and a copy to the Ministry or the Scottish Department. It is then for the Ministry or the Scottish Department to write direct to the Society drawing their attention to it, asking them what they are doing about it, and warning them against doing it again. We ourselves do not write to the Society. In the course of the audit, the auditor points out, when he makes his enquiry, the effect of adhibiting signatures to cheques in advance like that, and would no doubt explain the ultimate effect if the secretary did not understand what was involved, but the Ministry action follows on our report.

1310. Do you find the Ministry action has stopped it for the second year, or do you find it still going on in the same Society?—I could not undertake to say that the same Society has been reported in successive years, and that would be the only way of giving a definite answer to your question.

1311. You would know if it did occur?—It would be reported.

Sir Assheton Pownall.

1312. It would be reported as a separate transaction. It would not be reported that this Society had erred in the same way the year before?—It would be reported by the auditor in the first year he finds it out; thus, if when reporting on 1929 accounts in 1930 he finds signed

cheques he uses that first report as the vehicle for audit criticism.

1313. If you found it two or threetimes, you would frame your report more strongly?—If the auditor finds that a defect that is now before him was adverted to in an earlier report, he will make his report more emphatic.

Mr. Bird.

1314. There seem to be a great number of cases where there have been reservations in the account; about 25 per cent. of the total accounts you have audited?—That is the best record in the history of the department.

1315. It is the best you have ever had?—Yes.

1316. Even then, you have still got 21 out of every 100 cases where benefit is overpaid?—Yes.

1317. Is that better than last year?—There were 19 overpaid of 100 Societies last year, and 22 of 100 Branches. This time it is 21 and 22.

1318. It is worse?—As to overpayments of benefits, yes, the one particular item.

1319. That is the important item, is it not?—It is the one—

1320. It is the one item that costs the most money?—Not necessarily, but undoubtedly it is the one where there is a specific cash result.

1321. Do you find much of the overpayment is recovered subsequently?—A good deal of it is recovered. I am rather surprised that so much of it is recovered from the type of insured person, who, of course, is not in affluent circumstances, but what is not recovered, if it is of an excusable type may be left a charge on the fund, and if it is not excusable, it may be charged on the administration fund, i.e. written off as a bad debt at the end of the second year.

1322. Where should I find the amount written off in those accounts at the end of the second year?—The only possible place would be in a summary, prepared by the Ministry of Health, of the Approved Societies accounts, but I doubt whether it is brought out specifically even there.

1323. It would be interesting to know what the amount was over a period, would it not?—We refer, on page 7, of this Report of ours, the White Paper, to

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[Continued.]

the amount we have expressly disallowed for overpaid benefits.

1324. I have seen that; that does not answer the question?—It does not give the amount written off.

Major Salmon.] Would it be possible to get an appendix put in?

Chairman.

1325. Perhaps Mr. Middleton will consider the wishes of Mr. Bird, with which I concur, and of Major Salmon, and see whether he can let us have an appendix, or a little note, on that matter?—I will see what information can be obtained.*

(Mr. Middleton withdrew.)

CLASS IV.

ON VOTE 6.

NATIONAL PORTRAIT GALLERY.

Chairman.] We will now go to which was right within £39. There was page 175, National Portrait Gallery, a surplus to be surrendered.

ON VOTE 7.

WALLACE COLLECTION.

Chairman.] We will now go to £12 12s. 5d.; that is to say, the accounts page 177, Wallace Collection. The net are perfectly normal surplus to be surrendered was

CLASS V.

ON VOTE 2.

BOARD OF CONTROL, ENGLAND.

Chairman.] Now we go to the Board of Control, page 203. There is a small surplus there of £11,000 on £850,000. We are on the right side.

Major Salmon.

1326. On the question of the Board of Control, is this expenditure a permanent expenditure on the number of officials attached to the Board of Control?—(Sir A. W. Hurst.) Yes, that will be the staff of the Board of Control, and includes the Commissioners.

1327. The number of Commissioners has been increased of late years?—The whole Board has been reorganised. If my memory serves me rightly, the actual number of Commissioners has been reduced, but a number of people have been appointed as assistant Commissioners, Inspectors, or in some rather subordinate category. It has been reorganised within the last 12 months.

1328. That is what made me ask whether this is going to be a permanent figure, or whether it is only temporary until you know the result of the reorganisation?—The corresponding total for the current year is £47,297 for sub-head A.

1329. So it is really going to be increased?—It is a little increased.

1330. It is £3,000 on £44,000. When we speak of State institutions, does that mean places like Broadmoor?—No; this covers Rampton and part of Warwick Prison.

1331. But the pay and allowances under sub-head H 1 for State institutions presumably has regard to the staff actually for running the particular institutions?—Yes.

1332. And the administration is run by the Board of Control?—The administration covers not only the State insti-

* The Appendix to the National Health Insurance Fund Accounts for the year ended 31st December, 1928 (the latest complete year) shows the following:—

England.—Sums amounting to £8,836 3s. 7d. recorded in previous years as Benefit Payments have, according to the returns for the year 1928, been transferred to Administration Account as Improper Benefit Payments irrecoverable. (See Section 27 (2) of the National Health Insurance Act, 1924.)

Wales.—A note in the same terms for £484 11s.

Scotland.—A note in the same terms for £1,290 15s. 3d.

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[Continued.]

tutions, but the supervision of the whole Mental Deficiency and Lunacy Law in all certified institutions in the country.

1333. But the Board of Control occupy a fiduciary position. They are the head administrators, if I understand it correctly, for the State Institutions, but for the local authorities' institutions they are also supervisors?—Yes.

1334. But so far as the State institutions are concerned, they are supervisors plus administrators. Is that the position?—Yes.

1335. So, so far as they are concerned, there is no independent supervision or overlooking?—Yes, one can fairly say that, I think.

Mr. Benson.

1336. Is this £800,000 the total Exchequer expenditure on mental deficiency?—For the year we are dealing with, yes. This is for England. There is a corresponding Vote for Scotland.

Mr. Benson.] This represents the total direct Exchequer expenditure in England on mental deficiency.

Sir Assheton Pownall.

1337. By the State?—There is the somewhat allied Vote of Broadmoor for criminal lunatics.

Mr. Benson.

1338. I had Broadmoor in mind, but that comes under the Home Office?—Yes.

1339. The various local lunatic asylums are municipal and County Council institutions?—Yes. Prior to the block grant, there was the old grant for pauper lunatics, which had been in force ever since 1888, of 4s. per pauper per week maintained in a county asylum. That, together with the percentage grant under sub-head F, has now been merged in the new block grant.

Sir Assheton Pownall.

1340. Where do we find that grant towards local expenditure in these figures?—It was in the local taxation account, which was charged on the consolidated fund and not Voted every year.

Mr. Benson.

1341. Is that part of the £15,000,000?—It is part of the £15,000,000 discontinued grant. The local taxation account figures were somewhat less.

ON VOTE 3.

REGISTRAR GENERAL'S OFFICE, ENGLAND.

Chairman.] We now go to the Registrar General's Office on page 205. I have no observations there. There was a sur-

plus to be surrendered, so there can be nothing to find fault with.

ON VOTE 6.

FRIENDLY SOCIETIES REGISTRY.

Chairman.] We now go to page 211, Friendly Societies Registry. There was

a surplus to be surrendered there, therefore we can find no fault with that.

CLASS VI.

ON VOTE 10.

SURVEYS OF GREAT BRITAIN.

Chairman.] We now go to page 282, Surveys of Great Britain. These are Votes I picked out because there is no possible criticism of an adverse kind which can be made upon them. There is a surplus to be surrendered of £5 6s. 11d. There is a report of the Comptroller on page xviii, paragraph 47.

Mr. Leif Jones.] I would rather like to ask some questions of some witness as to this new costing system they have set up.

Chairman.

1342. We had better leave it until we get a witness?—(Mr. Watson.) As a

5 March, 1931.]

[Continued.]

matter of fact, I have been partly instrumental in setting the cost accounting system running in the Ordnance Survey Office. Some two years ago we had occasion to criticise the prices which were being charged for maps, and we then came to the conclusion that the system under which those costs were assessed in the Ordnance Survey Office was rather out of date, and did not take advantage of modern systems. We had considerable discussion with the Survey Office, and we enlisted the help of some of the army accountants who were running cost accounting schemes for army things as a whole. The consequence of that has been that, over a period of about two years, the new scheme of accounting has been placed in operation in the Ordnance Survey Office, and we are now just beginning to get the results of the new accounting. We think they are giving us costs for the map production which are much more reliable and which will enable changes to be made in the prices which are charged, in due course.

Mr. Leif Jones.

1343. You have not changed your prices yet?—No.

1344. Do you anticipate doing so?—In fact, the system has only been running for a short time in a reliable way. We do not feel that we are getting results which would justify any serious action being taken on them as a basis.

1345. You anticipate that you will get one?—We think about the 1st April next we can get a reliable basis on which to work.

1346. Do you anticipate a rise in the price of maps?—I should think, on the whole, there will not be very much change.

1347. Is it your view that those who buy the maps are to pay the full price

for them?—That is a rather different question. That is a matter which will have to be much more fully discussed than it has been. There is a great deal of difference of opinion on that subject, and I should not like to commit, either the Ordnance Survey Office or the Treasury at this stage.

1348. That is what I would like to discuss with you at some time or other?—Yes.

Mr. Bird.

1349. Is this the ordinary Ordnance Survey map that you buy?—Yes.

1350. The total sale of those sheets only amount to £61,000?—I think that is right, Sir.

1351. Is that the retail price?—This would be the amount coming into the coffers of the Government. Such people as Stanford's do not pay the face value.

1352. I was wondering how much Stanford's did pay for the privilege of selling these maps. Can you tell me what the discount is?—I cannot tell you. I can put in a statement as to the prices.

1353. I should like to know what discount they get?—I cannot tell you off-hand what the discount is. There is, of course, a considerable discount on the face value.

1354. They have got a monopoly?—No, not a monopoly.

Chairman.] I think this is so important that we had better have a witness from the Department.

Mr. Benson.] I think we had one last time.

Chairman.

1355. The point Mr. Bird raised is important, and we ought to get to the bottom of it. I therefore suggest that we postpone this, and get a witness. Will you be prepared with a reply to Mr. Bird's question?—Certainly.

(The Witnesses withdrew.)

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

TUESDAY, 10TH MARCH, 1931.

Members present:

Mr. Benson.	Mr. Gill.
Mr. Bird.	Mr. Leif Jones.
Mr. Butler.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Denman.	Mr. Arthur Michael Samuel.
Mr. Ede.	Mr. West.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VI.

ON VOTE 12.

MINISTRY OF TRANSPORT.

Sir CYRIL W. HURCOMB, K.B.E., C.B., called in and examined.

Chairman.

1356. We will turn to page xviii, paragraphs 48 and 49. There is nothing to which to draw the attention of the Committee on paragraph 48. On paragraph 49 Sir Malcolm may say a word about the fines and audit on behalf of the Exchequer?—(Sir *Malcolm Ramsay.*) The Committee have in previous years suggested that statutory provision should be made for auditing these fines so far as they come to the Exchequer, and the Treasury took that point up and pursued it with the Home Office and the Departments concerned. Now I am able to report that, without introducing legislation, they have made such arrangements as will, in my judgment, satisfy the purposes of safeguarding the Exchequer, without waiting for a favourable opportunity to legislate—a matter of great difficulty.

1357. You are satisfied?—I am satisfied that the position is safeguarded just now. I suggest the Committee should allow the arrangements to develop and see how they work. (Mr. *Phillips.*) The object of employing Home Office Officials is to secure economy. The total of these fines, £150,000, is not worth very elaborate audit.

Mr. Benson.

1358. What percentage of the fines comes to the Exchequer?—All these motor tax fines come to the Exchequer.

1359. If a man is fined five shillings for not having his licence on him, it comes to the Exchequer?—Yes. (Sir *Cyril Hurcomb.*) Yes; and it is then paid into the Road Fund.

Chairman.

1360. On page 286 the only observations I have to make are upon sub-head A. I want to know whether the salaries are growing, either in amount or in the percentage to the turnover. The other point I have to make is on sub-head C. Will Sir Cyril Hurcomb tell us what the services or inquiries were? Had they anything to do with insisting upon the local authorities putting into operation the regulations which you issue under the Transport Department?—Not here. The various regulations made under the Road Acts apply to the users of the roads; they are not regulations which apply to the local authorities. These services are technical inquiries into various matters.

1361. Is there any growth in the expenditure on salaries under sub-head A. or what is the position of the relativity of percentage to turnover?—There was an increase in the staff of the Ministry and in its expenditure, mainly in connection with unemployment schemes, and a supplementary estimate was presented during the year to cover that and other items.

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Sir CYRIL W. HURCOMB, K.B.E., C.B.

[Continued.]

1362. On page 287 under Sub-head H, I see Ramsgate Harbour comes up again, and Crinan Canal under sub-head K. What was the figure last year for Ramsgate?—That comes up on the Trading Accounts.

1363. With regard to the Crinan Canal, are these unemployment works?—No, not those.

1364. What are you doing about the Severn Barrage investigation?—That inquiry is still going on. It is in its second stage. The first stage of the inquiry was an investigation by means of a hydrographic survey, and the construction and running of a model of the estuary to see what would happen if a barrage were erected upon the course of the river, and things of that kind. The next stage of the investigation is to make a detailed scheme for actually erecting the barrage, and that investigation is still in progress.

1365. The Crinan Canal, you say, are unemployment works?—No, the figure in this year is loss on working.

1366. What have you to say about Ramsgate? We had a long discussion upon that last year; is there any hope; any daylight?—I cannot say that the negotiations are entirely broken off, but we are not in any way agreed with the Corporation. The only other point I can make is that I think the loss in future is likely to diminish, because we are able to some extent to increase the rents as the old leases fall in.

1367. What have you to say about that, Mr. Phillips; are you pleased?—(Mr. Phillips.) There is nothing we can do on it as far as we can see. It has been a subject of great discontent to us for a great many years.

1368. Are you satisfied that the Ministry of Transport have exhausted all resources to get the thing cleared?—I think so. They actually came to an agreement at one stage with the local authority which was defeated by a ratepayers' poll. I do not see that they can do more in the way of persuasive effort with the local people.

1369. How did you get mixed up with the Severn Barrage investigation in the beginning?—(Sir Cyril Hurcomb.) The Minister of Transport is responsible for electricity, and the object of the barrage is to generate electricity.

Major Salmon.

1370. The only point I would like to ask is on the question of the general ad-

ministration of the Department. Have you any authority to deal with the question of the mechanical signalling for the traffic of this country?—We can make regulations as to the kind of signals or road signs that should be prescribed, and we make grants out of the Road Fund to highway authorities who erect signalling of that kind, and the Members of the Committee probably know there is an important scheme in Oxford Street, which we hope shortly will be brought into operation.

1371. The point I wanted to try to bring out was that one observes that in many parts of the country mechanical signalling is quite a big feature of the local administration, but London seems to be so much behind any other part of the country. It occurred to me to ask the question first: Are the grants that the Ministry are prepared to give such as to be an inducement to the local authorities or to the police authorities? Is that the cause of the delay up to now in London?—I think the rate of grant that we have been prepared to offer is a generous one, but in London there is a great variety of authorities, as the Honourable Member knows. The London County Council is the improvement authority, the Metropolitan Borough is the highway authority, and the police in the past have been regarded as the traffic authority; but under the Road Traffic Act of last year, powers to erect signs of this kind were conferred on all highway authorities, including the Metropolitan Boroughs, and we are in discussion with them and are shortly having a meeting with the Standing Joint Committee at which that among other questions will be raised. We appreciate the importance of London not lagging behind other great cities of the world in this matter, or our own great provincial cities.

1372. I suppose it is true to say that up to now they have lagged behind?—Up to now there are very few of these things in operation in London. That is the fact.

1373. They are in operation in Wolverhampton?—In many cities in the North and in the Midlands they are now in operation.

1374. We are not anything like so far ahead as they are?—That is so.

1375. Therefore, we are lagging behind?—Yes.

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[Continued.]

Sir Assheton Pownall.

1376. What is the Crinan Canal, £2,140?—It is loss on working the undertaking.

1377. Is it an unlimited liability, or what are the arrangements?—The arrangement is that the country owns the Crinan Canal, and the revenue that can be derived from it does not suffice to meet its expenses.

1378. You can estimate within a pound, as you did this year, what the incomings and outgoings are, so that you can foresee what will be the amount of the loss?—That was adjusted on a supplementary estimate, I think.

1379. It is not shown?—(Sir Malcolm Ramsay.) It is a round grant which finances the undertaking.

1380. But I understand the country pays the whole racket. I do not quite see how they can do it to a pound in that way?—(Mr. Phillips.) There are advances made from time to time to the account, for the purpose of meeting the expenses, which have to be accounted for

after the event. (Sir Malcolm Ramsay.) It is a round lump sum. It does closely correspond to the actual loss, but not exactly.

Chairman.] I see nothing on page 288. The estimate was realised within £28. I see nothing on page 289. If there are no questions on that, let us go to page 290, Menai Suspension Bridge Fund. The only thing I see there is "add from (i) above £11,839 2s. 8d.", which makes a total of £42,653 17s. 9d., and there is a note, "The balance has been retained, with Treasury sanction, as a reserve to meet contingencies and renewals." We went into that very carefully last year. Does any Honourable Member wish to say anything about that? If not, I will pass to the Mersey Conservancy on page 292.

Major Salmon.

1381. On the Mersey Conservancy, that presumably is an entirely separate entity from that of Liverpool itself?—(Sir Cyril Hurcomb.) It is quite distinct from the Mersey Docks and Harbour Board.

CLASS IX.

ON VOTE 3.

RAILWAY (WAR) AGREEMENTS LIQUIDATION.

Chairman.

1382. We will now pass to page xxiii, paragraph 59. That is the Railway (War) Agreements Liquidation Account. I have nothing to say about it, but it is interesting as a matter of record. We discussed that last year. The paragraph at the bottom of page xxiii says: "I understand that the liquidation of all claims by the Railway Companies under the War Agreements was completed by October, 1930." That is now completed. If you will turn to page 442 you will see it in detail. You wish to say nothing, do you, Sir Malcolm? (Sir Malcolm Ramsay.) No, Sir. I am glad to see that we will be at the end of this Vote after one more year.

1383. We will now go to pages 442 and 443. The observation of the Comptroller and Auditor-General is merely a record. On page 443 you will see that this figure represents £299,023,334 that was paid to the companies in respect of the period of control; that is the war control. Sir Cyril, how much represents the cost of

services rendered to the Government Departments for the carriage of goods and passengers? What do you think it cost the country?—(Sir Cyril Hurcomb.) I am now in a position to put the final position under these agreements before the Committee. The settlements with the last remaining companies, which were effected during the current financial year, resulted in a payment to the Government of £41,800, and, when account is taken of that, one can arrive at the final result. Before I give you the figures, may I say in explanation of the long time which it has taken to liquidate these old war agreements, first, that the agreements continued for a full two years after the war was over, and then that the railway accountants were very much occupied with the amalgamations of the railway companies, and subsequently with the fixing of their standard revenue; and the pressure of work, added to the complexity and variety of the questions that arose, is, I think, a sufficient explanation of the time taken. As the Committee knows, in recent years the net result of the in-

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[Continued.]

vestigation of these accounts has been a substantial cash recovery, amounting since 1925-26 to about £2,700,000. If I may give the Committee the figures, the gross payments made from Votes of Credit and from the Railway Agreements Vote in respect of these agreements amounted to £325,135,474 (in round figures, £325,000,000). From that has to be deducted the payments to, which you, Sir, have referred, made by other Departments for Government traffic, and various miscellaneous items, bringing the net charge to the Votes in connection with these agreements down to, in round figures, £299,000,000. The first deduction that one has to make from that figure is the estimated value of the services rendered to Government Departments prior to the date at which either credits were obtained from other Departments, or actual cash settlements were in force. That must necessarily be a matter of estimate, but an estimate was made by the Government Accountants, Sir William Plender and Sir Albert Wyon, which the Ministry of Transport has never seen any reason to vary, as to the value of those unpaid-for services. The figure of that estimate is £144,000,000.

1384. You take that off?—That brings you, in round figures, to £155,000,000.

1385. That is what it cost the country?—Which you could allocate, I may say in passing, between Great Britain and Ireland in the proportions of £144,000,000 to Great Britain and £11,000,000 to Ireland. I am sorry that, by a coincidence of figures, there are two figures of £144,000,000. There is a further very important factor to be borne in mind, and that is that passenger fares were not increased till some time after the war began, and when they were increased they

were rather increased with the object of reducing travel than of increasing revenue. Freight rates were not increased during the war at all, and were not in fact put up, in spite of the great growth in expenditure, until January, 1920, so the community had the advantage of sending whatever goods it sent by rail at pre-war rates all through that period, in spite of the rise in expenditure. That obviously is a very important factor in considering what these agreements really cost the country.

Major Salmon.

1386. I presume, Sir Cyril, that you had a number of staff engaged on this particular piece of machinery in your office?—We had a small staff, and, as I have explained to the Committee before, it was diminished as opportunity arose until we were left with very few people, who have been transferred to other necessary work.

1387. So you have absorbed the staff that you had in other Departments?—We absorbed some of them and lost others.

1388. Is the percentage of absorption large?—Yes, it would be large, but as the total figure, I think, is only eight, if you express it as a percentage of 75, it is not really very horrifying.

1389. It is a small number of individuals?—A very small number of individuals.

Mr. Benson.] I should like to know something more about that figure of recoveries. Was that due to over-payments?—Yes, there were adjustments of payments that had been made on account.

1390. You made approximations to begin with, and then adjusted them later?—Yes.

CLASS X.

ON VOTE 3.

RAILWAY FREIGHT REBATES.

Chairman.

1391. We will now go to page xxvi, paragraph 64, Class X, Vote 3. That is the Railway Freight Rebates. There was £1,000,000 voted in 1928, but only £900,000 was issued, leaving £2,433,333 for 1929?—(Sir Malcolm Ramsay.) I have nothing to add to what I say in the Report.

Major Salmon.

1392. I understood last year Sir Cyril said arrangements would be made to put this under a different head. You said that in evidence last year. May I remind you of it?—(Sir Cyril Hurcomb.) I do not recall that; this was a purely temporary Vote, and it disappears. The Honourable Member may perhaps be

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thinking of the permanent scheme which is incorporated in the Local Government Act, 1929, and now does not require any grant from the Votes.

1393. Was not it a question about having it audited, and it would come under a certain Vote on this occasion? Was not that the substance of what you suggested on that occasion?—I do not think so, Sir, because it disappears, as I say.

Major Salmon.] Perhaps I am under a misapprehension. I do not want to press the point.

ROAD FUND ACCOUNTS.

Chairman.

1394. Let us go now to the White Paper, the Road Fund Accounts. It is Paper No. 27 which is in your hands. The Report is on page 9. Please look at paragraph 2. (Sir Cyril, will you please tell us the latest figure of your commitments?—(Sir Cyril Hurcomb.) I have not that exact figure by me. We have stated the commitments at the end of the year under review, which is our ordinary practice, without giving information as to the current position.

1395. It does not include the full prospective liability?—There were certain improvement schemes in London about which I could inform the Committee. The principal ones are a scheme for an improvement at Vauxhall Cross; an important improvement at the Elephant and Castle, for which a Bill was obtained last Session; the Dartford and Purfleet Tunnel, for which a Bill was also obtained last Session; the improvement of Chelsea Bridge; and certain other schemes. These projects at the close of this period were not so far advanced as to be put as an addition in figures to the Estimate of the outstanding commitments at that date.

Major Salmon.

1396. What about Charing Cross Bridge?—We have excluded that, and I cannot say more than appeared in the newspapers. The London County Council are about to publish the special report which they obtained from their Committee.

Chairman.

1397. Paragraph 3 is the Irish Free State. What progress has been made

Chairman.] We will now go to page 453. Railway Freight Rebates. That is the account. I see there is £100,000 supplementary. That was to make good the shortage in 1928. If you look back to paragraph 64, with which we have just been dealing, there was £1,000,000 voted in 1928, but only £900,000 was issued. That brings the £3,333,333 down to £2,433,333. That confirms the figure on page 453.

Sir Assheton Pownall.] This was in connection with de-rating, was not it?

Chairman.] Yes, freight rebates.

there? What about the Piccadilly Tunnel, in paragraph 4? That has been abandoned?—(Sir Malcolm Ramsay.) I took the view that this payment might really be regarded as an insurance premium which would save a vast deal of money if ever the project for the Piccadilly Tunnel was to be put into execution. As a matter of fact, the project of the Piccadilly-Green Park Tunnel has been abandoned.

Mr. Leif Jones.

1398. Do you mean this expenditure might turn out to be useful if the Piccadilly Tunnel were revived?—It was incurred while the project for the tunnel was still a very open question, and it secured certain re-arrangements or alterations of the foundations of certain works which contractors were putting up on part of the ground, so that if eventually the scheme went through the Government would not have to pay heavy compensation to the original builders of those works. On details Sir Cyril will tell you the story at the present time. (Sir Cyril Hurcomb.) What the Comptroller and Auditor-General said was correct. The money was spent in acquiring certain easements, mainly for the purpose of strengthening and deepening foundations, so that if the tunnel had ever been constructed, first of all, it would have been possible to do so without endangering the stability of the buildings which would have gone up, and probably had that not been done it would have been impossible to construct the tunnel, unless one was prepared to demolish the buildings.

1399. Who was going to construct the tunnel?—It would have been constructed

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[Continued.]

probably by agreement with the Highway Authority, and the Improvement Authority. It would have been like one of the other big London schemes which have been a matter of co-operative arrangement between the Road Fund and the local authorities concerned.

1400. Did the local authorities make any corresponding expenditure?—No.

1401. It was wholly on the Road Fund?—It was wholly on the Road Fund. The project was not sufficiently formulated to be a matter of definite agreements with the local authorities, but it was, as Sir Malcolm said, to protect the possibility of proceeding with a scheme of this kind.

1402. Before you spent £17,000 on insurance you must have had the scheme pretty well in mind?—Yes.

1403. Have you any other sort of similar scheme where you are buying easements speculatively?—There have been cases where we have paid from the Road Fund the whole costs of survey, or of investigation of a scheme generally, with an understanding that if the project went through that expenditure would be charged as part of the work and shared in the same proportion as the cost of the work with the Road authorities. But if the scheme proves abortive, or, it is found, on investigation, that it could not be carried out, there have been cases where the Road Fund has borne the whole of that cost.

1404. A scheme involves somebody to put up a scheme. Would these be schemes of yours, or schemes brought to you as possibilities by some other authority, or some private persons?—They might be either, or they might be originated in London by the Traffic Advisory Committee.

1405. Then do you, on your own, decide on this sort of expenditure?—No, we should not decide on our own.

Chairman.

1406. Has not the Treasury gone back on its own theory that it does not speculate in land or easements?—(Mr. Phillips.) This particular scheme was recommended first by the Royal Commission on London Traffic in 1904, and the reason the Treasury agreed to £17,000 being spent at that time was the very obvious reason that the easements could be bought very cheaply before the new

buildings went up. If that opportunity had been lost, and a decision had subsequently been taken to go on with the tunnel the expenditure would have been enormous.

1407. What are the easements?—(Sir Cyril Hurcomb.) The main point was an increase in the depths of these buildings. It was necessary to have deeper foundations, if a tunnel was to be put there, than would otherwise be necessary.

1408. You paid the people who put up the big building on the Devonshire House site to put their foundations deeper than otherwise would have been necessary, because you wanted to avoid the necessity of having something done to strengthen them if you put the tunnel in. Is that the line?—Exactly.

Mr. Leif Jones.

1408A. Are the Treasury always consenting parties?—As Mr. Phillips said, a scheme of this kind was first mentioned by the Royal Commission on London Traffic in 1904, and endorsed by Mr. Kennedy Jones's Committee in 1919 as a possible improvement. It was considered again in 1925 when Devonshire House was being demolished, and was carefully considered by the Traffic Advisory Committee who advised the Minister at that time, and express Treasury approval was obtained for everything that was done.

1409. In any similar case you would always get Treasury sanction?—Yes.

1410. What governs the Treasury sanction in this matter? The opinion of the Road Board, or do you exercise any real authority?—(Mr. Phillips.) I think we looked into the thing fairly closely. There is no doubt whatever that if the scheme had ultimately been proceeded with this particular expenditure of £17,000 would have saved the projectors of the scheme enormous sums. I think that is perfectly true. As a matter of fact the scheme was ultimately turned down. (Sir Cyril Hurcomb.) It can be put higher than that. It would not be possible to put the tunnel through without having to acquire the buildings, which would have been a prohibitive expense.

Major Salmon.

1411. There is no doubt that in this case the Government did use foresight in making preparation for the possible building of this tunnel?—Yes.

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[Continued.]

1412. The only extraordinary part that strikes me is that the Treasury sometimes do not take the long view, but take the narrow view. I should like to know what animates the Treasury's decisions, because I have a recollection of a debate that took place last night on the apparent want of foresight on the part of the Treasury, and it would be interesting, from this Committee's point of view, to know what is the guiding spirit of the Treasury is withdrawing or giving sanction to a particular project. I think, so far as the Ministry are concerned, they are to be applauded for their foresight, but I do not know what the views of the Treasury generally on this subject are?—(Mr. Phillips.) I am afraid I do not know what the particular matter under debate last night was, but they try to use their common sense. In this case there was a clear possibility of saving money.

Mr. Leif Jones.

1413. I want to know why they did not foresee the objections which led to the turning down of the scheme?—The objection was that it might disturb the amenities of one of the Parks. The tunnel was to run from Berkeley Square down to the Mall.

1414. That consideration ought to have arisen at the very beginning?—(Sir Cyril Hurcomb.) It did arise, but it arose originally on the point of acquiring certain easements on one side of Stratton Street, and the amounts involved at that time were in the neighbourhood of some £14,000. After most careful discussion with the Treasury it was considered that it was worth while to run the risk of that expenditure proving abortive to safeguard the line of a possible tunnel. A definite decision to proceed with the work of constructing the tunnel was not taken at that time.

1415. There really was a change of mind on the part of those who were promoting the scheme?—No, not a change of mind. There was an intermediate stage when certain other easements were acquired on the other side of Stratton Street, making up the total figure which you have before you, and a further sum which I will mention now paid as the result of an arbitration award in respect of the loss of profits through delay in starting the work while the matter was explored; that is another £1,812, that

will come into the accounts of the current financial year, and be before the Committee next year, making a total of £18,872. In 1929, when Lansdowne House and grounds came into the market the question had to be considered again as to whether yet further expenditure on additional easements should be incurred, and the matter was most carefully considered, and the conclusion was reached by the Government that as any scheme of this kind would involve an interference with the amenities of the Green Park, and no way could be found of avoiding that, the scheme should not be further proceeded with. The Committee will realise that the line of the tunnel would have come across Piccadilly just by the Ritz Hotel and run down the Queen's Walk, and the tunnel and the road emerging from it could not be constructed in a way which would avoid some interference with the pleasantness of that part of the Park, and after the whole matter had been very carefully weighed, it was thought that that consideration should predominate over the possible traffic advantages of the scheme.

1416. That is to say, really, that the abandonment was not due to any new factor turning up, but was simply a reconsideration of the scheme, and a realisation that to carry it out would injure the Green Park?—Yes, it depended upon the weight given to two rather nicely balanced considerations.

1417. What I am pressing is whether or not this could not have been foreseen in time to prevent this expenditure?—The decision could have been taken, no doubt, when the expenditure was originally incurred, that it was not worth while to preserve even the possibility of going on with the work, but the Government of the day thought it was worth while spending this sum.

Mr. Leif Jones.] All the elements of the problem were there. That is why I say there must have been a change of mind, because the ultimate deciding factor was that you were going to interfere with the amenities of the Green Park. That Green Park was there when you first decided to go on with the scheme.

Chairman.

1418. That was not of sufficient weight to make the Government decide not to go on with the scheme?—(Sir Malcolm Ramsay.) I think the Ministry could not get a decision on this very important

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[Continued.]

question of policy until 1929. I think at least two Governments considered the matter, and it was not until 1929 that a final decision was come to between two sets of very nicely balanced considerations.

1419. Am I not right in thinking that the matter was raised by Question in the House of Commons?—(Sir Cyril Hurcomb.) It was referred to there, certainly.

Chairman.] That probably had some weight in influencing the Government in coming to a decision?—At some future time, a generation hence when we are all dead and gone, what method have you of keeping alive the knowledge that the State owns those easements, so that if you should make a tunnel when we are gone—

Captain Crookshank.] There would be the Minutes of this Committee.

Chairman.

1420. Somebody in Berkeley Square might come along and say: "We want some money because you have dug this tunnel." Would there be any record available to put the State in possession of the fact that we own those easements?—Yes, we keep a record of any rights we acquire.

Major Salmon.] It would be registered on the Plans of the land.

Chairman.

1421. You have no doubt about that?—I do not think so.

Major Salmon.

1422. Sir Malcolm, I notice in paragraph 5 at the bottom of your Report you say that "The accounts of the London County Council, and of the West Ham Corporation in relation to the improvements are to be kept separate from those relating to their other activities." And that the Minister has arranged the reports thereon shall be available for your inspection. I should have thought that the auditor of the London County Council giving you particulars would have been sufficient, without going to the expense and trouble of having a third auditor dealing with those accounts?—(Sir Malcolm Ramsay.) That is just the point. This clause is put in to simplify matters, as I understand. I think it has been arranged to be done by the auditors

of the Ministry of Health in the ordinary course. (Sir Cyril Hurcomb.) That is so.

1423. It will be done for you instead of by your Department?—(Sir Malcolm Ramsay.) We are not going to have two people travelling over the same ground. That is the point you are afraid of?

1424. Yes?—I can say emphatically, I see no good in sending two people down to do the whole job, but seeing that the Road Board are financing the whole operations, it was thought it would be a good thing for my auditors to have an opportunity of seeing the accounts.

1425. There is an important point, not necessarily referring to the Road Fund, but do you contend, as Comptroller and Auditor-General, that you ought to be able, if you so desire, to go over any account where Government money is given, either by way of grant or otherwise, as the case may be?—I should not put it that way. I should say this Committee was entitled to be satisfied that any Government grant had been properly expended, and that probably in most cases means that my Department, as being primarily the servant of the Committee, would investigate, though not necessarily cover the same ground as other people. I see what has been done, whether there are any holes left, or whether, in cases where somebody else does the primary audit, that it is done on right lines. It is sometimes a very simple matter; it is not always. But in the case of these Road Fund grants, the whole point is to get on the ground before the contractor takes away his plant, and see what is going on. That I would not attempt to do and could not attempt to do.

Captain Crookshank.

1426. I may be wrong, but I understood there is a new underground station being built at just about the same place as your projected tunnel?—(Sir Cyril Hurcomb.) That is at Piccadilly. It does not run down to the Mall.

1427. I understand the station is being built so that there is an entrance on both sides of Piccadilly?—That means a very small interference with the Park.

1428. There is a tunnel being built, which, from your description of this area where you have got the easements, is the same place, is it not? If your road was to have been along the Ritz Hotel, down from Berkeley Square, the tunnel is

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[Continued.]

apparently at the corner of the Ritz Hotel. I may be wrong, but assuming that it is, would you be able to recover anything from the Underground Railway for the use of that particular easement?—No, I do not think that is the case. I am told there is not any interference between the two lots of works if they were carried out.

1429. You would have that in mind. Supposing that the Underground Company did wish to encroach on your area, I take it you would then consider whether there was any chance of recovering anything from them?—Yes.

Chairman.

1430. That is to say, is any part of the building to be put up by the Railway Company likely to go anywhere near Devonshire House?—I am told the two schemes do not in any way overlap.

(Map produced and shown to hon. Member.)

Captain Crookshank.

1431. They do not from that map, but would you keep it in mind in case the station ever started to go further along?—Yes.

1432. I thought you said it went underneath Devonshire House?—The tunnel started from Stratton Street, is what I said. It arose in connection with the demolition of Devonshire House, when it came into the market.

Mr. Butler.

1433. Do I understand that no more money will be spent on this tunnel after this decision in 1929? That is quite certain?—So far as any tunnel is concerned. The buildings will have gone up and that particular project will no longer probably be feasible.

1434. That is an important point. That means that this money has been wasted, if the matter cannot be re-opened owing to new buildings being put up?—It is expenditure which will be fruitless. That is what the Comptroller and Auditor General draws attention to, but it was done as an insurance for the possibility of being able to carry out this work at a future date, if it had been so decided.

1435. The decision of 1929 is final in every way with regard to the tunnel?—I think the project must be regarded as abandoned.

Mr. Gill.

1436. Your paragraph No. 6, Sir Malcolm, makes reference to an increase in the audit staff of the Ministry for making enquiries on the spot. I think you tell us the result was that in the first year of working substantial cash recoveries or disallowances of expenditure for the credit of the Road Fund have been effected. Could you give us any idea of the amount?—(Sir Malcolm Ramsay.) That is really rather for Sir Cyril, but I have made enquiries. The first year of working began about June, 1929, and they got back £13,000 in cash. Up to the 31st December, 1930, I think there was something like £25,000 in cash, and probably £30,000 recovered up to date. (Sir Cyril Hurcomb.) I agree those figures approximately, but I do not think you can measure the value of the work by the cash recoveries you actually effect. This current check is very useful in leading to the avoidance of expenditure while the work is going on, not merely that when it is all over you can get a little of it back. (Sir Malcolm Ramsay.) I should like, if I may, to endorse that most emphatically, because prevention is infinitely better than cure. A great deal of the activities of my own department are directed to preventing difficulties arising, and if you asked me to give a balance sheet of what I had got back, I would not do it.

1437. With three officers, if you recover £25,000 a year, it is a good speculation from a staff standpoint?—Probably their moral influence is an infinitely greater element than the figures suggest.

1438. You have to take into account what might have happened if it was not known that these three officers would go on the spot?—Yes.

1439. There are three officers engaged on the work?—(Sir Cyril Hurcomb.) Three wholly engaged.

1440. These investigations have only commenced in 1929. Presumably, as to what went before there is no opportunity of making any check?—Yes. Apart from the audit conducted into these things by the District Auditor, we have always sent officers out direct from the Ministry to look at special works, but, on Sir Malcolm's suggestion, we strengthened that staff and put it more systematically to work on this kind of thing.

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[Continued.]

1441. And, in effect, whilst it has meant additional expense and additional staff, that has been justified by the results?—Amplify, yes.

Chairman.

1442. On the Road Fund account, page 3, the only thing I see to draw attention to is this. When revenue comes in why does it become necessary to realise investments? How is it you do not make the incoming and outgoing moneys dovetail?—The revenue comes in preponderantly in the first Quarter of the year, when we collect about two-thirds of our revenue, but the expenditure is more or less equal throughout the year. There are therefore times when we have very substantial cash balances, and those are invested in Treasury Bills, which are realised in ordinary course.

1443. You let them run off?—(Mr. Phillips.) They are Three Month Bills. They look very large in an annual account.

Mr. West.

1444. On the experimental work there is £20,412, on page 2: Research Station at Harmondsworth. What kind of research work is carried out there?—(Sir Cyril Hurcomb.) We have put up special buildings at this point, and constructed a length of experimental road. It leads off the Colnbrook Bypass, and we can, and do sometimes close the ordinary road to traffic, and divert the traffic through the experimental road, and it is then possible to carry out investigations as to the effect of the traffic.

1445. When you get these results, in some cases showing great economic improvements, are the results in any sense sent to local authorities?—Yes, we should publish in some suitable form the results of our experiments and experience, and we have a special Committee on which the highway engineering profession and scientific people competent in the matter are represented, so that they can advise us as to the course of the experiments, and also as to the best way of giving the results publicity.

1446. Is a record kept of the progress made in testing the durability of the road?—Yes. A good deal of information goes to the local authorities on the subject, and from time to time, we issue special Memoranda, which go to Highway authorities and are published in the Technical Press.

1447. There is £3,800,000 down here for grants for other purposes. What are these other purposes?—Improvements of all sorts to roads and bridges which are not covered by the classification grants shown in the figure of £10,000,000 odd just above.

1448. "Direct works" £150,000, what is that?—Those are survivals from certain works put in hand direct by the Ministry some years ago, which have not been finally completed.

Mr. Leif Jones.

1449. I was told the fines were in the Revenue Account. I am trying to find them?—(Sir Malcolm Ramsay.) Are not they specifically shown in the Motor Tax Accounts? (Sir Cyril Hurcomb.) I can give you the figure, it is £175,033, and it is included in the first figure of the account you have before you.

Major Salmon.

1450. Sir Cyril, do you have a free hand in dealing with these small items such as the research station at Harmondsworth, in the way of finding money?—No; I do not complain in any way of the Treasury because they give us broad authorities for dealing with classes of work on certain standardised lines, but a thing like the erection of a research station, which, in itself is a new departure, would require the express sanction of the Treasury, and we duly sought and obtained it.

1451. The £20,000 you spent on this research station carries with it a maintenance figure. What does it cost you a year to maintain this?—I am afraid I have not got that separately.

1452. The work that you are doing there presumably is work of a similar character to that the National Physical Laboratory are doing also in connection with roads?—No, we are working very closely with the National Physical Laboratory, and take care not to have any overlapping. They have done certain work for us in machines for measuring resistance to skidding and for measuring impacts, and things of that sort, and in devising other machines, but we shall avoid any overlapping. On the other hand, if there is any work which could be more economically or conveniently done by the National Physical Laboratory we should not hesitate to use it.

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1453. Take the question of the best road surface, for instance. Is that investigated by the National Physical Laboratory or by you?—That would be investigated partly on this length of experimental road, to which I have referred, and partly by putting down sections of various classes of surfacing, by agreement with highway authorities, at suitable points, and watching the results. We have made various arrangements of that kind with certain of the local authorities; the Surrey County Council, for instance.

1454. The point I would really very much like to get at is, to know, first of all, when your research station was completed?—It was finished by the end of April, 1930.

1455. So you have had practically 12 months running?—Yes, getting on for that.

1456. And you will be able, presumably next year, to tell us how much it has cost in the year to run?—Yes.

1457. When you asked permission of the Treasury for the building of this, did you give them any estimate of the cost of maintenance, or did they ask you?—We have given them full information, and any staff we employ in connection with research we also get their explicit sanction for.

1458. I appreciate that you do that afterwards, but the point is, when you said you were going to spend £20,000 odd on erecting a research station, did you at the same time say, it was going to cost X pounds per annum for maintenance?—I have no doubt we gave them an estimate.

1459. For maintenance?—Yes.

1460. So next time we have the pleasure of seeing you as a witness, we shall be able to see how your estimate came out?—Yes. The station really was not running in this year of account on a basis which enables me to give you maintenance figures, but, as the Honourable Member says, it is a question that can be answered when experience has run a little longer.

1461. Is it fair to say that the research station figure of £20,400 is a sum of money that you spent on erecting the building, or on maintaining the building?—No, not in maintaining it, because it was not running.

1462. Therefore it is on erecting it?—And on plant and things of that kind.

1463. In installing it?—Yes.

1464. Building it, and installing it. Is that the figure?—This £20,000 is mostly

the construction of the experimental road.

1465. Do not you think, if that is the cost of an actual experimental road, it is a little misleading to suggest that that is the cost, as one would read it, of the research station?—But the most important part of the research station is the experimental road.

1466. Will that road be substituted for other roads? As I understand that you have put up a permanent building?—The object of the road is to be able to divert traffic from the ordinary highway and put it over this road, and test its effect on various kinds of surfacing and other features of a road, and by measuring and comparing the results, to obtain valuable results for general use and application.

1467. But in two or three years hence, when progress improves, you would start, *de novo*, in some other part, a new experimental road, if something better comes along?—No, we would alter the surface of this road, using always the same strip of road.

Mr. *Ede*.

1468. This is an elaboration of what you started years ago at Sidcup?—In other cases we put down some special sections of concrete road, by agreement with the highway authorities, and watched the results.

Major *Salmon*.

1469. Here you are "nursing" it?—Yes, here it is under complete observation and control.

Captain *Crookshank*.

1470. Is there any reason why the fines should not be shown as part of the £21,000,000, for comparative purposes, year by year?—There is no reason why the figure should not be given. I would just like to consider what would be the most convenient way of presenting it, and Sir Malcolm might have some views upon that.

[Captain *Crookshank*.] I suggest it might be considered as being of interest.

Mr. *Butler*.

1471. With regard to the maintenance of unclassified roads in rural areas, can you mention any part of the country which has profited by this grant?—I think all parts of the country have profited by it. We gave those grants to practically every road which had a traffic

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value at all, which was not already a Class I or Class II road, and every county and rural district which had roads of a traffic value at all, I think I may say participated in those grants.

1472. Did they apply to you always, and you granted it to each local authority according to their need?—The application came from the highway authority, but our local officers were in very close touch with them, and, in fact, assisted them in getting these roads scheduled in the first instance, for the purpose of applying for the grants. They are now merged in the Block Grant, under the Local Government Act.

1473. Therefore this entry will not arise again?—No, not in that form.

1474. Could you develop again the grants for other purposes? It is a very large sum?—Those are the grants for the major improvements of roads and bridges.

1475. Could that be set out a little more clearly, because it seems to be one of the largest items with one of the vaguest titles. In reading the account one has no idea what it is for: "Other purposes"?—I will consider that. One hesitates to elaborate the account too far.

1476. It just means nothing to me at all, at present, because I have not got sufficient knowledge to understand what it means?—We give a great deal of detailed information in the Annual Report on the Road Fund, and that is one of the reasons these accounts are condensed.

Mr. Butler.] That will enable one to follow it up.

Mr. Bird.

1477. Is anybody resident at the research station at Harmondsworth?—I am afraid I cannot say whether anyone lives on the premises, but I think not. There is a caretaker.*

1478. You have seen it?—I have not seen it for some time, not since April last. The last time I arranged to go down unfortunately some more urgent business intervened and prevented me.

1479. Can you tell me what the comparable figure was in the accounts of last year under the same heading?—It is not comparable.

1480. What was the figure under that heading?—The £20,000 figure?

1481. Under "Research Station, Harmondsworth"?—(Mr. Watson.) It was

not there. It might have been included under "Other expenses".

1482. That is what I should like to get at, because I think you said the research station was finished by April of last year. Somewhere or other you would have had the expense of construction?—The station was constructed by the Office of Works.

1483. Where should I find the cost of construction, because it does not appear to be in this account that we are considering now?—No; this is mainly the construction of the road.

1484. This is only the construction of the road, so nowhere in this account have we got the construction of this research station?—I will give the Committee an analysis of all the expenditure on the research station including the buildings and the road.*

1485. I have been up and down it a good many times myself, and I always regard it as a wicked waste of money?—I think, if I may say so, a very limited expenditure of this kind on research will repay itself over and over again. If you can find out anything which will add to the life of a road, you reap the advantage many, many times over on a very large scale. We have been criticised in the past for not proceeding with research fast enough.

1486. Is not it the same type of thing that is being done by nearly all the local authorities?—No; I do not think any local authorities do this kind of thing.

1487. They put down sections of road?—They put down sections of road, but they do not have the same systematic and intensive study of the results as this station can achieve.

1488. In addition to that, people who invent some special road get permission from the local authorities, and actually go to the cost of putting in a section themselves?—In some cases they do, but they will not have the results under the same close and constant investigation and the same scientific investigation into the results as this station will secure.

1489. Have you secured anything yet?—Yes; we have already secured results from our research activities, but I do not think you can expect quick results in the matter of a few months from an expenditure of this kind.

1490. I understand it was a matter of a year. You have had a section of road for over a year?—It is a matter of 10

* The caretaker is in residence.

* See Appendix 7.

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months. I do not think it is reasonable to ask people to produce results of researches in 10 months.

1491. You mean 10 months is not sufficient to form any opinion?—Not by any means.

1492. How many different sorts of surfaces have you put down in 10 months?—That I cannot answer offhand.

Mr. Bird.] Could we have somebody who could answer that? I know this bit of road so well, and it always seems to me such a wicked waste of money, and the experiments they have had on the road cannot all have been successful.

Mr. Denman.] Are not we discussing the accounts of the year ending 31st March, 1930, and is it relevant to discuss present practice in regard to this road?

Chairman.] So far as the practice affects the figures before us. Does it affect the figures before us?

Mr. Ede.] I understand the £20,400 is in the nature of a capital item that represented the laying down of the road. The actual carrying out of the experiments

and any costs arising therefrom have been incurred since 1st April, 1930.

Mr. Bird.

1493. This is the road. This is the surface that has been put down?—It is not, if I may say so; it is the road itself. The foundations had to be constructed. This is not a matter of surfacing, nor are the experiments which are conducted confined to the surface.

1494. Do you suggest £20,000 was spent on putting down that short length of road?—It was largely spent in putting down the road.

1495. £20,000 on that short section of road? I do not think you can be right on that?—I have said I will put in an analysis of the figures so that the Committee can see.

Mr. Bird.] I think it would be much better, because it is a very short section of road. I think we want some more figures on that, Mr. Chairman. That cannot be the proper information.

TRADING ACCOUNTS.

(MINISTRY OF TRANSPORT: RAMSGATE HARBOUR).

Chairman.

1496. I am now going to take you very quickly to page viii of the Trading Accounts, paragraph 14 of Sir Malcolm's Report. Here he deals with Ramsgate Harbour. "This account does not include certain payments which have been made *ex-gratia* in connection with the harbour on behalf of the Crown." I have nothing to say about that, nor do I think that paragraph invites any comment?—(Sir Malcolm Ramsay.) The Treasury have now decided that these grants do not come into the account, therefore I am now able to tell the Committee the account is correct.

1497. If the account is correct your paragraph should be, as it were, disregarded?—It was true when it was written and things have happened since, which I report to the Committee.

Chairman.] I want to take the Committee to page 129.

Mr. Leif Jones.] Before you leave that paragraph do I understand it has been put right, that the payments have been made?—No, it was decided that these payments did not properly belong to the Harbour, and were not therefore to be included in the account. (Sir Cyril Hurcomb.) The position is this: The Har-

bour property was not assessed for rates before the Harbour and Passing Tolls Act of 1861, and under the provisions of that Act, no charge which was not made before it was passed can be made against Harbour Funds in this respect. In those circumstances, there is no statutory liability on the harbour as a Harbour Undertaking to pay these rates, and therefore it did not seem to us proper, and the Treasury have so ruled, that the rates should be so charged.

1499. These rates being *ex gratia* are in the same position as rates on any other Government building?—(Mr. Phillips.) Yes; all rate payments are *ex gratia*.

1500. So that argument which is put forward for omitting them from the Ramsgate Harbour does not seem to hold good?—(Sir Malcolm Ramsay.) I think in the case of Ramsgate Harbour it does differ from the ordinary case. If the Government occupy a building they make a payment of rates *ex gratia*, but if they gave it up and a private tenant occupied it, the private tenant would, as a matter of statutory obligation, have to pay rates. In Ramsgate Harbour the position is different. The Government while they occupied it did *ex gratia* make a payment of rates, but if they gave it over to a

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private body nobody would have power, as I understand, to rate it.

1501. Is that so?—That is the difference with all respect, between the ordinary case and this. (Sir Cyril Hurcomb.) Because they have the statutory exemption. It was expressly provided that if the harbour property was not assessed to rates prior to the passage of this Act of 1861, no charge should be raised.

1502. Does that apply to all the harbours?—No, this Harbour and Passing Tolls Act, 1861, dealt with particular harbours. It would not apply to every harbour; this was a special kind of case. But the harbour as a harbour undertaking gets this statutory exemption from rates.

1503. Why did you go behind the Act of Parliament? There was a special exemption granted by Act of Parliament, and yet you pay it?—(Mr. Phillips.) That I cannot say, but I know it was the decision of the Government of 1875, and since that date it has invariably been paid out of the Rates Vote, and not out of this account.

Chairman.

1504. We are now going to deal with Ramsgate Harbour on page 129, I therefore want to enlist the help of the Committee by referring Honourable Gentlemen to page 139 of the 1st and 2nd Reports of the Public Accounts Committee published in February and June, 1930. You will find we have had page after page of this discussion on Ramsgate Harbour. I

(Sir Cyril Hurcomb withdrew.)

CLASS VI.

ON VOTE 6.

MINES DEPARTMENT OF THE BOARD OF TRADE.

Sir ALFRED E. FAULKNER, C.B., C.B.E., called in and examined.

Chairman.

1507. Let us go to page 253, Class VI, Vote 6. I have no observations to offer upon page 253; no accounting questions arise. On page 254, at the bottom: "Repayment by colliery owners of excess advances made during the Coal Mining Industry Subvention"; we recovered advances which proved to be in excess of the amounts due. Are there any excess advances still outstanding,

therefore beg Honourable Gentlemen to assist me and not to go over this again, unless they have some new point to raise. It is an old trouble, and I do not think we can get any further this year than we got last year. It is a question of principle. The principle was thrashed out last year. We have had a loss again of £10,300?—(Sir Cyril Hurcomb.) That loss was quite abnormal because it included expenditure on the reconditioning of a dredger amounting to some £6,600.

Chairman.] Therefore unless any Honourable Gentleman has anything to raise on the £10,300, I ask them to be kind enough to let us pass on to the Mines Department.

Mr. Benson.

1505. I should like to know what has been done in the meantime. This Committee expressed its opinion that they would like very much to get rid of Ramsgate Harbour. Has anything been done?—Yes; the negotiations have not lapsed, but I cannot compel the Corporation of Ramsgate to agree with us.

1506. You can withdraw from the harbour?—I think there is some difficulty if you are in possession of a statutory undertaking in abandoning it.

Chairman.] You raised the whole thing last year, Mr. Benson.

Mr. Benson.] I know; I only wanted to know what has been done in the meantime, whether we shall have to go on raising this money.

Chairman.] We cannot help ourselves.

and will they be recovered?—(Sir Alfred Faulkner.) I think there is one still outstanding. This is a small recovery to be made in the form of a dividend on liquidation.

1508. We will now go to the middle of page 255, Part I, "Account of Receipts and Payments (Output Levy)"; that is 1d. per ton on output. The next thing is "Royalties Welfare Levy," that is 1s. in the £ on Royalties. I have no ob-

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servations to make on pages 256, 257 and 258. On page 259, there is a balance at the bottom of the page of £184,435 18s. 9d. When will the accounts be settled up?—The accounts are all settled up as far as the Mines Department is concerned, but they are involved in accounts which the Inland Revenue have with the same people. In some cases we owe money to people who owe money to the Inland Revenue and *vice versa*.

Captain *Crookshank*.

1509. Is there any right, if you are owed money by one department, to withhold it from another; are not they watertight accounts?—It is by agreement. The accounts are under negotiation with the Inland Revenue. We have settled our part of it; they have not settled theirs.

1510. By agreement between whom?—Between the Inland Revenue and the people who owe or are owed the money, as the case may be.

Major *Salmon*.

1511. As regards the reorganisation of the Department, presumably there is less work for the Mines Department to do under the scheme for the grouping of mines?—Under the Coal Mines Act?

1512. Yes?—On the contrary, there is a good deal of additional work.

Chairman.

1513. Have you additional offices?—No, not for the Mines Department. The Reorganisation Commissioners have a separate office.

1514. Why?—The Act gives them separate duties to do. We have no room in our Department.

1515. They have taken fresh offices?—Yes.

1516. That were not formerly Government Offices?—No. May I suggest this is a point which will have to be dealt with by my Minister on the main estimates for this year, which are not yet before the House.

1517. Major Salmon was dealing with the expenditure. It is a matter of economy whether you could get them into your office?—We cannot, Sir. We are full up; we ourselves overflow.

Major *Salmon*.

1518. Why should this reorganisation under the Mines Act give you more work

to do in the Mines Department?—You mean the administration of the Act?

1519. Yes?—All the schemes of the various districts have to be dealt with by us, examined by us, and approved by us—

Mr. *Benson*.] This hardly arises on these accounts.

Major *Salmon*.] The point arises, I suggest, on the question of the salaries, wages, and allowances. The point I want to arrive at is why we cannot reduce the staff. I see there is a supplementary estimate for staff.

Mr. *Ede*.] In the year under review the Act was not even passed under which the reorganisation has taken place.

Major *Salmon*.

1520. I agree. I am rather pleased the Honourable Member has said that. That is all the more reason one would like to know why it was necessary to increase the original estimate for the salaries, wages and allowances for your Department?—The Supplementary Estimate was purely a token estimate of £10, and the major item in the salaries subhead was the cost of living bonus on the staff.

Chairman.

1521. I see you have a note: "Due to certain vacancies being unfilled during part of the year"?—That was one of the savings.

Major *Salmon*.] You do not contemplate any reduction of staff in your Department?—On the contrary. I warned the Committee last year, if the Bill went through it meant an increase of staff.

1522. "Travelling" seems to be rather high. Is there any particular reason for it?—It is mainly the travelling of the Inspectors of Mines about their districts. They have their headquarters at various places in the country, and it is travelling around within their own districts.

1523. It is an accident if it happens to be a long distance or a short distance?—Yes, but the centres are all placed at the most economical spots.

1524. On page 254, with regard to the Appropriations in Aid estimated and realised the amount is extraordinarily close. Have you any idea beforehand; have you any real figures to base it upon that you can give such a close estimate?—We study the results of previous years, and bring to bear anything we

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[Continued.]

think may happen. I think we have been within 1 per cent. for some time in our estimates.

Major *Salmon*.] It is very good.

Mr. *Benson*.

1525. With regard to the Mines Welfare Fund, Part I, Investments realised £1,190,000, Investments purchased £1,136,000, in both these accounts you have purchased almost as many investments as you have realised?—Yes.

1526. Judging by the interest you have received you must have been holding a very large amount of investments; practically the total amount that you have in this Investment Account, on page 256, must have been held for the full 12 months?—Yes, there is a fairly big standing balance in the Miners' Welfare Fund, and that is represented by the securities other than Treasury Bills. For the rest, we collect money mainly in the months of April and May, and pay it out over the next 12 months. These sums are invested in the purchase of Treasury Bills chiefly.

1527. So, on (a) your dealings in investments are fairly near your holdings; is that a coincidence?—That is the turnover on Treasury Bills mainly, although there is a fairly big balance in the Fund.

1528. How does that arise; merely that you have not spent your receipts on miners' welfare?—It started in the first place, because in the first year or two of the General Fund, and the first year or two of the Pit Head Baths Fund, the expenditure did not reach the income. Since then income and expenditure have pretty well met. The further point is that, although the expenditure of the money is approved on a scheme, cash is only paid out as the expenses are incurred, and that represents a balance in hand for the time being.

Mr. *Ede*.

1529. The Miners' Welfare Fund includes the capital cost of the pit head baths?—That comes in the second part of it under "Mining Industry Act, 1926, (b)" of Part I of the Account on page 255.

1530. You bear the capital costs?—Yes.

1531. The running costs are provided by local arrangements?—Yes; before the Committee will approve the expenditure on the capital costs there is an agreement

between owners and men that they will bear the cost of maintenance.

1532. Have you had any representations in the course of the year that the cost of upkeep of pit head baths is so heavy a levy that they think some part of it should be borne by the Central Fund?—I do not recollect any with regard to pit head baths. I do recollect them with regard to some other forms under Part (a) with regard to institutes and recreation grounds, and the Committee have quite recently given way to a limited extent in assisting with the annual upkeep. But on pit head baths none have come to my knowledge. I cannot say definitely that there have been none at all.

1533. Is there any distinction in principle between the cases where aid has been given from the Central Fund, and the cases where it has not?—If you pay for upkeep it reduces the number of baths you can build. In the areas where the numbers of men available to make contributions is small the Committee have contributed in a very limited way to such things as annual repainting of institutes, and that sort of charge.

Mr. *West*.

1534. Under Sub-head (E) Testing and Research, about £7,000, on page 253, what exactly is that research work you are doing there?—It is mainly testing work on apparatus which needs a statutory certificate, such as statutory tests of safety lamps, electric bells, electrical exploders, and that kind of thing.

1535. There is a separate account, "Mining Research Endowment Fund", on which you spent £50,000 on research?—Yes.

1536. Which I suppose would be on safety lamps, and so forth. What is the difference between those two?—This £6,525 comes from Government funds, and is mainly testing work. There is a small grant of £1,600 in this particular year which went to the Health and Safety Research Fund. The Health and Safety Research Fund is provided by the Miners' Welfare Fund.

1537. Is the whole of this research work mentioned in the two different pages done by the same people?—It is done at the same place under the control of the same staff, but actually the expense is incurred differently.

1538. It is all similar, safety and health, nothing to do with low-temperature carbonisation?—Nothing to do with economic research.

10 March, 1931.] Sir ALFRED E. FAULKNER, C.B., C.B.E.

[Continued.]

1539. You have no research work of that kind?—No, that is done by the Department of Scientific and Industrial Research.

1540. No research at all in the utilisation of coal is done by your Department?—Not by our Department, but by the Department of Scientific and Industrial Research.

1541. In the Appropriations in Aid you show £2,216 realised from examination fees. Is that decline in fees accounted for by the depression in the coal trade?—There has been a steady decline in recent years of the number of people who have offered themselves as candidates for certificates. There were 1,292 in 1927, 1,113 in 1928, 998 in 1929, and 971 last year.

1542. Has not your Scholarship Endowment Fund some connection with the candidates? Are not many of them scholarship holders?—No; the Scholarship Endowment Fund is not for mining education only: it is for any kind of education. Holders of scholarships may take economics, medicine, history, or anything under the Endowment Fund. There is no connection between the two.

Mr. Leif Jones.

1543. With regard to the playing fields how much money have you in hand which is intended to be devoted to that purpose?—The actual amount at the end of this year under discussion was about £2,500,000 altogether in both Funds.

1544. Why do you keep such a large sum? This has been going on for ten years?—Yes.

1545. Do you think you are approaching saturation point?—No; of that £2,500,000 over £1,000,000 was the Pit Head Baths Fund. With regard to the Pit Head Baths Fund the Committee deliberately experimented for two or three years by putting up four baths to try them out to get the best form of bath. They are now spending in excess of their income. During the next financial year they will probably spend £100,000 to £125,000 in excess of their income of £400,000, so they are now beginning to overtake the balance in hand. As to the rest of the fund, there was about £1,500,000 in hand, but about £900,000 represented schemes which were approved, but where the payments were being made periodically as the buildings were put up, leaving a balance apparently unallocated of £600,000. Of that £600,000 a great deal was earmarked by the districts. They

were saving it up for some particular scheme they had in view, and if you get down to the really unearmarked portion of the fund, it is a very small balance.

1546. You have had to relax the rule about not paying anything towards upkeep?—Yes.

1547. Do you find a large proportion of the institutes and playing fields are not paying their way?—I cannot give you any definite figures. This is under the control of the Miners' Welfare Committee, which is not the Mines Department actually; it is a Statutory Committee, so that I do not know quite as much about it as about the money which we actually spend ourselves; but I can tell you the extent to which they have actually found it necessary to reverse their original policy. They have agreed that they will pay such items as rent, rates, wages, insurance, heating, periodical cleaning, and so on, under certain conditions, one of which is that the number of workmen employed at the colliery has reached such a low figure that the revenue cannot possibly meet the expenditure; the renewal of cloths on billiard tables, the renewal of linoleum, the resurfacing of tennis courts, and things of that sort, again under very stringent conditions, they have agreed to give way upon, but it is a very stringent relaxation.

1548. Perhaps it is a matter of policy whether it is necessary to be so stringent, but the expenditure on playing fields must come to an end. I know two collieries where they have great difficulties. The miners do not pay for it themselves. They have collections, and bazaars in the districts, and so on?—The Miners' Welfare Committee is a Committee on which there are representatives of the coal owners, the miners, and the mineral owners. It is they who take the decision. It is fair to assume that every one of those considerations is taken into account.

1549. When the scheme is more or less decided, or sanctioned, is there any formal procedure for allowing the local people to go ahead? Are the payments sometimes held up to the great inconvenience of people?—I think not; I have never heard of any complaints of that sort.

1550. I have. To whom should I apply? Should I send a case on to Mr. Shinwell?—If you send it on to him we will always look into it with the Committee.

10 March, 1931.] Sir ALFRED E. FAULKNER, C.B., C.B.E.

[Continued.]

CLASS X.

ON VOTE 4.

PRIVATE MINERAL RAILWAYS LOCAL RATES GRANTS.

Chairman.

1551. We will now go to paragraph 65 in the Civil Appropriation Accounts. Do you wish to say anything, Sir Malcolm?—(Sir Malcolm Ramsay.) No, thank you.

1552. We will now go to page 454, Private Mineral Railways Local Rates Grants. I have no observations on that?—I have no observations.

(Sir Alfred Faulkner withdrew.)

CLASS VI.

ON VOTE 14.

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

Sir FRANK SMITH, K.C.B., C.B.E., D.Sc., LL.D., F.R.S., called in and examined.

Chairman.

1553. We now pass to page 294. The account shows on page 295 (I shall ask Mr. Phillips and Sir Malcolm to explain this exceptional arrangement) that £10,303 of the money spent by the Department during the year has been taken from the Development Grant in Aid. This is dealt with by the Note on page 294, under "General Remarks," and by the sub account on page 298. This arrangement, if I rightly understand it, is unique?—(Mr. Phillips.) Yes.

1554. The Committee might like to know that attention has been drawn to it in the reports of the Comptroller and Auditor-General on the accounts of 1923-24 and 1925-26. It was explained by the Treasury in 1927 to the Committee who accepted it, only with some misgivings, as you will see in the Report of 1927, I want to ask you these questions. Does the Department or the Treasury propose to continue this arrangement?—No, I said, I think in 1927, that we undertook not to extend it. That is to say we shall not start the system in any other Government Department. We shall not make any fresh grant in aid in the case of the Department of Scientific and Industrial Research. All that is happening is that the old grant-in-aid is gradually being spent. There is about £9,000 left now.

1555. In the Report of 1927 it says: "Your Committee, with some misgiving, accept the assurance given to them by the Treasury, and do not suggest that this use of the Grant-in-Aid Fund should be discontinued. But they think it most important that the

Fund should only be used to supplement the vote for the purposes of meeting urgent developments in particular researches, and not as a general fund to supplement indiscriminately the provision which Parliament has made in the Estimate. Moreover, they would strongly deprecate the extension of this precedent to other Votes." Are not you now using this Fund as a general fund?—(Sir Frank Smith.) No.

1556. Does not the arrangement make the account confusing?—(Mr. Phillips.) That I agree with. That is why we said we would not extend it.

Chairman.] The Committee will notice that the Accounting Officer has taken great pains to explain the variations from the estimate, but is the result clear? Would the Committee prefer that in future explanations should be cast in the form that is more usually employed by other Departments? I should recommend the Committee to adopt my suggestion.

Mr. Leif Jones.

1557. I think so very strongly. I am very much relieved to hear Mr. Phillips say they have only £9,000 left, and that no more Grants in Aid are to be given to them until that has been expended?—That is so, Sir. We shall not, I feel certain, give any more Grants in Aid to them after the strong recommendation of the Committee. The real objection to the Grant in Aid is that it does make the account confused. (Sir Frank Smith.) Let me give you an example of exactly how you would meet a case of this kind. We have a Committee dealing with

10 March, 1931.] Sir FRANK SMITH, K.C.B., C.B.E.,
D.Sc., LL.D., F.R.S.

[Continued.]

Atmospheric Pollution, so that we have a good deal of knowledge with regard to the effect of particles, and so forth, on human beings and health. There is now a trouble arising throughout the country, Silicosis, and there is an urgent demand made that investigations should be started in order to save life. Should money be available at short notice in order to start work? The Development Grant in Aid enables one certainly to do that.

1558. Is there anything to stop your going to the Developments Grant Board and asking for a special grant for the purpose?—From the Development Commission?

1559. Yes?—I think that is a very unusual and rather irregular channel.

1560. Irregular?—We have a Council, as you know, of very distinguished scientific men who consider this matter, and if they consider that a scheme is put forward which is likely to meet with good results they recommend that the work be proceeded with, and the Development Grant in Aid did enable that work to be started immediately instead of waiting possibly 12 or 18 months, and in cases like that, which are rather urgent, a Development Grant in Aid is a very desirable thing.

1561. As an alternative I suggest a special grant, and, if it is a case of delay, there is always the Civil Contingencies Account for you to go to?—Yes, I do not object to that.

1562. That would meet your case quite as well as having this fund of your own?—Yes, as long as money can be got.

1563. What I object to is your having a private purse which we do not know about which you can draw upon in emergencies?—There is a stipulation that it should only be used in cases of urgency. The Advisory Committee consider these matters, and it is always put to them: Do they consider it an urgent matter which should be started immediately?

Mr. Denman.

1564. You have not yet had occasion to go to the Civil Contingencies Fund, have you?—No.

Mr. Benson.

1565. Was there ever a Department that did not have urgency to spend money from time to time? The argument you

have put forward might be put forward by the representative of every other Department?—That may be so. This Department is very different from any other department. This is a peculiar Government Department, as I think you will admit, owing to its Council.

1566. But as Mr. Leif Jones points out you can have recourse, if necessary, to the Civil Contingencies Fund, and if there is any immediate piece of work necessary, it is not a very great matter to ask Parliament for it?—Provided that there are means available to meet emergencies of that kind, I am satisfied.

Mr. Benson.] There are.

Captain Crookshank.

1567. On page 298, why do we have to pay £105 on that kind of experiment?—The Acoustics of the League of Nations Assembly Hall?

1568. Yes?—That was done after special permission had been obtained from the Treasury with regard to it.

1569. May I ask the Treasury, why should the British Government be asked to do this? Did everybody contribute?—(Mr. Watson.) No, it was a special job. It was done by the Government of this country in connection with acoustics, and permission was given some time ago, and it has only just been used.

Chairman.

1570. Why should we pay for that?—(Mr. Phillips.) I do not remember the circumstances, but I expect it was the form which our contribution to some joint work took.

Captain Crookshank.

1571. It may be the Department paid for it, but it ought to come under the League of Nations Vote?—I seem to remember when that League of Nations Hall was put up—

Chairman.

1572. It is not put up. The *Salle de Reformation* is an old building?—(Mr. Watson.) In 1924 there was a small sub-Committee of the League of Nations considering the erection of a new conference hall, and it was just at the time that the department here were carrying out experiments on the Ulster Parliament Hall, I think it was, and arising out of that the Committee took an interest in

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SIR FRANK SMITH, K.C.B., C.B.E.,
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[Continued.]

those experiments and asked that the Department of Scientific and Industrial Research would do similar work in connection with the proposed new Conference Hall of the League of Nations.

1573. Let that be so, but I think the League of Nations Financial Branch should have paid for it?—That is a possibility. The Treasury at that time, in consultation with the Department of Scientific and Industrial Research, agreed that this small service should be carried out by the Government.

Major Salmon.

1574. Has the service been carried out?—(Sir Frank Smith.) Yes.

1575. Is it successful?—I cannot answer that question.*

Major Salmon.

1576. You spoke of the necessity of having money for urgent investigation. It would be interesting to know what you consider urgent, and how long after you consider that an item is urgent you come to a conclusion?—I gave an example of a recent case, Silicosis.

1577. How long did it take you to investigate?—It is considered that within two years we will have the solution.

1578. You have not arrived at it yet?—Sufficient progress has been made to give an indication.

1579. I am not deprecating it; I only wanted to know the particular point?—Yes.

1580. This afternoon no doubt you heard in evidence that the Ministry of Transport were setting up an opposition show to you in the way of a research section. Do you do work similar, as a matter of fact, to that of the Ministry?—No; so far as I understand it the work that is done at Harmondsworth is on the surface of the road itself, the material of which it is constructed. We actually do some work for the Ministry of Transport on pitches and tars, and the materials of the road surface, but

not on the actual surface and the deformation by traffic.

1581. Not long ago you did it on the actual surface; that you have scrapped now, and the Ministry has started one of their own. Is that the position?—Yes.

1582. Was yours a success or otherwise?—It really meant an extension of that to a road where real traffic was engaged.

1583. What was a laboratory test has now been turned into a practical test?—Yes.

1584. Was the information you obtained in the laboratory test of any use to the Department in setting up their station?—Yes; I believe it was. There is fairly close co-operation still.

1585. On the last occasion we discussed the question of publicity for the work that you do for many departments, and for the State generally?—Yes.

1586. Have you found that your services as a department have been more in request this last 12 months than previously?—Yes, and I hope the Committee will appreciate that there is considerably more publicity at any rate during the last three months.

1587. How has that arisen?—After the Committee expressed its opinion last year, I took every action I could think of. I saw all the Press representatives, and private people, and had the matter discussed, and at the present time one of my officers spends part of his time in getting into intimate contact with the Press, inviting them, and showing them what articles could be prepared, and the Press are very pleased to help. The actual cost to the Department is trifling. It is not more than one-third of one officer's time. He goes with the Press people and shows them what might be good news, both the technical Press and the ordinary Daily Press.

1588. From the point of view of its application, is it utilised?—We find that we are getting much more correspondence as a result of it.

TRADING ACCOUNTS.

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

Chairman.

1589. We now pass to page 98 of the Trading Accounts. There is not a single

* The building has not yet been erected.

note that I have against the account. Have you any observations to make, Sir Malcolm?—(Sir Malcolm Ramsay.) No.

(Sir Frank Smith withdrew.)

10 March, 1931.]

[Continued.]

CLASS I.

ON VOTE IX.

" EXCHEQUER AND AUDIT DEPARTMENT."

Chairman.

1590. We now pass to page 18, Class I, Vote 9, Exchequer and Audit. Are the Treasury satisfied on that?—(Mr. Phillips.) Yes. The Accounts are certified by Sir Warren Fisher.

Mr. Benson.

1591. I take it you work in connection with the Accountant-General, or whatever he is called, of each Department?—(Sir Malcolm Ramsay.) I am authorised to accept his results up to a certain point. As a matter of fact our officers keep in close touch with the Accountants of Departments, and where they have gone over the ground with a tooth comb we only make a test.

1592. You do a certain amount of detective work?—We vary the procedure. We make a representative test. Where nobody has looked at the work, we cover the ground much more completely. Where there has been a highly organised department which has gone through the work already, we pick out the branches where we think from experience things are more likely to go wrong.

Major Salmon.

1593. What steps do you take to try to reduce your expenditure? Sometimes we look at other people's expenditure, and we do not always realise what we

are doing ourselves?—Since 1921 we have steadily reduced the staff of the department. In regard to Senior Auditors, we have come down from 34 to 30, and in the next two grades put together I have had a net reduction of 13 people.

1594. That is because the work reduced itself from the war work?—I would rather put it this way, that the accretions of work which have been substantial owing to recent legislation have been more than balanced by the disappearance of war work.

1595. The only point is, one is inclined not to view one's own staff from the same point of view as you are viewing others, not because you do not want to be scrupulously fair, but because your whole time is occupied rather in looking to the details of other work so that you have not the chance to give that amount of attention that you would like to give to your own Department?—I can answer that, I think, by saying that in that respect I stand to the Treasury in exactly the same relation as every other office, and periodically I get urgent requests on general grounds of policy in the same way as other heads of Departments do: How much can I save and where, and will I make a special review of my staff requirements, which is done.

1596. I suppose in your case in order to show an example to the rest of the Civil Service you always reduce yours?—I have reduced it very considerably.

*(The Witnesses withdrew.)**(Adjourned to Thursday next at 2.30 p.m.)*

THURSDAY, 12TH MARCH, 1931.

Members present:

Mr. Benson.	Mr. Leif Jones.
Mr. Butler.	Sir Assheton Pownall.
Captain Crookshank.	Major Salmon.
Mr. Ede.	Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VII.

ON VOTE 14.

STATIONERY AND PRINTING.

Lieut.-Col. N. G. SCORGIE, C.B.E., M.V.O., called in and examined.

Chairman.

Major Salmon.

1597. We will turn to page 401, Class VII, Vote 14. This is a very close estimate and a small surrender. I am going to ask you these questions before we pass on to the Committee's questioning Colonel Scorgie so that you can deal with them. Why do you employ temporary staff: "Increases due to the continued employment of temporary staff." How has direct canvassing succeeded? Is that the trouble we had when I had to face Lord Riddell at an interview when he complained about it at the Treasury?—(Colonel Scorgie.) No, Sir; I think that was the actual obtaining of advertisements by Government Publications that he complained of.

1598. You have been directly canvassing, have not you?—Yes.

1599. Under subheads E and F you overspent on paper for non-Parliamentary publications, yet you have underspent for printing. How do you reconcile that?—(Sir Malcolm Ramsay.) You take the one item.

1600. Am I right or wrong?—I think you are quite right. They overspent on paper for non-Parliamentary publications £2,000, and they have saved on printing those same publications £4,500. On that particular item in the two sub-heads there is an apparent discrepancy which it is quite easy to reconcile.

1601. On the question of carriage and transit, I should like to ask is the cost of carriage and transit much down, Colonel Scorgie; that is to say, the basic cost; or is it by means of economy and reorganisation that you have been able to spend less than the grant?—(Colonel Scorgie.) It is a matter mainly of reduction of tonnage. The actual economies have been that we have increased the practice of direct deliveries of paper to contractors as far as possible, and that we have substituted fast goods train for passenger train traffic in certain urgent cases. The Companies are now giving a very good service, as you probably know, by regular goods trains to timetable, and we have been able to take advantage of it, but, in addition to that, the total tonnage is down by 1,699 tons, I see, which accounts for a considerable amount of saving.

1602. In dealing with your general expenses, I suppose you have benefited on the cost of being derated at your factories, because you come under the new scheme, do not you? For instance, take your Harrow works: being a factory, do you come under the benefit under that head because you are de-rated?—(Sir Malcolm Ramsay.) I think you will see that better on the trading accounts. The Rating Act has affected the figures.

12 March, 1931.] Lieut.-Col. N. G. SCORGIE, C.B.E., M.V.O.

[Continued.]

1603. Under sub-head C, "Incidental Expenses," although they are slightly more than the grant, would you mind explaining what they cover; what do you call incidental expenses? I do not want a lot of detail, but just one large item?—(Colonel Scorgie.) Our own advertisements, for example, where we advertise our own publications, the cost of uniforms for staff that is in uniform, travelling expenses, and such odd things as the purchase of weighing machines, trucks, and also the wages of the policeman.

1604. That is what you call incidental expenses?—Yes.

1605. There was only one word I wanted to say in regard to sub-head A, "Salaries, Wages, and Allowances." Have you now done away with the idea of having temporary staff at headquarters, and are they all permanent staff now at headquarters?—No, Sir, that is the point that the Chairman made, I think. There is a fringe of temporary staff. One reason given is the continued employment of temporary staff to fill vacancies in the establishment. It is a comparatively small fringe now, but we still retain it so that in the event of any reorganisation or change of policy it would be easy to get rid of staff and we should not have to carry redundant staff.

1606. I notice in really considering what your salaries and wages happen to be in the whole of your Department, if you take sub-heads A and K together, because that is the fair test really to tell you what the total cost of your Establishment as a whole is, I observe your total figure for 1930 is up over 1929, when you add those two figures together. If you take the figure you give under sub-head A and the figure you give under sub-head K and add them together for 1929 and compare them with 1930 you will find in 1930 it is up by the difference between £633,000 and £650,000?—Yes.

1607. Is the work so increased that it necessitates that extra staff?—The increase arises mainly in manipulative staff in the printing works and distribution, and suchlike, and for that the work most certainly is up if the staff is increased.

1608. You will find, if you put those two figures together, that I am right in my calculation. On the question of sub-head F, printing, I suppose the cost of printing in this particular year is very high on account of the Parliamentary vote, is it not; would not that make your

printing more expensive this year? There is a very large expenditure of over £1,000,000 of money under sub-head F?—The Representation of the People printing is heavier in the year under discussion than in the previous year.

1609. That would be the cause for the large increase, presumably?—Yes.

Sir Assheton Pownall.] £10,000 more.

Chairman.

1610. We will go to page 402, sub-head K. This is a token sub-head, in order to let us have a Parliamentary scrutiny of the wages of the industrial staff, I suppose. Sub-head K is £100. Are not they charged to sub-head F, and "Binding" under sub-head G as shown below?—Yes.

1611. There is a drop in wages under sub-head K. If you take page 403 I want to ask if there are any special reasons to account for the surplus receipts represented by the difference between £152,000 and £176,000, £24,000, and again £14,000 surplus on the sales of Patent Office Publications. There is an asterisk and a note at the bottom. This was the result of a request we made last year, was it not?—(Sir Malcolm Ramsay.) Yes, there was a question on that point.

1612. You say: "The repayment of the cost of special purchases is not included in (k) above." Perhaps you might mention that when we come to cross-examination, Colonel Scorgie. You do not tell us what the figure of the repayment of the cost was. Now I will go over the page, about half-way down the page, "£19, the value of nine typewriters and a duplicator held on charge by the Admiralty," and so on. Are you satisfied that the Department takes proper inventories of these typewriters which are out in use in the various Departments?—(Colonel Scorgie.) We have ourselves a total inventory, and the Department is required to make a detailed inventory of its own.

1613. In a word, are you satisfied?—Yes.

Mr. Benson.

1614. With regard to your gross total of nearly 2½ million pounds I see on your estimate you are only £21,000 out. Can you forecast with any degree of accuracy the amount of printing you have to do? Surely that will vary enormously according to what is likely to happen?—It does

12 March, 1931.] Lieut.-Col. N. G. SCORGIE, C.B.E., M.V.O.

[Continued.]

vary in detail, but the law of averages works out astonishingly well over the year.

1615. I notice your receipts are £80,000 up, although your actual expenses are only £9,000 more. Have you made heavier sales?—Receipts are more difficult to estimate, and the Chairman called attention to the two cases where most of the increase is to be found.

Major Salmon.] There are three cases, are not there?—

Chairman.] Yes, three cases.

Mr. Benson.

1616. My point is how is it you get £80,000 more, whereas your costs are only £9,000 more than your estimate?—The sale of Government publications does depend so very much upon the popularity of an individual publication. For instance, something like the Simon Commission Report would make a big difference to the revenue, whereas the cost of the work is not so variable.

1617. Have you any idea how much you sell to the general public and not the Departments?—Sales of Government publications are substantially sales to the public.

1618. That item (a) is substantially sales to the public?—Yes.

1619. Are you making any attempt to push them? Do you make any attempt to push them, or do you just rely on the demand?—We are continually making attempts to push them in the way of carefully-selected advertising.

1620. Obviously you cannot go and advertise something that nobody but an expert will require, and the expert will know where to get what he wants?—You cannot even advertise in what would appear to be a popular medium, such as the penny newspapers. They would be far too expensive for any possible results one would achieve with Government publications.

1621. The bulk of your cost is obviously the setting?—Yes.

1622. The cost of paper and printing is not a serious item on your total circulation of each volume. Judicious advertising and pushing surely ought to be really profitable?—We have found that what I have called selective advertising and also circularization have proved effective. If, for example, anything of interest to doctors comes out, we make a

point of circularizing medical officers of health, and sometimes wider.

1623. Have you any one man specializing on this job?—We have several people whose job it is to see to the advertising.

1624. To see that the public buy?—To boost.

1625. You have some professional boosters?—Yes.

Mr. Ede.

1626. On sub-head J on page 402 is that excess represented by additional machinery, or is it owing to the machinery estimated for costing more than was expected?—It is represented mainly by additional machinery, but over the whole capital value of the plant it is a relatively small item.

1627. That is machinery which you could not foresee at the beginning of the year would be required before the end of the year, and that was, in fact purchased?—Yes, that is so.

Mr. Leif Jones.

1628. On the receipts, as Mr. Benson pointed out, there is an excess of £80,000, I notice that £775,000 which you estimated was very much above the previous year. Are your receipts steadily growing, on the whole?—The receipts from advertisements, for example, are mainly the receipts from advertisements in the Telephone Directory. Admittedly, we miscalculated to some extent there, because although we bargained for an increase we assumed that owing to the trade slump the increase would not be as great as it eventually turned out to be.

1629. Over the years, that has steadily grown?—That is steadily growing.

1630. The sales of Government publications you say are not steady because they depend upon popularity?—They depend upon popularity, but the general trend is upward.

Chairman.

1631. There will be a tremendous increase, I suppose, on the Simon Report in the coming year?—I am hoping so.

Chairman.] It is rather intermittent.

Mr. Leif Jones.

1632. I am rather concerned with what is not intermittent, and whether, on the whole, there is an upward line so that your receipts are steadily growing?—I

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[Continued.]

think there is, because, to some extent, the public are being educated up to the fact that authoritative information is to be found in Government publications. We are even hearing from America that British publications stand higher there than anything published there, because of the impartiality of the information.

Mr. *Leif Jones*. Taking the whole account, the net cost this year was £1,581,000. Is that a diminishing amount? What may one expect to get the net cost of your Department down to? Have you ever studied that? What could you expect to get it down to?

Chairman.] Is not that putting a question to Colonel Scorgie which it is almost impossible for him to answer?

Mr. *Leif Jones*.

1633. It is a question which he can answer better than anyone else. The interesting thing is not to find out details which the Comptroller and Auditor-General will have noted, but to get the tendency of things. Can we get it to under £1,000,000 for instance?—No; I do not think so. If you compare this with a pre-war Vote, and allow for the increased cost of all our supplies and the vastly increased number of persons and Departments we are serving, you will find, in fact, we are supplying stuff about half the quality, generally speaking, of that supplied pre-war. That is to say, we have gone very far in persuading people to use the most economical methods. Now you are down very nearly to bedrock, inasmuch as the present $1\frac{1}{2}$ million pounds, roughly, depends very largely on the cost of materials, and comparatively little on any further activities of the Stationery Office.

Mr. *Leif Jones*]. That answers what I wanted.

Major *Salmon*.

1634. On the question of the cost of materials, I suppose it is fair to say that you are benefiting fairly well under that head?—In the years since the war there has been a benefit, but in this particular year I do not think there has been very much.

1635. Has not paper fallen; is the tendency for it to fall?—There is a tendency to fall in the cheaper classes of paper, but, on the other hand,

the more expensive ones tend to maintain, or even to increase their price.

1636. As regards the figure under sub-head J, "Capital Expenditure on purchase of machinery": does this machinery mean typewriters or does it mean machinery in your Printing Department?—Sub-head J is entirely the works.

1637. What head would typewriters come under?—Under "Miscellaneous Office supplies," sub-head I.

1638. Are the typewriters you are having now all manufactured in this country or are they purchased from abroad?—The great bulk of those that we are buying now are British Typewriters, but we are still buying a few foreign machines in those cases where a comparable English machine is not manufactured, for example a noiseless typewriter.

Chairman.

1639. A noiseless typewriter?—A really noiseless typewriter is not made in this country yet.

1640. Is there a demand for noiseless typewriters?—Yes.

1641. Have you communicated with the Department of Overseas Trade or the Board of Trade to draw their attention to that, so that they might stimulate manufacturers to turn their attention towards producing such a machine? If you have not done so, will you do so?—I have communicated directly with the chief industrial adviser to the Government, who is taking up the question, and we have communicated with the companies individually. We are in even more direct touch with the typewriter companies than the Department of Overseas Trade.

1642. If I had now been Minister for Overseas Trade and you had told me that I should have at once got in touch with the Typewriter Manufacturers as Minister of Overseas Trade. I think you should have a word with Sir Edward Crowe about that?—I will, Sir.

Major *Salmon*.

1643. You were saying before that there was £80,000 realized more than you estimated in your Estimate. I see that really comes under particular heads, such as the sale of Government publications, and also the sale of the Patent Office publications, and supplies on repayment terms. As a matter of fact, I suppose

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it is fair to say that it does not cost you any more because your turnover is larger, and there is no great effort on your part. I am not saying that disparagingly, but it is a matter of demand, rather than because of anything you have done to create that demand?—For repayment services I think it may fairly be put as a matter of demand, except that some of them have alternative sources of supply, and if we did not give them good value they would leave us. As far as the sale of Government Publications is concerned, I think it is about half and half.

1644. What is creditable to your Department is the increased amount you are getting for advertisements. You have realised for advertisements quite a substantial figure more than you estimated. Do you anticipate maintaining that figure. On page 403, under item (h) I see "Advertisements" estimated £129,000, realised £137,727?—That, as I explained, is mainly on the Telephone Directory, where we had been slightly pessimistic as to the effect of the slump in trade. That has been less than we anticipated, so without doubt advertisements in the Telephone Directory will continue to increase. The Directories become larger and they become more valuable as an advertising medium.

Captain Crookshank.

1645. I should like to ask, what, if any control, you have over advertisements?—We have an absolute right of censorship, which we exercise in accordance with instructions from His Majesty's Government. No advertisement for the sale of alcoholic liquor may appear in any Government publication. Certain departments also have restrictions of their own. For example, no advertisement of a Patent Medicine would appear in a publication issued by the Ministry of Health. Those restrictions conflict to some extent with the question of getting the maximum revenue.

1646. This stamp book is constantly causing trouble. You have had the Danish Bacon advertisement?—That is the responsibility of the Postmaster General, not of the Stationery Office.

1647. I am asking what responsibility you have, as the Stationery Office, for any of these advertisements?—We have the responsibility for the advertisements

in Government Publications generally, with the exception of one or two things like the stamp book, which is done by the Post Office themselves.

1648. What is the reason for that exception?—It is historical. When they first put out the stamp book they asked for advertisements in order to cover the cost of making up the books, and they have continued it ever since.

1649. I should have thought if you had some powers of oversight of all the others, including the Telephone Directory, it would be advisable for one Department to be responsible for everything. It cannot be very historical?—I would agree that the advertising in stamp books should be with the Stationery Office.

1650. There are advertisements with regard to "Bemax"; "advice to smokers: conquer the tobacco habit," and there is an advertisement of New Zealand Lamb, and also a remedy for deafness. I do not know whether we can make any recommendations.

Chairman.] We shall have to base our recommendation on some reason. Is it a reason that they could do it more profitably and more economically at the Stationery Office than at the Post Office.

Major Salmon.] If you have one staff specialising, it must be more economical than having two staffs.

Captain Crookshank.

1651. You put out the advertisements to contract?—For our publications, but not for the stamp book.

Captain Crookshank.] Presumably the Post Office do the same sort of thing. I should have thought on general grounds it was simpler to have one person doing the contracting.

Chairman.

1652. Will Captain Crookshank and Major Salmon allow me to put it in this way for them. Will you confer with the Post Office and make up your minds impartially whether you or the Post Office could do it more profitably for the Exchequer, and let us have a report upon it. We are at present groping in the dark until you have found the facts. Perhaps the Treasury will hold the scales? (*Mr. Phillips.*) We will have it looked into.

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TRADING ACCOUNTS (STATIONERY OFFICE).

Chairman.

1653. We will turn to page 102 of the Trading Accounts. I was concerned in some of these arrangements. There is the Cricklewood Chart Factory you must tell us about. There is the Hare Street Removal and the British Museum Binding Department. With regard to the Cricklewood Charts, I remember well a Conference with Sir Russell Scott of the Admiralty and we arranged that. Does that come in here?—(Colonel Scorgie.) No; this is the year in which the Cricklewood Chart Factory has gone out and has been transferred to Admiralty control. There is a trading account in this book, but it has been constructed by the Admiralty on different lines.

1654. It goes out of this account?—Yes.

1655. Therefore it reduces the turnover?—It reduces practically every figure.

1656. Therefore it gives us a bigger ratio of profit if the turnover is down?—The figures in the printed book have been adjusted.

1657. Then there is nothing for me to put on that point. I was going to ask you whether the smaller outturn showed a bigger ratio of profit?—(Sir Malcolm Ramsay.) The Binding Works figures for the last period are for 20 months instead of 12. That has not been adjusted.

1658. Do you tell me there is nothing in the point?—If you are going to compare the two years, there is. The Binding Works are not comparable; the others are.

1659. I do not want to weary the Committee if you tell me there is nothing in the point?—If members are going to compare the cost of binding they must make allowance for the fact that the last account included 20 months and this year only 12 months.

1660. Now with regard to Hare Street?—(Colonel Scorgie.) Hare Street has become Pockock Street.

Mr. Leif Jones.

1661. I see a nett profit of nearly £100,000. What does that profit represent, is it a real profit?—I think it is a real profit. It is best explained in the Note at the head of the Account, that you show, on the one hand, what the work

has actually cost, and, on the other hand, that is, the credit side, you take what it would have cost if it had been put out to contract, according to the best information available; that is to say, in the majority of cases the work has been put up to tender, and the price at which the works takes it is the price of the lowest satisfactory tenderer. In some exceptional cases where such a method of comparison was not possible, then the credit side is, as nearly as the Stationery Office can estimate to the satisfaction of the Comptroller and Auditor-General, what it would have cost us under comparable conditions outside.

1662. Why do you make this big profit? Would not it be better to cheapen your publications; might it not be better?—A great deal of the profit is made on things that are not put on sale at all. For example, on all the forms that are printed for the use of the Departments. It is not a profit which is taken out of the public; it is a profit saved to the taxpayer, since he would otherwise pay more for his printing if there were not these Government works.

1663. Is it not rather hard on a Department that it should have to pay more for its forms, so that you may show a profit?—It does not repay us. The whole cost is taken on the Vote of the Stationery Office.

1664. The whole thing is nominal?—No, it is a real profit inasmuch as you would have to vote £100,000 more money to the Stationery Office if these works did not exist.

Chairman.

1665. And £100,000 less to the other Departments?—(Mr. Phillips.) No. (Sir Malcolm Ramsay.) No. You would get the wages of the operatives off the Stationery Office Vote, and you would have to pay a great deal more outside.

1666. Does this form commend itself to the Treasury?—(Mr. Phillips.) Certainly. It is true, as Colonel Scorgie says, that if it were not for this, we would have £100,000 more on the Stationery Office Vote.

Mr. Leif Jones.

1667. Do you mean it makes no difference to the public whether that figure is £99,000 or £199,000, or nothing?—It makes a difference to the taxpayer.

1668. What is the particular advantage in £99,000, which is the figure arrived

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[Continued.]

at through your prices, I take it?—(Colonel Scorgie.) This trading account has nothing whatever to do with the price of Government publications. This is the trading account of operating the printing works. If these printing works did not exist the Stationery Office would put all this printing out to contract and would pay, according to the figures on this account, about £100,000 more for it in the year, and the taxpayer would have to vote that £100,000 in our estimate.

1669. That means it is an imaginary account?—(Sir Malcolm Ramsay.) It is a control account. It shows what the State is saving by having a works, and it enables the management of the works to compare year by year, on a costing basis, how its operations are progressing.

Sir Assheton Pownall.

1670. I do not quite see how you get a competitive price on which your profit is based, in such a case as that in which the London Telephone Directory is divided into two halves, instead of being in one volume. That has not been put out to tender, surely?—(Colonel Scorgie.) No, the Treasury have agreed that in certain cases, on general grounds, it would be undesirable to put them out to tender, and that greater economy would be achieved by retaining these things in the Government works and having a continuity of policy, which means, of course, a continuity of machine planning. In those cases, it is not possible to get actually a tenderer's price from outside, but on all the information available it is possible for the Accounts Division in the Stationery Office to come to a conclusion as to what is likely to be tendered outside.

1671. There is rather a tendency to be a little pessimistic with regard to the other people's contracts and to think that they would be higher than they would otherwise be; there is always rather a danger of that, is not there?—I do not think so.

1672. It is very hard for me to see how you can check a price such as that of a new Telephone Directory, in two halves?—It is easier to understand if you will visualise the form of all our contracts, which are not of the ordinary type. You put a book up to tender and say, "How much will this cost to print". All Stationery Office contracts are based on operations. We say, "How much will it cost to set a line of type?" The con-

tractor tenders a premium or a discount on the schedule prices that are put into our contract for every operation. The result of that is that the price of a book is always, under a contract, a matter of calculation. It depends on how many operations, and what the character of the operations is, before the price can be calculated. Although we may have no experience of dividing the Telephone Directory into two, we have obviously got experience of dividing other books into two, and the mechanical operations concerned are being reproduced many, many times in other contracts, so that the Stationery Office officials, whose duty it is to fix a price for this thing, have ample material for comparison because they are not asked to say, "How much is it going to cost to print that book in two parts", but they are asked to say: "How much is each separate individual operation going to cost?", and the thousands of operations brought together cause a resultant price in which there is very little room for any prejudice. Such prejudice as there is, I think, it is fair to say, is definitely against the works, because the same people examine the works accounts as examine the contractors' accounts. They are continually in touch with the trade, they know any concession made to the works would have to be made to any contractor outside and therefore would cost the Vote a good deal. Therefore, the General Manager of the works would tell you that he is suffering from a prejudice against him, rather than a prejudice in his favour, by the people who settle those prices.

1673. The question of putting out to tender this particular article does not arise, as I understand it, and therefore there is no means of finding out what a printing firm would do the work for, and, furthermore, if, as I think is the case, the Telephone Directory has been done by the State for 8 or 10 years, if you take the price it would have cost 8 or 10 years ago, and you have decreased the price since, that price is obviously an illusory one?—The price, as compared with ten years ago, has been reduced on two occasions very drastically, once by ten per cent. and the second I think by 17½ per cent.

1674. As long as that is being done; otherwise one may rather feel we may be stereotyping a paper profit of £100,000, patting ourselves on the back for the large profit we make, yet at the same

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[Continued.]

time the profit is really a fictitious one?—No; even in those cases you have described as monopolies the price has been revised as often as the contract would go out to tender in the normal way, and on the revision there is taken into account every improvement of machinery which has taken place in the interval.

1675. With regard to insurance, you do not follow the line most Government Departments do. On page 102, you have insurance against fire. That is because you are a Trading concern, I suppose?—That is only a book entry. It is an assessment of what the commercial rate would be, but it is not actually paid by the Government.

1676. You find out what it would be, and you charge yourselves with that?—Yes, it is another attempt to get a comparison with what it would be on a commercial basis.

Mr. Benson.

1677. What percentage of your profits are notional, and what percentage are actually based upon the figure of outside contractors' estimates?—It is impossible to give an exact division, I believe. The major portion we contend are the subject of direct competition; that is to say the actual contract itself or the order in question has been put out to tender.

1678. 60 per cent., 70 per cent. or 80 per cent.?—I should think about 60 per cent.

1679. As regards about 60 per cent. you are on definite firm ground, and as regards the 40 per cent. you are not?—No, on the explanation I gave a short time ago, I contend that our ground is almost identical in both cases.

1680. I am not disputing that. I was wondering how far your credit was definitely fixed by outside prices, and how far by your own estimate?—I should think it would be fair to say about 60 per cent. is fixed by definite outside estimates, and 40 per cent. by calculations based on past estimates, though not necessarily immediate estimates.

Major Salmon.

1681. Is not it a fact that you only take picked work, that is to say, that the work you take is of a kind that will show you a particular profit. Otherwise, you would give it out to a contractor if you did not think you were going to make a profit departmentally. That is only human nature, is it not?—It may be

human nature, but it is not the way it works. What happens is, that a contract for the work of a particular department is put up to tender. It is true that at the rate of the lowest tenderer the works has the opportunity of saying whether they will take it or not.

1682. Therefore you can keep your works at the peak load practically all the year round?—No, we cannot, because we do not know when that contract goes out what work is coming in under it. It may be a contract for Admiralty work. The Admiralty may reduce the Navy and cut down their printing by about half.

1683. You always have the opportunity by your method, if you want to give yourselves work, of filling in work which, if you had plenty of other more profitable work to do, you would not do, and because you are short of work you would take other work instead of giving it out to contract. Is that a fact or not?—No.

1684. You never give any consideration to that?—We do give consideration in advance to filling the works economically, but we cannot anticipate any particular job, because the normal duration of a contract is five years or 7 years.

1685. The second point I was going to make is, that with regard to what you said about the Telephone Book and other big blocks of work that you do, as a matter of fact, having had the experience of many years, the same as an outside printing works would have, you are enabled, by that experience, gradually to do that work infinitely cheaper. The proof of the fact that you were getting a large figure previously, is that those who go through your accounts have reduced it 27½ per cent., so you must have been earning, at the period at which you were getting that, a very fair profit. I will put it no higher than that?—I agree.

Major Salmon.] That we agree, so we do not want to labour it. When we take your accounts before us what do we find when you talk about your £99,000 profit? We find that in the case of rent, rates and taxes, you at once save £7,000 this year, which is a great help, and you save another £2,000 on depreciation, because you do what a contractor could not afford to do, and that is only to depreciate the equipment by 3.60 per cent.

Mr. Benson.] No.

Major Salmon.] Depreciation of plant and machinery £16,817. Last year you depreciated at a much higher figure. You depreciated it at 3.33 per cent.

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You certainly had £2,000 in cash more in the year 1928 than you had in 1929.

Mr. *Benson*.] On a point of order, that depreciation is not 3 per cent., but is 10 per cent. Major Salmon is taking 3 per cent. on the turnover. You do not depreciate on turnover, but on capital value, which, according to the balance sheet, is £176,000. The 3 per cent. is on the turnover only.

Major *Salmon*.

1686. I see your point and appreciate it. What I want to try to point out is that again it is true that your turnover in the year under review is £75,000 less than in the previous year, and your wages are £54,000 less?—No, Sir.

1687. I am comparing the trading accounts and the balance sheet of 1928?—(Sir *Malcolm Ramsay*.) Page 102. The turnover last year was £481,000. This year it is £465,000. That is the credits they are taking. That is a reduction of £16,000 on £481,000.

1688. That is work performed?—That is work performed.

1689. But if you take their wages, their wages are £54,000 down?—Wages are shown separately.

1690. What is the difference in their wages?—£22,000.

1691. Are the wages down because the costs payable to the men are less, or because you had less people employed?—(Colonel *Scorgie*.) Because we had less people employed, mainly by improved machinery.

1692. By more up-to-date methods?—Yes.

1693. Rationalisation?—Yes.

Major *Salmon*.] That is a very creditable piece of work, the rationalisation; I am not finding any fault with that. That £99,000, while it is true it is a book figure here of surplus, is not what you could call a profit in a commercial sense. In a commercial sense you would have to meet income tax and other taxation that they have not got to deal with here.

Mr. *Benson*.] Your income tax does not come into profit and loss account.

Major *Salmon*.] No, but it comes in when you come to talk about the total profit you have in the concern.

Chairman.] The principle was laid down 13 years ago. Of course, we do not get £99,000, but it is a calculation to

show how the working of the Department is carried on.

Major *Salmon*.] If we stop at that and say that is the object, I am quite agreeable, but I do not want to go so far as Mr. *Benson*, and say it is a profit.

Mr. *Benson*.] I realise perfectly clearly what it is.

Chairman.

1694. I think I can help you a little, if you will allow me to say so. Will you turn forward to page 124. I have no observations to offer you on pages 124, 123 or 122. I have nothing to draw your attention to on those pages, nor on pages 121, 120, 119, 118, 117, or 116. Page 115 is the British Museum, as Sir *Malcolm* has told us, the previous period covered 20 months, and you notice that we now turn a loss into a small profit of £308, although there is a nett loss for the previous period of £1,235. There is nothing for me to say about pages 113, 112, 111, or 110. Hon. Members can, of course, raise any points they wish to raise later on. On pages 109, and 108, I have a few points to raise. That is Harrow, the main factory. There is one observation I want to make. There is a smaller turnover and a bigger profit, and I want to ask you if the Rating Act has helped you in this or in any other account?—(Colonel *Scorgie*.) It has; the rates are down at Harrow.

1695. Is that owing to de-rating?—(Mr. *Phillips*.) Yes.

1696. On pages 107 and 106 I want to ask these questions. First I must draw the attention of the Committee to the fact that there is an increased profit of £5,000 roughly. Do those figures of rents and rates on page 106 on the left-hand side, £1,579, include any overlapping of Hare Street and Pockock Street with regard to rents and rates?—(Sir *Malcolm Ramsay*.) Yes, they do.

1697. Are you satisfied that that is a true picture?—Yes, but it obscures the comparison between the two years, of course.

1698. I have three questions to ask on that. This Press at Pockock Street includes Hansard, does it not?—(Colonel *Scorgie*.) Yes.

1699. It was moved to Pockock Street from Hare Street?—Yes.

1700. I had a great deal to do with that. I had to defend it in the House of Commons. Has there been any

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economy of money, or economy of convenience, as a result of that change?—Yes, there has been, Sir. The fact that the profit is up at Pocock Street is mainly due to the fact that the premises are more convenient, and the fact that the machinery has been modernised in a way it could not have been in the old building.

1701. You remember the discussions we had when you and I and Mr. Codling and others went through the matter. Say, in a word, are our hopes realised? We had hopes that there would be a considerable saving in money and in convenience. In a word, have those hopes been realised?—Absolutely.

1702. You assure the Committee that it was successful?—Yes.

1703. What do you think, Mr. Phillips?—(Mr. Phillips.) Yes; I think it has been a great success.

(Chairman.) We will go back to pages 105 and 104, Foreign Office. I have nothing to say on that at all.

Mr. Benson.

1704. On page 118, with regard to Manchester, I am rather surprised to find that the total sales there are only £5,000. Do you know the Manchester depot?—(Colonel Scorgie.) I do.

1705. York Street is the last place where anybody would fix up a shop. Nobody goes into that place unless they happen to know where it is, and if they happen to want a Government publication. Would not it be worth while to get a more prominent site?—That question has been gone into at various times, but the difficulty is that prominent sites are so extraordinarily expensive for the class of stuff that we have to sell.

(Chairman.) Rent rates, etc., are £175.

Mr. Benson.] Your rents and rates are £175. You might have to pay for a shop and basement £500 or £600, but would not it be worth it, in view of the fact that any increase in the sale of a Government publication really shows an enormous saving. If you can double the sales of one Government publication there is an enormous percentage of profit, shall we put it, on the last half of your sales. Your cost is primarily in the setting, with a very small circulation, and it would not take a very big increase in sales to cover a very stiff rent.

(Chairman.) I think in principle you are quite right, but whatever answer the witness gives can only be a matter of opinion.

Mr. Benson.] True.

(Chairman.) I do not know that we can say more than that we register your suggestion. I do not suppose the Committee can get a definite answer from the witness. Would not it be better to put it this way: Will the witness look into the matter and see if Mr. Benson's suggestion can be put into effect beneficially. His opinion is of no use to you.

Mr. Benson.] I was about to suggest that the matter might be looked into. I happen to be a Manchester man, and I know it is in a hopeless position. It is right in the middle of the cotton warehouses.

(Chairman.)

1706. Perhaps you and the Treasury and your Manchester people might look into the matter?—It has been considered. Several shop sites have been definitely considered, and we have been unable, under any conditions, to see the money back. I do want the Committee to realise that there is, as it were, a fixed market for Government publications, plus a certain additional market which you can get by successful publicity, but that additional market is relatively small. We are not like an ordinary bookseller who has "Punch," "The Sketch" and the "Tatler" out of which he can pay his rent and rates.

Sir Assheton Pownall.] In view of the commercial depression it may be that you can get premises now which you could not get four or five years ago.

Mr. Benson.] I know Manchester, and their choice of premises is infinitely greater now than it was four or five years ago. It pays the ordinary bookseller to stock one of your publications, the maps. I do not suppose you sell a fraction of the maps that are sold by a dozen of the smaller stationers in Manchester. If you had a reasonably prominent site where people knew where you were they would go there.

Major Salmon.

1707. That point would be perfectly sound if the Department could sell anything else to attract people?—Yes.

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[Continued.]

Mr. Benson.

1708. Maps are an attractive publication, but I should think no one would tramp up to York Street to get a map?—The bulk of the profit on the Ordnance Maps goes to the Ordnance Survey.

Mr. Benson.] That does not matter, because it is a Government saving.

Mr. Leif Jones.

1709. I hope you will be prudent, because you do make a profit?—As the Honourable Gentleman has said, we are in the centre of the cotton trade and, although that trade is depressed, they are the people in Manchester who buy our stuff. The ordinary person writes to London or goes to his own bookseller. It is only the knowledgeable man who comes to our office. We are in the commercial part of the city.

Mr. Ede.

1710. On page 108, could the witness tell us how the figure of £7,730 for rent and rates is made up as between rent, rates, and miscellaneous?—In the case of the £7,730, apparently the rent amounts to about £6,000, being 6 per cent. of the capital value, and the rates amount to about £1,200. (Sir Malcolm Ramsay.) The rates are £1,229.

Chairman.] 4s. in the £; that is very little.

Mr. Ede.

1711. I was coming to that next. I am following up in detail the question you asked rather generally. Could we be told what the comparative figures were for the year before; the £8,605 shown in the margin?—The rates in the previous year were £2,125. The Rating Act only took partial effect in the year we are now considering.

Mr. Ede.] The rent I understand is a percentage charge on the capital outlay?

Chairman.

1712. It is a notional percentage charge, I suppose, on the capital outlay?—(Colonel Scorgie.) 6 per cent. on the capital outlay.

1713. An interest charge upon the outlay?—Yes.

Mr. Ede.

1714. Can we be told how much of the difference was due to a reduction in the effective assessment, and how much was

due to a reduction of poundage of the rates in the locality?—That I could supply later. I have not got it here at the moment as to what the Harrow rates were in the two years.

Mr. Ede.] It would be necessary to have those two figures to complete the general answer to the question that was put.

Chairman.

1715. Next time we have the accounts, perhaps someone could put a note there. Could that be done?—(Sir Malcolm Ramsay.) Easily, Sir. I think it is hardly worth while bringing that particular item in. You are going to analyse every item in the balance sheet at that rate.

Mr. Ede.] Mr. Chairman, you asked a very interesting general question. I wanted to have it analysed in detail. The witness has undertaken to give the figures. It will satisfy me if at some future meeting we can have them.

Chairman.

1716. I am sure you will do that, will not you, Colonel Scorgie?—(Colonel Scorgie.) Yes.

Mr. Ede.

1717. On page 106 where the difference on this same item is greater, where the figure has, in fact, been halved, that is due, in fact, to the change in premises?—Yes.*

Sir Assheton Pownall.

1718. On page 108 Supervision is £2,000 more this year than the year before. What is the reason for that?—£1,100 is due to redundancy. The transfer of the Cricklewood Factory to the Admiralty left us with certain staff who were redundant. It took some time before they could be absorbed. They had to be carried. The remaining part of the £2,000 is due to reorganisation, improvement of salaries, and to normal increments.

1719. What is the heading of supervision. What employees come into it?—Supervision includes the whole of the established staff actually engaged in the printing works whether they are at the individual works or at headquarters. It includes 14 per cent. for superannuation.

* v. Appendix 9.

12 March, 1931.] Lieut.-Col. N. G. SCORGIE, C.B.E., M.V.O.

[Continued.]

It includes the rent of the rooms that they use at headquarters, and it also includes a proportion of the salaries of the Controller, myself, and the Principal Officers of the Department.

1720-1. With regard to depreciation on diminishing values, that is not 10 per cent. each year on your original cost which would wipe it all off in ten years?—No.

1722. But if you are down to 90 at the end of the first year 9 per cent. would come off and not ten?—That is so.

1723. It would become very, very small but it would never all disappear?—It will always have a scrap value.

Major Salmon.

1724. Supervision £4,976. In the year previous it was £2,940. Why has it gone up in this year?—£1,100 is really for redundancy, for which we were not really responsible. The Cricklewood Factory was transferred to the Admiralty, and we had certain officers who, until we could absorb them in the normal establishments, were redundant. That accounted for about £1,100 of this.

1725. Did not the Admiralty take any over?—No; the Admiralty took none over.

1726. Were not the staff employed at Cricklewood on the work for the Admiralty?—I am talking about the Supervisory Staff. They took the rank and file but not the Supervisory staff.

1727. Therefore you were carrying a deadweight?—We were carrying them during this year to the extent of £1,100. We have absorbed them now.

(Colonel Scorgie withdrew.)

CLASS I.

ON VOTE 14.

THE MINT.

Colonel Sir ROBERT A. JOHNSON, K.B.E., called in and examined.

Chairman.

1733. We will now go to page 23, Class I, Vote 14. It is a very close estimate. I suppose they are Hong Kong Dollars under A. How is the heavy demand for Bronze accounted for? On page 24, how did you manage to save money on the surplus silver for foreign

Mr. Butler.

1728. On page 114, British Museum Binding Works, I think it is very satisfactory to see that the loss has been converted into a profit. I do not apologise for raising it, because I wonder if the same methods could be applied in other Departments. Here we have repairs and renewals. Why is there such a difference as is shown here?—Probably because in the previous year when we had first taken over, a good deal of the machinery and plant was in a very obsolete condition and required much heavier repairs and renewals than in this year.

1729. Does the supervision imply labour?—No.

1730. What does supervision mean?—It is entirely the higher supervision, that is to say the officer in actual charge on the spot, plus a proportion of the salaries of the people at headquarters who also are interested in the general control.

1731. That does not come under wages?—No.

1732. There are two other points. There is a large reduction in light, heat and power. Why should that be shown particularly in this account and not so much in others?—(Sir Malcolm Ramsay.) Because the comparison is fallacious. The left hand column covers 20 months, the right hand column covers only 12 months. You have to allow, all through this account, the ratio of 20 to 12. (Colonel Scorgie.) But not on repairs and renewals. (Sir Malcolm Ramsay.) No, not repairs and renewals.

and colonial silver coinage. That is Sub-head K. The surplus silver could be used for making foreign silver coins without refining?—(Colonel Sir Robert Johnson.) Yes.

Chairman.] They are the only points I have to make for the Committee to consider.

12 March, 1931.] Colonel Sir ROBERT A. JOHNSON, K.B.E.

[Continued.]

Major Salmon.

1734. When you talk of British Dollars, as the Chairman said, does that mean the Dollars for China?—Hong Kong dollars; trade Dollars.

1735. Are they actually called British Dollars?—Yes.

1736. Last year the figure of the value of coinage was given as 1-5th of their face value. Is that accurate to-day?—No, I think we have done rather better. You mean taking the silver problem?

1737. Yes?—I think that is slightly better. Silver was 24d. per ounce during the year in question. It was a penny or two lower than the year before, not substantially. The substantial change comes this next year.

1738. The amount of work you are doing for foreign countries is not as great, is it, as you have been doing?—I think that year was a pretty good year. We had Roumania, and we had Guatemala, Latvia, Poland, Newfoundland, Hong Kong, Ceylon and Cyprus.

1739. You have not very much competition, have you?—Terrific competition.

1740. You have?—Frightful competition; at any rate with Europe and also with the East. We are competing with the Bombay and Calcutta Mints.

1741. You managed to hold your own notwithstanding all that competition?—So far we have been able to do so.

1742. On Sub-head H, Loss on Light Gold Coin, how much Light Gold Coin is brought back in the year?—How much was there in that particular year?

1743. Yes, in that particular year?—It is not brought back; it is dealt with locally. The Branch Mints out there deal with it. There was £21,350 in South Africa presented to the Pretoria Mint; £3,441 presented to the Melbourne Mint.

1744. When you say "Presented" what do you mean?—Presented for re-coinage.

1745. On the question of your realisation against your estimated receipts it is a fairly large figure?—The appropriation?

1746. The receipts payable to the Exchequer?—They were due largely to the phenomenal amount of Bronze coinage but also to our foreign work; about £33,000 on the foreign work and the balance profits on Bronze coinage.

1747. I do not quite follow this point on page 25, Item (3) "Sale of Silver in coins withdrawn for recoinage surplus to requirements for new coin." I do not understand what that means?—That, of course, is that we are withdrawing the high value silver and issuing the low value silver, and there is a surplus that remains—bullion.

Chairman.

1748. You sell it and buy it back later on?—If possible we sell it in the form of foreign coinages, because it does not want refining. (Mr. Phillips.) There is no question of buying it back later on. There is too big a surplus.

1749. Yet people are complaining all the time about the shortage of small silver coins?—(Colonel Sir Robert Johnson.) Yes.

1750. Why is that?—Because the Bank Cashier is lazy. I write to the banks and say, I notice from my personal observation, that there is a shortage of shillings. It is very awkward when one comes home at night and it is a cold night and you have only a two-shilling piece. You have to give the man two shillings instead of 1s. 6d.

1751. The man thinks that what Chateaubriand said was right, that there is something not wholly unpleasing in the misfortunes of others?—Yes, we do all we can; we write to the banks and say we want to press more shillings on them, and now we are doing it through the Post Office.

1752. Is it that the shillings go into the gas meters?—Meters of various sorts.

Mr. Ede.

1753. Is not it also electricity meters?—I think it is that everybody is hard up like myself, and if they can pay 1s. 6d. instead of 2s. they will, and they want more shillings and sixpences and less two-shilling pieces.

Chairman.

1754. There is another reason why you should induce the Banks to use shillings instead of 10s. notes. If you use shillings there is no need to have a gold reserve, as you must against the 10s. notes?—You have been reading Professor Cannan in "The Times"!

Mr. Leif Jones.

1755. Who settles how many shillings are issued in the year?—The Banks; the

12 March, 1931.] Colonel Sir ROBERT A. JOHNSON, K.B.E.

[Continued.]

public demand. The Bank of England indent on us for all silver coins.

1756. They settle how much they want?—They do not settle. They tell us what they want. The ordinary banks go to them for what they want.

1757. Do you give the Bank of England what it asks for?—Yes. We cannot force silver coin on anybody except by way of gift, and that, unfortunately, I am not able to afford.

Chairman.

1758. You can go further and say to Mr. Leif Jones that you cannot force on the Public more silver than they want?—No, certainly not, but the difficulty, as you have pointed out, is that the public is shouting for these small coins at the present time and cannot get them.

Mr. Leif Jones.

1759. If I get change at my club, it is given me in 3 Half Crowns and I have to ask for small coins?—One cannot go and make oneself disagreeable to one's banker.

Chairman.

1760. Why not?—It might involve all sorts of consequences in other ways. We have said to the Bank of England "You have asked for £10,000 in two-shilling pieces; will not you take shillings?" They say "No, we have been asked for two-shilling pieces."

1761. Cannot you arrange for the dockyards workers to be paid in shillings?—There again they say it is more work. (*Mr. Phillips.*) I suppose the real reason the Banks do not like shillings is that two-shilling pieces and half-crowns are

more convenient and cheaper to handle. The same thing would apply to any big paying agent. (*Colonel Sir Robert Johnson.*) The tote is a great excuse for two-shilling pieces. It is the minimum stake.

Mr. Ede.

1762. May not there be some lag between the public demand and the time it reaches you?—I do not think so, appreciably.

1763. In the days when the usual coin to put in a meter was a penny instead of a silver coin, there used to be periodically the same complaint about the lack of pennies?—That was a mechanical difficulty; the Mint could not turn out pennies fast enough in those days.

Major Salmon.

1764. Can they to-day?—There is no difficulty about that now. We have plenty of stocks in hand and can supply the banks at a moment's notice.

Mr. Ede.

1765. Supposing there is a huge public demand for shillings, you can meet it?—We have several hundreds of thousands of pounds of shillings waiting.

Mr. Leif Jones.

1766. Why do you issue 7,000,000 farthings?—That is another of the strange conundrums.

1767. Who demands those?—The hosiery shops generally.

Mr. Ede.

1768. And bakers?—Bourne and HOLLINGSWORTH and that kind of shop.

TRADING ACCOUNTS (THE MINT).

Chairman.

1769. Will you turn to page 94 of the Trading Accounts. I want to ask Sir Malcolm what is being done to simplify the account on the Items from the word "Capital" to the figure £1,075 4s. 10d?—(*Sir Malcolm Ramsay.*) The Treasury and all of us have been working at this, and I think you will find next year certain deductions will disappear from the left hand side which will begin with the nett capital, £684,000. We are going to miss out "grant undrawn" and "surplus due to Exchequer," which it is not necessary to show for the purpose of this balance sheet.

Mr. Butler.

1770. On page 23 of the Civil Appropriation Accounts, did the fall in the price have anything to do with the loss on silver coinage under subhead (G)?—(*Colonel Sir Robert Johnson.*) Not entirely. It is the loss during manufacturing operations. There is a new process which prevents so much silver being lost in melting. The saving is mainly due to our being able to recover more silver in the factory than we used to be able to do, silver that has gone down the drain or up the chimney in the melting processes, but it is due also to the fall in price, as you said.

12 March, 1931.] Colonel Sir ROBERT A. JOHNSON, K.B.E. [Continued.

Chairman.

1771. Is not the Mint aesthetically ashamed of the silver it is turning out?—No, we are extremely proud of the new quaternary alloy, which is marked with the new designs. We are not only proud of it, but we are getting a great demand for it in Europe. It was only a fortnight ago that the French Mint, with whom I am collaborating in a new

coinage, told me that my alloy is better than theirs.

Mr. Benson.

1772. I have had a number of brand new coins recently all marked 1928. Have you just released them?—Yes, we keep stocks in reserve and they go out to the banks. These have been lying in the Mint Reserve.

(Colonel Sir Robert Johnson withdrew.)

Chairman.] Sir John Sykes, we are very sorry we cannot take your evidence to-day. We are the victims of circumstance. We cannot take your evidence until after Easter. We will take Mr. Pelham's evidence first next time.

(The Witnesses withdrew.)

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

TUESDAY, 17TH MARCH, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Mr. Denman.
Mr. Leif Jones.

Mr. Lathan.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.
Mr. West.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS IV.

ON VOTE 1.

BOARD OF EDUCATION.

Mr. E. H. PELHAM, C.B., and Mr. E. G. HOWARTH, C.B.E., called in and examined.

Chairman.

1773. Mr. Pelham, we are very glad to see you here for the first time. We are sorry that Sir Aubrey Symonds is ill, and we hope that you will convey

to him our hope that he is getting strong?—(Mr. Pelham.) I shall have great pleasure in doing so.

1774. The first thing we will take is page 154 of the Appropriation Accounts. That is merely a general summary to give

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[Continued.]

a bird's-eye view; it is not part of the account. The account you will see dealt with in detail on the following pages, and I think Honourable Members will find it more advisable to raise questions upon the coming pages starting from page 155. I propose to take pages 155 to 165, which is the end of the Vote. May I draw attention to page 154, and ask if Mr. Pelham will make a note of my question: How much of this £47,000,000 is really under the control of the Department? Is not most of it dependent on the expenditure in bulk of local authorities? Is not that so?—It is. We check the expenditure, and within certain limits we can control it. Of course, the great bulk of it is in regard to the salaries of teachers. As regards that, there are agreed scales of salary, and we refuse to pay grants on any salaries paid in excess of those agreed scales. We have in the past made certain efforts to restrict the number of teachers that they employ. It can only be done roughly, and it can only be done gradually.

1775. On page 156 there is an item of £32,747,000. That is a block grant, I think, governed by a formula. Perhaps Mr. Pelham will tell us later on what effect the revised valuations under the Rating Act and the Local Government Act of 1929 had on the State grants?—Yes.

1776. Perhaps you will tell us that afterwards. I find nothing on page 157 to which to address myself. On page 158, that grant of £6,430,000, I take it, issues from a formula automatically?—Yes.

1777. On page 159, training of teachers, £715,000, had that any connection with the proposal to raise the school age? You will tell us that afterwards?—I will.

1778. On page 160, "Pensions, etc., to teachers," I suppose the amount is fixed by some actuarial calculation, and the charge is determined in that way; the conditions are already fixed beforehand?—Yes; they are fixed by Statute.

1779. I come again to page 162: "Victoria and Albert Museum," under sub-head H.1, £101,000. Have there been any new developments about the evening openings here, and what is the cost going to be, or what has it been? With regard to State Scholarships under Item F (1), £68,700, has there been an increase in the number of scholarships? Perhaps you will tell us that later on?—Yes.

1780. On page 163 we get back to the old question we raised last year with regard to the supply of casts under sub-head H.7, £3,190. There is a big increase there of £1,982. I suppose that will appear in the Trading Accounts?—(Sir Malcolm Ramsay.) Yes.

Chairman.] I find nothing to say on pages 164, 165 and 166.

Mr. Lathan.

1781. There is a statement on page 157 showing the estimate of expenditure in regard to special schools, on which there is a saving of £3,360. That, I take it, means a saving on the estimate, not an actual reduction in expenditure?—(Mr. Pelham.) No; the special schools get a grant from the Board in two different ways; a minority of pupils are sent by Boards of Guardians or by voluntary bodies, and in respect of them we pay a grant straight to the institution. It is because there have been fewer of those. For one thing, the Poor Law children are ceasing to be dealt with by the Poor Law, and are being taken over by the local education authorities. In so far as they are taken over, the local education authorities pay the fee, and the local authority recover 50 per cent. from us. The numbers are increasing.

1782. In regard to pensions, on page 160, am I correct in understanding that the pensions paid to teachers are on a contributory basis? Do the teachers contribute?—Yes; they now contribute 5 per cent., and the employer contributes another 5 per cent.

1783. Is the contribution of the teachers included in this total expenditure?—It is accounted for in the Appropriations in Aid on page 164.

1784. It is not included in this £4,776,000 on page 160?—No; this is the gross expenditure, and against this have to be set off the contributions.

1785. If it is gross it will include them; if it is net expenditure it does not include the contributions of the teachers?—This is our whole expenditure, and against this has to be set off the receipts from contributions, which are shown as Appropriations in Aid.

1786. If that is the case, I would be correct in saying the net charge on the Government is less than £2,500,000?—No; for the moment it not very far off balances. You have £2,500,000 from the teachers and £2,500,000 from the employers.

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[Continued.]

1787. I see it is here, on page 164?—Yes.

Mr. Bird.

1788. On page 157, would you explain to me what the system of fines is? I see there was an over-payment of £34?—I can explain that case. It was a small country school, where we discovered that the mistress, who was rapidly breaking down in health, relieved her weariness by letting the school out ten minutes too early. We have a rule that the school must be open for at least two hours in the afternoon, and she was letting them out five or ten minutes too early. It was not a thing that relieved the local authority of any expense, and there was in that sense no loss to the State, but registration is a thing that we have to be very particular about, because our grants are based on the numbers of attendances. That is one of the factors. Therefore, though there had been no saving to the local authority, we felt bound to make a small fine to emphasise the importance of the matter.

1789. Who pays the fine; the tired schoolmistress?—No; that comes out of the local authority. We deduct it from the payments we should otherwise make to the local authority.

1790. How was it that in this particular case you found it out?—Our Inspector, visiting the school, happened to stay on there till the end of the afternoon, and was surprised to find the children leaving sooner than they ought to have done.

1791. She must have been rather stupid, must not she, to have let them out on that particular afternoon? Is she still a schoolmistress?—No; she completely broke down in health and retired about three months after.

1792. And was then awarded a pension?—I think she probably did get one, but I am not quite sure what happened after that.

Major Salmon.

1793. On page 155, as regards the salaries under sub-head A.1, I see you have spent less than your grant; does that mean that for the future the establishment of your administrative department will be less?—Yes, it has been steadily decreasing year by year.

1794. Would it be a fair question to ask you if, in considering your administration generally, you had regard to the

fact that you might have to deal with the new school age, and that that would necessitate more staff?—No, we have not made any allowance for that. That would be chiefly a burden upon local authorities. We have not allowed for any increase of staff in anticipation of that, except possibly one architect, or something of that sort, and that was a strictly temporary appointment.

1795. Under the heading of "Inspection and Examination" on page 155, sub-head B.1, salaries and allowances, the figure there of over a quarter of a million pounds does seem rather a large figure, when you bear in mind that all local authorities have a very big staff of inspecting officers?—Of course, London has, and in London we have a very careful arrangement to avoid anything like overlap with them; but London is quite unique in that respect. A few of the big county boroughs (Manchester, I think) have a certain number, but the great majority of authorities have very few, if any, local officials, and those officials are generally concerned with problems that are outside our purview, namely, finding out the qualifications of a particular assistant for early promotion to a headship. It is a matter we constantly have under review, and we have in the last seven years reduced our inspecting staff a good deal, but it is one of the things we have always got to guard against, that if we reduce our staff too rapidly, the local authorities would become discontented and inclined to set up their own officials to do the things which they think we are neglecting.

1796. As a matter of fact, is it fair to say that there is no overlap between your inspection and examination and the inspection and examination of the local authorities?—To the best of our consciousness, there is not. It is a matter we are always watching and reviewing, and there is nothing that is on my conscience about it, at the moment, undoubtedly.

1797. What is the number of the personnel of the inspecting staff?—In the present year it is 364.

1798. The allowances, presumably, are travelling allowances for going about the country?—Yes.

1799. How much would be salary, and how much would be allowances?—(Mr Howarth.) I cannot say off-hand.

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[Continued.]

1800. In regard to the inspection of your Medical Department, that seems to be such a reasonable figure, when you bear in mind that you also have to carry out medical inspection, presumably, throughout the country?—(Mr. Pelham.) These people are simply employed to go about and check that the qualified officers who are employed by every local authority are doing their work efficiently and economically. That only requires a very occasional visit, and a cursory visit. It is different from what is needed for the purpose of ascertaining that the work of the 30,000 elementary schools and 1,300 secondary schools is being done efficiently.

1801. How many thousands of elementary schools are there?—There are 30,000 Departments.

1802. That is not 30,000 establishments?—It is 30,000 head teachers and 20,000 actual schools. For that business, local authorities, as I say, have as a rule no machinery of their own for testing efficiency.

1803. Just following on that question of inspection for a moment, to which we were referring a moment ago, how often would you inspect a school? You have one inspector per sixty schools, roughly?—This includes the elementary inspectorate, which, including women, I suppose, is about half that. It is about 180. They endeavour to make full visits and to make reports about once in three years; but the intervening visits are often just for a morning. The small country schools, on the whole, require rather more frequent visits; I do not say longer visits, but more frequent visits than the big town schools, largely because, if a headmistress is simply there with one assistant, and the head changes, the whole character of the school may change.

1804. Therefore you find by practice that it is more necessary to inspect those smaller schools than the larger ones?—Yes; they are more isolated, and they are needing more help.

1805. As regards the grants to local education authorities on page 156, has the Local Government Act of 1929 had any effect on these grants?—It has had an effect to this extent, that you will see in calculating the grant we deduct the product of a 7d. rate. We have not yet had time to get any very accurate figures, but in forming our estimates for

the year now ending we worked on the assumption that the effect of that Act would be to reduce the product of a 7d. rate by roughly £1,000,000, and consequently to increase our grants by that amount.

1806. You were saying, in answer to one Member of the Committee, that as regards pensions they really balance in total; that is to say, that half is contributed by the teacher and half by the State. Do you in fact, first of all, pay out a grant to the local authorities, and then take a cheque again in return for pensions, or do you deduct it at the source and only pay the differences?—These contributions are deducted by the local authority just like Income Tax, in paying the salary; then we adjust with them over the payment of the grant.

1807. So they really do not part with the money at all; they simply debit them and credit you?—Yes.

1808. I am only referring to the question of contributions; do the contributions actually come in the form of money from the local authorities, or are they simply debited with the amount and given a cheque for their grants which is so much less than they would otherwise have had, making the two figures balance?—We work it all out with them, and send them a net figure. We set them off one against the other.

1809. I notice on page 157 you give grants to bodies other than local education authorities, and when you go into detail at the bottom of the page, one notices on nursery schools an expenditure of £3,084. Do you contribute direct to private nursery schools?—Yes; there are two kinds of nursery schools: first, those that are provided by the local education authorities. There the expenditure is taken into account with other local expenditure, and it comes under the main grant. These are grants to schools established by various voluntary agencies.

1810. On page 159, with regard to the training of teachers, upon which the Chairman just touched, are you contemplating a larger expenditure under this head?—There has been, as you will see here, some small expansion in the training of teachers which was considered desirable, partly in view of the prospect of the raising of the school age, and also because of the general policy of providing smaller classes, and also providing greater

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[Continued.]

facilities for the practical instruction of older scholars.

1811. The older scholars being what—over fourteen?—No; eleven to fifteen.

1812. Under the Hadow Scheme?—Yes.

1813. Therefore, it is quite possible that there will be more money going out for a larger number of teachers in the near future?—Yes, that is an item that may tend slightly to increase.

1814. How long has the Victoria and Albert Museum been under the direction of the Board of Education?—It goes back to the Exhibition of 1851, and arose historically out of that. It was originally, I think I am right in saying, very closely mixed up with the various activities of the Government in the seventies and eighties for encouraging science and art instruction. It was originally under what was called the Science and Art Department. Then, when the Board of Education was established in 1900—

1815. The point on the Victoria and Albert Museum that I had in my mind was as to this amount of money that you are spending under the grant, £101,919, or £102,000 in round figures; does that go out especially for attendants there, or for teachers, or what?—The salaries and wages are for the keepers of the museum, and the officials who are required. As you know, it is a very big place.

1816. It is a very big place, yes. Do you find that the number of visitors there is on the increase or on the decrease?—On the whole, on the increase; I am afraid I have not got the precise figures with me.

1817. But generally you think they are on the increase?—Yes.

1818. Is that by younger people, do you think?—I think generally there is a tendency for the younger people to go to these museums. At the Science Museum, since it has been in its new building, during the last few years there has been a very rapid expansion.

1819. The Science Museum has a further sum of £55,000, in round figures, for administration?—Yes.

1820. In addition to the amount under the Victoria and Albert Museum?—Yes; it is quite a separate organization.

1821. Have you ever considered the cost of running the museums under your control against those that are under other control for museum purposes?—In both cases we work under the Treasury, and we review the staffing of the places

periodically in association with the Treasury.

1822. It is being carefully watched?—Certainly, and our Chief Establishment Officer is just as much responsible to the Board for scrutinizing the economic administration of the Museums as of our office in Whitehall.

1823. It struck me, taking the Science Museum travelling and incidental expenses of £1,157, as being rather a lot of money for the small number of staff apparently that you have there?—I am not very certain of the details, but there are various visits that have to be paid in connection with the inspection of exhibits, and occasionally visits have to be paid abroad.

1824. By the Science Museum Department?—By the Technical Staff.

1825. Of the Science Museum?—Yes.

Sir Assheton Pownall.

1826. There is a figure of £3,370,000 on page 157 estimated as outstanding on the 31st March, 1930.—Yes.

1827. Have you been asked about that at all, because I do not quite understand that figure?—What happens is that in any year we estimate to pay 90 per cent. of our grant due for that year, and the remaining 10 per cent. is left over to be paid in the following year as soon as we get accurate figures from the authorities. What this really means is that in the year 1929 we paid just £30,000,000 of what was due for that year before the end of the same financial year, and the remaining sum, roughly ten per cent., the £3,000,000, remained to be paid later. The great bulk of it has been paid by now. The final settlement has to wait for the audited accounts.

1828. You also paid in the year under review approximately 10 per cent. which was really due in 1928?—Yes; which was, shall we say, earned in 1928.

1829. So it is 10 per cent. as regards the previous year, 90 per cent. as regards the current year, and a small balance as regards years further back than that?—Yes.

1830. As regards the number of pensioners, it shows an increase of just over 2,000 in the number of pensioners in the year under review?—Yes.

1831. Which I suppose means a sum of £400,000 a year, on an average of £200 apiece. Could you say what the amount

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[Continued.]

was four or five years ago, when the 1925 Act first began to take effect?—It first reached £2,000,000 about 1923.

1832. It is now over £5,000,000?—Yes.

1833. Must we expect further increases of approximately 2,000 a year in the hereafter as happened in this year?—Yes, we are certainly a very long way off stability.

1834. When will the peak come?—Not for another thirty years or so.

1835. And a good many millions of pounds of automatic increase also?—Yes; £350,000 is the normal annual increase.

1836. For a number of years to come?—Yes.

Mr. Leif Jones.

1837. On page 159 with regard to the training of teachers, how are these sums calculated?—The great bulk of the training is in the hands of voluntary bodies or of the Universities, and we pay grants direct to the Colleges, partly for the actual cost of training and tuition, and partly for maintenance.

1838. Is it steadily increasing? I see you took £14,000 more in the year under consideration, and then overspent £16,000, which is £30,000 increase in a year?—Yes. Part of that increase was because, getting on for two years ago now, the local authorities were becoming anxious as to the need for more teachers, and we were too, in view of various developments including the possible raising of the school age, and we encouraged colleges to take in a small number of extra pupils.

1839. Does the number depend on your encouragement?—The colleges in the main have a fixed number for which they are recognised, and it remains at that, but from time to time colleges come along and ask us whether they may develop a particular kind of training, or perhaps a University college is anxious to take in more students who are going to read for degrees as part of their course, and those applications, when we get them, we look at not only on the merits of the individual college and its fitness to do the work, but from the point of view of the general need for teachers and the supply of teachers.

1840. Is the process going on? For instance, in the following year, did you take more; do you know how it is working out?—There has just lately been a slight increase. Before that, speaking

from memory, there was no increase at all, for several years, certainly in the numbers for which the colleges generally were recognised.

1841. Is there any change in the scale of payments?—No; they have remained.

1842. It is entirely a question of numbers?—It is entirely a question of numbers, with a slight redistribution in different categories.

Mr. Denman.

1843. Continuing that same subject, the figures for the training of teachers under the local education authorities and the training of teachers (non local education authorities) are approximately the same. Do those figures represent an equal number of teachers from each source?—The training of teachers in the case of local authorities includes rather different expenditure because they have colleges, and they also have various other arrangements for assisting teachers in the way of short courses.

1844. But which £700,000 roughly gives you the more teachers?—(Sir Malcolm Ramsay.) The two figures refer to the same teachers.

Mr. Denman.

1845. I beg your pardon. You do not separate local education authorities and non-local education authorities?—(Mr. Pelham.) The local authorities are all in sub-head D.1, Grants to Local Education Authorities.

1846. Which is the more expensive, to get the teacher from the local education authority or the non-local education authority?—So far as the total cost is concerned, it is really very much the same. Local authority colleges are rather more modern, and perhaps they give rather better accommodation, but the cost of training is very much the same. The training in the non-local authorities colleges is less costly to the extent that they do some part of the work out of voluntary subscriptions, and big building schemes have to be carried out with loans, and so on.

Mr. West.

1847. I think the cross-examination of the Member for Harrow was so exhaustive and the time taken so long that there remains little time for anyone else to speak or even anything to speak about. But there is just one question I would like to ask if I may, on page 160, under

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Item D.2 (e), University Tutorial Classes and other forms of Adult Education, £57,000. What is the basis that qualifies a class to receive a grant from the Board?—We have a series of very elaborate regulations which have been worked out from time to time with the Workers' Educational Association and the Universities and the other voluntary bodies which are concerned with these things, and there are, of course, various grades of classes. There are the highest classes which work up to what you would call a good University degree standard, and there has to be a specified number of students attending with a reasonable degree of regularity. Then there are various shorter courses of a more elementary and preliminary kind.

1848. Could anyone who got together, say, fifteen or twenty students apply for and receive a grant from the Board?—No; it would have to be organised by an Association of recognised standing.

1849. Is the Workers' Educational Association the chief source?—They are the chief purveyors working, of course, as you know, very often with the various Universities.

1850. Courses at Regent Street Polytechnic; University Tutorial classes; would they come under this grant?—They probably would.

1851. Under item (f), "evening institutes and day continuation schools," I cannot find how much it costs to run the evening schools as a whole?—No. That is in the main part of the expenditure of local authorities on higher education.

1852. Is it possible to know at all? When I look at the £47,000,000 here it is not possible for me to form any idea of the cost of evening schools in this

country?—We can get a rough figure for technical education and evening work together, but it is not possible to get it separate, very largely because, as you know, these evening classes are run as part of the many activities of a big institution, and the teachers are employed for a number of purposes.

1853. It comes to millions, I suppose?—Yes.

1854. I suppose there is no way of judging what is the relative value of so many millions spent in evening schools as compared with other forms of spending by the Board. You have no test of value received from (say) £5,000,000 spent on evening schools. You do not test it in any sense?—We test it only in the sense that we are always keeping an eye on it, and our inspectors have, so far as they can, to make up their minds, to put it in a sordid way, whether it is worth the money, but there is no ready basis of concrete comparison between the value of the evening schools, we will say, and day classes.

1855. My point is that perhaps in London you may have very efficient evening schools?—Yes.

1856. And the cost may be relatively small compared with the value received?—Yes.

1857. In some provincial towns you may have some evening schools that are not nearly so good?—Yes.

1858. There is no way of testing and comparing them?—Our inspectors are always testing and watching them, and if they are poor there they will report adversely. Then in the last resort, if we thought the work was not worth while, we should refuse to pay grant on it.

TRADING ACCOUNTS. BOARD OF EDUCATION.

Chairman.

1859. We will now go to page 71 of the trading accounts, Board of Education. I hope Honourable Gentlemen will cut their questions short and deal with the accounts rather than explanations of policy, although I do not rule anything out of order. On page 71 the heading is: "Department for the sale of Casts." We had that up last year a good deal and discussed it. You will notice on page 73 there is a bigger profit of £564, against £398. There is the balance sheet on pages 74 and 75; if Honourable Members

will look at the Report of last year they will find we went into this very deeply, and I do not know that there is anything I can draw attention to. Have you anything to say, Sir Malcolm?—(Sir Malcolm Ramsay.) No. With all respect, it is a small business, and they have made a profit. There is no question on the accounts.

Chairman.] I can see nothing to draw attention to.

Mr. Leif Jones.] On the balance sheet, rent and rates have disappeared altogether. Is there no amount?

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[Continued.]

Chairman.] That was an explanation which I remember quite well.

Mr West.] You notice in this account, as in most State accounts, they make a small profit.

Chairman.] I saw it, £564. This was a monopoly they took over from an Italian firm years ago, if I remember rightly.

Mr. Benson.

1860. Are these casts of classical statues?—(*Mr. Pelham.*) Yes.

1861. Who are your customers mainly?—Various benevolent people.

Chairman.

1862. Artists and Schools of Art?—Yes, Schools of Art all over the country.

(*Mr. Pelham and Mr. Howarth withdrew.*)

CLASS VI.

ON VOTE 4.

DEPARTMENT OF OVERSEAS TRADE.

Sir E. F. CROWE, K.C.M.G., called in and examined.

Chairman.

1864. We are going to take the Department of Overseas Trade, page 247, Vote 4, Class VI. There is a surrender of £349 on £378,000 on page 249. You have been pretty close. I think that does you credit?—(*Sir Malcolm Ramsay.*) The supplementary helped.

1865. How much was the Supplementary?—It gave £9,850 and redistributed the allocation in subheads and gave authority for some items not in the original estimate.

Chairman.] A Supplementary of £825 was provided in connexion with the posts at Moscow, on page 247. With regard to the grant in aid of the Travel Association of Great Britain on page 248, I know what that means. You granted to an Association which was a god-child of your Department a sum to induce people to come to England. Are you using any of your funds or any of your efforts to induce English people to spend their money in England? I notice as fast as you get people into England, the Railway Companies advertise to take them abroad.

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And sometimes you get a beneficent person who wants to get a cast for a particular purpose. As the Chairman says, there are also Schools of Art. There are waves of popularity; it goes up and down and we get quite big sales, and we do our best to extend the sales.

Mr. Benson.

1863. Have you any means of pushing the sales?—Only in a small way. We send out copies of prospectuses and catalogues. The casts are all exhibited at the Victoria and Albert Museum.

Chairman.] On page 72 there is only about £607 profit on about seven years' working.

Mr. West.] Thank you.

Mr. Lathan.] No British Railway can take people abroad.

Chairman.

1866. The Southern Railway own boats. This money is to be spent by the Travel Association, on page 248, £5,000. With regard to the International Colonial Exhibition, Antwerp, I notice £20,581 more than granted; was this really an excess, or merely a difference caused by overlap of the time of the bills being paid?—(*Sir Edward Crowe.*) Nothing more than an overlap.

1867. With regard to the British Industries Fair, the estimated amount was £67,000, and the realised amount was £53,000. Was that because of the cold weather that it realised so much less?—Yes.

1868. Under item G, "Explanation of the causes of variation between expenditure and grant," you estimated £67,000 and realised £53,000, what was that?—We had to go to Olympia. It was so cold at the White City in 1929.

1869. On page 250 there is an Item under the Notes in the third paragraph "The Pavilion erected on behalf of the

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[Continued.]

Empire Marketing Board for the Newcastle and North-East Coast Exhibition, 1929, has been presented to the Newcastle Corporation." Perhaps Sir Edward Crowe will tell us the cost of the Pavilion and the estimated cost of the demolition?—I am afraid I cannot tell you exactly what the actual cost of the Pavilion was, but it was estimated that the cost of pulling the Pavilion down would be just about the same as the money that we would have got for selling the material. The Pavilion cost, roughly speaking, about £10,000, I think.

Mr. Benson.

1870. With regard to these Exhibitions and Fairs, do you make any attempt to trace the industrial effect of them?—Do you mean with regard to the British Industries Fair or with regard to Exhibitions generally?

Mr. Benson.] Either or both.

Chairman.] At home or abroad?

Mr. Benson.] At home or abroad, generally.

Chairman.] There is a great difference between the two?

Mr. Benson.] I was meaning rather on exports.

Chairman.] Let me try to put it this way for you. Will you ask the witness this: Divide it into two, Exhibitions and Fairs abroad, and Exhibitions and Fairs at Home. There is a great difference in the result, you will find?

Mr. Benson.] That may be. We know that the British Industries Fair has produced orders from abroad.

Chairman.] I thought you meant when we go to Barcelona or Antwerp.

Mr. Benson.

1871. I meant either?—We try to follow it up, but it is very difficult.

1872. I can understand that. Have you any information at all that they are worth while?—One of the principal proofs that we have that they are worth while is, that other countries go in for them constantly, far more than English people do.

1873. Do you find that exhibitors who have come one year, are anxious to take space again?—Yes, quite definitely.

Chairman.

1874. Where; in England?—At the British Industries Fair.

1875. That is a different matter. I think you are at cross purposes?—I think we find most people who have exhibited at one of our Pavilions are always willing to exhibit again.

Mr. Benson.

1876. In their case it is worth while?—In their case it is worth while.

Chairman.

1877. Is it not a fact that we have great trouble to get British Manufacturers and others to exhibit in foreign places?—Yes, I think it is right to say, as Lord Chelmsford said in the Report of his Committee, that British people are not really exhibition minded. They dislike exhibitions generally, on principle.

1878. They generally told us that they do not bring them very much profit; they thought they were a loss?—So many people still remember Wembley and, without taking into consideration the big results of Wembley, they still say "We spend so many thousands of pounds on stands, and we cannot see any definite results from that." A Passenger Company will say: "We have not been able to prove that so many passengers booked passages by our steamers because we had a Stand at Wembley," but one cannot be certain whether a person books a passage on a steamer because he has been to Wembley, or because he has read an advertisement in a newspaper. It is all a form of advertising.

Mr. West.] With regard to sub-head FF: "Economic Mission to South America," that was rather an important Mission, and it seems that it should have been possible to get some information as to the results of such a big Mission. Have you any definite information to show that that Mission was really worth while?

Chairman.] That was the D'Abernon Mission.

Mr. West.

1879. Yes?—Have I your permission to answer that rather fully, because we are supposed to be dealing only with 1929? The D'Abernon Mission went to South America and was quite successful. Arising from the D'Abernon Mission one can say there has been the success of this Buenos Ayres Exhibition which I think is going to prove a great success. Also we have had further Missions. We

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[Continued.]

have had a Mission to Egypt, which returned a day or two ago, under the Chairmanship of Sir Arthur Balfour. We have had a Mission in the Far East which will be back about Easter time, which has gone to China and Japan, and which we hope will improve the market for cottons in the Far East. We have had a Mission to South Africa, which has been back a short time, which went under the leadership of Lord Kirkley, and quite definitely we know that firms are improving their sales and organisations in South Africa as a result of that Mission. In addition to the Missions paid for by the Government, there has been a series of trade investigations. The first one was the Mission headed by the Master Cutler of Sheffield, which was sent out on the suggestion of Mr. Howard Williams, who was a member of the D'Abernon Mission. He said "What you want is to send someone with the prestige of Master Cutler during his term of office to South America." That Mission went and has produced a very satisfactory result, and all the people in Sheffield are delighted with it. In addition to that we have sent a Trade Investigation on Boots and Shoes to Scandinavia. They have come back and reported; they hope to improve their market. We have sent leather people also to Scandinavia and a Mission on Scottish Woollens has gone to the United States and Canada and next month a delegation is going to Berlin, Paris, Milan and Prague. The Mission to Egypt cost £2,600, the Mission to the Far East £7,000, and the Mission to South Africa £2,920. Those are paid for entirely by the Government, except that in the case of the Mission to the Far East, the cotton industry put up £6,000 besides that £7,000. The Trade Investigation by the Master Cutler to South America cost £1,000, the trade put up the other half. The Trade Investigation to Scandinavia cost £130, the Leather Delegation cost £400, and the Scottish Wool Delegation £1,250. We hope gradually, as a result of these Missions and Delegations, to get industries to send their own men out to study the markets. We have been helping industries to help themselves.

Mr. West.

1880. In your judgment the Economic Missions we have had so far have really

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been of definite value to the export trade of this country?—Quite definitely.

1881. Do you include in your Department the Mission that went to Scandinavia with the Minister of Mines?—No, that was run by the Ministry of Mines, but the Boot and Shoe and Leather Missions were run by us.

Mr. West.] What is sub-head E2, Foreign Samples, on page 243?

Chairman.

1882. Will you explain that very fully. It is very interesting. It may interest the Committee?—On that you will see we have only spent £300 as compared with £1,100 for which we had a grant, but that is because we were not quite satisfied with the way we were using these samples, and we have held up the process, but from next year we shall be carrying this work out much more satisfactorily, we think. That was an idea that has been going on for some years of buying samples abroad when a trade has wanted them. If glass manufacturers, for instance, said: "Can you tell us what glass is being sold in Argentina," we would ask our Commercial Secretary or our Consul to buy samples of the glass most in favour there; he would send those samples home, we would send them to the Chamber of Commerce or the firm dealing with it, they could test that glass to destruction, if they wanted to, or they would return it to us and we could send it on to other people.

Chairman.] It was meant for this purpose. If a firm said: "We hear there is an opening in Ruritania for making certain things, will you find out what is being paid there?" We instruct our men to buy what is generally acceptable to the population, and our men send samples home and find out what is being paid for them. The Department of Overseas Trade keep them in a room in Queen Anne's Gate, to which firms all over England were invited to come, and if they liked these samples we sent them to all parts of England for firms to look at them.

Mr. Benson.] Is much advantage taken of this?

Chairman.] Not as much as ought to be. The trouble is people do not make enough use of the Department of Overseas Trade. You should talk about it when you go to your own Division and

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[Continued.]

say: "Come up to the Department of Overseas Trade. It costs nothing; all you have to do is to look and you will be told."

Mr. Denman.

1883. With regard to Sub-head E.5, can you tell us the total net cost of that International Colonial Exhibition? Is the £55,000 the whole expenditure and the £8,000 odd on the opposite page the total receipts?—The total cost of Antwerp will be £109,575. The Treasury granted £110,000 for Antwerp, spread over three years, and the total cost is a few hundred pounds less than what we were given.

1884. Is that £8,698 the sole receipts?—No, there will be about another £8,000 to come in next year. The construction was £71,000, decoration, lighting, fittings and special exhibits, £32,000, and the administration about £5,000. It may seem rather an expensive exhibition, but perhaps I ought to explain that we got a very fine site, and we expected that all the Dominions would come into that. Actually Canada decided to have a separate Pavilion, and New Zealand, Australia, India and South Africa all refused, so the elaborate and beautiful pavilion, which we thought was going to be filled by the British Empire as a whole, in the end had to be filled by the United Kingdom only, and that is what made it rather expensive.

1885. Was it anticipated originally that the rentals would about cover the cost?—Yes, it was anticipated that we would get a good deal of money from the Dominions.

1886. In setting out on the undertaking, it was not intended to make a big grant from which there would be no return?—It was not intended that it would cost anything like as much as £110,000.

1887. The actual receipts seem so very inadequate. Had you to lower the rate?—It was a Maritime and Colonial Exhibition, and the only people that we could get in were chiefly shipping companies and people concerned with the colonies. You could not get the industrialists in, because Belgium was, rather foolishly I think, running two exhibitions at the same time, one at Antwerp for Maritime and Colonial matters, and one at Liege for industrial questions, so the industrialists would have gone to Liege, where we did not have a Pavilion.

Mr. Leif Jones.

1888. Who decides upon the Missions you send. Is it exclusively the Department?—No.

1889. Somebody suggests a Mission to some country. Describe the process?—If somebody proposes that a Mission should be sent we first consult the business men on our Overseas Trade Development Council, and ask them what they think of the idea. If they are favourable then we ask the Foreign Office and the Board of Trade. If it is to a foreign country the Foreign Office consult the Ambassador or the Minister and ask him whether he thinks it would be a good idea, and to sound the Government of the country. If they say they would like a Mission we then proceed with the idea and get the approval of the Treasury, of course.

1890. You get the approval of the Treasury?—Yes.

1891. Have you any fund out of which you pay for this, or must you always come for a Supplementary estimate?—No, we have a fund. This year we have down £17,000, I think, to pay for Missions.

1892. How much did you take in the year under consideration?—In this particular year we had nothing at all, because it was a new proposal.

1893. You spent about £30,000 on various supplementary estimates?—No, we got £5,000 for the Mission, and the total cost was £5,004.

1894. You spent money on sending a Commissioner to Mexico in Aviation Week?—Yes, that was £150, but that was hardly a Mission. The Aviation industry paid £750 for that, and we sent him out at their request.

1895. You have taken £17,000 in last year's estimates, have you? What have you taken this year? I do not know if the estimates are out?—This year it is £17,000, last year it was £19,000.

Major Salmon.

1896. I should like to ask you with reference to the question of the Empire Marketing Board, and the money that you received from them. Do you in any way overlap with the Empire Marketing Board, or do you work in collaboration in the way of contributing to exhibitions, etc?—We do all the exhibition work for the Empire Marketing Board.

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[Continued.]

1897. They do not do anything direct?—No, and I am a member of the Empire Marketing Board.

1898. With regard to the British Industries Fair, I notice that you have taken less money than you anticipated. Was there any particular reason for it?—Yes, the reason is that the space we had available at Olympia was far less than we had at the White City. We had to move owing to the great cold at the White City. We decided to go to Olympia. The new buildings were not all ready at Olympia and we had only about 250,000 square feet instead of the 320,000 square feet we had at the White City.

1899. Have you now got as much room?—No; we shall not have as much room at Olympia as we had at the White City.

1900. But you have more than in the year under review?—Yes.

Mr. Bird.

1901. The figures show there was a loss of about £13,000 on the British Industries Fair. On page 249, Item G (a), it makes about £13,000 loss, I think?—It is not exactly a loss; it is that we did not let as much space as we expected we would.

TRADING ACCOUNTS.

DEPARTMENT OF OVERSEAS TRADE.

Chairman.

1908. Should not we find these things better in the Trading Accounts?—Yes, on page 96.

Mr. Bird.] You will not get over the loss; whichever account you look at there is a loss of £13,000.

Chairman.

1909. Yes, there is. Sir Malcolm, will you help Mr. Bird and myself? Tell us what the net result is. We did lose money undoubtedly on the White City, did not we?—(Sir Malcolm Ramsay.) If you are discussing the British Industries Fair of 1930, the figures are best shown on page 96. The figures in the appropriation account, to begin with, are cash, and the receipts and expenditure, if I am right, relate partly to one exhibition and partly to another. The result is obscured, because you have some of the

1902. I am not talking about the realised figures. I am taking the £53,000, the realised figure from the £66,000 under subhead E.I. on page 248, the actual expenditure. That makes £13,000 that the British Industries cost you to run; the loss. Under subhead E.I. on page 248, in the expenditure column, you have £66,000 odd?—Yes.

1903. And on the opposite page under Item G, you have got the realised figure of £53,000. That would be in respect of space let, and that sort of thing?—Yes.

1904. So that it is a loss of £13,000 on the exhibition. I am tempted to put this question after the one Mr. West put about the various State enterprises. Is it not a fact that the "Daily Mail" show and the Motor Exhibitions held at Olympia always pay and makes a lot of money?—They admit the public and their show is definitely for the public.

1905. But a lot of money is made by them, is it not?—I am not sure how much they make, but they do make money, otherwise they would not have the exhibitions.

1906. I am informed they actually make money by letting spaces?—Yes.

1907. Without anything in respect of the entrance money which is paid by people who go to the exhibition?—Yes.

receipts of the old year and not all the receipts of the new.

Mr. Bird.

1910. I see a payment of £3,600 to the White City?—This is the trading account which brings together all the relevant figures for one Fair?—(Sir Edward Crowe.) We had to give up the White City when we still had a year left to run, and take over Olympia, because we felt that if we remained at the White City, where it had been so terribly cold, we should really damage the prospects of the Fair.

1911. You look forward next year to its being a better proposition? It will not be so expensive?—I cannot say that, because I shall have to come before you, Gentlemen, next year, and perhaps the position will not be any better, because we had to help to carry on the White City Exhibition for the Cotton people. However, that will be for next year.

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[Continued.]

Chairman.] Let us proceed on that page 96. I think that is a better set of accounts for us to go on than the Appropriation Account.

Mr. Butler.

1912. There are a good many discrepancies between the left-hand column for the previous year and the right-hand one. On another account Sir Malcolm pointed out to me that that was due to the fact that it was for 20 months on the left and 12 months on the right. Is that the case to-day?—(Sir *Malcolm Ramsay.*) No, they have moved over from the White City to Olympia and they had totally different contracts. That accounts for the great difference between £5,000 for heating last year for the White City and the £272 this year, the heating being largely covered by the rent. Is that correct? (Sir *Edward Crowe.*) Yes, that is correct. (Sir *Malcolm Ramsay.*) The same applies to the insurance, I think, and one or two other items. New building works last year was at the White City, and they had none at Olympia.

(Sir *Edward Crowe.*) The previous year we had £7,969, for Shell Stands, this year we had £3,739, but if you look at the contra one, there is £4,200 as compared with £8,000. That is because several of the exhibitors went direct to the contractors instead of coming through the Department.

Mr. Latham.

1913. I had a question in respect of the International Colonial Exhibition at Antwerp. Was the total cost of that round about £100,000?—£109,000 to be more exact.

1914. And you entered into commitments that would have provided accommodation for the Colonies?—Yes, and the Dominions.

1915. Without consulting them?—No, we consulted them very carefully at the beginning. It takes a long time to get all these people in, but the financial situation became so bad in Australia and New Zealand that they had to reconsider their position.

(Sir *Edward Crowe withdrew.*)

CLASS VI.

ON VOTE 5.

EXPORT CREDITS.

Mr. F. H. NIXON, called in and examined.

Chairman.

1916. The first thing we take is, page xvi, paragraphs 42 to 44. Paragraph 42 records a new development. What do you think of the working of this, Sir Malcolm?—(Sir *Malcolm Ramsay.*) This is the new arrangement under which the Executive Committee has been allowed to write off Trading losses. This has only been working a short time and one really cannot say how it is going to work, except that it saves a certain amount of time.

1917. So far as you are concerned as an Accountant, are you satisfied with it?—I have not had time to criticise it. I hope it will work all right. I do not see why it should not.

1918. Paragraph 43 brings up to date a very old story. We had this business

before us last year, did we not?—Mr. *Nixon.*) Yes.

1919. Have you been able to ameliorate your position as compared with last year?—Yes, they are the losses which are shown here. Since then we have drawn in our horns on that business. We have made considerable recoveries on those payments.

1920. What is the latest estimate of the commitments undertaken, and your possible losses?—We estimate within a few hundred pounds we may lose £32,000 or £33,000 altogether on that country.

1921. On a turnover of how much?—Well over £1,000,000.

1922. 3 per cent.?—Yes; 4 per cent. will be the outside figure.

1923. What is your average commission charged?—It works out on a very rough average at something about 1 per cent.

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Mr. F. H. NIXON.

[Continued.]

1924. You have lost 2 per cent. on your business?—On that part of our business; we have made it up on some other things.

1925. Now let us go to pages 251 and 252, Class VI, Vote 5. I see nothing on either of those pages, but I have a note from Sir Malcolm here. He makes a report?—(Sir *Malcolm Ramsay*.): That is on the Trading Account I had a point to raise.

1926. We will take the Vote first. I see nothing on the Vote. I do not know whether a point comes in here as to whether they should be allowed to allocate certain expenses. Does that point come in here?—That comes later. I would rather make a statement on the Trading Accounts.

Chairman.] I see nothing on the Vote. It is merely a record. Let us go to the Trading Accounts.

Mr. *Benson*.

1927. I would like to ask one question on the Vote, Mr. Chairman. There is the first guarantee scheme and the second guarantee scheme. We are apparently undertaking a second guarantee scheme. When did the first one end?—(Mr. *Nixon*.) It ran to June, 1926.

1928. Why was it closed down and a second guarantee scheme started?—The second guarantee scheme arose out of the Credit Insurance Committee.

1929. A different procedure?—A different conception of working the business.

Major *Salmon*.

1930. I wanted to know this: On the advances scheme we have really lost £1,100,000 written off?—Yes.

TRADING ACCOUNT. EXPORT CREDITS.

Chairman.

1938. Let us go to page (v) of the Trading Account. I will ask Sir Malcolm, if he will be so kind as to take the matter up now and explain it?—(Sir *Malcolm Ramsay*.) In these accounts for the first time a lump sum has been deducted from the item of administrative expenses, representing to a small degree the cost of administering the old wound up schemes and to a much larger extent the cost of answering Questions and so forth in Parliament.

Mr. *Leif Jones*.

1939. Where is that shown?—It is not shown in the account at all, but it is

1931. When we come to what is called the first guarantee scheme was that running concurrently with the advances scheme?—There was a very small overlap, but not for more than a few months when it started in 1920-1921.

1932. We have a further write off there of £59,000?—Against which you have premiums coming in.

1933. So that practically balances?—Yes, the premiums more than cover the losses on that scheme.

1934. With the last section, that is the "Statement of Income under above schemes," does that mean to say that the £293,000 is the balance on the right side?—No; the balance there of £293,000 is available to meet the Items that are marked as written off and outstanding.

1935. And with any contingent liability in addition?—No, the whole of the contingent liability is covered on those outstanding figures.

Mr. *Lathan*.

1936. Written off, £1,000,000. Could you give me some further information about that?—That was almost entirely one transaction on flax that took place in 1920 and has been discussed by the Committee a good deal.

1937. Have there been any recent losses with regard to guarantees under the Export Credit Trades Facilities?—Yes, the other losses are shown here as items written off and outstanding. It shows about £200,000. We shall possibly recover a little on that still.

quite plainly stated in the preface. The first point I would like to make on that is, whether the deduction is proper or not, I think it would be much better to show it on the face of the account, so that people can know exactly where we are. On the merits of whether there should be this deduction, the question was raised and not very far pursued last year, and it is entirely for the Committee to say what question they want this account to answer. There is no doubt that the Export Credits, above all other departments, is subjected to a fire of criticism and questions which cost money to answer.

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Mr. F. H. NIXON.

[Continued.]

1940. Do you mean to tell us the Questions asked in the House of Commons about Export Credits cost £5,000?—This deduction is probably a low figure, but Mr. Nixon would say that probably half of it is the cost of attending this Committee, answering Questions, preparing the Appropriation Account, and so forth; but that figure has been cut out, in deference, I imagine, to the wishes of the Executive Committee who wanted to get the accounts on a more commercial basis. On broad merits it depends on what question the Committee wants the account to answer. If they want it to show the actual facts in the circumstances under which the department conducts business, of which the existence of hon. Members is one, then the account is not correct. If you want it to exhibit something different well and good. But if the business was really run on commercial lines, you might add something for the fees of experts who are good enough to give their services for nothing, and I expect the salary bill and the pension liability would be very different. That deduction I might say, was sanctioned by the Treasury. In any case I should prefer to see it as the gross expenditure of £33,000, less the deduction making £28,000 nett. Then nobody would be under any misapprehension as to what was meant. It is shown in the Preface on page 77, but I raised this point in order to know exactly what the Committee wishes.

Chairman.

1941 We will discuss that in a moment. If you will therefore go on and tell us what you can say about pages 77 and 78 we can take the whole thing together?—I do not think I need add anything. The results of the business, so far as they can be estimated up to the end of March, 1929, are set out there. I have nothing to criticise on the way in which the various Reserves have been computed. They seem to be as safe figures, as in the present uncertainty you can get, and I might add that the department has taken endless pains, to my knowledge, to get them as correct as possible.

Mr. Benson.

1942. Mr. Nixon, can you give me some idea as to where your losses are in this £18,000? Are they in any one

country, or in any one trade, or are they broadly scattered?—(Mr. Nixon.) They are very broadly scattered, with one outstanding exception.

1943. Your administrative expenses seem rather high. How many accounts do you guarantee in the year? I see your total is £2,600,000. That does not give one very much idea of the work involved, unless one knows the average amount of the accounts?—I do not think our system allows you to calculate a figure, but the great bulk of our business during that year was in the textile trades, where, if they are piece goods, the average export might be £200 or £300 an account, so that means a very large number of accounts.

1944. I did not realise you guaranteed such small accounts?—We do a great deal of work in piece goods in Lancashire and Yorkshire. Yarn goods might run to a larger figure, but £200 is a very representative figure.

1945. You must have some tens of thousands of accounts?—Yes, we have reports on importers that run to 100,000. We are one of the three or four biggest collectors of information in the City.

1946. A kind of National Stubbs?—Yes.

Mr. Benson.] I did not realise that.

Mr. Leif Jones.

1947. I wanted a little more information about this deduction of £5000 from administrative expenses. What has become of it? Except for the Comptroller and Auditor-General's remarks has it disappeared for ever from our view?—(Sir Malcolm Ramsay.) It is distributed over the Vote. It will be in the salaries of the Export Credits Department.

1948. When you put down administration expenses £28,661 lls. on page 79, that is a misstatement?—(Mr. Nixon.) No. The Executive Committee who have been very much concerned with this would take the view that that is the correct way of showing the administration of the second guarantee scheme, to which alone this account refers. They say the total expenses of administering the Department, which include winding up the first guarantee scheme and the advances scheme, and a number of other tasks are all shown naturally in the Votes, in the Appropriation Accounts, but if you desire to choose out of those a certain portion

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Mr. F. H. NIXON.

[Continued.]

of the activities of the Department and present them in the form of a trading account, then only the appropriate portion of the administrative expenses should be taken.

1949. The Treasury, I understand, shared that view?—(Mr. *Watson*.) Yes, that is so. We thought a reasonable statement of what was in fact the trading part of the work would be set out if we omitted a portion of the administrative expenses from the total charged to this trading account.

1950. I point out to you that except for the Comptroller and Auditor-General's remarks we should never have known anything about this?—With deference, there is a note on page 77. I agree it might have been a footnote.

1951. I beg your pardon. I did attribute that to Sir Malcolm?—(Sir *Malcolm Ramsay*.) No; that is the Accounting Officer.

1952. Having heard Sir Malcolm's opinion, does the Treasury still hold the view that this is a proper way to do it?—(Mr. *Watson*.) We have discussed this at very great length with Mr. Nixon, and we came quite definitely to the conclusion that the representations made through him by the Executive Committee had considerable force. I do not think Sir Malcolm himself is definitely averse from this sum being omitted from the Trading Account, always provided that we bring to the notice of the Committee precisely what is being done.

1953. I think it should be shown clearly on the surface of the account?—We should have no objection, and I do not think Mr. Nixon would have any objection to a footnote to the account, if that would meet your point better than the note that is here.

1954. Observe the difficulty you are landed in. This is not the only account where administrative expenses are increased by the cost of Questions in the House of Commons. I can give you an instance at once. The Control Board at Carlisle is a Body about which Members are sometimes curious in the House?—I do not think that to anything like the same extent they have the costs that this Department have.

1955. May I suggest there is no such thing as extent? If it were £10 it would be just as serious a matter as if it were £5,000?—I agree on the point of principle there would be disclosed equal

ground for claims by other Departments, but we felt that this was a case which we could treat specially because there are, in fact, special conditions.

1956. I had not thought of it very much before, but the Questions about the Army and Navy must be quite a considerable part of the administrative expenses of those two Departments?—Undoubtedly. (Sir *Malcolm Ramsay*.) The Post Office is a very good case.

1957. And a comparable case, because there you have your trading account. The Post Office have not done this, have they?—(Mr. *Watson*.) No; we bring in the total expense in the case of the Post Office Commercial Accounts.

1958. I suggest to you in settling the form of accounts like this some consideration should be given to consistency in the form of the accounts. The National Accounts are difficult enough to fathom, but if every department is to have a procedure of its own I think it will become even more difficult?—Yes, the Treasury has recognised that, but they also recognise that in this particular case they were rather beholden to the Executive Committee, which was going out of its way to do very special work, and that as a consequence they must defer in some measure to requests which came with the full authority of that Committee.

1959. Is the whole of the work done? Will it not occur again?—No, the deduction would be a recurring one.

1960. Exactly. May I take it you are going to look into this matter and try to get some consistency in the accounts?—(Sir *Malcolm Ramsay*.) Would it meet the views of the Committee if a footnote were put on the face of the account "Administrative expenses excluding so much which we attribute to Parliamentary work"?

1961. I am not prepared off-hand to agree to that, because it occurs to me that the existence of the House of Commons relative to all these Departments is a hard fact which our Accountants had better recognise, and we had better deal with them with some sort of consistency and similarity, and I certainly think Questions about the Post Office, the Army and the Navy must cause considerable administrative expenses. If those Departments would estimate, it might be very useful to have that information in a footnote, but if Expert Credits is

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Mr. F. H. NIXON.

[Continued.]

going to do it I think the other Departments ought to do it. I want to ask Mr. Nixon his view. I have the Treasury view; I understand you do not disagree in principle with what I say?—(Mr. Watson.) No, I do not think so. The point, is, I think, that we have made a special concession, if you like to call it such, in the case of the Export Credits Department's Trading Account.

1962. I will only beg that in making special concessions you should give very full notes to show what has been done?—We did in fact set out to do that, but if the Committee would like to have the note as a footnote instead of a foreword, we will do that.

1963. I feel very strongly that if you are going to do that, the account ought to contain £33,000 less £5,000. What would you like to say, Mr. Nixon?—(Mr. Nixon): I would like, if I could, to interpret the point of view of the Executive Committee who henceforward are going not only to be responsible for these accounts, but to sign them. They are men who have done a good deal of work for Government in other connections, and they felt some hesitancy in raising this question. If it had been a matter of a deduction of only a few pounds, then, knowing it might raise questions affecting other departmental accounts, I do not think they would have pressed the point; but they looked into the matter and found that, on the estimate we have taken here, £5,000 of the administrative expenses of the department were devoted to work which has no connection with the running of the scheme, and that they were being subjected to criticism on the lines on which in fact they are criticising themselves. The department is itself rather unhappy that its percentage of administrative expenses is as high as 72, and they felt that there was indeed a question there of more or less of percentage. They reduced the administrative cost from 92 per cent. last year to 72 per cent. this year and we are hoping it may be much smaller still in the years to come. For those reasons they were anxious to get a figure which corresponded to the work under this particular scheme. They also felt that a good deal of this work which we briefly call Parliamentary Work, was not in any way connected with the granting of credits.

1964. But, forgive me, it is connected surely with the granting of credits by a

Parliamentary body?—No, the point they wanted to make was this: That questions arise affecting trade with foreign countries, and that the Minister in charge of the Department of Overseas Trade or the President of the Board of Trade or the Minister for Employment has the right to ask this Department, as any other department, to give him advice and assistance on a number of questions which may be in no way concerned with the granting of credits by the Department. We have some very striking instances that I could give you on that.

1965. You might as well say that what one does with one's hands has nothing to do with one's body. The existence of Parliament and this Body spending public money is a condition on which you carry on business. It is a necessary and inevitable condition. It is a handicap, I admit, comparing you with any other outside body; it is so much of a handicap that there is a School of Thought in the country which holds that the handicap ought to be got rid of. So long as you are a Government Department you are going to have these extra expenses?—I do not want to be argumentative.

1966. I want you to be argumentative.—Precisely that point of view, put a different way, was the Committee's justification for this deduction. I think they would say that as long as Government wishes to trade it should be careful not to misrepresent its accounts by saddling the expenses of administering a trading scheme with other matters which may be necessary functions of government, but which are not necessarily connected with a trading Department.

Mr. Lathan.] I have a great deal of sympathy with that point of view. At the same time I think the information with regard to the expenses of the character that the witness has shown fall upon this Department should be before the Committee, but I cannot find that there is any objection at all to saying that in the conduct of its business this Department is subject to charges of a peculiar nature that do not fall upon other Departments.

Mr. Leif Jones.] As long as that is clear I do not dissent.

Mr. Lathan.

1967. I would like to ask if similar charges fall upon and are included in the accounts of other Departments?—(Sir

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Mr. F. H. NIXON.

[Continued.]

Malcolm Ramsay.) I am sure no other Trading Account makes a similar deduction. All Departments accept the fact that they are servants of the Public, but, I must add that no account except the Post Office could be affected in any material degree by either omitting or including the figures. I have looked through every account in this volume with that particular purpose in mind, including the whole group of Land Settlement Accounts administered by the Board of Agriculture. Generally the expenses in question are small, but the Post Office must incur a considerable amount.

1968. If 1,000 Questions were asked in the House regarding the Army or Navy, would the cost of those questions be debited to that Department?—Yes, but we do not have a Trading Account for the Army. Our attempt to do that was discontinued; nor do we have a Trading Account for the Navy.

Chairman.

1969. They merely add to the general expenditure of the Navy?—They are not carried into any definite Trading Account.

Mr. Lathan.

1970. How would they appear there?—On Vote 12 for the War Office.

1971. They come under Staff expenses?—Yes.

Chairman.

1972. So many more clerks are required, and so much more office equipment?—Probably so many more clerks and so many more salaries.

Mr. Benson.] These accounts are, if one might say so, very largely for our convenience, for the purpose of giving us some information.

Chairman.

1973. Almost entirely so.—(Mr. Watson.) Yes, they are for information.

Mr. Benson.] For giving us some indication of how the particular trading concern is going along, and I think there is a very great deal to be said for eliminating Parliamentary expenses from them, so that we may form a more or less correct idea of how the Department is getting its job done, because some political stunt may arise which would enormously increase the cost of administration on a small item like that.

Mr. Leif Jones.] I would like to argue that point with you.

Mr. Benson.] The point is this. Mr. Leif Jones said whether it was £5,000 or £10 did not matter. He said there was no such thing as extent in accountancy. I think that is incorrect. If the percentage of error is a very slight one, it does not invalidate the account, which is merely to give us some indication of how the trading concern is going along.

Chairman.] I understand we are going to have an alteration next year; that an indication will be placed in these accounts so that we will see exactly what has been taken off for the purposes indicated by Sir Malcolm. I think that covers your point, Mr. Leif Jones.

Mr. Leif Jones.] I only want to say in reply to Mr. Benson that he seems to think this is a sort of accident that occurs in this account, and therefore you ought to rule it out. I am quite satisfied if it is shown clearly on the account that that is done, but it is not an accident. It is of the essence of being a Government Department, and it is one of the disadvantages that exist in Government trading, as against private trading, that that sort of account will always find a place here.

Chairman.] It can go to this extent, if taken much further, that a Trading Account which is not showing a very large margin of profit can be made to show an absolute loss simply by inquisitiveness, which is a very dangerous thing.

Mr. Leif Jones.] Yes.

(The Witnesses withdrew.)

(Adjourned to Thursday next at 2.30 p.m.)

THURSDAY, 19TH MARCH, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Ede.

Mr. Leif Jones.
Mr. Lathan.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Major *Salmon*.] At the Estimates Committee the other day, the Committee asked me if I would raise with this Committee the question of a matter, part of which we have been going into; that was the question of the Contracts Co-ordinating Committee. You will remember that we had an Appendix marked No. 3, submitted by the Treasury, giving us details of the Contracts Co-ordinating Committee. The point that has been raised by the Estimates Committee is this: they are desirous of investigating the desirability or otherwise of having a centralized purchasing department for the Government service, but they did not want to go over the ground that we were doing, or had done, and they wanted to know if this Committee thought that, if they investigated that question, they would be covering similar ground to what we had done or proposed to do. I said I would ask for this Committee's views on this matter.

Chairman.] I would like to hear my colleagues' views.

Sir Assheton Pownall.] This question was gone into by Sir Vivian Henderson some three or four years ago, when he was Chairman of the Estimates Committee, and, so far as I know, (and I have been on the Committee eight years), I do not think it is a question that has ever come up here. I think it is more an Estimates Committee job than our job. When it was done last, there was no suggestion on the part of the Public Accounts Committee that the Estimates Committee was poaching on our pre-

serves, and my suggestion would be, "Let them get on with the good work."

Mr. Leif Jones.] I agree.

Mr. Ede.] I concur.

Mr. Leif Jones.] We do not give any undertaking.

Mr. Benson.] I concur.

Chairman.] I take the same view, too, and when Major Salmon referred it to me yesterday, I said he had better raise it to-day, and we would think it over. My view is that the matter to which he refers crops up at a stage earlier than that at which we come into the matter.

Sir Assheton Pownall.] Quite.

Chairman.] We look at matters when the money has been spent; the Estimates Committee rather deal with the matters (without touching upon policy) from the point of view of the most economical way of spending it.

Mr. Leif Jones.] I would not like to give away any rights of this Committee.

Chairman.] No.

Mr. Leif Jones.] We have, on occasion, I remember, in past years, gone into purchases and suggested methods to the Departments.

Chairman.] That is so.

Mr. Leif Jones.] But I quite agree with what you say. The Estimates Committee take the thing up at an earlier stage than we do and if they will do this work then I think they should do it.

Chairman.] It does not preclude us from considering it, but we should welcome it if they would carry out their suggestion and investigation.

Major Salmon.] Thank you.

19 March, 1931.] Brigadier H. St. J. L. WINTERBOTHAM,
C.M.G., D.S.O., A.D.C.

[Continued.]

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON,
C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS,

1929.

CLASS VI.

ON VOTE 10.

SURVEYS OF GREAT BRITAIN.

Brigadier H. St. J. L. WINTERBOTHAM, C.M.G., D.S.O., A.D.C. called in and
examined.

Chairman.

1974. We will go to page xviii, paragraph 47, Surveys of Great Britain. I daresay Honourable Members have already read a note* on the new system of cost accounting handed in by the Director-General. Have you any observations shortly to offer upon that document?—(Brigadier Winterbotham.) Only that the time is not ripe to offer any observations at all.

1975. You have not had time to test it?—No; it was begun exactly a year ago. We have got six months' figures to-day, and we only got them two days before I had warning of this Committee.

1976. Has your ardour and enthusiasm in supporting it been damped?—No, I think it is going to be most useful.

Major Salmon.

1977. What does it mean here: "They make it possible to come to a fairly good idea of hourly rates and costs, but they may still be misleading because the period is too short a one on which to judge a routine subject to normal seasonal variation and to the peculiar claims of military training." What do you mean by the phrase "peculiar claims of military training"?—Because military training falls mainly in the summer and autumn, and it varies according to circumstances.

1978. Are the officers that are engaged on this work paid by the military or are they paid something by your Department in addition?—During the periods

of their military training they are paid by the War Office.

Mr. Butler.

1979. I want to ask about the rather large discounts on the maps?—I think perhaps they are larger than is absolutely necessary, but they are on the same terms as the discount allowed by the trade. Indeed, in one particular case in which there is very unfair competition, the Michelin Company, they offer a discount of 45 per cent.

1980. That is what I wanted to know; they are supplied on the same terms?—Yes.

Sir Assheton Pownall.

1981. Would a further twelve months give you time to give us some idea as to whether this experiment is likely to be successful?—Yes, emphatically so.

1982. You will then have had 18 months?—Yes.

1983. So when we meet next time we may reasonably expect a considered opinion from you?—You may surely expect it; it will be available.

Chairman.

1984. We will now turn to the Vote on page 282. I want to ask two questions. One has been partly covered by the question of Mr. Butler. Will you take note of the questions and answer them when I have finished my questions? What governs the rate of expenditure and the progress of the work? I observe in the Appendix to the 1929 Estimates on page 108 an analysis of the expenditure, but I should like to know

* See Appendix 6.

19 March, 1931.] Brigadier H. ST. J. L. WINTERBOTHAM,
C.M.G., D.S.O., A.D.C.

[Continued.]

what governs the rate of expenditure. Sale of maps, £59,000 estimated, £61,000 realised. I was going to ask you about the conditions of sale and discounts. The question about the discounts has been answered. I will ask you about the conditions of sale. What governs the rate of expenditure?—The authorized establishment of the Survey, that is, the number of people we can use. Does that answer your question?

1985. By what do you govern the progress of your work; what is the standard?—There is a certain period of time laid down for the revision of the large scale and of the small scale maps.

1986. What is the period?—The period is 20 years for urban areas and 40 years in the areas in which little change is happening.

1987. Does that govern the rate of expenditure?—Yes, because we have to revise a certain area in a certain time.

1988. Major Salmon would like me to ask you, how long does it take you to cover certain areas?—It entirely depends upon the districts. It is entirely a different proposition between Dorset and Edgware.

1989. My other questions concern the conditions of sale of maps, estimated at £59,000, and the discounts allowed. You need not trouble to go over the matter again; if what you are going to say is the same as you have told Mr. Butler, then I am satisfied. You have nothing to add to that?—Only that we could if we liked largely increase the sales.

1990. You could?—I have no doubt about it, but, if we did, it would cut at private firms.

1991. Let us understand what that means. Do the private firms produce the same articles as you produce?—They use the same groundwork.

1992. Do they produce the same article?—No, but one which the public is content to consider equivalent in many cases.

1993. What does that mean? That means you have a better article, and that you could sell more of it and save the public Exchequer more money, if you took the line of pushing the sales?—I think that is undoubted.

1994. And you do not push the sales because an inferior article suits the public?—No, but because private firms have interests which go back a long way in machinery and staff and so on. The

question of royalties was only pushed first, I think, some 15 years ago, and we have always gone a little cautiously with a view not to interfering with what might be regarded as the inherited privileges of the trade.

Sir Assheton Pownall.

1995. If you bring out, as you are continually doing, new ordnance surveys, do you place these at the disposal of the map-producing private firms free of charge?—No.

1996. Because the item here for royalties and other miscellaneous receipts is under £4,000?—The fact is that it is almost impossible to tell when people have used our work. I have prosecuted personally in one case in which a man gave himself away by repeating a mistake that we had made, but in other cases it is extremely difficult to prove that our material has been used, and yet of course we know that it has.

1997. Take, for instance, these new arterial roads: obviously, if you bring a fresh map out, the whole landscape is altered owing to the arterial road?—Yes.

1998. I suppose you cannot bring it home to the firm of publishers that they have not done that themselves?—No; one knows that they have not, but one cannot bring it home to them.

1999. Unless they were to make a mistake, and you can bring it home to them?—If they made the same mistake as we did.

2000. Which is very rare, presumably. What is "work for which repayment is made"? In your realization you are £2,400 over what you estimated?—It consists of a lot of work for different Departments. The transport people, for instance, will require a special map showing the progress of their road programme, or the Post Office will require a special map specially mounted to show part of their organisation.

2001. You show a number of services to other Departments, including the Admiralty and the War Office, from which you have received sums, but these are other Government Departments which are shown here?—The fighting Services by hypothesis repay us for all maps that we give them.

2002. And the Land Registry does, too, apparently, and the Stationery Office.

19 March, 1931.] Brigadier H. ST. J. L. WINTERBOTHAM,
C.M.G., D.S.O., A.D.C.

[Continued.]

They are shown separately on these figures?—Yes.

2003. But these are Government Departments and not private firms?—That is so, though big corporations come within the same category.

2004. The royalties and other miscellaneous receipts are what you receive mainly from private firms?—Yes.

2005. May I ask how you assess the amount of royalty in the case of a new ordnance survey of, say, the South of England?—On the purpose, the scale, and the price at which the map is proposed to be issued. All those things come in.

2006. It must be somewhat controversial, the agreement of a price?—Fortunately, there are two people who deal with it: the Controller of His Majesty's Stationery Office, and myself.

Chairman.

2007. I would like to ask Sir Malcolm if he can guide us a little. Is there anything you would like to say here after my observations?—(Sir *Malcolm Ramsay*.) No, there is nothing I would like to say.

Mr. Leif Jones.

2008. Why do you charge these royalties?—(Brigadier *Winterbotham*.) Because the work has been done at the expense of the taxpayer.

2009. But for the benefit of the community. The more the result is put before the community, the better. Is there any real purpose in your keeping a sort of monopoly; if somebody else chooses to issue copies of your map, why not?—That is a question of policy which is out of my hands. I have nothing to do with it.

2010. You act upon a policy?—Yes.

2011. What is the policy you act on? That is what I am asking you?—The policy is that the royalties which we charge are very small, but they are meant to provide that at any rate there is no unfair competition with the maps which are issued by the State.

2012. Supposing you did not charge royalties, do you suppose that more private firms would issue your maps?—Yes, because the State has to pay, in the making of a map, from the original survey on the ground upwards. If a man takes our material and copies it, for nothing, he is taking a process which

is half completed, and charging the whole price.

Mr. Leif Jones.] He never could issue it with the same authority as when it comes with your imprimatur.

Chairman.] He could not have the same material.

Mr. Leif Jones.

2013. The map is issued and if a firm chooses to copy it and issue it, I suppose they have to pay a royalty?—Yes.

2014. Is there any public advantage in their paying the royalty?—There would be loss of public revenue if they did not.

Chairman.

2015. If a man takes your map and reproduces it, he is taking something which has cost the State a very considerable amount of money to bring into being?—Yes.

2016. That is to say, the man is really taking something for which he has paid nothing, which the State is paid nothing for, and he is therefore filching the work of others, which he has paid nothing for?—Yes.

2017. Which has cost money to the State?—Yes.

Mr. Leif Jones.

2018. I am wondering whether the popularising of your work would not be to your advantage in the end. People would always prefer the one that bears your stamp upon it because they would be sure it was right. One is never sure that the others are right. However, it is a small point, apparently; the royalties do not seem to be very excessive?—No.

2019. You make a profit on every map you sell, do you?—Until the cost accounting is finally complete, it is a little difficult to say, because the policy of what we charge the public is governed by the fact that we charge only from the stage when the survey of the ground is complete on paper; we only charge, that is, for publication costs, and it is very difficult to disentangle the overheads of publication from the overheads of surveying and drawing. In a year's time the answer to that question will be complete.

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[Continued.]

Mr. Denman.

2020. Are the royalties levied on the number of maps issued?—That comes in, too.

2021. It is one element?—Sometimes; it depends entirely on what sort of number they are going to publish. For example, we should not make a difference on numbers between a small edition of 50 and one of 100 copies, but where a man is going to run into 10,000 or 20,000 that would be a different proposition.

2022. You sell them a right to use your material for a certain edition?—For a certain edition, a certain time, a certain number, and a certain selling price, too, on occasion. Take the case of a man who is using the maps simply to give away as an advertisement for his own wares: he may give a perfectly good map of the country away for nothing, which, of course, cuts at the bottom of our sales.

2023. When you said the royalty problem was a matter of policy, in whose hands does the framing of policy lie; it is not a War Office matter?—No, it is the Ministry of Agriculture and Fisheries.

2024. If we want to discover something about policy we have to ask Dr. Addison?—Yes.

Mr. Ede.

2025. With regard to this item on page 283, "Sale of Maps," does that include sales to local authorities?—It includes all the sales of maps, yes.

2026. Can you tell me this: if a local authority order direct from you they pay exactly the same price as if they ordered from Stanford's, do not they?—It depends what they are going to do with the maps. If they are going to dispose of those maps, themselves, to sell them, then they would come under the ordinary retailers' agreement.

2027. If they required them for other purposes, do they get them cheaper from you than they would from Stanford's?—No; the same price.

2028. There is no advantage in a municipality dealing direct with the Department rather than through the map publishers?—There probably would be the advantage of immediate touch, and that

we should be able to meet exactly what they wanted quicker, but that would be the only one.

2029. How far has the waterproof map that you issued been a success financially?—It promises to be a very great success. There are some remaining troubles in the way, but the public like them, and the public are going to buy them, I think.

2030. Have you ever considered bringing out a map similar to one of the Michelin maps, which gives you some indication of what to look out for as you are going along the road?—Something of that same sort is in contemplation just now, but in preparation particularly for a Government body.

2031. You know the map I mean, which shows viewpoints, and that sort of thing?—No, we should not go in for pictorial effects.

2032. But some indication of the same kind; some conventional sign to show how to use the map to advantage?—I think the answer is in the negative.

Mr. Benson.

2033. You said you could sell more maps; you feel sure you could?—Yes.

2034. To what extent do you think you could increase your sales if you pushed them?—I think if we pushed them we could perhaps add from 5 to 10 per cent. per annum. We are steadily rising now, and I think we could add a percentage of that nature.

2035. You mean a compound percentage; 10 per cent., then 10 per cent., then 10 per cent., and so on?—Compound interest goes up very quickly.

2036. Exactly; is that what you mean?—Yes, it is roughly what I mean.

2037. Or do you mean from 60 to 66, and then stop there?—No; there is a lot of expansion at the back yet.

2038. Have you any idea what percentage of maps sold in the country are yours?—That is too big a question, Sir. At a venture I should say, between 40 and 50 per cent.

2039. The Stationery Office has a sale of practically 40 per cent. of the maps of the country?—Do not tie me down to that.

2040. I only want to get a rough impression?—I think that is a rough impression.

2041. That is quite near enough for what I want. What percentage of maps

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[Continued.]

do your royalties cover? There are 60 per cent. that are not yours; you receive royalties to the tune of £4,000. Roughly what percentage is it that they cover?—A very small percentage; again, quite at a venture, I should say 4 or 5 per cent. pay royalties.

2042. You suggest the reason why you do not push your sales is the private interests of map-makers?—Yes.

2043. 95 per cent. of the map-makers whose interests you are considering you know perfectly well are using your groundwork and are dodging the payment of royalties?—There is no royalty after 50 years, remember.

2044. I suggest the number of maps that they base on a 50 year-old survey cannot be very many?—Quite a few. There are lots of districts in Scotland, which, on a small scale, will have varied very little in 50 years.

2045. But the bulk of the maps are for the motorist. It is the motorist who is the big purchaser of maps (the motorist and the walker), and they will want to have maps that are considerably more up-to-date. It seems to me that your policy of holding back to consider the interests of people the majority of whom you are morally convinced are swindling you, is utterly indefensible?—Put in those terms, I should be inclined privately to agree with you.

Mr. Benson.] You are the first Department that has not said it is doing its very best to push its sales and increase its appropriations-in-aid.

Chairman.] You must be very careful; you are on tender ground; you are getting near to questions of policy. I do not want to stop you; I will leave it to your discretion whether you are going too far or not.

Mr. Benson.

2046. I think this is entirely relevant. I do not know what the Treasury view is, Mr. Phillips, on this maps salesmanship?—(Mr. Phillips.) On the subject of royalties that is precisely one of the reasons why we want the cost accounting. We do not know whether a fair proportion is being charged for royalties or not.

2047. I am not so much upon the question of royalties, but on the ques-

tion of sales. Ninety-five per cent. of the people will not pay royalties anyhow because of the difficulties of proving that they use your material, and the Department is hanging back its sales in the interests of 95 per cent. who are apparently dodging the payment of royalties?—I have no doubt everything possible is done to catch the people who use the work.

2048. We are not pushing our own maps. We are considering these people?—I am afraid that point is rather new to me. I should want to know what is the view of the Ministry of Agriculture on that. I was not aware of it.

2049. Can we ask the Treasury to look into this?—Yes.

2050. Is not it possible to make some trap error in your maps, which would not matter, but which would show on a copy?—(Brigadier Winterbotham.) I should intensely dislike to do so.

2051. With regard to the Vote under sub-head A, you have "Pay and allowances to staff." Then you have under sub-head B another type of staff, and under sub-head C another type of staff. What is the difference? I notice that, compared with twelve months ago, you are tending to increase the percentage of military employment. Why is that?—No; we are tending to restore a balance which was ruined by the War. We have, you know, a certain small number of soldiers to maintain in order that we may combine national mapping with national defence, which would otherwise have to be duplicated. The staff of soldiers fell after the War because people had been kept on, and they retired wholesale. We therefore fell to a very small military strength, far smaller than our agreed upon establishment. We did not want to raise the military establishment *en bloc*, and thereby dismiss civilians, so we are gradually re-establishing the military element as the civilians go, and as we have not yet reached our military establishment, the military expenditure swells and the civil expenditure is diminishing.

2052. Is it essential that the military should apparently hold 25 per cent. of the positions?—No such matter as that comes into question. The question is this: we keep up an Army (I am not concerned with whether we ought to or

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[Continued.]

not, but we do); a certain proportion of that army has to be geographically trained in order to direct artillery fire, and to do those other geographical tasks which are necessary. We have to maintain that strength, and it is a question whether it should be maintained in idleness or doing unproductive work, or whether it should be kept in a productive Department, so that it earns its daily keep, as it were, while it is training. That is the present position.

2053. The work that they are doing here is work that trains them for their military objects definitely?—Yes.

Mr. Lathan.

2054. On Item C on page 282, am I correct in understanding that the increased bonus payments are the cost-of-living bonus payments, or are they some other bonuses: "Mainly due to bonus payments being at a higher average rate"?—Yes, that is the cost-of-living bonus.

2055. As regards the sale of maps, am I correct in interpreting your reply to the Chairman to mean that you are deliberately restricting, because of consideration towards certain interests, advertising the sale of your maps?—I cannot answer that by Yes or No. It is not deliberate. What I mean is that if we really put our backs into it we could sell more, but if we did it would be at somebody else's loss.

2056. That is a question of policy which has been decided by the Minister?—Yes.

2057. With regard to the royalties, again I would like you to help me in interpreting your reply. I gather your charge for royalties is really a charge such as would have been made if the map were produced by a private person who would protect it by the recognised means?—Yes, exactly.

Major Salmon.

2058. There is only one question I want to ask. Would you kindly explain this: Am I correct in understanding that you only once in 20 years visit a particular area?—And that only an area of peculiar importance. If it has no importance, it

is agricultural, we not only put a 40 years' limit on, but at present with my present staff, I do not see how we are going to do that.

2059. Therefore, in modern days, with the great development that is taking place in districts (in Middlesex, to take that as an example) it seems to me that a map would be very much out of date if you passed over 20 years before you visited it to bring it up-to-date?—If you buy a map of Edgware published by me to-day you will find it a small rustic village. It is a scandal.

2060. What is the cause of that?—Because we are now working with two-thirds of the staff we had before the War, and we have a 50 per cent. increase of jobs.

2061. The real point comes to this, that you have really more work to do than you have staff to do it?—Yes.

Mr. Leif Jones.

2062. On the question of these Trinidad maps. I see in the Estimates for this year you estimated £570 to be received from Trinidad for maps that you were going to make?—We have made them.

2063. Have not they paid for them?—There is no trouble about them. They have bought them, and the amount will come in next year.

Sir Assheton Pownall.

2064. If one gets a modern map of Middlesex, as one can get it from a stationer, who would in fact have made the surveys upon which that map is based?—May I answer that first by saying that I think it is extremely unlikely that you would get a modern map of Middlesex up-to-date. If you did, it would be very inaccurate, and who would have made it I cannot tell you.

2065. I wondered if any private firms were doing it, as you were so much behind?—No. The London County Council makes a map of its own which it keeps in manuscript, and there are certain municipalities who, tired of waiting for the Nation to do it, have begun their own revision.

2066. There are places that are 30 years behind at this moment?—Yes, there are.

(Brigadier Winterbotham withdrew.)

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C.M.G.

ON VOTE 8.

MINISTRY OF AGRICULTURE AND FISHERIES.

Sir CHARLES J. H. THOMAS, K.C.B., C.M.G., called in and examined.

Chairman.

2067. We will now pass to page xvii, paragraph 46 of the Comptroller and Auditor-General's Report. This paragraph explains why the expenditure has shot up this year. There have been payments for land settlement for two years. The expenditure on the Development Fund and Empire Marketing Fund services has increased. Have you anything to say, Sir Malcolm, before I put that paragraph to the Committee?—(Sir *Malcolm Ramsay.*) I have set out the facts there. This year there is a double charge of £900,000 for land settlement; it will fall in future years. Otherwise the Vote is growing, and is up very much in the Estimates for 1931 which have just been issued.

2068. Let us go to the Accounts, page 262. What are we getting for the money here, Sir Charles? The expenditure seems to be growing?—(Sir *Charles Thomas.*) We are getting the whole of the State services in connection with Agriculture and Fisheries.

2069. It is more than last year?—You mean the increase in the total expenditure.

2070. Yes?—The increase is very largely accounted for by developments in connection with agricultural marketing, and a certain number of activities as a result of the passing of the Land Drainage Act.

2071. I will put one other question on that page. With regard to subhead C.1. You say there were heavy expenses. I suppose the action succeeded?—Yes.

2072. You succeeded in disposing of a great deal of liability against the Government?—Yes; the total liability involved in those actions was somewhere in the neighbourhood of three-quarters of a million.

2073. And we won?—Yes, and recovered the costs.

2074. On page 263, what are the comparable figures for agricultural education and research? Is the figure for 1931 going up very fast?—Not very

fast, but there is a distinct extension in agricultural educational activities on the part of the Department in accordance with the policy which has been laid down. Research grants, too, are not inclined to decrease. They also, I think I am right in saying, show a slight increase. The actual figure for 1931 is £724,735. That is both for education and research. That is the estimate which has been framed in order to carry out the obligations of the Department.

2075. I hope the Committee will take note of that. Let us go to page 264, sub-head J.1: "Small Holdings (including grants-in-aid)," £1,769,000 expenditure. I suppose most of this is due to the payments to the County Councils?—Yes.

2076. What is the amount?—£1,769,000 is the expenditure.

2077. What will the smallholdings grant be in future?—It will vary. It has reached its maximum.

2078. What is it in the Estimates for 1931?—It is £840,000.

2079. Against £924,000; it has gone down £84,000?—It will continue to fall until it disappears about the year 2000.

2080. It will fall. Over the page I see "Land drainage grants" under sub-head J.4; how far have these schemes for relieving unemployment been successful? There is a note about it. They are for the benefit of distressed areas. Have they justified themselves?—Yes; we have had not only value for the money expended, but they have provided some contribution, small, unfortunately, in relation to the total involved, to the relief of unemployment.

2081. On page 266, is not this expenditure subject to a statutory limit of £70,000 a year?—That is so; there is a maximum limit of £70,000 a year.

2082. It cannot get beyond that. Will the present cost grow very much?—Sub-heads K.1-3, I take it, you are referring to?

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C.M.G.

2083. Yes; will that cost grow very much?—In the year 1931 we estimate that the total expenditure under the Agricultural Wages (Regulation) Act, 1924, will be £42,906 in all. Under sub-heads K.1, K.2, and K.3 it will be £14,145.

2084. What are the results of sub-head L.1, "Contribution to the cost of administration of the Agricultural Mortgage Corporation"? Have you had any results?—Yes; the Agricultural Mortgage Corporation has been particularly active. I can give you the figures. The total amount advanced on mortgage up to the day before yesterday was £6,991,116.

Mr. Bird.

2085. Does that include short term as well as long-term loans?—It includes 2,358 long-term loans. The Agricultural Mortgage Corporation are not concerned with short-term credits.

Mr. Butler.

2086. With regard to sub-heads G.2 and G.4 on page 263, you have twice made the remark that the full number of scholarships available were not recommended?—Yes.

2087. That seems rather regrettable, because that is obviously a very fine line of development, and one of the best ways of spending this money?—Whether it is regrettable or not, if I might suggest it, is a matter of opinion. They have not been awarded because there have not been sufficient candidates, or because there have not been candidates to whom they might have been awarded so far as the general conditions which govern the grant are concerned. I think I am right in saying, speaking from memory, that, as to G.2 the total number of candidates has been about 4,500, of whom about 2,500 were qualified; that is to say, they satisfied the letter of the conditions which govern the grants. The total number of awards of scholarships is about 1,096, I think, up to date. Those awards are made as the result of the recommendation of a central committee, which is at the present moment presided over by the Parliamentary Secretary to the Board of Trade, and they are advised again by

local committees. It is on their advice that the Minister has acted in making these awards of scholarships. I think perhaps it might be argued that the fact that the full number had not been awarded shows very careful selection, and that is borne out, I think, by the results of the scholarships and the activities which have been pursued by the scholars after the termination of their studies, which are very satisfactory.

2088. I was not questioning the selection. I was only saying there is this money granted, and it is a worthy object. I was just interested in the way they are granted, and the possibility of perhaps fulfilling the grant to the utmost that was all, and I am very glad to have your explanation. There are two questions on sub-head H.2 and sub-head H.4. Again, there is a decrease. Can that be attributed to the general feeling of agricultural depression?—I think so. H.4 certainly; sub-head H.2 probably to the decreased use of the horse, and sub-head H.4 does reflect the depression in agriculture. Under that item are included the grants to Milk Recording Societies. There I am sorry to say we have found a falling off in the number of Recording Societies, which has meant smaller grants.

Major Salmon.

2089. Under sub-head J.4, the "Land Drainage Grants," on page 265, would this class of work not have been done if it had not been for unemployment?—I cannot say it would not have been done, but it would not have been done at this time. One of the conditions which has been generally observed has been that the date of the commencement of the work has been put forward.

2090. In arriving at the cost of the work done, can you assess the value of the work that you get done. It is done by inexperienced unemployed persons; if it were done by experienced persons would you get more work done for the same amount of money or not?—In so far as your premises were correct, I think the answer would be Yes; if they were inexperienced probably you could get

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[Continued.]

more work done with experienced men. Our grant in fact is based on the approved net cost of the scheme, and is related to a proportion of that. I have no reason to think, speaking quite generally, that we have not had full value for the expenditure.

2091. The point I was rather trying to get at was this. Supposing you were going to give this piece of work out to be done by a contractor, would you pay so much for so much work?—Yes.

2092. Are you getting, in fact, as much work for that amount of money that you spend as if the work had been given to contractors?—Much has been done through contractors with a stipulation that they must satisfy our conditions.

2093. On sub-head K.3 on page 266, what is the figure that was lost through the bankruptcy of the advertising agent: what was the amount of money involved?—There was nothing lost at all. The account was not received and paid until the following year?—(Sir *Malcolm Ramsay*.) The Ministry did not pay what they owed the bankrupt contractors until the next year.

2094. It did not cost the State any money?—No; they had to pay the contractors.

Sir *Assheton Pownall*.

2095. With regard to the agricultural education grants, could you give us some general particulars as to how that quarter of a million is spent? That is sub-head G.1.—(Sir *Charles Thomas*.) The grants-in-aid are made to recognized educational institutions, including Universities and colleges, and farm institutes. The college grants are determined in the light of recommendations of a Committee. The Chairman of that Committee is the Parliamentary Secretary to the Ministry, and there are Members from both sides of the House serving on the Committee.

2096. Not surely a purely political committee, but experts?—Yes, from both sides of the House. The grants to Local Education Authorities represent 80 per cent. of the salaries and expenses of county agricultural organisers,

and 66½ per cent. of other approved expenditure on agricultural education.

2097. You mentioned Universities. Do Universities, such as Oxford and Cambridge, get grants under this heading?—Yes.

2098. Could you give the sums?—The present grant for Cambridge University is £6,500 and for Oxford University, £4,000. I have the figures before me, if you would like them, for other institutions.

2099. Has that been an increasing vote in recent years?—Yes, the tendency of that vote is to increase as agricultural education is being developed.

2100. You have not got the figure for five years ago or a few years ago?—I am sorry, I have not got that figure with me, but there has been, as I said, some upward tendency.

2101. Does the same remark with regard to increase apply to agricultural research grants under sub-head G.3, £281,000?—Yes, generally.

2102. They are both steadily increasing?—Yes; particularly research. We look to the Empire Marketing Fund for some of those grants, and their grants appear as grants in aid in these accounts.

2103. You recoup yourselves in some cases from the Empire Marketing Board. You are repaid by the Empire Marketing Board?—Yes, and in other cases by the Development Commissioners. I could give you the figures for which you asked just now. For agricultural education, including grants in aid, the expenditure in 1923-4 was £222,962; in 1924-5 it was £236,200; in 1925-6 it was £301,189.

2104. That is more than this figure?—Yes; in the following year it was £297,000.

2105. Have you the Agricultural Research grants figure for a similar period?—Yes, the Research grants, for the same years as I gave you just now, were £171,753 in 1923-4; £228,058 in 1924-5; and in 1925-6, £280,275.

2106. It is substantially the same for the last four or five years in both cases?—Yes.

2107. Turning over the page, on sub-head J.1, could you tell me at all what are the future commitments on this item

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[Continued.]

of "Small Holdings"?—The future commitments are governed by agreements reached between the Department and local authorities in accordance with the terms of the Acts of 1919 and 1925. Those agreements were reached in 1926. The commitments at the moment are somewhere in the neighbourhood of £800,000 a year. They will be reduced from year to year until they finally disappear in the year 2000 or thereabouts, when the whole of the liabilities of local authorities will have been wiped off, and they will then have this land and these small holdings in their own hands free from existing capital charges.

2108. The expenditure is double that; it is £1,000,000 more. What is the reason for the difference?—The reason for that is that in this year we have in fact paid our liabilities for two years.

2109. On the following page there is a note on sub-head J.4: "Two other schemes involving considerable expenditure did not progress as quickly as was anticipated." We shall have the expenditure on those two other schemes in the near future, shall we not?—Yes, there were two schemes; one was at the Welland, and the other, the Welmore Lake Sluice in the Ouse.

2110. Do they involve substantial sums? I think they do. It says in the footnote, "involving considerable expenditure."

2111. You do not know whether it is tens of thousands or hundreds of thousands?—It would not be hundreds of thousands in any one year.

Mr. Leif Jones.

2112. On page 263 "Publications" under sub-head D, I see you had receipts of £1,794 to set off against your expenditure of £1,932?—Yes.

2113. Was £1,932 your total expenditure on publications?—It does not include all the overhead charges incurred in the Ministry, which might perhaps have reasonably been allocated to publications. It refers to direct expenditure incurred in connection with those publications.

2114. You nearly pay your way on publications?—Yes; the difference is about £200 in this year.

2115. Do you find an increase in demand for your publications?—Yes, gener-

ally, and in the following year we have reorganised the issue, thereby hoping that we shall get an extended demand for them.

2116. On the Land Drainage grant, I think Sir Assheton Pownall has got the explanation which I wanted. I see you took £20,000 more this year than in the preceding year, and then did not spend it; £28,000 was unspent?—Yes.

2117. That was due to the schemes not coming off?—Yes.

2118. Were they carried on in the following year?—Yes.

2119. A question was asked just now about whether it paid or not to employ these unskilled labourers. They mostly do piecework on these drainage schemes, or very largely, in my experience?—I am afraid I cannot answer that, because this work is done by the drainage authorities who frequently operate through contractors.

2120. I have been concerned in a good many of these schemes, and we got the men from mining districts in West Cumberland, where they were out of work, and they came and did the draining of our Fells in Cumberland, and it was all piecework. I may say they did the work admirably. You made larger grants at that time?—The policy of the Government was to transfer labour, and a special inducement was given in order to secure that end.

2121. Do you find in districts requiring the drainage of land, this is a growing service, or are you drawing in your horns?—It is not a growing service now. The passing of the Land Drainage Act has had its influence on this. These subsidiary schemes depend, at least to some extent, upon the execution of main channel work, and to carry out those works it was necessary to pass the Land Drainage Act.

2122. Part of them are open draining on the Fells?—That does not represent a very large proportion of the total expenditure.

2123. On the other hand, it is work that you would not have got done without the grants?—I think that is so.

2124. Turning to page 266, I wanted to ask you about the cost of the Agricultural Wages (Regulation) Act, £40,719. That strikes me as very heavy. Why

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[Continued.]

does the working of the Agricultural Wages (Regulation) Act cost so much: £21,000 for salaries, wages and travelling expenses of the headquarters staff; how is that? What do they do?—We have a staff of Wages Inspectors at the Ministry whose duty it is to investigate complaints, and to carry out their own investigations in order to see that the provisions of the Wages Act are being observed. We certainly had reason to feel that there were many breaches of the conditions contained in that Act, and for that reason in the following year we very substantially augmented the number of our Inspectors, so to-day the Inspectorate is much more than it was at the time covered by these accounts.

2125. I have never gone much into this matter, but it strikes me as a very heavy expenditure to detect breaches of the law. Do you conduct many prosecutions?—Quite a number. I had some figures got out. We have found, in going through areas, taking a whole area and combing it out, and making inspections wherever labour is employed, that in some places, for some reason or another (I am not suggesting wilfully), the conditions laid down under the Wages Act are not being observed by employers, particularly in connection with overtime and other such payments. As a result of that, a substantial sum has been recovered in additional wages. I thought I had the figure before me, but I believe it was £18,000 last year recovered in respect of underpayments of wages, and in a number of cases prosecutions were instituted.

2126. You spent £40,000 to recover £18,000?—Is that the way we should look at it? We did not spend £40,000 to recover £18,000. May I suggest it might be comparable to the expenditure on a police force, and the £40,000 includes expenses of Wages Committees who fix minimum rates of wages.

2127. How do your Inspectors find out these offences?—Our Inspectors go round organised in teams of juniors and seniors, acting on general instructions. They visit farms and there find out that certain hired labour is employed; they inquire into the conditions governing that employment.

2128. From the farmer?—From the farmer and from the labourer.

2129. From the farmer and from the labourer?—From any source which might be available, and, as a result of reports submitted to the Head Office, a decision is reached, which may or may not involve a prosecution.

2130. Do you find that your Inspectors are marked men in their districts?—In their districts they are not. The teams are not allocated to any particular district; indeed, I have found, may I say, without any reserve or hesitation, that farmers generally have not at all resented their activities. I would not like you to feel that the number of under-payments is a substantial proportion of the payments. It is a small proportion of the farmers but a fairly large number of cases, and although farmers generally, like other people, do not like Government Inspectors, I do not know that they particularly resent our activities under the Agricultural Wages Act.

2131. You say these expenses are increasing?—These expenses are increasing. We deliberately augmented our staff in the following year.

2132. That is contrary to the general trend of the country, is not it? The police force is not increasing?—I feel I might be embarking upon a discussion of policy; I am sure you would wish me to avoid that.

2133. I do not feel so strongly upon that as the Chairman does. That is a matter for the Committee to argue, but I do not mind at all if you trench upon policy. What are those maps for—for your inspectors to get about? Who wants these maps; who uses them?—We do not pay for those maps; they are borne on the Vote of another Department.

2134. On the contrary, there is £3,901 for maps and other things?—That £3,901 is not borne on my Vote at all; it is borne on the Votes of other Departments.

2135. But your people have used these maps, or they would not be here?—I am not aware that our inspectors have had to incur any great expenditure on maps.

Mr. Denman.

2136. On page 266, under sub-head L.1, that £10,000 is the statutory contribution?—That £10,000 is the statutory contribution under the Agricultural Credits Act of 1928.

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Sir CHARLES J. H. THOMAS, K.C.B.,
C.M.G.

[Continued.]

2137. Can you tell us the amount of loans that resulted from the expenditure of this money?—Yes, that was the figure which I gave a little earlier on this afternoon. I can repeat the figure. Up to and including 17th March, the Corporation had completed 2,358 long-term mortgage loans amounting to £6,991,116, and 44 improvement loans amounting to £19,144. The latter figure I did not give before.

2138. Are you satisfied that that £10,000 is not an excessive payment for this amount of business?—I have no reason to think it is. In any event, it is covered by the Statute. The figure is in the Act.

2139. It is an annual contribution quite irrespective of resulting business; if the Corporation were to do almost nothing it would still go on receiving its £10,000?—That is so. It is an obligation laid down in the Act, I think, during the first ten years of the existence of the Corporation, towards the cost of administration of the Corporation.

Mr. *Ede*.

2140. I would like to ask you a few questions about agricultural education. I take it that on sub-head G.1 is borne the expense of the poultry instructors and small livestock instructors?—That is so.

2141. Have you any information as to how far their work has improved both the quality and the quantity of the poultry industry?—There has certainly been a very substantial improvement in the quantity, and I think also in the quality of poultry throughout the poultry industry generally. How far that could be attributed to these poultry instructors I do not know, but in the Ministry we have a pretty high opinion of them, and of the work they are doing.

2142. Do you know it is alleged that in the County of Surrey since the war the output of the poultry industry has increased eightfold?—I am not surprised to hear that. There have been very substantial developments, and we find that where these poultry instructors are most active we generally get the best results.

2143. With regard to the question of the scholarships, do you fix a scholarship

standard that the candidate has to reach?—Before they are eligible?

2144. Before they obtain the scholarship?—Yes, there are conditions. Of course there are different types of scholarships; there are senior scholarships, as you know, and junior scholarships.

2145. With regard to each class is there a scholarship standard, not necessarily an academic educational standard, but a scholarship standard which a candidate must attain before he or she receives a scholarship?—That is one of the points investigated by the Committee when they are making their recommendations. There are general conditions governing the grant of the scholarships, e.g., in some cases, the candidates must be the sons or daughters of agricultural workers. They have to show certain aptitude and a certain scholastic attainment.

2146. Supposing the candidates were not very numerous, it does not follow that every applicant will get a scholarship, because the number of applicants is less than the number of scholarships?—No, indeed. As the figures show, and, as was pointed out by a member of the Committee, the number of grants has been less than the total number of scholarships which might have been granted.

2147. Are you satisfied that, generally speaking, this has led to an improvement in the capacity of the people engaged in the industry?—In my own personal view there is no doubt about that. It was started as an experimental scheme, but in 1927, I think it was, it was decided to establish it as a permanent organisation.

2148. With regard to experiments, may we take it that some experiments really are of value when they fail?—Certainly.

2149. They do enable the industry to derive quite considerable information that is to their profit, in spite of the apparent failure of the experiment?—That clearly must be so; the negative result, of course, is of considerable value in very many cases.

2150. What proportion of the experiments that you have carried on do you think reach a result that will be profitable to the industry?—We, the Ministry, carry on but few, a very small proportion.

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Sir CHARLES J. H. THOMAS, K.C.B.,
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[Continued.]

2151. You have to approve the schemes of the local authorities?—We approve the grants to Oxford and Cambridge, and so on, after consultation with the Development Commission, who are advised by their Scientific Committee, and then the work is carried out under the direction of the eminent scientists who are in charge of the various stations. There is no interference whatever with them, and certainly none whatever by the Ministry in their day to day activity. I do not think it would be possible to say what proportion of those experiments, as they are termed, have led to successful conclusions.

2152. I want to ask one question on agricultural wages. I take it you receive letters at the Ministry complaining that in the case of specific farms wages are not being paid in accordance with the regulations?—That is so.

2153. Those are sent to the inspectors for investigation?—It is our practice to investigate complaints.

2154. Do you investigate complaints made in anonymous letters?—Speaking for myself, my general tendency would be in that matter, as in others, to ignore anonymous communications, but there may be something attached even to an anonymous communication which might justify some action.

Chairman.

2155. Will you go to pages 267, 268, 269, 270, 271, and 272. Has the admission charge for Kew Gardens been abolished on non-student days, and what is the cost?—The admission charges have been abolished at Kew since, I think it was, August, 1929, except on Student days.

2156. The loss due to the abolition of the penny entrance fee is given on page 270, as the difference between £7,000 and £4,732?—The actual loss is estimated at £4,350 for a full year.

2157. I see the Stud was estimated to yield £5,000 as an appropriation in aid and has yielded £31,000; it has been productive. On page 271, what are those societies under (j). Was there a capital loss, and how much?—Those two Societies were the Oxford Farmers' Bacon Factory and the Kent, Surrey and Sussex Bacon Factory. Our losses were £1,137 and £7,830 respectively.

2158. I see an item referring to loans to fishermen for installing motor engines in fishing vessels. I make no observations about that. On page 276 there is a grant from the Development Fund of £15,000 for Fisheries. The total grant from the Development Fund in 1928 was £277,000; for 1931 the total is £375,000. It has gone up nearly £100,000. I have no observations to make on pages 274, 275, and 276. On page 277, £112,000 will be £152,000 for the Empire Marketing Fund Services for 1931. On page 278 I find nothing.

Sir Assheton Pownall.

2159. I understood from what the Chairman said that there was an increase of £100,000?—Yes.

2160. Might we be told what are the main items under which this increase of £100,000 comes?—Which items?

Sir Assheton Pownall.] The Chairman mentioned it in a summary which I did not quite catch.

Chairman.

2161. Page 276. The corresponding figure for 1928 was £277,813; for 1931 it is £375,000. That is £100,000 more; it is up a good deal. Is the expenditure going up like that generally?—That is the result of the increased expenditure necessary to carry out policy, including agricultural research.

Sir Assheton Pownall.

2162. Has there been a big increase in your personnel in recent years at the Ministry of Agriculture?—This year now under review was the first year of increase of any importance at all since 1920 or thereabouts. There had been a decrease of some 400 or so since 1920.

2163. On balance?—Until this year. Then this year there was an increase over the preceding year owing to increased activities, chiefly in connection with the marketing of agricultural produce.

2164. How does this year compare with 1920?—We are still down on 1920.

Major Salmon.

2165. There is one point I want to raise on page 277, "Details of expendi-

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ture on Empire Marketing Fund Service." I observe "administrative expenses of the Ministry and overhead charges in respect of the above services," the above services being in round figures £95,000?—Yes.

2166. Of which £38,000 odd is moneys paid on account of scientific research and experiments?—Yes.

2167. The overhead charges are £17,000, or 17 per cent.?—That is so, because the grant from the Empire Marketing Fund does not cover the headquarters expenses represented by the Secretariat in charge of the division, and that sort of thing.

2168. Do I understand that to administer a small part of the work of the Department it costs £17,000 for headquarters administration only?—If you allow me to qualify the word "small" the answer is certainly, yes. The headquarters administrative expenses in connection with our marketing activities, which had expanded considerably at this date, and which are still expanding, must necessarily be substantial. That is not an expenditure in order to deal with agricultural research.

2169. I am afraid I have not made my point clear to you. Probably there is an answer to it. I am not arguing that there is not, but what struck me is that if you take the actual work that the Department are doing under this head the total value of it is not more than £60,000?—No.

2170. Yet it costs £17,000 for administration?—Yes.

2171. That is what struck me as being rather high?—I am sorry it struck you as being rather high. I have the details of the figures before me. They simply represent the allocated parts of the headquarters expenses in respect of these services, of which £13,661 is in respect of the marketing schemes, and £3,418 in respect of other services.

2172. Would you mind giving us a couple of figures to show how you arrive at £13,000?—The biggest item is £3,218. That is under the heading: Establishment, costs of additional registry and establishment branch clerks, typists, and messengers necessary as a result of Empire Marketing Board activities; it also includes part cost of Assistant Secretary, Markets Division, £843; services of other officers including legal branch £630; cost of two clerks in the Finance division £409; part cost of clerk to assist on market work at shows, £60; part costs of Principal and Assistant Principal and Exhibition Officer in the Markets Division £1,769; that is a total of £6,929. There are certain travelling and general overhead expenses in addition.

2173. What do these expenses mean, if I understand the position correctly under: "Improvement of marketing of agricultural produce" on page 277?—That is the total net expenditure, the £49,000. The amount recovered from the Empire Marketing Fund under that head does not include the headquarters expenses to which I have referred. Therefore the headquarters expenses are added to make the total sum of £112,000 recovered from the Empire Marketing Fund.

ON VOTE 9.

BEEF SUGAR SUBSIDY, GREAT BRITAIN.

Chairman.] Let us go to page 281, Vote 9, that is the Beet Sugar Subsidy. There are no accounting questions on

that; it is a matter of policy, and I have nothing to recommend you to ask about.

TRADING ACCOUNTS. MINISTRY OF AGRICULTURE AND FISHERIES.

Chairman.

2174. Let us go to the trading accounts, page 10, Conway Mussel Cleansing Scheme. It is a matter in

which Sir Charles will remember I have always taken a good deal of interest as it is a fishery matter. It is a small business but I wish you would take some

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[Continued.]

steps to extend shell fisheries. There is a good deal of money in it?—(Sir Charles Thomas.) This Conway Mussel Cleansing Scheme has been operated this year as a commercial scheme, and it shows no loss; in fact it shows a small profit. Appreciating the great interest you have taken in this matter, among others, you will be glad to learn that we are contemplating an extension of such schemes elsewhere.

Sir Assheton Pownall.

2175. Is it oysters as well as mussels?—I was speaking then of mussel cleansing. The oyster is a different problem. We have an oyster breeding experiment at Conway as well.

Chairman.

2176. I find nothing on page 10 to draw your attention to, nor on pages 11, 12, 13, 14 or 15. Hon. Members can, of course, raise any points they like, but I am going to tell you what I find. On page 16 there is a profit and loss account which relates to five farm settlements. I find there is a loss on the five estate accounts in respect of property still held by the Ministry of £183,000, on the right hand side of page 17. You must add to that, to get a complete picture, the farm loss on Amesbury on page 22, to which I will take you in a moment, another £15,000, so there is a loss this year of the best part of £200,000. It is very sad. I find nothing on pages 18 or 19?—That is not this year; it is an accumulation.

2177. Up to this year?—Up to this year.

2178. On page 20, this is the only estate which is farmed by the Ministry, Amesbury?—This is the only estate farmed under the direction of the Ministry.

2179. I find nothing on pages 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, or 37. I have been through them all. There is a heavy capital expenditure on page 38 which was required to provide nearly all the buildings needed for 11 holdings. That is a total expenditure of £11,000. I draw your attention to that. I find nothing to draw attention to on pages 39 to 46. On page

47 this is a gift by my friend Colonel Hall Walker?—Lord Wavertree.

2180. It has been a great profit. There is a net profit of £118,000 on page 48, it was a very public spirited action on his part?—If we base the results on the actual valuation, those profits should be increased by something like £90,000.

2181. You have a very good man, Sir Henry Greer?—I agree; Sir Henry Greer is a wonderful asset.

2182. We owe a great deal to him?—I do not know what the National Stud would do without him.

Chairman.] I find nothing on pages 50 to 53.

Mr. Benson.

2183. On the Amesbury Farm account, on page 21, I notice your sales of milk amount only to £68?—Yes.

2184. How many beasts have you?—It is not run as a dairy farm.

2185. What is the object of running it?—This is a farm which is run on a profit-sharing basis, as is explained in the foreword on page 18. It is part of a total area which was originally acquired by the Ministry, and we now have some 2,400 acres in hand. 1,538 acres are owned by the Ministry, 640 acres are leased from the War Department. Part of that area is let to small holders and the remainder is farmed under a farm director, on a profit-sharing basis.

2186. Surely milk is one of the few profitable lines for a farmer at the moment is it not? Your cereal prices have gone to pieces, and so far as I can gather dairy farming is a fairly profitable line?—Of course you could not hope to turn all the farms in this country into dairy farms, otherwise you would have dairy farms in the same position as the worst of other farms. The area we are dealing with here is on the Wiltshire Downs. It is very largely down land, and a great deal of it is arable land. I had no doubt the best use is being made of that land, and if you look at the Table on page 18 you will see that, during the 11 years, the working account actually shows an average profit of £496.

2187. I probably speak with an entire ignorance of anything agricultural, but it struck me that milk was a very small

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[Continued.]

item there?—It is not a dairy farm. It is not farmed in that manner.

Mr. *Ede*.

2188. Generally speaking, over the whole of these accounts that we have in front of us, do you think you have done worse than the ordinary agriculturist in the year under consideration, or better, or about the same?—I can only answer that with reference to one account, and that is the Amesbury Farm account; that is the only account which deals with farming operations by or on behalf of the State. All other accounts deal with settlement schemes or land let to small holders and others. At Amesbury we have the very good fortune to have a good resident director, and I have no reason to think we have done any worse under his direction than a private owner would have done.

Mr. *Denman*.

2189. On page 18, though you talk of a profit on the working account, what really matters to the State is the profit on the Treasury account?—Yes, and that shows an average loss during the 11 years of £1,137.

2190. With what object are we continuing an average loss of over £1,000? What is the purpose of it?—The alternative, of course, would be, I suppose, to sell the land, or possibly to let it to somebody else.

2191. It is not as if all the land were ours. We are deliberately leasing 640 acres from the War Department?—From the War Department, yes.

2192. In order to make a loss; but what is the object of leasing land for the purpose of making a loss?—Is it quite fair to say leasing the land for the purpose of making a loss?

2193. With the result of making a loss?—I suppose one answer is that in some years we have made a profit.

2194. This is not a demonstration farm that is deliberately run in order to set a standard for the countryside?—No; it is a peculiar arrangement. It is a working scheme, under which the workers and the resident director and the State take a share in any profits.

2195. Calculated on the Treasury account, or on the working account?—On the Treasury account. There are questions, of course, involved in the policy, if I might just refer to them, other than just making a profit. I believe I am right in saying that the total population on the land at Amesbury when it was acquired was 125. To-day the total population I believe is 220. That is the result, of course, of cutting land up into small holdings, and letting, and employing more people possibly on the Amesbury Farm itself, but those figures are before me, and I believe they are correct. That shows an increase in the resident population on this land of nearly 80 per cent. since it was acquired by the State.

2196. You are subsidising a population on a given fragment of the British country at the expense of the State, and continuing that over a period of years. There has been no profit, except for one year, since 1919-20 on the Treasury account?—That is so. One has to remember that if no profit were shown on the Treasury account there might, in fact, be a cash surplus. Provision has, however, to be made in the Treasury account for interest on all monies advanced.

2197. Including interest on the farming capital?—Including interest on all expenditure. That results from the method of keeping the accounts, which, of course, I am not criticising for a moment.

2198. Going to pages 20 and 21 I think we ought just to clear this up. The interest, which is the big item there, in the bottom part of the account, amounts to £1,000, as against £875 in the previous year. That, we are told in the note, is the interest calculated at the average bank rate, an extremely low rate on which to calculate interest?—The interest, the £1,004?

2199. Yes?—That is actually calculated at 5½ per cent. on a capital of about £17,000.

2200. Because it began in the year 1920?—We charge the cost of the money during the year.

2201. So that is a heavy charge?—It is calculated at the average bank rate during the year.

2202. That money was in fact borrowed, and we are paying the interest on it.

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[Continued.]

I suppose there has been no conversion on it?—These accounts show the position, and, of course—I am not venturing at all to criticise the form of the account—but it is of some importance, I think, to appreciate the fact that in all these accounts there is provision made for interest on all capital involved before anything can be shown as profit.

Mr. *Leif Jones*.

2203. You say you are making the best use of the land at Amesbury. Do you think it pays you to keep £162 worth of rabbits?—Those are the ones we do not keep; the ones we keep are not shown in the account.

2204. In the previous year you sold £227 worth?—Yes.

2205. Ought not you to make an effort to put down these rabbits?—We are doing so.

2206. Whose rabbits are they?—These that are represented by sales are all found on our land.

2207. I suggest you should make a greater effort to kill them?—We are making a great effort to kill them?

Sir *Assheton Pownall*.

2208. On page 16 on Farm Settlements there is £21,707, "Balance, Loss, Transferred to Balance Sheet." It is approximately the same as the year before, with in £31. That is a more or less constant quantity, I suppose?—Yes, that is likely to be so.

2209. And there is no reasonable chance of its being substantially diminished?—I do not see much prospect, I am afraid.

2210. Therefore the £183,000 debit to profit and loss account, down at the bottom of page 17 will, as far as we can see, increase automatically by, roughly speaking, £21,000 a year, *ad infinitum*, on what you have just told us?—I think there are reasons to fear that that will be so, having regard to prices obtaining at time of equipment and present tendency of rents.

(*Sir Charles Thomas withdrew.*)

CROWN LANDS.

ABSTRACT ACCOUNTS.

Mr. A. S. GAYE, C.B., called in and examined.

Chairman.

2211. I do not know if Hon. Members have anything to say upon the Crown Lands, White Paper No. 31. I have read it and I find nothing in it except these pointers which I will set forth. On page 3, the balances on 1st April, 1929, were £21,724 cash, and a year later, on the 31st March, 1930, £38,000. You increased your balance; was it a temporary increase?—(Mr. *Gaye*.) Purely a temporary increase. At the end of the financial year we cannot complete our accounts because we have to bring into capital one half of our receipts from mines, and that cannot be verified till some time after the end of the financial year.

2212. Sir Malcolm, have you anything to say about that?—(Sir *Malcolm Ramsay*.) No.

2213. Does that satisfy the Committee?—(Mr. *Gaye*.) The balance at the end of the year was very much bigger than it was at the beginning of the year because we had a big purchase to complete on the 3rd April.

2214. Have you rearranged your securities?—Yes.

2215. Why is that?—I am afraid you must ask the Treasury about that. We do what we are told.

2216. What do you say about that, Mr. Phillips? "Securities exchanged as per contra, £1,130,000"; "Securities exchanged as per contra, £920,000"?—(Mr. *Phillips*.) I think it has been transferred from one Government Stock to another Government Stock. Do you want the details?

2217. I do not want the details, but what was the object of the change?—They had Victory Bonds, and we thought they

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Mr. A. S. GAYE, C.B.

[Continued.]

had better have Local Loans; that is all it is. It was to get them a slightly better income with equal security.

2218. Losses on farms in hand, is that £6,000 on balance?—(Mr. Gaye.) Approximately.

2219. The report on the cover, page 10, is merely an informative report. The remissions at the bottom, which have been granted with Treasury approval, I see for the most part, are due to continued mining and agricultural depression, so there is nothing more to be said. What have you done about the Jermyn Street site. That came up before me when I was at the Treasury?—I have not done anything yet, and I cannot before about 2½ years at the earliest.

2220. It would be very unpleasant, later on, should I live, to find that the Government or a public body of any description had to pay the person to whom you may let the Jermyn Street site some compensation owing to some future arrangement of the size of that street?—Yes.

2221. I want to put you on caution, whatever you do about that site to reserve yourself some loophole so that you do not have to buy out the right of the tenant on a long lease in order to fall in with the local authority, who may, as I think is absolutely certain, find it necessary to widen that street?—Yes, Sir. As a matter of fact, I have a note of that very point, and I will certainly consult the County Council before entering into any negotiations for the disposal of the site.

2222. In order to save the public pocket I think you ought to get into consultation with the local authorities and know what they are going to do there some years in advance?—Yes.

Mr. Denham.

2223. Are you having an increasing number of farms in hand?—I am sorry to say, yes.

2224. Steadily increasing?—I would not say steadily, but there is going to be a violent increase this year, and unless things get better there is going to be an enormous increase in a year's time.

2225. You are looking forward to a loss, I suppose, on these farms in hand. You will hardly be able to carry any of them on at a profit, I suppose?—I may

be optimistic, but I hope to make a profit on one small farm.

2226. We were talking of the figure just now. There is a loss of £6,000 on receipts of £22,000. Do you know, roughly, how many farms that represents and what sort of acreage?—Yes, roughly, 3,500 acres, but although that appears to be a loss of nearly £6,000, that is not quite a true way of looking at it, because that acreage includes 350 acres which were reclaimed from the Wash about five years ago, and we are still spending a certain amount of money on that, for the purpose of bringing it into a lettable condition. It is a very slow process. It has been very successful, but the expenditure on that land appears as expenditure against farms in hand.

2227. Can you give us, roughly, the figure of your pure agricultural loss?—Yes, I should say £4,000 out of that £6,000 represents actual farming loss in that year.

Mr. Benson.

2228. I am not quite clear exactly what Crown Lands are. Has the revenue anything to do with the Civil List?—I will try to explain it shortly. At the beginning of each reign, since, I think, Queen Anne, the new Sovereign has exchanged the hereditary revenues of the Crown for an annual payment approved by Parliament under a Civil List Act, and during the period of the reign the net profit of the Crown Lands is paid into the Exchequer.

2229. Which pays the Civil List?—Which pays the Civil List. At the end of each reign, on the demise of the Crown, the new Sovereign makes a new bargain with the Government of the day. That is putting it very shortly.

2230. Under Crown Lands comes solely that type of land which is constitutionally the property of the Sovereign?—Yes.

2231. Not other Government property?—Not other Government property.

Chairman.

2232. The whole of Regent Street is included in this?—Yes, and we buy and sell land.

Mr. Benson.

2233. You administer the estates?—We are, practically speaking, very much in

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[Continued.]

the position of trustees under the Settled Land Acts for Private Estates; almost exactly the same.

2234. Who is responsible for the donations to churches and schools?—The Commissioners of Crown Lands. Those donations are made for repairing or enlarging old churches or even building new churches, and so forth, in districts where the Crown owns land. Our recommendation is referred to the Treasury for approval, and we generally work upon a rough and ready basis of calculation, contributing so much, according to the proportion of the rateable value of the Crown Lands in the area to the total rateable value of the area.

2235. Is that confined purely to Church buildings?—No.

2236. You might give a donation to a Wesleyan School?—Certainly, there is no preference to one denomination rather than another.

Chairman.

2237. Is your policy now coming to fruition with regard to St. John's Lodge. I believe you have some recollection of St. John's Lodge?—I have.

2238. And the Botanic Gardens. Take the two points separately?—It rests entirely with the Office of Works. I am out of it so long as I get my rent.

2239. What are they doing about St. John's Lodge?—I am afraid I cannot answer for that. You must ask the Office of Works about that.

2240. What about the Botanic Gardens; are they going to throw that into the Park?—I do not know. I can tell you what the rent is going to be; £42,000.

2241. Who pays it?—The Office of Works pay it, and it will have to appear in their estimates.

2242. How do they get it back?—It will have to be voted by Parliament to them, and when I get the rent I pay it into the Exchequer.

2243. It goes out of one pocket into another?—Yes, instead of getting it from somebody else's pocket and paying it into the Exchequer.

2244. What did the Botanic Gardens pay; £15,000, is it?—Their present rent is very small indeed. It is a very old lease; it is 100 years old. The new rent is assessed by the Chief Valuer.

2245. Why should you put any notional amount on it at all, if it is paid out of one pocket into another?—Because I am a trustee.

2246. There is a costly friction in the payment in and out, and I should have thought it would have been cheaper for the State to save the accounting?—(Mr. Phillips.) They are two separate accounts.

(The Witnesses withdrew.)

(Adjourned to Tuesday next, 24th instant, at 2.30 p.m.)

TUESDAY, 24TH MARCH, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Ede.
Mr. Gill.

Mr. Leif Jones.
Mr. Lathan.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VI.

ON VOTE 11.

FORESTRY COMMISSION.

Mr. R. L. ROBINSON, O.B.E., called in and examined.

Chairman.

2247. We will go to page 284, Forestry Commission (Grant in Aid). I am going to ask you various questions, or give you pointers, if I may put it that way. What is the total programme for which authority for the expenditure has been secured from 1929 to 1938; that is a ten-year programme. Is Parliament definitely committed to ten years?—(Mr. Robinson.) No.

2248. What is the total expenditure on the programme?—The total estimated money for the Commission in the ten years is £9,000,000.

2249. The supplementary vote was not needed apparently, if you look at the bottom. What is the reason for that? I note that on sub-head E the expenditure has fallen short of the estimate by £34,000. What is the reason for that? What price are you paying for the estates? Sub-head F is "advances for Afforestation." Do private owners respond to offers of grants to assist planting? On sub-head L, "Cottages and out-buildings," there is a saving of £62,000 on forest workers' holdings?—Roughly.

2250. Perhaps you will tell us a little about that. On page 235 there are "Gifts of approximately 7,100 plants." On the third line it says that the

recipients give an equivalent return in seed. I suppose that is a *quid pro quo*?—Yes, we exchange plants with people.

Mr. Leif Jones.

2251. You are acquiring land for forestry purposes?—Yes.

2252. Where do I find a record of the amount of land which you now hold?—You will find that in our Tenth Annual Report. I can hand you a copy.

2253. I have been given one, thank you. Are you pursuing an active policy of buying now?—Yes, buying or leasing.

2254. When you lease, what length of lease do you take?—Usually a 999 years' lease.

2255. It is in effect buying?—To all intents and purposes, but it is equivalent to a Feu duty; it is an annual rent charge.

2256. How much land do you hold now?—The total area of land which we hold at the moment is 696,862 acres, of which 425,146 acres are classified as "plantable".

Mr. Ede.

2257. Can you tell us the basis on which these Crown forests and lands are valued?—The valuation has been made by the Lands Department, Inland Revenue, and I understand, though we

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[Continued.]

did not set the basis for valuation, that it has been valued in the ordinary way that property is valued for other purposes by that Department. I might add that we have recently received the valuation of the Crown woods, which were due to be valued under the Transfer of Woods Act, 1923, and I should like to mention the amount, to get it on to your record and to make one or two observations.*

Chairman.

2258. We shall be glad to hear them?—There are included in this about 17 different forests ranging in size from the New Forest, 60,000 acres, down to quite small areas of 200 and 300 acres. The total valuation as given to us by the Lands Department is £1,679,000, of which £584,770 is the valuation of the New Forest, by far the biggest unit, and £554,300 is the valuation of the Forest of Dean. From time to time at this Committee the question has arisen whether the accounts for these forests should not be incorporated in the General Accounts for Afforestation by the Forestry Commission, and I want, if I may, to make this point, that certain of these items such as the valuation of the New Forest, roughly £600,000, is worth in actual fact nothing to the Commissioners, because it is impossible, the New Forest being what it is, to get a net revenue out of that place. It is held partly as a park and partly for forestry purposes. In considering this valuation, we have come to the conclusion that it would be wise if this valuation and the accounts for the whole Crown forests were not amalgamated with our ordinary afforestation operations, but were kept separate so that the two things can be traced through and the issue not confused.

Mr. Ede.

2259. Do you answer for the New Forest under this Vote that we are now considering?—Yes; it will come into that.

2260. Where is it shown; under which of the sub-heads is the New Forest concealed?—You will not get it as a unit, but in all these items on the right hand side, for example, sub-heads A to L, and on the left hand side sub-head Z there will be expenditure and receipts respectively for the New Forest.

2261. Are you responsible for the system of enclosures for Forestry purposes in the New Forest?—Yes.

2262. Is the present system of doing that working out satisfactorily?—Yes, things are going quite smoothly in the New Forest now. We have an advisory Committee there which advises us as to the aesthetic treatment of the place, and I do not anticipate that we shall have any difficulty.

2263. Is that apart from the Court of Verderers?—Yes, that is separate from the Court of Verderers.

2264. Do the Commission themselves carry on any work apart from Forestry there?—Yes, there are a lot of gravel pits there, which are worked by the Commissioners.

2265. Do you have any complaints about their destruction of the amenities of the forest?—No, not with respect to the gravel pits.

2266. Do you do anything with regard to the ponies?—No, the Verderers themselves have the full right to regulate the number of the ponies and the way they get about the Forest and so on. The only thing we do is to exclude them from the enclosures where they eat up the little trees.

2267. You have nothing to do with improving the breed?—No, nothing.

2268. With regard to Sub-head L "Cottages and outbuildings," it would seem that during the year your work fell very considerably into arrears as compared with the programme?—That is so, yes.

2269. About how far behind are you on the programme that was originally mapped out?—We had no programme up to the end of 1929, and then, under the second decade we started off on a programme which was to give us 3,000 holdings in the next ten years, the second decade. This is the year where we changed from one decade to another, and we did not get the word to go till something like the end of September.

2270. When you say the year ending 1929, you mean the financial year ending March, 1929?—No, the Forest Year ending 30th September. So our programme was to establish 3,000 holdings in ten years, but the first five years of the decade was to be at the rate of 350 holdings and the second five years of the decade at the rate of 250 holdings a year. I have actually got the figures. In this year in question we broke into two of our record years. We did 250 in one year, and only 114 in the other, so

* See Appendix 11.

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[Continued.]

we were well behind. The present rate at which we are going is roughly 200 holdings a year, and we are doing all we possibly can to get up to our programme.

2271. Is there any prospect of your catching it up?—It is going to be very difficult.

2272. What acreage have you got in County Durham that is under your Commission?—You have rather stumped me. There are about 100 Counties in England and Scotland and I cannot remember. It is something quite small.

2273. I did not know whether it was shown on that valuation list you have?—We had transferred forests—Chopwell, and Hamsterley, there.

Mr. *Leif Jones.*] 300 acres at Hamsterley.

Mr. *Ede.*

2274. Is not there a lot of discontent on those Durham holdings?—No; we have had complaints from time to time, but I would not say there is a lot of discontent. So far as headquarters are concerned there is remarkably little complaint coming up from the holdings.

2275. You know questions have been asked in Parliament with regard to Hamsterley, and the conditions there?—Yes, and I think the questions at issue were settled and everything is satisfactory.

2276. How far were they questions which would naturally arise when you transplant men from town conditions into the very isolated conditions that prevail in these Forestry holdings?—I should not call Hamsterley a very isolated place, but it is reasonably isolated. Where, for example, you transfer Miners from a town to a Forest they are invariably unsettled to some extent. We have known them go back the same day that they came.

2277. Some of my own constituents went there. I went myself, and I took some of my constituents to see them, and one or two of these people whom I thought were quite reasonable people said: "I would not stay in this place for ten minutes," which greatly astonished me. How long do you think it takes these men to get acclimatised?—Some, of course, never get acclimatised. If they are rightly chosen (and they have to be selected very carefully), then they make very successful holders. If they are carelessly chosen, I should

think about half of them will go back, and perhaps all of them will go back if their old mine starts up. That is very often the issue. If a mine in which they have worked all their life shuts down, they have to go away; if it opens up again, back they go.

2278. They are very gregarious?—Yes, it is the homing instinct.

2279. Do the remarks you made about the New Forest and its value apply to the Forest of Dean?—Not to the same extent; there are more assets in the Forest of Dean. There are coal mines, for example, which give us something like £17,000 a year in revenue or royalty.

Mr. *Benson.*

2280. You gave the figure of land held as approximately 700,000 acres; 696,000 acres?—Yes.

2281. Does that include the Forest of Dean and the New Forest?—Yes.

2282. That is the total holding under the Forestry Commissioners?—Yes, that is, roughly, 700,000 acres.

2283. Roughly, how much of that 700,000 acres have you bought?—As to 120,000 acres, that was transferred from the Crown.

2284. Those are the two big Forests?—Those are the big forests and other little ones. That leaves 580,000 acres for me to account for. I cannot give you that figure off-hand.

2285. Does that mean that approximately you have bought 500,000 acres?—No; it does not mean that. I will get the figure, if I may?

2286. How much have you bought this last twelve months?—It is about half and half, according to this book, which I have. Half by purchase and half by lease or by feu.

2287. When I say "bought" I was including leased?—Acquired.

2288. Acquired?—The remainder of that 580,000 acres is acquired.

2289. Approximately, what have you had to pay for it?—We may take the figure at about £3 an acre or 3s. an acre rental, that being the value of the land stripped of its buildings or improvements.

2290. That is what you pay?—That is it, roughly. I am speaking without the book, of course.

2291. Exactly. How much have you bought this last twelve months, and,

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roughly, how has it averaged?—The actual area we have acquired in this last financial year is 42,000 acres. Part of that is by lease. I can give the figure for leased land.

2292. That is immaterial?—Speaking, again from memory, I should put the price of that probably at £3 10s., or 3s. 6d., rather higher.

2293. Is that due to the fact that you have gone in for rather better land?—Partly that.

2294. I see practically one-third of the land that you have acquired is unplantable?—Those are the tops of mountains and so on.

2295. So, if one deducts the Crown Lands, that leaves 500,000 acres. Is your unplantable land mainly in the acquired land? In that case it is 50 per cent.?—No; out of that 120,000 acres which I gave you for the ex-Crown Woods 60,000 acres is either commonable or is not plantable.

2296. In the New Forest that common land is not plantable?—It is not enclosable.

2297. But it is plantable?—It is plantable in a technical sense, but it cannot be planted because it cannot be enclosed. It may not be enclosed.

2298. There are vast areas there, miles away from anywhere?—Never outside the eye of the dweller in the Forest.

2299. With regard to your settlements, what is the average size of your settlements?—They range from about 3 acres to 10 acres commonly, and I should give the average at round about 5 acres.

2300. That is a five-acre holding?—As an average.

2301. How many people do you get together on one settlement?—How many houses?

2302. How many houses?—That varies. We try never to get less than two because they need a little company, but sometimes we get as many as 8 or 10 in a settlement.

2303. You seldom get more than that?—No; we do not want them bunched too much.

TRADING ACCOUNTS (FORESTRY COMMISSION).

Chairman.

2304. Gentlemen, we pass now to page vi of the Trading Accounts. I will tell you what is my mind, and then I will leave Sir Malcolm to say a word. It is paragraph 9, "Valuation of Crown Woodlands"?—(Sir Malcolm Ramsay.) That is out of date now. (Mr. Robinson.) We anticipated it.

2305. There is nothing of any moment in paragraph 10, "Losses by Fire," I have no comment. It is merely reported to interest the Committee, for them to read, so Sir Malcolm tells me, and he also tells me that the paragraph at the top of paragraph vii is all in order, and we need not worry ourselves about that. He is quite satisfied. I therefore go on to page 82, the account of the Forestry operations. On page 83, this account relates to property taken over from Crown Lands. I see nothing to which to draw attention on that. On pages 84 and 85, I have these observations. If Honourable Members will look on the left-hand side, Land £100,081, Mr. Robinson will probably tell you what these main acquisitions were, and what the average price was. Lower down we come to live-stock. Sheep, horses, and,

I think you will be interested and pleased to know, ferrets, are contained in these values. Lower down you insure the Forests, that is £3,046. Do you insure that with a company, or does the Government pursue its usual course and insure the Forests for themselves? Interest, which was £122,000 last year, has gone up to £148,000 this year. Is it simple or compound? On the right-hand side, £5,064, live-stock, also contains sheep, I suppose? Then lower down on page 85 there is, "Less Sales £5,064"; that is the same amount. It rather puzzled me. There is "Loss on realisation £2,030." Does this mean loss of acclimatisation value for sheep? At the bottom of the page in Note 5 there is the word "Gift," which appears to be £490, from Mr. Younger. Perhaps that might interest the Committee. They might like to know what that is about? Over the page, on page 86, you will see on the left-hand side "Gifts" £27,000, which is very interesting. Forest Workers' holdings was the thing about which Mr. Ede was talking. Will this, when it develops, be self-supporting? I find nothing on page 88, and nothing on page 89, to which to draw the attention of the Committee.

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[Continued.]

Mr. Benson.] I am afraid I cannot make head or tail of these accounts.

Chairman.] I will advise you to let Sir Malcolm make a roving comment over them.

Mr. Benson.

2306. One seems to have capital expenditure mixed up with income and running expenses, and apparently there is no attempt made to present a trading account. You seem to have put every capital item that you have got valued,

and every capital item that you have incurred this last 12 months into the same account?—(Sir Malcolm Ramsay.) Perhaps the Honourable Member will say which account he is talking of; there are really two accounts. There is the account of the Crown Lands, which is incomplete and has no balance sheet, because there was no valuation. That appears on page 83. The other account shows really the cost of growing timber, on the basis which has been explained in previous years.

At this point Mr. Leif Jones took the Chair.

Mr. Benson.

2307. They are both rather muddling; I have no detailed questions to ask on them. As I say it seems to be an extraordinary presentation. I suppose you are not sufficiently advanced yet to present a proper trading account and balance sheet?—This is really little more than a classification of expenditure because these things are not at present on a commercial basis at all. They are not cutting their timber and they are not selling it; therefore you cannot make a profit and loss account. If you take the main account of the Forestry Commission on pages 84/5 the object of that is to credit all the receipts and debit all the expenses, and the balance represents the total cost of growing timber which will not be marketable for a generation or more. I think that is so, is it not?—(Mr. Robinson.) This has been explained in detail on several occasions previously, if you could look those explanations up.

2308. I am quite satisfied?—(Sir Malcolm Ramsay.) It is rather a long story. At present you are planting Scotch Fir or Hardwood, and you get nothing for it for years.

Mr. Ede.

2309. With regard to the insurance of the Forest, the premiums are put at £3,046 6s. 8d. Did you get anything against that in respect of fires that occurred during the year?—(Mr. Robinson.) This is a paper entry; we do not actually insure. (Sir Malcolm Ramsay.) They charge themselves in their account 2s. 6d. per £100, which is considered a very fair rate. They debit themselves with that and credit Insurance Reserve account to which losses are charged. Unfortunately, this year, as my report

shows, they had very bad luck, and the insurance reserve account is considerably overdrawn in consequence, but in course of years it will right itself, particularly when the young trees, which are particularly liable to damage, have grown up.

2310. Have you any reason to think that there are fires maliciously caused for which you do not recover from the culprits?—(Mr. Robinson.) Occasionally we do find that, but I am glad to say they are not a big percentage.

2311. £25,000 seems to me to be a tremendous loss to have incurred. Were there any particularly big items in it?—Yes; we had 600 acres burned in one piece, and that is practically £6,000.

2312. Where was that?—In South Wales, Margam.

2313. Have you any reason to think that that was malicious?—No, I do not think it was. It may have been foolish but it was not malicious. (Sir Malcolm Ramsay.) It is very easy to burn 600 acres with a single vesta. You throw it down in the evening and it spreads all night, fanned by the wind, and you find the plantation ruined in the morning.

2314. Do you find the trouble increasing in this way, that people are tending to light more camp fires?—(Mr. Robinson.) This was the year 1929, when half the countryside was on fire, and we suffered with it. I do not think they are getting worse. I think if anything, people are getting better and more careful about their matches and cigarettes. Although the insurance fund made a loss of something like £25,000 in that exceptional year, in the next year, which approached the normal, it made a profit of £2,000 odd, so there are compensations. (Sir Malcolm Ramsay.) When they bring in the Crown Woodlands, which are old

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and grown, they will charge the insurance premium on them, and I hope they will have very little to pay out on them. They will get the risks spread between the old and the young trees.

Captain Crookshank.

2315. Why do these accounts end on the 30th September unlike all the others?—(Mr. Robinson.) If we try to end our accounts on the 31st March, we are right in the middle of our operations. At this present time, for example, not half the planting in Scotland is finished, and you would have to make endless apportionments in order to get your accounts right, and then they would not be absolutely right. So it saves an enormous amount of trouble in the accounting simply to take the year in two six-monthly periods, and to build up either the financial year or the Forest year from them.

2316. Do you think that is all right, Sir Malcolm?—(Sir Malcolm Ramsay.) Yes, it is a very common practice in accounting to end your year at the time that suits your cycle of operation best. If you take the hatters of Luton, I think you will find that their year runs to the end of the Summer on purpose, because by that time the whole of their summer stock has run off, and they have not bought their new stock, and they begin a new year without the trouble of valuation, and I think that practice goes on in other trades. Mr. Watson will probably confirm me?—(Mr. Watson.) I think that is so.

Mr. Butler.

2317. On page 84, there is the Item "Rates" on the left-hand side. They seem to be slightly more this year. Would that be affected by the Rating Relief Scheme?—(Mr. Robinson.) It is just beginning to be affected. You will find a considerable reduction in that item in future years.

2318. The other point is "By income" in the other column "Sales of Live-stock". What sort of livestock is it?—Mostly sheep.

2319. Under that heading of "Income" I wanted to ask you whether anything is ever done about the shooting in the forests?—Yes.

2320. Where does that appear?—It would not come in as a separate item.

Captain Crookshank.

2321. Under rents?—Yes; under rents.

Mr. Butler.

2322. Is there much of the forest let for shooting?—Yes, practically all our properties are let. Occasionally, the shooting has been reserved, where we take a place on lease, but I should think there is some sporting value over perhaps 80 or 90 per cent. of the area, and, of course, it is all let. We try to get as much money as we can for things of that sort.

2323. Does the Crown do the keeping of it, or does the tenant?—No, except where it is unavoidable. We have a few cases in Scotland where we maintain a keeper in a deer forest, or something of that sort, but the general rule is that we do not do any keeping.

2324. You find that the people introduced are satisfactory?—Yes, I think so.

Mr. Lathan.

2325. Is the valuation figure of £1,679,000 that you gave us a little while ago for land and trees?—Yes, land, standing timber, buildings, everything that there is to be valued.

2326. The account which appears on pages 84 and 85 does not pretend to be a balance sheet. It is simply, as described here, an account of operations?—Yes.

2327. Account, therefore, I suppose is not taken of the increment of the land and trees shown in the valuation?—No, that takes no account of the rate at which things are growing, and things of that sort. It is simply a statement of expenditure and receipts, with interest charges.

2328. Therefore it is fair to assume that the actual value of the property now held by the Crown under your Commission is considerably higher than is shown here?—No, you cannot make that assumption, because, not only is the expenditure shown here, but the interest as well.

2329. Would that affect it?—Unless your property is increasing in value at a quicker rate than the rate of interest which you have to pay, that desirable state of affairs would not be arrived at.

2330. The interest on the expenditure?—Yes.

Mr. Gill.

2331. In answer to a question you said it was impossible to make a profit and

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loss account because the assets in the main consisted of timber, that might not mature for the next 100 years. Arising out of that I would like to ask if there is not a real economic asset in the experimental and research work that is done, so far as these forests are concerned?—An asset to the nation, you mean?

2332. Yes?—Yes, of course, any research work done by the Commission is applicable to all the woods of the country and not merely to this area.

2333. That was just the point that I wanted to be sure about, because I had it in mind, and I would like your assurance on it. I think it was Mr. Butler, who asked about the keeper, and you said that only in Scotland were keepers paid by the State in the deer forests. Is there any economic value in maintaining those deer forests?—Economic to whom?

2334. To the State. There is a charge on the State for maintaining those keepers?—Yes.

2335. What is the assets side as against that?—The asset will be the rent that we get for the deer forest, which is not planted. For example, I call to mind a deer forest now for which we get £700 a year shooting rent, and which we are planting. We cannot plant it all at once, and we may as well employ keepers and get that £700 a year in the interim.

2336. That £700 a year is paid for what?—For the right to kill stags on the land that is unplanted.

2337. Does that apply to the New Forest also, where the deer are hunted?—No, there is no shooting of deer there, but we do employ keepers (I ought to have mentioned this perhaps) in the New Forest for various purposes. One is to look after the game generally down there. We have a system of what we call licences. A man pays £40 a year for a licence to shoot, and that has to be regulated. We have about 20 licences at, say, £800 a year, and we employ keepers to see that unauthorised people do not shoot, and for similar purposes.

2338. As a matter of fact, the State do make a profit out of the sport (some call it cruel) of hunting deer?—It is a little bit wide to call it hunting deer. "Stalking" I think is the term.

2339. I am used to fox hounds, and there does not seem to be much difference. I saw the hounds and horses chasing after a deer in the New Forest a few months ago?—That is quite true;

there are buckhounds there, and they do hunt the red deer.

Mr. Bird.

2340. In Scotland they shoot them?—They shoot them.

Mr. Gill.

2341. Do they pay anything for that privilege in the New Forest?—I do not think they do.

Mr. Gill.] I was going to suggest that we keep our hands clean of making any profit out of that sport.

Mr. Benson.

2342. Did I understand you to say that they hunt the red deer in the New Forest?—Yes, buckhounds.

2343. With buckhounds and horses?—Yes.

2344. Is that under permission from the Crown?—Yes.

2345. It is not an unalienable right?—It could be stopped.

Mr. Leif Jones.

2346. Have you anything to do with the replanting by private owners?—We make grants for that purpose. That will come into this White Book.

2347. You say you make grants to owners for replanting?—Yes.

2348. Have you any list of the lands which have been deforested during recent years, and are you taking any steps other than this grant to see that they are replanted?—That is the only way we can do it. We make these grants for replanting, and if people will come forward and take those grants, they get them, and the areas are replanted.

2349. Have you any lists of the areas?—In our files we would have extensive lists.

2350. Do you make it part of your business to encourage owners to replant?—Yes; certainly.

2351. Do you ever write to tell an owner to replant?—Yes; we have even gone so far as to tell an owner that if he did not replant we would have to take his land.

2352. That is interesting. Did it have any effect?—He replanted.

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[Continued.]

2353. With a grant from you?—He did that very reluctantly, but he did do it.

2354. Is there much private planting going on?—At a guess I should say 10,000 or 12,000 acres a year of private planting.

Mr. Bird.

2355. You make a grant. It has to be a minimum of five acres?—Yes; that is so.

2356. On the point raised as to whether you saw that the people did re-plant, they do not get the grant, or the whole of it, until they have actually planted?—I did not understand that to be the Chairman's point.

(Mr. Robinson withdrew.)

(At this point Mr. Arthur Michael Samuel returned to the Chair.)

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VI.

ON VOTE I.

BOARD OF TRADE.

Sir HORACE HAMILTON, K.C.B., and Mr. R. V. HEADLAND, O.B.E., called in and examined.

Chairman.

2362. We will now pass to Class VI, Vote I, Board of Trade, on page 232. The greater part of this Vote consists of Salaries of Staffs employed in various activities of the Board. The items to which I want, if I may, to draw the Committee's attention are "Expenses under Dyestuffs (Import Regulations) Act, 1920." When does this expire? On sub-head (B) "Special Services" is a large saving, due partly to certain expert technical assistance having been given without remuneration. Perhaps Sir Horace will say a word about that? On the opposite side, page 233, "Law Charges", that is the "Vestris" inquiry, is not it?—(Sir Horace Hamilton.) Yes.

2363. I have just come up from the Chamber of the House, and there again I find two questions put down with regard to the Companies Department. The Section about which Questions were asked to-day is Section 110. The House is not satisfied with the way that Department is working. I think, Sir

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Mr. Leif Jones.

2357. No; it was not?—Not the administration of the grant.

2358. I was wondering whether the land was getting replanted. Death duties are not payable on woodlands, until the timber is cut?—That is so.

2359. Have you any record of the total value of the unpaid death duties which is likely to accrue to the State in coming years?—No; we could not possibly have that.

2360. Is not that anything to do with you?—Nothing to do with us.

2361. You do not know what is paid yearly under that head on the average?—No.

Horace, you might say a word about it, to tell us whether you are satisfied that Section 110 of the Companies Act is working satisfactorily. Why is that giving so much dissatisfaction?—Shall I take that first?

2364. You can take it in your stride later on. On page 234, there is a curious little item of £5 5s. for a Solicitor's costs incurred by an individual in connection with an incorrect statement in a circular issued by an Official Receiver. I find nothing on page 235. On page 236: "National Kitchens: Repayments of Grants" £1,250; is this correct, that loans to Local Authorities for Kitchens amounted to £72,796, and that it has all been paid off?—It has all been paid off. (Sir Malcolm Ramsay.) £72,000 was advanced, and it has all been paid off. I thought the Committee would like to know that.

Major Salmon.

2365. I have only one point. I notice the total expenditure of the Department is £207,000 after taking credit for

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Sir HORACE HAMILTON, K.C.B., and
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the stamps which are received in the Patent Office. There seems to be a very large amount of your income coming from the Patent Office, over half a million pounds?—(Sir *Horace Hamilton*.) Yes.

2366. Is that for work performed, or for granting licences?—Granting licences.

2367. You do show separately what it costs to run the Patent Office?—At the bottom of page 236.

2368. In that connection is it a reasonable thing to charge the Public so much money for that. Is it done by revenue tax, or an actual tax by the Department?—Perhaps, I should say in the first instance, that both the law and practice of the Patent Office have just been investigated by a Committee presided over by Sir Charles Sargant, and this no doubt is one of the aspects of their work to which they will pay some attention. Perhaps I might be allowed to confine my remarks to putting to you the kind of considerations that they will, no doubt, have before them. On the one side there is the contention which has been put forward in some quarters that, it is unfair to make any money out of an inventor. On the other hand there is the contention that these are payments for the grant of monopoly rights, and that therefore the Department is justified in asking a fee which covers rather more than the cost of the work done.

2369. The monopoly rights being that the Inventor has to sell to other people within a limit of percentage of cost? Is not that so?—There are conditions.

2370. Therefore he scarcely has a monopoly?—He gets a monopoly of user on certain conditions.

2371. I was not aware that there was an Inquiry on the general position. The only other point I would like to ask is this: Are you in a position to say if the whole of the war Departments that you had, for Food, and many other things which came under your direction, have all been cleared up?—That subject is dealt with, if I might venture to point that out, on page xxii of the Comptroller and Auditor-General's Report.

Chairman.] We shall get to that later on. For the information of the Committee perhaps they would like to cast their eye on House of Commons Paper Number 119, which will be dealt with

now; it is the Bankruptcy and Companies (Winding Up) Proceedings Account.

Mr. Butler.

2372. I gather there is a profit of £1,500 under sub-head (F), "Dyestuffs." I arrive at that figure by deducting the expenditure from the amount received for licences?—The expenses shown under sub-head (F) are £2,470. Before, however, we deduct this sum from the Appropriations in Aid it is right to take into account the Allied Services such as Accommodation, Stationery, etc.; that is, the expenses of Departments other than the Board of Trade. Those expenses, together in total, come to £3,660, the Appropriations in Aid amounting to £3,950; so that there is a profit of a few hundred pounds.

2373. On these Law Charges, that is due to the Vestris Inquiry, I understand?—Yes; the surplus is due to the "Vestris" Inquiry.

2374. Should anything extra be taken off on account of Item (c) at the bottom of page 235. I am not quite clear about that?—Gas Fund?

2375. Yes. The very last remark on that page is "Legal Assistance now given by Solicitor's Department"?—There is a trifling compensation to be found in that figure, but very trifling.

Mr. Lathan.

2376. Under "Companies Department," on page 234, there are several substantial items in respect of salaries of Comptroller's Department, salaried Official Receivers, and so on. Is any of this expenditure recovered?—The expenditure of the Companies Department is more than covered by the receipts.

2377. The fees charged?—The fees charged and dividends on invested funds.

Mr. Lathan.] That, I take it, applies to the whole of those items.

Chairman.] Will you, on my behalf, ask the Witness to tell you the answer to the point I raised about Section 110 of the Companies Act of 1929?

Mr. Lathan.

2378. I act as the transmitter of that question?—You recall, Sir, that you raised this point last year?

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[Continued.]

Chairman.

2379. I did?—I then explained that the Registrar of Joint Stock Companies is unable to take action in this matter of the submission of annual returns by public companies until 28 days after the end of the Calendar year, because until that date he cannot say whether a return is due or not. It is his function then to find out exactly how many companies are in arrear, to circularise them at once, and so far as he does not succeed in getting a return from the Companies in arrear, he reports the cases to the Solicitor of the Board of Trade, who in the proper cases prosecutes. Last year the Board of Trade operated somewhat more drastically in this matter than they had ever done before, and the result is that this year out of a total number of Public Companies, amounting, I suppose, to about 17,000, there are at the present moment only something less than 400 companies in arrear. This is a figure which is very much less than the figure at the corresponding date of last year; and I think it shows that the action that we took last year has had a deterrent effect upon the minds of the companies who are generally in arrear from year to year. Perhaps, I might add this, that the question at issue does not really turn on the office arrangements, but on the state of the law, which does not enable the Registrar of Joint Stock Companies to approach the Companies in arrear until after the end of the Calendar year.

2380. Would you go further and make a suggestion that you would welcome assistance in the form of a little change in the law?—I think one would have to consider very carefully whether any change in this respect is really called for, having regard to the comparatively small number of companies which are in arrear.

2381. You realise that your action is for the purpose of preventing fraud, and there is a considerable cost falling upon the public purse, and, as we have to see that your Department does not get penalised by extra work which is unnecessary because that falls on the public purse (we are the Public Accounts Overseers), do not you think that you might get an Appropriation in Aid, by having some power to charge a late fee if these companies omit

to lodge their information at a proper date?—I think it might be urged against that that the proper place for penalties to be imposed is a Court of Law.

Chairman.] That is so, but what about a late fee? If they are late, they would have to pay a fee without any threat of prosecution, and if they are late they should have to pay something because your Department, over which we are looking, are put to extra expense.

Mr. Bird.] Then the people who come early might want something for coming early, and saving them trouble.

Chairman.

2382. They have to do that, according to law. (*To the witness.*) What do you think about that?—I have never considered the Hon. Member's suggestion.

2383. It was raised in the House?—The answer given by the President of the Board of Trade was on the lines I have indicated.

Chairman.] I will leave it there.

Mr. Gill.

2384. At the bottom of page 235, there is an item of £550 "Contribution from Seamen's Savings Bank for cost of Management", and a little lower down there is another item of £518 "Contribution from Seamen's National Insurance Society for administering the Society's Funds". Would you tell me what these organisations are?—The Seamen's Savings Bank is a bank run on the lines of the Post Office for the use of seamen. Branches are located at the Mercantile Marine Offices at the ports, so that a seaman is enabled, as soon as he disembarks, if he chooses, to place in the bank a part of his wages. The Seamen's National Insurance Society is a Health Insurance Society for Seamen, and there again we assist the Society by making payments of benefits.

2385. In effect it is a question of the nature of these men's callings, and, it being difficult for them to be centralised anywhere, the Board of Trade do it?—Yes.

2386. Does it mean any extra expense to the Board, or do the amounts contributed meet the cost, do you think?—This is the exact cost.

Sir Assheton Pownall.] What are the International Bureaux under Sub-head

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[Continued.]

L.3?—Those are international organisations which are located at Berne. They are supported by all the Governments who are parties to the various International Conventions relating to Patents and to Copyright respectively. They look after all the international aspects of these very international questions.

2387. Do they function in connection with the League of Nations at all?—No; not at present.

2388. They were in existence prior to the League of Nations?—Many years ago.

2389. It is a charge which goes on year by year?—Yes.

2390. The expenditure was less than the grant. I should have thought we should have had a fixed subscription each year to an organisation of that sort?—That is so, but the payment is in foreign currency.

2391. The Swiss currency has not fluctuated to the extent of nearly 10 per cent.?—(Mr. Headland.) The expenditure varies slightly. Each of the Powers is graded by the International Bureaux. We are a Class I Power and we have to pay certain percentages of the total expenses of the Bureaux, so it varies slightly, but not very much.

Chairman.

2392. I want to ask you two questions. On page 206 "Repayment of Loans to Optical Glass Companies", were they the loans which we made during the war to Heath and others?—(Sir Horace Hamilton.) This particular loan was a loan of £18,000 to Bullers.

2393. What about the Heath loan; is that coming back? Do you know anything about that?—This has all been repaid. The whole thing is closed.

2394. There were some questions put in the House about the inadequacy of the Patent Office staff. Are you satisfied that that is now working smoothly?—The work is now decreasing slightly. The difficulty has been, in the case of the Patent Office, to secure an adequate supply of scientific staff. That difficulty has now been largely overcome, and, instead of the work increasing, it is now decreasing.

2395. We got a complaint from the Association of British Chambers of Commerce about it. That has been put right?—That is going better.

2396. Have you anything to say on those sections, Sir Malcolm?—(Sir Malcolm Ramsay.) No.

ON VOTE 2.

BANKRUPTCY DEPARTMENT OF THE BOARD OF TRADE.

Chairman.] We will now go to page 233, Bankruptcy Department of the Board of Trade. All those expenses are covered by fees. The second paragraph of Item G at the bottom says: "This subhead includes the following amounts written off: (a) £1,077 8s. 11d." That is a regular feature. There is nothing on page 239. Are there any questions on pages 233 and 239? I have nothing to which to draw your attention.

Mr. Butler.

2397. On subhead G, on page 238: "Travelling and incidental expenses". How does one relate that with page 3 of the small paper, Number 119, where it says that the travelling and incidental expenses are £3,014 8s. 9d., and here it is £2,519 11s. 3d. How are those two related, Sir Horace?—(Sir Horace Hamilton.) We shall have to make inquiries upon that I am afraid.

2398. You could let us know?—Yes.

Sir Assheton Pownall.

2399. On subhead G, you wrote off charges on certain bankrupts' estates in which the assets were insufficient to meet the expenditure. We did not have to pay up the difference, did we? This £1,000 is only the charges, the amounts written off under Item G (a)?—It means that the assets available were insufficient to meet the amount of bankruptcy fees which would otherwise have been charged in those cases.

2400. You had to write them off?—Yes.

Chairman.

2401. Have you anything to say on this, Sir Malcolm?—(Sir Malcolm Ramsay.) No. (Sir Horace Hamilton.) Could we now answer the question which an Honourable Member put on travelling expenses? (Mr. Headland.) As regards

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page 238, you will find that the total of the travelling and incidental expenses, and stationery and printing, under sub-heads G and H amount to just over £11,600. If you look at page 3 of the White Statement you will find that the total of the travelling and incidental expenses, that is the second item there, and the stationery a little lower down, amount to the same, £11,600. It is exactly the same amount.

Mr. Butler.

2402. There is that difference in totaling them up?—It is due to the fact that

for Gazette Notices, advertising, etc., we had to pay the Stationery Office in cash, £500. We have included that in the travelling and incidental expenses in the White Statement, and under "Stationery" in the Appropriation account.

2403. It makes it rather difficult to understand?—Yes, it does. I will look into it next year and see if we can alter it. (Sir Malcolm Ramsay.) Do you want to ask about this White Paper? It merely summarises the Bankruptcy Account. It is merely statistical. [Chairman.] You are satisfied?—Yes.

ON VOTE 3.

MERCANTILE MARINE SERVICES.

Chairman.

2404. We will turn to page xv, Class VI, Vote 3, Mercantile Marine Services?—(Sir Malcolm Ramsay.) That is a small point. It explains the story. They have not, in practice, been collecting certain fines, which I gather are very small in amount and which will be collected in future.

Mr. Butler.

2405. Do I understand this has not been discovered until now since 1906?—That is so. It is a curious point.

Major Salmon.

2406. Is the sum of money of any size?—No; as far as we can make out there is very little in it.

Mr. Butler.

2407. It just comes up occasionally?—Yes.

Chairman.

2408. On page 240, that expenditure is largely covered by fees. Under subhead A4, Radio Services cost less than was expected. Under the Mercantile Marine Services, are you looking after the hatch covers, about which we had so much trouble. Has there been any examination about that point?—(Sir Horace Hamilton.) Yes, that was one of the subjects which was enquired into at the time of that International Conference on Load Line, and as the result we have

recommendations which will make the question of deck openings—

2409. Do you remember there was a ship lost called the "Raddia" or something of that sort, because the hatches were bashed in and lives were lost?—I am afraid that was before my time.

2410. No; it was reported last August. I made up my mind then that I would ask some questions about it. I think you will find the Board of Trade was asked to exercise its functions with regard to these hatch coverings. The House were not satisfied about it. I daresay some of your staff will know the point?—Yes.

2411. I find nothing on pages 240 and 241. There were large fees on contra on subheads C1, 2, and 3. There is £49,000 under subhead F.1, but that is recovered from shipowners?—Yes.

2412. On page 243 what is "Matanilla Shoal" under Subhead L?—That is a shoal which lies between the Bahamas and Florida, and we arranged with the United States Government to look after this buoy.

2413. What happened; was the buoy getting adrift?—Yes; the buoy got adrift.

2414. The Lighthouses in the Red Sea is an old story, on page 244. Have you got a new agreement going since last year? We raised it last year, did not we?—Yes, and a Convention between the various Powers concerned was signed on the 16th December last.

2415. What do you say about that, Sir Malcolm. Are you satisfied about that?—(Sir Malcolm Ramsay.) Yes.

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[Continued.]

2416. We had a lot of discussion about it last time, did not we?—Yes.

2417. With regard to subhead OO "Losses" on page 244, Honourable Members will perhaps look at that? This was a very ingenious fraud?—A man altered Nil into £22 ls. 4d., with one stroke of the pen.

2418. On page 245 "Mercantile Marine Offices' fees" £54,006. Have you anything to say about that, Sir Malcolm?—No, they are the contra to the salaries.

2419. Item (d) "Relief of Distressed British Seamen abroad," £46,000, is a big amount. Is there anything for me to say about that?—No, that is simply the contra again of another item on the other side of the account.

2420. There is nothing on the next page. Are there any questions from pages 240 to 246?

Major Salmon.

2421. On sub-head A.3 "Incidental Expenses" is there any particular reason as regards the Transport Office in China. "The cost of the Sea Transport Offices in China was £150 more than anticipated," and it goes on to say: "and unforeseen expenditure on repairs at the Sea Transport Office at Southampton caused an excess." I do not quite follow that. Is that the cause of the excess beyond the grant?—(Sir Horace Hamilton.) Yes, there were two items which caused the excess.

2422. They were responsible for it?—Yes.

2423. Sub-head A4, "Telegrams and Telephones." Is that underspending entirely due to fact that you were not aware of the cost of the radio telegrams?—No, that expenditure, as is stated in the note, is subject to considerable fluctuation, because the amount of expenditure depends entirely on the weather that prevails in the autumn and winter, and that was a finer winter than usual.

2424. I suppose it is necessary to have these investigations under sub-head B 5 into the conduct of masters, mates, and engineers, on page 241?—That is the statutory procedure for inquiring into the allegations made by masters against their mates and engineers.

2425. Are we to assume under sub-head D 1 that the salaries, wages, and allowances of Coastguard is a permanent reduction?—That would depend mostly upon the rate of bonus that is payable for the time being.

2426. It is nothing to do with the numbers of units?—No; the numbers are fairly stable.

2427. On the question of sub-head F.1. from whom is this sum recoverable?—It is paid by a Shipowner to the Board of Trade in respect of the expenses to which, for example, a Consul in a Foreign Port may be put in looking after a distressed seaman who is in that port.

2428. As regards Sub-head F.3. the difference of exchange and incidentals, do you have much money to send backwards and forwards that causes the exchange to fluctuate?—The Consuls in foreign ports have to spend a certain amount of money on various Board of Trade services. They also receive payments for the Board of Trade and when their balances exceed a certain figure they remit home, and in some cases where you get a depreciation of the local currency (of course the local balances are in the local currency) occasionally a loss occurs.

2429. Is it economical to remit home if it is only six months from when they are going to spend it again?—Perhaps I may say that this excess of £105 represented the loss on a total turnover of £134,000.

2430. It is not a large item?—(Sir Malcolm Ramsay.) It arises largely from the fact that they remit home at a different time from that at which they receive.

2431. On "North Atlantic Ice Patrol", under Sub-head H., there is a sum of £2,408 more than granted. Is there any particular reason for that?—(Sir Horace Hamilton.) Yes. The two vessels which were out on this service were out for a longer period than was anticipated. That was due to the ice conditions prevailing at that time.

2432. It is a matter over which you have no control?—No.

Mr. Butler.

2433. On page 241 under C.1. there is a note "Loan of four Surveyors to the

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[Continued.]

Government of India." Without raising the question of why they went, who did the work of these surveyors while they were away, and could we spare them?—Three of them had to be replaced. Perhaps I might add that if that had not been the case the sum in that note, as representing changes in staff, would have been considerably larger.

2434. On sub-head D.3. on page 242 the excess was due to remuneration paid for increased watchkeeping at Coast Guard and Auxiliary Stations. With reference to the terrible accident on the Cornish Coast last year, there was a general public outcry due to the fact that the coast was not watched enough. Therefore it is rather surprising to see that the watchkeeping was increased?—That increased watchkeeping refers to the fact that the number of occasions on which the Life Saving Companies would be called out were greater than was anticipated, due to rougher weather.

2435. It would not be due to an increase in the general service?—It was slightly, but the main thing was the weather. Might I point out to the Honourable member that the whole question of our Life Saving arrangements is now under the review of a Committee.

Major Salmon.] That is why it would be out of order to pursue that any further.

Mr. Butler.

2436. On page 245, I do not quite understand "Fees for inspecting lime juice and orange juice." It would be interesting to know what that is?—There are very old provisions in the Acts under which Shipowners have to provide lime juice or orange juice for purpose of preventing scurvy, and those have to be inspected in just the same way as other items in the ship's store.

2437. It seems such a very small sum?—Our fees are low, I think, for this particular service.

2238. They seem very low. I suppose no more can be made out of it. Is it not very difficult to carry out the inspection for such a small sum?—That is what we charge.

2439. It seems a very small sum for a rather difficult class of work?—(Mr. Headland.) The reason it is so small is that our Inspectors of ships' provisions

do the work when they are inspecting other provisions.

Mr. Butler.] That is the answer I was looking for; that explains why it is so little.

Major Salmon.

2440. Can they tell by merely looking at them or is it a matter of chemical examination?—I do not think they make any chemical examination. It is merely a taste, if anything.

Mr. Butler.] I think it is a legitimate point to raise, because if it is a proper inspection it does seem a very small sum for a scientific inspection of anything whatever, and the only answer I can think of is that they do it when they are inspecting something else.

Major Salmon.

2441. What is the value of the goods which come over which they are inspecting?—(Sir Horace Hamilton.) We have no information of that. (Mr. Headland.) The fee for the inspection of lime juice is five shillings each cask.

Mr. Butler.

2442. It means there were 200 casks?—(Sir Horace Hamilton.) We will gladly look into that.*

Mr. Lathan.

2443. With regard to the "Relief of distressed British seamen abroad." I see the note says the expenditure is mainly recoverable. That rather indicates that there are some conditions under which we cannot recover from the shipowners?—Yes, that is so. It may be that a Consul has to look after a seaman who has deserted from a ship—that very often happens in foreign ports—and repatriate him home. We cannot recover that cost from the shipowner.

2444. There must have been a good many cases of distress for the expenditure of £49,000. Have you any information as to the character of these cases?—The kind of cases that arise are cases of illness, where a seaman becomes so seriously ill on board a ship that when he reaches a foreign port he is taken

* The number of casks inspected was 221.

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ashore and out in charge of the Consul. The Consul procures the proper treatment, gets hospital treatment, if necessary, does anything else that may be necessary for the man at the port, and subsequently pays the cost of his repatriation, and that amount subsequently is recovered from the shipowner. There

is an item in the Appropriations in Aid showing that we got back in the year 1929, £46,028.

2445. On page 245?—Item (d).

2446. I am not objecting to it, but it seems to me to be a large item of expenditure?—One case may run into quite a lot of money.

CLASS IX.

ON VOTE 1.

CLEARING OFFICE (ENEMY DEBTS) SHIPPING LIQUIDATION, ETC.

Chairman.

2447. Now we go back to page xxii, paragraphs 56 and 57. Sir Malcolm Ramsay, will you say a word on paragraphs 56 and 57?—(Sir Malcolm Ramsay.) I will take paragraph 56 by itself. On page 440 the Committee will find an account of the transactions on certain trading services which were started during the war, the object of which is to show the latest position. To put the matter shortly, these outstanding accounts are all very nearly closed up now. The home grown and imported timber, sugar and wheat accounts are only waiting for the collection of certain relatively small debts. The payments that have been made during the year are mostly payments to the Exchequer of surplus balances.

2448. Do you recommend us to go on, and say that there is nothing to ask?—That is what I suggest.

2449. With regard to paragraph 57, that was Mr. Hughes' Department, if I remember?—(Sir Horace Hamilton.) Yes.

2450. Is it finished yet?—Practically.

2451. That means it is not?—It means there is one case waiting to go to the House of Lords.

2452. It ought to be hurried up. Have you closed down the Department?—There is no Department. In fact, there is no whole-time officer on this work at all.

2453. That satisfies me. With regard to the foreign governments, how are they doing, Mr. Phillips?—(Mr. Phillips.) We got back one claim last year of nearly £17,000. I think there is nothing left which we are likely to collect this year.

2454. Have all the instalments on the ex-enemy ships been paid for?—Except two cases. (Sir Malcolm Ramsay.) A claim of about £40,000 is outstanding against a Dominion Government, but I think it is past praying for, and I think probably the Treasury would agree. (Sir Horace Hamilton.) We have not come to that conclusion yet. We have made certain further inquiries locally, and we shall get the money, if possible.

2455. On page 436, under Sub-head A, "Clearing Office for Enemy Debts," I noticed a reply to a question the other day, stating that you had got down to about 200 people there?—The latest number is 250.

2456. Of course, you cannot tell when the office will be cleared up, but now the Mixed Arbitral Tribunal is finished and the Anglo-Hungarian debts are finished—I am quite aware that the public purse pays nothing, because the fees are recoverable, the office ought to be evacuated at the first opportunity. What are you doing to push it on?—Since last year the figures of staff employed in the Department have come down from 387 to 252.

2457. In how long?—Since I was here last year; that is a reduction of 135.

2458. Is that at home and abroad, or at home or abroad?—We have shut all our foreign offices. In addition, the Anglo-German Tribunal has ceased to function as a permanent institution. It will have to have one more meeting in July to clear off certain cases, and then it will cease to function. The Anglo-Hungarian and the Anglo-Austrian tribunals have also ceased to function. We are left with two substantial pieces of work. One is effecting releases to

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[Continued.]

Germans under the Hague Agreement of 1929; the other is the accounting to the German Government for the various items of German property which were sequestered during the war in this country. As regards that, we are under treaty obligation to furnish an account to the German Government, under the head of every individual owner, giving full particulars of the property and of everything that has happened to it since it came into our possession. The object of that is to enable the German Government to pay compensation to its own nationals in respect of the property.

2459. This may be an unskilful question to put to you. Do you think it would be possible to shut down that Department and save the Government money and leave it to the Public Trustee, now that it is so small?—We took it over from the Public Trustee.

2460. You took it over from the Public Trustee because it was so big?—I do not

think there could be any possible public advantage in that under present conditions. The work has to be done, and I can assure the Committee we are most anxious for the work to close at the earliest possible moment. We keep a watch on that work.

2461. From Cornwall House?—From Headquarters, as well as locally, and we are always trying to ascertain whether there is not a short cut.

2462. You have received a hint from us here that we hope that will be closed down at the earliest possible moment. We do not say you are not doing the best you possibly can, but the sooner it goes, the better. That account goes up to page 439. Are there any questions? If not, I will go to page 440. You might say a word about the cash transactions in respect of various trading services, Sir Malcolm.—(Sir *Malcolm Ramsay*.) That has been dealt with on paragraph 56, unless any member wishes to ask a question.

ON VOTE 2.

AUSTRALIAN ZINC CONCENTRATES.

Chairman.

2463. We will go to page 441, Australian Zinc Concentrates. We do not need to deal with that because we went into that with some other Department the other day?—(Sir *Horace*

Hamilton.) It affects only the Board of Trade.

2464. We had it up in the House?—You had a Supplementary Estimate.

Chairman.] I do not think we need trouble with that, because we know that is dying and will disappear next June.

TRADING ACCOUNTS (BOARD OF TRADE).

Chairman.

2465. We will go to page viii, paragraph 13, of Sir Malcolm's Report, Australian Zinc Concentrates. We had that up in the House. I daresay you remember that discussion. Will you go to page 126 of the blue book, where you will see the accounts?—(Sir *Malcolm Ramsay*.) There is a curious point I mention, as to the operation of the sliding scale. I think the Board of Trade have now got Counsel's opinion, which will enable them to resist any claims. (Sir *Horace Hamilton*.) That is so.

2466. What did we put into the pockets of the Australian people?—(Mr. *Phillips*.) From start to finish, about £8,000,000.

2467. They benefited to the extent of about £8,000,000. That is to say, for

war purposes, we entered into an agreement which benefited the people of Australia over this zinc concentrates contract. Is that so?—(Sir *Horace Hamilton*.) That is the estimate of the total loss to the Exchequer after the transaction has come to an end.

Major Salmon.

2468. You say in paragraph 10, on page 126: "The contract for the purchase of zinc concentrates terminated on 30th June, 1930"?—Yes, and the last selling contract comes to an end on the 30th June next.

2469. And this account will then be closed?—It will then be finally closed. This subject will appear, I suppose, on two more Appropriation Accounts.

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[Continued.]

Mr. Lathan.

2470. Does that dispose of the point raised in paragraph 13 by Sir Malcolm: "I have not yet received a final reply from the Board of Trade on this matter"?—That was the question which

was referred to by Sir Malcolm just now as appearing in a note in the account itself.

2471. That is the sliding scale?—Yes. (Sir *Malcolm Ramsay*.) I have nothing more to say.

(*Sir Horace Hamilton and Mr. Headland withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS I.

ON VOTE 1.

HOUSE OF LORDS OFFICES.

Chairman.

2472. Sir Malcolm, will you first say a word on paragraph 21?—(Sir *Malcolm Ramsay*.) I record the facts there, which are very melancholy. I have now been asked to undertake the audit of the Security Fund, which are deposits on appeals in the House of Lords, as well as the Fee Fund, which I have done for some time, and the accounting, I think Mr. Watson will tell you, will be put on a new basis in future, and I hope there will be no risk of losses. I suggest that it is not very useful for this Committee to rake up the past and to consider exactly how these losses arose twenty years ago.

2473. Can you prevent them in the future?—Unless we are corrupt or negligent, certainly. It will be audited by an independent authority outside the House of Lords.

Major Salmon.

2474. May I ask one question of you, Sir Malcolm? To your knowledge, is there any other Department where you are not auditing, and where you ought to audit?—Thank you for asking that question. As soon as these frauds came to my knowledge I took stock, and I found there was only one case which I thought the Committee might wish me to undertake, and where I did not audit, and that was the Fees lodged on Private Bills in the House of Commons. Under a curious old arrangement going back to

1849, Mr. Speaker is responsible for arranging this audit, and it is done by the Clerk of the House. I thereupon wrote and asked him if he was satisfied that the audit was being properly done. He asked me to investigate the matter. I found the Officers of the House had it in apple-pie order, but the Speaker thought he had better ask me to undertake the audit; that will begin from the 1st April next. There were no other funds that I thought ought to be brought within my purview. (Mr. *Phillips*.) I have very little to add to what Sir Malcolm Ramsay has said. The existence of a deficiency on the Security Fund was brought to our notice by the House of Lords last November, and we arranged at once for an investigation by skilled accountants which produced the results mentioned by Sir Malcolm in his paragraph. We think the new arrangements are satisfactory. (Sir *Malcolm Ramsay*.) In justice to the present Officers of the House of Lords, I think I ought to add that they have given us every assistance in finding out the facts. (Mr. *Phillips*.) That is so.

Chairman.

2475. We will go to page 4, Class I, Vote 1?—(Sir *Malcolm Ramsay*.) That is the House of Lords Offices.

Chairman.] There is nothing for me to draw your attention to on that. On £52,000 there is a difference of £712.

(*The Witnesses withdrew.*)

(*Adjourned to Thursday next at 2.30 o'clock.*)

THURSDAY, 26TH MARCH, 1931.

Members Present:

Mr. Butler.	Mr. Leif Jones.
Captain Crookshank.	Mr. Lathan.
Mr. Denman.	Sir Assheton Pownall.
Mr. Gill.	Major Salmon.
Sir Robert Hamilton.	Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL, in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. A. P. WATERFIELD, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS II.

ON VOTE 7.

OVERSEA SETTLEMENT.

Mr. G. G. WHISKARD, C.B., called in and examined.

Chairman.

2476. We will go to page x, paragraphs 27 to 29. I will take paragraph 27 first, and I will go through the points to which I wish to draw my colleagues' attention. Then they may probably cross examine on the points and you will say what you think proper. As regards paragraph 27 we shall want to know what is the latest position of the Australian scheme, and what we see for £1,163,000 in the way of settlement. In the bottom paragraph: "With regard to the arrangements" are the published figures correct which show British arrivals in Australia in 1929, 18,377, and in 1930, for six months, 4,228, and the departures for 1929, 9,500, and for the six months of this year 7,254. Over the page I will just take paragraph 28 only. Are we to get any further repayments, and what are they likely to be?—What was wrong with the Society? Why do you continue to subsidise it if you are not satisfied with its operations?—(Mr. Whiskard.) As regards this particular Society we shall, of course, in future make rather different arrangements, if, and when, any future schemes are made by it. It is in effect largely a single person who has. I think I may fairly

say, something like a genius for the actual work of settlement, without being extremely able on the financial side.

Sir Assheton Pownall.

2477. What settlement is this?—The one referred to in paragraph 28 on page xi.

Chairman.

2478. A voluntary Society. Are you going to tell us about the particulars of the Australian Scheme, and what we get for £1,163,000. Tell us about the arrivals and departures?—Taking the Australian Scheme generally, I could, if the Committee wish it, read out a list of the various schemes that have been initiated. In sum I think it would be fair to say that this is a scheme of what may be called "long range migration." That is to say it was intended to assist development in Australia with the view to increasing the absorptive capacity of the country, so that more migrants from this country might go there, but it was never anticipated that particular schemes would attract visible quantities of migrants. The general idea was to increase the absorptive capacity of the country as a whole. It is impossible

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therefore to say, generally speaking, apart from Land Settlement Schemes, that such and such a scheme has resulted in such and such a number of migrants going to Australia who would not otherwise have gone to the country. In order, Sir, to attach some kind of gauge to the efficiency of the scheme, there is a provision that the Commonwealth Government should undertake, in respect of such and such an amount of expenditure that a number of migrants should enter and be satisfactorily settled in the State concerned, and that number should grow over the whole period of ten years for which the scheme was in operation. In every one of the States that proviso has been satisfied, and in most of the States it has been satisfied very many times over. I should not wish the Committee to assume from that that the scheme has therefore necessarily been a triumphant success. It certainly has not been as successful as we should have wished it to have been, but the actual criterion which was inserted in the original agreement, has been and is being satisfied, and we have no reason to suppose it will not continue to be satisfied. As regards the general Australian agreement, Mr. Scullin said that, in the existing conditions in the Commonwealth, the Commonwealth Government felt that they ought not to continue to operate the assisted passage agreement, whereby various classes of migrants were assisted and encouraged to go to Australia, because he felt that Australia's absorptive capacity for the time being had ceased and those migrants could not possibly make a success if they went there. We agreed with that view. We thought, in the circumstances, it would be improper to encourage people to go to Australia. The question then arose, and Mr. Scullin took a perfectly frank view of it, whether if the assisted passage agreement were suspended that ought not to suspend the operation of the £34,000,000 agreement. We replied to Mr. Scullin's telegram to the effect that we regretted, but concurred in the suspension, for all practical purposes, of the assisted passage agreement, and that as regards the £34,000,000 agreement we would continue to carry out the obligations which we had already incurred under that agreement, and any obligations directly flowing from the obligations already incurred, and that, as regards

any new schemes which the Commonwealth Government might put before us, we would give them the most careful consideration. In point of fact they have put one new scheme formally before us, and after most careful consideration, we have not felt able to approve it; so that in point of fact since the suspension of the Assisted Passage agreement no new schemes have been approved under the £34,000,000 agreement, but, subject to being satisfied in each case that the settlement arrangements are going on satisfactorily and that proper after care is being provided, and so on, we are continuing to carry out our obligations under schemes already approved.

Mr. Denman.

2479. In regard to this Victoria scheme, is there an obligation to pay a specific portion of the figure that has appeared in our Votes?—The obligation to pay depends upon circumstances, but on an average it amounts to one-fifth. We pay a lump sum grant of one-fifth of the amount which the Commonwealth Government advances at a low rate of interest to the State Government.

2480. So the obligation of Victoria is five times our expenditure?—The amount which has been advanced to Victoria by the Commonwealth Government is five times our expenditure.

2481. How much is due to us? What repayment is due by Victoria?—No repayment is due, unless of course under certain clauses of the agreement we should be so dissatisfied with the arrangements that we should reclaim a proportionate amount of our expenditure. That case has not arisen, pending the Report of the Royal Commission.

Mr. Leif Jones.

2482. What do we get to show for this expenditure? I do not quite follow the explanation. What is there permanently to show for it?—What we have permanently to show may be divided into two categories. There are settlement schemes, and there are development schemes under this agreement. With regard to the settlement schemes we have to show so many farms settled by British migrants.

2483. How many?—I could not give figures, but there are large group schemes

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in Western Australia; there are these settlement schemes in Victoria, to which I have just referred.

Chairman.

2484. Does not it mean if you have no pieces of cake and divided it into two, you still have no pieces of cake?—But I think we have pieces of cake.

Mr. Leif Jones:

2485. I think we might have the answer in figures. Have there been 200 people settled? Have there been any settlements made—200 or 2,000?—The two schemes to which I refer, the Western Australian Group Settlement schemes, cover about 5,000 actual settlers.

2486. Do you mean 5,000 people have been placed upon the land in Western Australia?—Yes, and are now there. It is about 1,000 families, about 4,000 souls. The Victoria number is, we settled 750 families, of which now only 250 are on the farms. The main part of the scheme has been development schemes, irrigation, roads, railways, dam works, and things of that kind.

2487. Has much been done?—A good deal has been done.

2488. What proportion of the £1,163,000 has been spent upon development?—The actual expenditure on the schemes is as follows: On the Lachlan River Scheme, which is a development scheme, nothing has been spent during the year under review. In South Australia there are three schemes, a water supply scheme, a water conservation scheme, and an afforestation scheme, all development schemes. £92,563 has been the total expenditure by us upon those.

2489. Development in South Australia £92,000?—Yes.

2490. Who settled those schemes?—The Australian Commonwealth Government.

2491. Australian or South Australian?—The actual process is this: The Commonwealth Government set up a Development and Migration Commission which was, I think, one may fairly say, an extremely able and well instructed body. It was open to the State Governments to put up schemes of development within their State, which they desired to have carried out under this agreement. Those schemes had to be considered by the Commonwealth Development and Migration Commission, who considered them very carefully. They visited the spots and took

every kind of evidence and made every kind of examination.

2492. You say that of your own knowledge?—I say that of my own knowledge.

2493. Have you kept watch over it in your Department?—Yes. They then reported to the Commonwealth Government, and if the Commonwealth Government were satisfied that it was a scheme which ought to be approved under the £34,000,000 agreement they then submitted it to the United Kingdom Government for approval. We, at the same time, had a representative in the Commonwealth for migration, who would give us his comments upon the value of the scheme from the migration point of view, and upon the basis of those various reports, and in consultation with the Treasury, whose approval, of course, is in every case required, the scheme was approved or disapproved, as the case might be.

2494. What proportion of the development schemes was undertaken by this country? We spent £92,000 in South Australia. Did we pay a percentage of any expenditure upon schemes which the Commissioners agreed should be done?—Roughly speaking, our expenditure is one-fifth of the total amount advanced by the Commonwealth Government to the State Government, for the purpose of carrying out the scheme.

2495. That is what you were speaking of just now?—Yes. I could give the total cost of any scheme here, or our expenditure in respect of it, but roughly they are as five to one.

2496. What other development expenditure has been made beyond the £92,000 in South Australia?—It should be £134,793; £92,000 was for a previous year.

2497. That is South Australia. Have the different colonies been equally dealt with?—It simply depended upon what they put up. The next scheme I have here is the Western Australian scheme, where there are altogether 12 schemes. I am putting out the settlement schemes at the moment.

2498. I am dealing with development: Three schemes in South Australia, twelve in West Australia. What did we spend upon those?—Of those twelve three are settlement schemes which I must cut out.

2499. Yes. Nine development schemes?—The total expenditure on development schemes is £823,490, less £433,009, which is in respect of settlement.

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[Continued.]

2500. Roughly £400,000? — Roughly £400,000.

2501. £400,000 to Western Australia. What about Victoria?—They are all settlement schemes in Victoria.

2502. No development schemes in Victoria?—No.

2503. Are there any development schemes in New South Wales?—Not in the present year.

2504. Are there any development schemes in Queensland?—Not in the present year.

2505. Are there any development schemes in any other part of Australia?—No.

2506. Then I have the total, rather over half a million?—Yes.

2507. Are any of these schemes completed?—Practically all the Western Australian schemes are completed.

2508. The development of Western Australia under the schemes is completed. Are there others in contemplation?—Not at the moment.

2509. Is the expenditure still going on, or is it all over?—We still have a certain amount of the Western Australia expenditure to pay, because we pay 12 months in arrear.

2510. Have you any control over the amount spent, or is it all settled by the agreement and by the actual Commissioners?—The original scheme includes estimates of expenditure, and unless we were satisfied that those estimates of expenditure were reasonable and proper we should not approve of the scheme.

2511. You have no means of satisfying yourself, have you?—None, other than the examination to which I have referred, by the Commission and our own representative there.

2512. Has he a seat on the Commission?—No, but he is in very close touch with them. They know that without his approval they would not get a scheme through.

2513. Have you had any kind of general report by him as to whether the work has been well done, whether the development is satisfactory, and whether he, having been in at the inception, is satisfied with the conclusion?—We have general reports from time to time on all the schemes that he sees.

2514. It is particular reports I am after?—As regards particular reports, of course he is not an Engineer.

2515. Quite?—He cannot report technically on irrigation schemes or things of that sort; he can only say that the amount of irrigation which it was in-

tended to produce by the scheme, if it was completed, has been produced.

2516. I wonder what the Treasury thinks of this; they are controllers of our expenditure to some extent. Do you think it is possible to keep the same control over money granted to a Commission in Australia, the Australian Government spending, as it were, on behalf of this country, as you do over the expenditure in this country?—(Mr. Waterfield.) No, it is not. Of course, we have the satisfaction of knowing that Australia is contributing, roughly, four times as much as we contribute.

2517. You depend upon that for their not drawing too much?—There is no doubt that the scheme has not worked as satisfactorily as we had hoped at the time.

2518. Do you think that our paying one-fourth of what they spend is a temptation to them to spend money on schemes which they otherwise would not do, and which it might be imprudent to undertake. I want the Treasury view?—I think probably the opportunity of borrowing cheaply is a temptation in certain countries.

2519. Do you think it has led the Australian Government to undertake work which perhaps it might have been better if they had not undertaken and which they would not have undertaken if they had had to undertake it at their own risk?—(Mr. Whiskard.) Undoubtedly one object of the agreement was to induce them to undertake development work which they would not otherwise have undertaken, so as to increase the absorptive capacity of the country, and so increase migration. Whether that was wise or not I am not asked to say.

2520. I will ask it at once, because it is after the event, and now is the time to speak. It is expenditure which you are watching?—Yes. As we have not got at the moment an upward economic tendency in a country like Australia, where there is obviously immense room for development, it may well be a wise policy to encourage them to carry out development which they would have felt otherwise, on their own resources, unable to carry out.

2521. On the whole you are satisfied that the machinery of the scheme, the Commission and your watcher on the spot, and the fact that the Australian Government has to find a great deal of money to do it, does secure that they do not undertake hare-brained schemes, but

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that the thing has been well done on the whole?—Yes, I think so.

2522. That is your opinion?—I think so.

Major Salmon.

2523. Do I understand that the sum we agreed to spend was £34,000,000 in total?—No; that is the total amount which can be advanced by the Commonwealth Government to the State Governments, of which our share would be about £7,000,000.

2524. Being 20 per cent. of the figure?—Yes.

2525. Of that potential liability of £7,000,000, we have spent already £1,163,000?—Yes.

2526. You have already given details of an expenditure, in round figures, of half a million?—Yes.

2527. You have yet to explain how the balance has been absorbed. Do I understand that has been spent under settlement schemes?—Yes.

2528. Do those settlement schemes mean settlement for a number of persons who are already out there, or is it preparing the ground for other settlers who may go out?—Clause 6 of the agreement provides that (a) for every principal sum of £1,500 issued by the Commonwealth Government to a State Government in connection with agreed undertakings for the settlement of persons upon farms, the State Government shall provide one new farm; “(b) within twelve months of the issue of the said principal sum to the State concerned one assisted migrant family consisting on the average of four persons without capital shall sail direct from the United Kingdom to the State concerned, and shall be received into and satisfactorily settled in that State”—not necessarily on that farm, but in that State—“(c) at least one-half of the new farms provided by the State Government shall be allocated to assisted migrants who have sailed from the United Kingdom since the 1st day of June, 1922, and have not been resident in Australia for a period of more than five years at the date of allocation.”

2529. Therefore under that scheme, we should have a certain number of persons settled on farms?—Yes.

2530. How many should we have had, having regard to the fact that there is an expenditure, in round figures, of £600,000. It really means £1,500 into £600,000, does it not?—The position is

that the obligation is to settle within the State and not upon the farm, but that one-half of the farms shall be allocated to people who have not been in the State for 5 years. It does not necessarily follow that they must continuously remain on the farm. Of course there is, in Australia, to an extent which is quite unusual in this country, a flux of people on and off the land.

2531. How do you check that the agreement is being carried out satisfactorily if you have such a fluid interpretation of the agreement?—We check by inspection of the actual settlements, from time to time, by our representative. The last inspection was in the case of the Western Australian Group Settlements, where, I think I am right in saying, that something like 63 per cent. of the settlers are British migrants within the terms of this agreement, so the numbers in that particular scheme had been considerably in excess of what was laid down in the agreement?—(Mr. *Waterfield*.) The £34,000,000 agreement is now practically in suspense. We have intimated to the Australian Government that we are willing to regard it as entirely closed, and leave it to be considered when Australia's position enables them to absorb a larger number of migrants. We can only say it is extremely unlikely that we shall sanction any new schemes under the agreement as it stands.

2532. The British Government, having spent roughly £1,163,000, are free to say that is the end of their liability, and they can consider *de novo* any new scheme?—Not formally, because Australia has not agreed that the scheme shall be closed, and we have further payments to make on account of approved schemes now in progress, but that, practically, is the position. (Mr. *Whiskard*.) I am afraid I should differ a little from the Treasury point of view. I think if, and when, the economic position of Australia changed, so that Australia herself was willing to renew the assisted passage agreement, and asked for migrants from this country, there would be a fairly strong moral obligation on us to consider any schemes that were put up and to go on with any schemes that were approved.

2533. Have we a contingent liability, in so far as that if times happily were to become more propitious in Australia we should be morally bound to continue the obligation we entered into a few years ago, marrying us to a potential

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expenditure of £7,000,000?—Subject to the submission of satisfactory and acceptable schemes, I think, yes. (Mr. *Waterfield*.) I am afraid I could not agree to that.

Chairman.

2534. I take it the Treasury feels that the Department has been unable, through no fault of its own, to carry out the policy laid down by Parliament, and that a large sum of money has been spent which has not given effect to the wishes of Parliament?—No, I would not say that. I think everybody must regret that they entered into this agreement in 1925 in this particular form; and that it might have been devised in a more satisfactory way to effect the result desired by Parliament, but I do not wish to criticise the Department in any way for its execution of the scheme.

2535. I did not say that. I said "through no fault of its own." Circumstances have paralysed its efforts?—I think experience has shown that a scheme of this sort is not a satisfactory way of assisting migration. I think it is impossible to say that a single migrant went from this country because of this scheme who would not have gone otherwise, because the settlement of migrants was not directly connected with the expenditure of money. It is arguable that the absorptive capacity of the country in future will be increased by reason of this expenditure, so that a greater number of migrants will be encouraged to go. Some may have been encouraged to go, but it is impossible to prove directly that we have succeeded in increasing the number of British migrants in Australia by reason of this expenditure.

2536. Is Sir Malcolm satisfied that the accounts have been satisfactorily administered and audited so far as they refer to the development schemes?—(Sir *Malcolm Ramsay*.) So far as the accounting goes, I have nothing to report to the Committee. The Department have done their best in what was a very difficult position, and some of the difficulties flow from the defects of the original agreement. It did not provide for all sorts of accidents that might happen, but so far as the administration of it goes, I have no quarrel with the people who have been working hard to carry it out here.

Mr. *Butler*.] I want to ask a question about this Voluntary Society.

Chairman.

2537. Mr. Whiskard, you told us that the Voluntary Society was run by a man of great administrative ability, but no financial ability, and I asked why, if the financial administration was bad, you continued to subsidise it, and you gave an answer, I believe. You told us about the particular man?—(Mr. *Whiskard*.) As a matter of fact I did not quite finish what I was saying.

2538. Tell Mr. Butler now?—The position is this: So far as the second part of paragraph 28 is concerned, the Society referred to has started this scheme of settlement in Canada which, from the settlement point of view is a complete success, and I think will turn into a very flourishing community, but he has not collected any rents. We are pressing him very earnestly to collect the rents. I think even so, we have got a good return for our money, but we ought to have got a better return for our money. That is really what it comes to.

Mr. *Butler*.] I think that explains itself.

Chairman.

2539. We will go to paragraph 29. I find nothing on paragraph 29, except the last five words of the first paragraph, and you will see that is dealt with on page 76. I therefore advise the Committee, if they will take my guidance, to leave paragraph 29 and go to page 74. The Committee will note there has been a large under spending owing to the economic situation. The general question we have to put to Mr. Whiskard is whether men are really being settled satisfactorily, and he will perhaps tell us the cost. The estimates give pretty full details of the various schemes, and I think Honourable Members have seen those estimates, and may refer to them or may remember them. On page 75, if one looks at note H below, it says: "the receipts in respect of Assisted Passages and Land Settlement Loans were less than anticipated by reason of the economic conditions overseas." Economic conditions mean less repayments, do not they?—(Sir *Malcolm Ramsay*.) They have affected it both ways; they have caused under-spending, and we get less back because the people have less to pay.

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[Continued.]

Mr. Lathan.

2540. Reference is made to the under spending being due to economic conditions. The question that arises in the minds of some of us is whether a little more generous spending might not affect the economic conditions in a way that is desirable. Has that aspect been considered?—(Mr. Whiskard.) I am afraid I do not see how spending by the Department could affect the general economic situation of the Dominions to such an extent as to make them attractive to migrants, rather than the reverse. The position at the moment is that agriculture in the Dominions is not producing any kind of return which either encourages the farmer to employ labour, or encourages new settlers to go out in the hope of making a fortune on the land, and, in point of fact, the Department is refraining from giving any encouragement to people, in the present immediate circumstances, to go there unless there are already vacancies for them, or we are quite certain that there is room for them.

2541. You are satisfied that no artificial stimulus could be usefully applied at this time?—Whether any large artificial stimulus in the way of high policy could be applied is rather outside my competence.

Mr. Butler.

2542. There is just a question of getting something clear about assisted passages. I see, on page 74, the grant, and on page 76 the loans in connection with passages. On page 74 it is actually a grant which is not recoverable. Is that right?—Not wholly.

2543. How much is recoverable?—It depends on circumstances. Under various schemes irrecoverable grants are given by way of assistance for passages, and where the balance payable by the migrant cannot be paid by him, arrangements are made to give him, in addition to his grant, a loan which is recoverable, so that the expenditure under sub-head D is, divisible between grants and loans, and the Return on page 76 shows the recovery made in respect of so much expenditure under Sub-head D in previous years as was loans.

2544. It is rather difficult to follow presented in this manner?—Yes; I am afraid it is not differentiated in Sub-head D. (Sir Malcolm Ramsay.) The schemes are very complicated. There are many varieties of them.

2545. I understand there is £160,731 outstanding on loans?—(Mr. Whiskard.) That is so. Some of them run back to 1922.

2546. What chance is there of any of them being recovered?—In regard to the old loans I should say not very much. I could give rough figures. Taking passage loans to Australia granted in 1922-3 16 per cent. is outstanding. That might to all intents and purposes be written off. It is for the Australian Government and not for ourselves to write it off, and that is why it remains on those books. For 1923-4, 35 per cent. is outstanding. For 1924-5, 28 per cent. is outstanding; for 1925-6, 25 per cent. is outstanding; for 1926-7, 25 per cent. is outstanding; for 1927-8, 25 per cent. is outstanding; for 1928-9, 43 per cent. is outstanding; and for 1929-30, 68 per cent. is outstanding. Of course, they are payable over a period of years, so it is natural that for 1929 68 per cent. should be outstanding, and for 1928 43 per cent., but some of the old recoveries are, to all intents and purposes, gone.

2547. How long are they likely to remain upon your books?—It depends on what the Commonwealth Government do. They are primarily responsible for collection, and they themselves have contributed towards the loans, and when they write them off we shall be quite happy to write them off.

2548. Have you made representations to them?—We have written to them, but it is contrary to their normal policy to write them off.

2549. You have had answers to that effect?—Yes, I think we shall write them off our books, irrespective of the local Governments before long, wherever we think they are irrecoverable.

2550. The Market Harborough scheme is for domestic training under Sub-head F?—Market Harborough is a training centre for women for domestic service overseas.

2551. The saving was due to what reason?—The closing down in the requis-

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[Continued.]

tions from the Dominions for women for domestic service.

2552. Can you say that the economic depression affects domestic service?—Personally I should have thought not, but as a matter of fact the Australian Government have shut down the assisted passage agreement for domestic service as well as for all other forms of migration.

2553. When I was in Australia I found a great demand for this class of migrant. Is there any possibility of its being re-opened?—Not immediately. That probably would be one of the first categories to be re-opened, but there is no prospect of its being re-opened this year, for example.

Major Salmon.

2554. As regards not keeping the details of the loans? In the future will not that make it more difficult for you to collect?—The collecting authority is the Oversea Government, and we see no reason why we should have those accounts kept in detail on both sides of the water. They are kept in detail there, and certified by their Auditor-General.

Sir Assheton Pownall.

2555. Could you give the nett figure of migrants, deducting those who have returned, who are allowed for in this £852,000. You gave a plus and a minus, and I could not do the sum quickly enough?—The nett figure for 1929 is roughly, 62,951.

2556. All of whom benefit directly or indirectly from this Oversea Settlement Fund?—No, not necessarily.

2557. I thought it seemed very large. I want to know the number of those who benefited through this Oversea Settlement expenditure?—I could not give the nett number of assisted migrants, because of the returned migrants. We have no distinction between the assisted and the unassisted.

2558. I thought you gave a figure?—The figure Sir Malcolm gave was the

total figure of persons returning permanently to this country. (Sir Malcolm Ramsay.) Yes.

2559. So you cannot say how many of the migrants who benefited by this expenditure came back to the country?—No.

2560. What was the total number of migrants who benefited by this expenditure?—The total assisted migration was 35,073.

2561. You do not know how many of those came back?—No.

2562. In paragraph 29 on page xi, Sir Malcolm says there is delay in getting certificates of the Auditor-General of Canada. Have you raised the question with him?—(Mr. Whiskard.) We are constantly raising it. (Sir Malcolm Ramsay.) We wrote to the Auditor-General of Canada and we await his report.

2563. When we did these accounts last year they were four years behind; they are now five years behind. Did we take any action last year?—We have now got a reply. We expect his report on the 1st April. (Mr. Whiskard.) We have constantly raised it. We wrote to them in December and they said they were busy with their election accounts still, and then we wrote again recently.

2564. The election accounts being presumably before 1926?—Yes.

Mr. Leif Jones.

2565. Grants in aid to voluntary societies, £43,000 under subhead A. Do you keep in touch with these societies to see that the accounts are properly kept? All their accounts come up to us. We can only make a grant of 50 per cent. of their expenditure. We are not permitted, under the Act, to do more than that. Therefore we pay in arrear against their certified audited accounts, subject to an overriding limit.

2566. The accounts on which you pay are certified and audited before they come to you?—Yes.

(Mr. Whiskard withdrew.)

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[Continued.]

On VOTE 4.

DOMINIONS OFFICE.

Sir EDWARD J. HARDING, K.C.M.G., C.B., called in and examined.

Chairman.] We will go to page 63, Class II, Vote 4, Dominions Office. I have no note to direct Honourable Members' attention to anything on those two pages 63 and 64.

Major Salmon.

2567. Why is Oversea Settlement Department mentioned here. We have just dealt with Oversea Settlement?—(Sir Edward Harding.) The explanation is that the staff of the Oversea Settlement Department comes under the Secretary of State for Dominion Affairs.

Sir Assheton Pownall.

2568. If the staff comes under him there is no vote here for staff. There is travelling and incidental expenses, but not staff?—The salaries appear under subhead (A).

Sir Assheton Pownall.] It is shown as if there are travelling expenses, but no individuals who are drawing the travelling expenses.

Chairman.] It is explained at the bottom. If Honourable Members wish to say nothing further, I take it they pass those two pages.

Chairman.

2569. On Vote 5, Dominion Services. We will go to page ix, paragraph 25. The last payment by us to the Irish Free State Government was £333 4s. 4d. At the bottom of the page there is, recoverable £30,849. How are you going to get it?—(Sir Edward Harding.) I fear that is rather doubtful.

2570. What does the Treasury say to that?—(Mr. Waterfield.) I am afraid I can say nothing. (Sir Edward Harding.) The reasons are two. The first is that correspondence is still proceeding between the Government here and the Government in Dublin as to whether the whole of that £30,000 odd shown here is properly recoverable. The Irish Free State take the view that only part of that expenditure is recoverable, and the Government here take the view that the

whole of this amount is recoverable, and correspondence on that point is still proceeding. The second point I might mention is, that I am afraid that actual cash will not be recovered pending the passing of legislation in the Irish Free State Parliament, which is expected to be introduced shortly.

Sir Assheton Pownall.

2571. They first of all say they should not pay at all, and then the question of cash arises. If they are not going to pay you will not get cash?—There is no question that about one half of this is repayable. The only question is whether it is the half or the whole.

Chairman.

2572. We will go to Vote 5, Class II, Dominion Services. The pointers I have to mention are these: at the bottom of the page, C.3, as to the position of Swaziland, have the conditions improved with regard to the terms of settlement for that loan? Over the page, Grants, that is the Wood Renton Committee, I suppose?—Yes.

2573. Subhead F.4 we have just dealt with. It is a remanet?—(Sir Malcolm Ramsay.) Yes.

2574. Are you satisfied, Sir Malcolm?—Yes, there is nothing irregular on the Vote.

Major Salmon.

2575. On subhead D: "Telegrams on Dominions Service," the expenditure has gone up nearly £3,000 over the Estimates. Perhaps we could have some reason for that? The grant was £6,000 for telegrams on Dominions Service, the expenditure has been £8,954?—(Sir Edward Harding.) Yes. There is a note at the bottom of that page which explains those differences. The first was that owing to the formation of the Imperial and International Communications, of which you will of course be aware, the recovery of charges was expedited.

2576. What do you mean by "the recovery"?—The recovery by the Cable Companies from the Government was expedited.

26 March, 1931.] Sir EDWARD J. HARDING, K.C.M.G., C.B. [Continued.]

2577. They sent in their accounts earlier than usual?—Yes; we had to pay five quarters instead of four in this year.

2578. Will next year's estimates be closer?—I think that is so, but I would not charge my memory exactly.

Mr. Lathan.

2579. Under subhead A, "Passages of Governors-General, expenditure £6,900"; how many Governors-General will that cover?—I think there is a little note on page 68 at the bottom which gives the various items of that. It says at the bottom "Statement of expenditure".

Sir Assheton Pownall.] And it is their staffs.

Mr. Lathan.

2580. Is that so; their staffs as well?—Yes; it is a question of a lump sum payment which covers expenses.

2581. On page 66: "Compensation advances". Under Subhead F.1 there is £801,000 expenditure, there is an increase of nearly £4,000 on the estimate. Could you tell me what the compensation is for?—Yes; you will remember there was very serious disturbance in Ireland at various times after the formation of the Irish Free State, and these awards were made on the recommendation of the Committee presided over by Sir Alexander Wood Renton, with two colleagues, to persons who had suffered in various ways in consequence of those disturbances.

2582. For loss of Office under the State?—No.

Chairman.] Physical injury; burning and violence.

Mr. Lathan.

2583. Loss or physical injury during the Civil War?—Yes.

2584. We are still paying £801,000 at the end of the present year?—That was the end of it.

2585. This represents the total amount paid?—No; this is the last item, and there were amounts in earlier estimates, I think in two previous years, but the total certainly was a good deal more than that.

Mr. Butler.

2586. I want to ask you about subhead B, Nauru and Ocean Islands Phosphates?—May I make an explanation. I am very sorry to have to tell the Committee that Sir George Saltmarsh, who was the representative of the United Kingdom Government on the Phosphate Commission, was killed very tragically last Sunday. He would have come before the Committee.

Chairman.

2587. We put on record our deep regret. The Nauru Phosphates was a very long story. I do not know that we can deal with it now?—(Sir Malcolm Ramsay.) May I send the honourable Member the reference?

Chairman.] It is quite voluminous.

Mr. Butler.

2588. I do not wish to take up time now. With regard to Swaziland, the expenditure was £7,000 less than granted. This is shown in the Estimate as a Grant in Aid with no surrender proviso. What is the explanation of this round sum of £7,000?—(Sir Edward Harding.) What happens is that the grant is fixed with reference to the anticipated requirements of the year. At present, unfortunately, Swaziland is not in a position to support itself, and should the amount not be spent, the balance is taken into account in fixing the grant for the next year.

ON VOTE 6.

EMPIRE MARKETING.

Chairman.

2589. Now we will go to page x, paragraph 26, Empire Marketing. Are you going to answer for this?—(Sir Edward Harding.) I think it would be more convenient if Mr. Tallents, who is the Secre-

tary to the Board, were to answer to this.

2590. We will take Mr. Tallents on that, and release you, Sir Edward. I do not know whether you would care to convey to Sir George Saltmarsh's relatives an expression of our sympathy?—I should be very glad indeed to do so.

(Sir Edward Harding withdrew.)

26 March, 1931.] Mr. S. G. TALLENTS, C.B., C.M.G., C.B.E., [Continued.
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Mr. S. G. TALLENTS, C.B., C.M.G., C.B.E., and Mr. W. P. HILDRED, called in and examined.

Chairman.

2591. On page x, paragraph 26, I have some notes to put to you. I am going to ask you for some particulars of these films. You might like to tell us what they cost and what the takings are, and what other people's opinions are about their success or failure, and if you are going to make any other films. We put you through a good deal of examination last year. Tell us what you did not tell us last year, so that we do not have to go over last year's work again. (Mr. Tallents.) To take the first film mentioned in the Notes, "Drifters," the total cost was £2,498 odd.

2592. It is a very good show, but does it make a man eat an extra fish?—We believe it calls attention to the Home Fisheries very effectively. Up to the present time we have had back in receipts from bookings £1,011. We know that £50 more is due to us. It is still continuing to book. The material will probably be booked in other forms hereafter. We have had another film made from that material without charge against this account.

2593. Have you covered your costs yet?—No, not yet. At least not on that basis. The total costs were, roughly, £2,500. We have had over £1,000 back. We have had from that material another film for non-theatrical production. We have had various short pieces out of it, and we reckon it has been seen, on a very conservative estimate, by over 1½ million people. It has brought a lot of prestige to the Board in the form of film critiques and books on the film industry, and that notwithstanding that it was a silent film emerging on to a "talkie" world.

Sir Robert Hamilton.

2594. Where are the receipts shown?—If they were shown they would be in the left-hand column on page 69. I think they are all subsequent to that year. (Sir Malcolm Ramsay.) They are not in this account; they come in next year.

Mr. Denman.

2595. As to the other film, "One Family," you were going to tell us some facts about that. When we are told that

it was decided "to synchronize it as a sound production," that means, convert it to a "talkie," I take it?—Yes.

2596. You were going to tell us the history of that film?—That film's production began in May, 1929, under a contract with British Instructional Films, Ltd., whereby its net cost was not to exceed £15,220. Overhead charges in addition were to be paid at the rate of 10 per cent. on that sum, making a total of £16,740, of which the Board would not bear more than £15,740, the Company, in other words, contributing £1,000 to that total, and in addition undertaking to bear any excess costs which might be involved in the course of production. It was planned as a silent film, which was the only type of film then under consideration. Its silent version was completed in December, 1929, at which stage the "talkie" invasion had begun. We were advised by the producing company that it was essential that it should be post-synchronized. We proceeded to post-synchronize it, and it came to be Trade shown in July last year, 1930. The total approved cost is £17,000 odd; the maximum for which the Board is liable under the contract is £15,740, and that leaves £1,357 to be borne by the Company. There are one or two marginal questions at present in discussion between the Treasury Solicitor and the Company's Solicitor as to small subsidiary films made out of the material shot for this film.

2597. And the takings are insignificant?—The takings hitherto are insignificant.

2598. Is it withdrawn, or are you still showing it?—It is open to be booked; that is to say, it is in the hands of the distributing company.

2599. Are you continuing cinema enterprise, or are you rather closing down that activity?—No, we are continuing cinema enterprise, but not in the form of a first feature film, which this "One Family" was to be. We hope in the next year to produce a film which is to be a "talkie," dealing with the trade in and out of the Port of London. I have been advised by the Booking Officer of one of the biggest single circuits in the country that there is a good market for single reel synchronized interest films, and we have brought one up to the

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silent stage, dealing with Canadian lumber. He saw that, and he assured me that if we had it synchronized he would book it at once for all his theatres. We are now synchronizing that. We have in the last year produced a considerable amount of material for non-theatrical showing. I should have mentioned that the same man who produced "One Family" has also produced a short theatrical film called "A Southern April," a film dealing with South Africa, which was very well reviewed, which has so far brought in not very large receipts, but about £50. It was a single-reel film only, and it is still in the distributors' hands.

2600. This is part of your programme for general Empire advertisement, I take it?—Yes.

2601. Without the specific purpose of any recognisable financial return?—It is part of general Empire propaganda. Some of it becomes more definite. For example, we make quite short films for display on a special automatic projector that we set up in exhibitions, in the shop we now have at Birmingham, and in the central station at Birmingham, while the shop is going on. They are very short films, dealing with Australian wool, Australian peaches, Indian tea, National Mark eggs, and so on. We have also made a certain number of short films, all of these practically out of old material borrowed from other oversea sources for use in the Imperial Institute, for schools and so on.

Chairman.] I suggest we leave paragraph 26 now, and I think we could get a wider discussion if we went to the Vote itself on page 69.

Sir Robert Hamilton.

2602. What does this film represent, "One Family"?—It was based on the recipe given by the King's cook for the Empire Christmas Pudding, but it shows the production in the different parts of the Empire, in the shape of a boy who passes through a dream, of the different ingredients of the pudding in South Africa, Australia, at home, and so on. It also included a considerable amount of material in Buckingham Palace.

Sir Assheton Pownall.

2603. The receipts from exhibitions will appear in the next year's account. Could

you say at all how they come out with regard to "Drifters"?—I cannot say exactly for that account, but up-to-date the receipts are £1,011 15s. 5d. actually paid to the Board, and about £50 known to be due to the Board in respect of rentals up to the 1st January.

Major Salmon.

2604. With reference to the "One Family" are we storing this film, or are we offering the film to anybody who will show it at their cinema?—The film is in the hands of a distributing company offering to be shown.

2605. Free?—No.

2606. If you know that it is not going to be a financial success would not it be well, looking at it from the angle of propaganda, for the Board themselves to notify users of films that they can have this if they give it so many shows?—I think undoubtedly it should have eventually considerable opportunities of non-theatrical or non-paid release, but we are under contract with this company, and I think at the moment we should hardly be at liberty to go to that extent.

2607. For how long a period are we under contract with the company?—I do not think the period is limited.

2608. Is it an unlimited period?—I am sure the company, at the point at which they found it had no further interest, would terminate the contract. It is the customary form of distributor's contract. I think it has no term. (*Mr. Hildred.*) There is no definite contractual term left, but it would be a bad business move to take it away from them at the moment.

2609. How long have they had it?—(*Mr. Tallents.*) It was shown first last July, a special pre-release at the company's expense.

2610. We spent £15,000 on it?—Yes.

2611. They have spent only £1,000?—They have spent only £1,000, but they will have to bear a certain margin over that, about £300 probably, in view of excess expenditure, and at the point at which the film was completed they advised us that it should have a special pre-release in London, of which they undertook to bear the costs, which they estimated at £5,000, subject only to a call on the bookings to take effect, not immediately, but after the Board had received £1,000 back.

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Major *Salmon*.] We shall probably know some more about it the next time this witness is before us.

Captain *Crookshank*.

2612. Do I understand the only value of it, in your opinion, is the propaganda value of it, which cannot be assessed?—As things have happened, I doubt if the film will produce revenue to the Board in the same way that “*Drifters*” has done. It suffered acutely from the fact of the “*talkie*” invasion coming on at the moment when this film, which was originally a silent film, was completed up to the silent stage.

2613. If you are only going to get your return in propaganda value, you have to bear in mind that a bad film is bad from a propaganda point of view, and much worse than not having one at all?—I am sure it would be.

2614. It is a matter of opinion as to how far this particular film, or either of these films, is good?—Yes, that applies to any film.

2615. Therefore it shows it is rather a dangerous field for a propagandist body like yourselves to go into?—That applies to all publicity activity, I think, does not it? Posters, for example.

Chairman.

2616. Let us go to page 69. I will make a remark about what has occurred to me on this page. All the items are detailed on pages 70 to 73, and they have been sanctioned by the Secretary of State, who is entitled to exercise supreme control by virtue of the authority given to him by the House of Commons. Will you say Yes or No, Mr. Tallents, to this question: Did the Imperial Conference of 1930 suggest the reconstitution of the Board?—The Conference Resolution read like this: “The Board should therefore be constituted as a body with a fixed annual income with a provision enabling it to receive such other contributions from public or private sources as it may be willing to accept for the purpose of furthering the marketing of Empire products.”

2617. What has happened?—Under the last words, as you may have seen in the paper this morning, the Board has attracted a grant of £30,000, but if you

mean what has happened in the constitution, that is still under consideration by the Secretary of State.

Captain *Crookshank*.] A question was answered to-day that a Committee has been set up; Mr. Thomas told us so.

Chairman.

2618. The expenditure has grown from £562,000 in 1928; I was a Member of the Board in 1928-9, and we had some re-arrangement under the Treasury recommendation. Was not I a Member of the Board?—You were a Member of the Board, and a Member of all its principal Committees.

2619. It grew from £562,000 in 1928 to £652,000 in the year under examination, but still the Board are not spending up to the limit at any rate within which Parliament has allowed them to move. I think it would be advisable for me to ask Mr. Waterfield this. The Treasury had some very strong opinions about this. Are their opinions just as strong as they were?—(Mr. *Waterfield*.) I am not the deputy of the Financial Secretary on the Empire Marketing Board, and I think it is rather difficult for me to express an opinion on this rather delicate question, but, as the Committee know, I think, the arrangements that have been made are very special between the Treasury and the Board, and it has been agreed that the Treasury control should be delegated to the Financial Secretary or his Deputy. He is a Member of the Board and all its principal Committees, and he sits with a vote and a right to make his opinion known, and to ask questions, and I think it may be said that that system works very well within the limits it is intended to.

2620. Is the Treasury happier than it was this time last year about the control?—Yes, I think so. It has been said, as a matter of policy, that that shall be the system of control. Clearly, if it had been possible for the Treasury to have obtained another system of control we should have preferred it; I do not think there is any question about it. This has been settled to be the system, and we are entirely satisfied that within that system, the working arrangements are satisfactory.

Chairman.] I have nothing more to say on pages 69 to 73.

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Mr. Denman.

2621. Is there any principle upon which you allocate money to a poster campaign; any proportion of your income?—(Mr. Tallents.) On poster sites, broadly speaking, our liabilities are fixed, because we have now 1,750 frames set up in 450 towns. We are economising considerably in the present year upon that campaign, our resources being restricted by having rather fewer posters, by letting our boards to the Ministry of Agriculture, who have special money for advertising the National Mark, and so on, and also by abolishing poster sites for which a heavy rent is charged.

2622. Lettings to the Board of Agriculture will bring you in further income?—Yes; it will save us the cost of a three-weeks display; whereas last year, we estimated to be found to have spent £67,000 on the poster campaign, under the arrangements which we are now bringing into force for the current year, it will be down to £43,000.

2623. Have you thought of letting those Boards for imperial trade purposes, for specific advertisements? I was thinking, for example, of the trade advertisements of South African oranges?—We have most of the sites that have been granted for these poster frames in public positions at very low rents, where ordinary advertisements would not have been permitted, and therefore we have not felt at liberty to let them for private advertisements, even if we had not wanted them ourselves, which, broadly speaking, we have. We discussed with the National War Savings Committee whether they would wish to do so, and beyond that we could not think of another body with money at its disposal for publicity purposes, who might be willing to be our tenants.

2624. Are not there bulk trade organizations which would advertise, not individual products, but the general products of a Dominion or Colony?—Most of the oversea governments have certain funds at their disposal in London, and there are produce boards also, but, broadly speaking, we want the posters. Given two periods of relief in the current year, we can manage upon this reduced Estimate which we have imposed upon ourselves, but we do not want to get rid of them; we want to use them ourselves.

2625. I should think that there is more doubt about the return from that money than from any other money which you spend?—It is down from £67,000 last year to £43,000 this year. It includes, beyond the display on the hoardings, the distribution of posters to schools, which bring in the most extraordinary response from the teachers and from the children who get them, sometimes.

Chairman.

2626. Did you notice there were some questions put down in the House inquiring what the posters meant and what they were aimed at? It appeared it was uncertain as to what object they were directed. That is rather a rebuke I think upon the schemes?—We have many rebukes, but I think the answer to that would be—

2627. Some tigers were eating some pineapples on one?—That was some of our shop window material. We had an animal representing each Empire country, by agreement with that country, and they advertised their different products: the Irish wolfhound had butter underneath him, and so on. They were extremely popular, but it is true they did give rise to some criticism from one of our Retailers' Committees, and we have now rather more direct and homely designs.

Sir Robert Hamilton.

2628. Are you extending your system of lecturing?—No; we have gradually reduced it from the year of account now under review.

2629. We had some discussion about it last year, I think?—In the year now under review we spent £10,403, but in the next year we dropped it sharply (that is to say in the current year now ending) to the estimated figure of £3,000 and in the coming year, we shall have dropped it again to a small and very direct system of lectures to cost half again; that is to say £1,500.

Sir Assheton Pownall.

2630. I do not think you have given us any figure for "Press Campaign." What was it in the year just ending?—In the year just ending it was £70,000. That year, in fact, included a large bill for

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advertising which took place the year before, but in the current year we have had to cut that almost wholly out owing to our restricted finances, and the estimate for the year beginning next month is £5,000 only, that is to say, local advertising in support of shopping weeks and at exhibitions.

2631. You speak of restricted finances. In the year under review there is £300,000 at the beginning of the year and you ended up with £200,000?—Yes.

2632. Therefore, you had that £200,000 two years ago unexpended which you could throw into subsequent years, surely?—Yes; but our Vote for the year into which that £200,000 was carried forward was agreed with the Treasury at a figure which made allowance for it.

2633. What was it?—The current year?

2634. Yes?—£550,000 excluding a supplementary Vote passed through us for the National Mark advertising of the Ministry of Agriculture.

2635. In other words you only drew from the taxpayer £350,000; the other £200,000 was unexpended balance?—No; we drew from the taxpayer £550,000.

2636. You have told me that was including the unexpended balance?—If I did, that was a slip of the tongue. (Sir Malcolm Ramsay): They have had the same Vote this year as last year.

2637. You told me there had been a big cut by the Treasury, yet the figure you are just giving me is the same as for the year under review?—(Mr. Tallents): It is in the coming year that we expect to have less resources than in the previous year.

2638. I thought the figure you gave me was for the year ending now?—£650,000 we estimate will be our expenditure for the year ending now: that is to say, practically the same as the previous year.

2639. The figures you just gave us showing the reduction from £67,000 to £43,000 were for the coming year?—In the coming year we have included our expenditure at £600,000, as distinct from £650,000.

Major Salmon.

2640. We had a discussion a year ago with reference to an official you had at a rather high salary for a certain position; is he still with you?—No; he resigned last December.

2641. What are you concentrating on, that you are reducing your direct public advertising?—We have at the moment slightly increasing commitments for scientific research, owing to our now entering the sixth year of our work, with the grants for research work mounting up. That is the cause of the expenditure. We are, at the same time, concentrating on cheaper and more direct activities in the form of market promotion. For example, we have had three inspectors visiting the local authorities, with the result that in over 100 cases they have submitted their tender forms to us, with a view to our suggesting alterations for particular items, so that Empire goods may be tendered for more readily.

2642. You have diverted your money from that of direct publicity to that of indirect publicity?—Rather, I think, from indirect to direct publicity. We consider these marketing activities very direct. Similarly, we have six canvassers, visiting all the shops that stock butter in the district running eastwards from Manchester towards Leeds, with striking results. In the last few months they visited 1,512 shops in Manchester, and in Stockport 467. They found that 57 per cent. in Manchester and 42.2 per cent. in Stockport were already selling Empire butter. Substantially, at this time, it means Australian and New Zealand butter. They had promises from 629 men who were not selling it in Manchester and 218 men who were not selling it in Stockport, that they would stock it in future, and on returning to the shops about three weeks later they found about 84 in Manchester and 72 in Stockport had kept their promises and were now stocking New Zealand butter.

2643. That is a very excellent method of dealing with it, and I was only interested in ascertaining what you found was the best means of advertising. You will find that appealing direct to the distributor is better than appealing direct to the public.—One other form of activity is the setting up of an Empire Shop, which we have embarked upon in the last 12 months.

Captain Crookshank.

2644. On page 71 there is an item, "British Economic Mission to Aus-

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tralia," £157, and on the next page, near the bottom, £184 10s. for the same purpose. Why should any of this have come out of this fund? Are not these Economic Missions normally paid through the Department of Overseas Trade?—As far as I know, all other missions have been so paid.

Chairman.

2645. Colonel Hacking, I believe, was in charge of it, and Sir Archibald Boyd Carpenter?—No; this was a Mission consisting of Sir Hugo Hurst, Sir Arthur Duckham, Sir Ernest Clark, and Mr. Douglas O. Malcolm, really by arrangement with Mr. Bruce and Mr. Amery when Dominions Secretary. The reason those two Estimates appear separately is that the first one, £157, was the closing payment of the cost of the actual mission. The payment shown on the following page was a payment to enable the mission to have a clerk to help them during the period which followed their return, when they were interviewing manufacturers. In one case we paid for it direct, and in the other case through the Dominions Office.

Captain Crookshank.

2646. The main part of the expenditure was in the previous year?—Yes.

2647. This was just a remanet charge?—Yes.

Mr. Butler.

2648. I want to ask one detail about this shop on page 73?—That was an experiment which we regarded as extremely successful. We took a shop for six months in the centre of Glasgow, put a fine shop-front on it, and made it over free to the various Dominions and the home Ministry of Agriculture for a fortnight at a time. It was so successful from the Board's point of view that they are now continuing the procedure in Birmingham, where the results appear to be even better. The sales in the shops have gone up greatly.

2649. Does that compete with the ordinary private traders?—No; we only sell samples in the shop. We agree with the private traders, and agree the size of samples. We have resolutions of the utmost goodwill from the Glasgow traders.

2650. With regard to sub-head F, "Research and Marketing," which amounts to £370,000, it seems when you look through the details, we are getting a great deal of excellent research for not a great deal of money. I do not know whether that is the view of the witness?—It certainly is my view, and the more so in that since the Board was founded six years ago, we have had over £500,000 contributed by other people to those researches. We certainly believe we have had extremely good value from our Research Grants.

2651. At the top of page 72, for research into mineral content of natural pastures, the Waite Institute, Adelaide University, Australia, gets £1,875, whereas for research into mineral content of natural pastures the Government of New Zealand get £2,169 7s. 9d.?—Both those grants are part of a scheme based on the Rowett Institute, which is shown separately.

2652. There is a general basis of allocation?—That case was a piece of team work done about the Empire. It was also carried on in Kenya, Southern Rhodesia, Adelaide and New Zealand. The work to be undertaken by each was agreed with the leader of the team, Dr. Orr, in Aberdeen, and the amounts voted were based upon what the estimates of the cost would be in each case. The grant to Adelaide was followed by two very large private gifts which put them in clover.

Mr. Lathan.

2653. There is an item on page 71 of £4,518 18s. 11d., "Research into the production and marketing of table poultry and eggs, etc." Do I understand that was divided between the two institutes named, or is it spread over the three headings?—The National Institute of Poultry is housed in the Harper Adams Agricultural College in Shropshire.

2654. This does not represent a grant to the Harper Adams College of £4,518?—Practically it does. It was a grant made on the appeal and strong recommendation of the Ministry of Agriculture.

2655. It struck me as being a fairly substantial grant for purposes of that character?—It was. I fancy it included

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capital expended for some premises extension.

2656. Could you help me to understand how the £49,152 at the foot of page 70 was expended on the marketing of agricultural produce; do you spend that in securing markets, or in actual purveying?—We agreed to make a grant of £40,000 a year for five years to the Ministry of Agriculture to show the Board's interest in home agriculture, and the whole of the working up of the National Mark scheme has, in fact, been done at the charge of grants made by the Empire Marketing Board to that Ministry. None of that money was spent directly by us. The Marketing work of the Ministry of Agriculture was financed by us.

2657. Do they go round in various agricultural areas or to other areas where the produce would find purchasers?—It is not actual marketing work, but, as I understand it, it is the whole building up of the National Mark scheme.

2658. Not marketing?—Not selling in any direct sense.

2659. There are two grants in respect of the organisation of egg marketing in Scotland, and the marketing of livestock in Scotland. I assume the expenditure is along much the same lines as that you have indicated in the case of the larger items?—Yes, in the case of the egg marketing they wished to experiment on a particular island to enable them to get a better price co-operatively for their eggs, but it was not selling. It was the organisation of a rather backward district in Scotland to get rid of their eggs remuneratively.

2660. It is not easy to understand how that money was expended?—It was done not directly by us, but by the Department of Agriculture for Scotland. They appealed to us to assist them in that respect.

Mr. Gill.

2661. According to the figures for the year under review, it would appear that the expenditure exceeded the year's income by about £100,000. Am I correct in that?—(Sir Malcolm Ramsay.) They are allowed to carry forward their balances in hand.

2662. I am thinking of what came in in the year and what was spent in the next year?—That is casual. It allows, as far as it can, for the balance in hand.

2663. On the money that came in during the year. Is it a fact that the expenditure exceeded that by £100,000?—If you mean the expenditure exceeded the grant of Parliament, the answer is Yes, but they had £300,000 which they were allowed to supplement that money by.

2664. That was there when they started?—That was left over from the previous year. Parliament has announced that it will give them a series of grants over a series of years, and within the total, they carry forward the unexpended balance from year to year, unlike other Departments.

2665. According to the book, the grant was £550,000 for the year under review, and the expenditure was £652,000?—Quite right.

2666. The extra expenditure was met by drawing on the balance that was brought in roughly to the extent of £100,000?—Yes.

2667. I understood from an earlier question that they were cutting down their expenditure to approximately £600,000?—(Mr. Tallents.) That is our estimate.

2668. The point I want to get at is: Is it wise to cut down your expenditure at this time on this particular work?—The cutting down consists in cutting our coat according to our cloth. When we made our estimates we thought we should have no balance in hand to carry forward. (We have made the best disposition we can of the money the Chancellor was willing to give us.

2669. I think with most commercial firms, when trade is bad, publicity gets rather more than when trade is booming?—I wish you would report that view to the Chancellor.

2670. Do the countries chiefly concerned make any contribution at all to this fund?—No; they do not.

2671. Has any effort been made in the direction of asking them to contribute?—The nearest reference to that, I think, would be in the resolution of the Imperial Conference, which said that the fund should be enabled to receive such other contributions from public or private sources as it may be willing to accept for the purpose of marketing empire products. They agreed to leave the door open in that way. That is the resolution of the whole Conference, not merely of the Cabinet.

26 March, 1931.] Mr. S. G. TALLENTS, C.B., C.M.G., C.B.E., [Continued.
and Mr. W. P. HILDRED.

2672. I was interested in the statement you made regarding the inspectors and the way in which they had got the provision dealers to take up Empire butter. The Empire butter will go through the hands of two or three importers. That will give them considerably more business. Do they make any contribution in a case like that? The advantage seems so direct that is going to come to the large wholesale importers. Do they pay

anything for that work you are doing on their behalf?—They pay nothing to us. As a matter of fact, about two months ago they put up a certain fund for publicity independently, in conjunction with the New Zealand and Australian Producers' Board. There was a difficult moment for the trade, and I know in fact they did join with them in giving some assistance, but not directly to us. They give great personal help to us.

(At this point Sir Assheton Pownall took the Chair.)

2673. I think you will appreciate my point. If you doubled the number of produce shops who are selling this butter you are going to increase the sale and the large wholesale importers here are going to gain an advantage?—Those who specialise in Empire butter.

2674. Have you any machinery by which you safeguard the consumer so far as the prices are concerned?—We have no price-fixing powers, but the effect of this activity has apparently been rather interesting in that way. Broadly speaking, it is a question at this time of buying either Danish, Australian or New Zealand butter. There has been a considerable margin of price between Danish butter, which has been more expensive, and the Empire butter, which has been less expensive, but I heard only last Monday that the main multiple shops in this area had dropped their Danish butter down to 1s. 3d., which was practically the Empire price, so the consumer has not only got what we should regard as better or as good butter, but has also got its rival to sell more cheaply.

2675. The demand you have created has not forced up the price of the Empire product?—Not in this particular case.

2676. That is a point that will have to be watched?—Certainly.

2677. I wanted to know if you had any machinery for watching it or safeguarding it if it developed. Have you the separate figures as to the amount spent on what might be termed purely research work, as against publicity and that type of work?—Yes.

2678. The title "Empire Marketing" is altogether misleading when you get down to details?—In the year under review we spent £376,737 on research.

2679. That really means that the larger portion of the money is expended on research work as apart from marketing altogether?—Yes; in the current year it will be about two-thirds of our expenditure that is estimated to be on research.

Mr. Gill.] I think if that were made a little clearer to people there possibly would not be some of the criticisms that one hears from time to time respecting this Department's work. The research side is apparent, growing and becoming the larger side, whilst, when we speak of £600,000 or £650,000 for Empire Marketing publicity, work and so forth, it gives altogether a wrong impression.

Major Salmon.

2680. Arising on that, would it be possible, when the Estimates are prepared in the future, for the Treasury to bear it in mind and divide it into two parts?—It is shown in various headings in the Appendix that follows the bulk Estimate.

Sir Assheton Pownall.] You see research and marketing under sub-head F.

Mr. Gill.

2681. It is a general heading. We hear it referred to as the Empire Marketing Board always, and until I began to look into some of these figures I had not the slightest idea that there was the large amount spent on research work that there is?—(Mr. Waterfield.) I think what is lacking in the Appendix is a summary under the various headings.

Sir Assheton Pownall.] That would be a very proper question to ask across the floor of the House of Commons: whether research and marketing could not be shown separately.

(Mr. Tallents withdrew.)

26 March, 1931.]

Mr. W. P. HILDRED and
Brig.-Gen. Sir SAMUEL H. WILSON, G.C.M.G., K.C.B., K.B.E.

[Continued.]

ON VOTE 8.

COLONIAL OFFICE.

Brig.-General Sir SAMUEL H. WILSON, G.C.M.G., K.C.B., K.B.E., called in and examined.

Sir Assheton Pownall.

2682. We will go to page 77, Class II, Vote 8, Colonial Office. There is no note of Sir Malcolm's on this?—(Sir Malcolm Ramsay.) I have nothing to say; it is all straightforward.

Sir Assheton Pownall.] Are there any questions on pages 77 to 78?

Major Salmon.

2683. In connection with the Estimates, Sir Samuel, you had an original estimate, and you asked for a Supplementary Estimate, and, as a matter of fact, you did not spend your Supplementary Estimate at all. You saved on your Supplementary Estimate under sub-heads A, B, C, and D?—(Sir Samuel Wilson.) The Supplementary Estimate of £9,100 under Salaries was in connection with the staff necessary for the Colonial Development Fund Committee, and also on account of bonus. The latter was paid at the rate of 70 per cent. instead of 65 per cent.

2684. If I may take you on sub-head A without detaining the Committee for more than a moment, you have under your grant a certain figure for salaries, wages, and allowances under sub-head A, and yet under sub-head D you have staff that you actually loan to other Departments. Do the staff that you loan to other Departments come under sub-head A?—Yes, they are paid on sub-head A, but they are loaned to other Departments and we got back £4,538 in the year in question.

2685. In arranging your establishment do you have regard to and provide for being able to loan a certain number of units from your Department?—Yes, a good number of these have been loaned for many years. There is one lady who was Mr. Bonar Law's private Secretary, and she has been for a very long time employed in the Prime Minister's Office.

2686. Is there any reason for keeping her on your establishment?—No: and as a matter of fact she has been taken off it within the last six months and transferred to the Treasury. There is also Mr. Marsh, now private secretary to

Mr. Thomas, who has been on our establishment ever since I have known the Colonial Office, nineteen years or more. (Sir Malcolm Ramsay.) One or two of these officers are abroad, and therefore carrying them on the Estimates costs this country not a penny, but it preserves their pension rights. If they are lent for five years they continue to be borne on the establishment. The Colony pays back the money the State are incurring, but the man is borne on the books and it preserves his pension rights.

Sir Assheton Pownall.

2687. Indirectly, there is a certain amount of cost upon us, because the Colonies are not bearing the proportionate cost of the pension?—(Sir Samuel Wilson.) No, the Colonies pay their share of this. The officers so lent were Mr. Marsh with Mr. Thomas, Miss Watson with the Treasury, Mr. Antrobus with the Ceylon Government; Mr. Cliffe in Nigeria; Mr. Creasy, who was paid for out of the Colonial Agricultural Service fund; Mr. Harper, who was with the "Discovery" Committee, and Mr. Lambert, who was with the High Commissioner in Canada.

Major Salmon.

2688. It must be very difficult for the Establishment Officer and the Treasury to keep any proper control in settling the number of units in a Department if there are numbers of the supposed Establishment of a Department loaned or seconded to other Departments of the State?—The Treasury watch that all right; we are the people who usually suffer.

2689. The Department would always make that an excuse for wanting more staff?—(Mr. Waterfield.) As regards Sir Assheton Pownall's point, the Colony or the Dominion would reimburse us the full cost, including a contribution towards pension.

Sir Assheton Pownall.] I did not realise that. It is rather an important point.

26 March, 1931.]

Mr. W. P. HILDRED and

[Continued.

Brig.-Gen. Sir SAMUEL H. WILSON, G.C.M.G., K.C.B., K.B.E.

On Vote 9.

COLONIAL AND MIDDLE EASTERN SERVICES.

Sir *Assheton Pownall*.] We will go to Class II, Vote 9, Colonial and Middle Eastern Services, paragraphs 30, 31, and 32. The Chairman had no note on those. Are there any questions on those three paragraphs?

Sir *Robert Hamilton*.

2690. Does that arrangement include the arrangement that has been come to with regard to the officers who are employed on the Iraq railways?—(Sir *Samuel Wilson*.) That is at present under consideration with the Iraq Government. It has not been finally settled. The numbers to be employed permanently are now under consideration: and the question is almost on the point of settlement.

2691. That comes into this arrangement?—Yes; it will follow on this arrangement for handing over the railways.

Major *Salmon*.

2692. On paragraph 32 the Auditor-General says: "I have not received the accounts for 1929." Are they generally late in being presented?—I am sorry to say they were late last year, also: and the hon. Member raised it at this Committee. The High Commissioner has however now been in communication with the local auditor and the accounts have come in. We asked for them in October, and we have not been able to get them. (Sir *Malcolm Ramsay*.) We have got them now.

Sir *Assheton Pownall*.

2693. We will turn to the accounts themselves, pages 79 to 88 inclusive. With regard to these Grants in Aid, Sir *Samuel*, are these figures being reduced from year to year, or do we make Cyprus and the other five places similar grants each year?—(Sir *Samuel Wilson*.) We try to reduce them every year. Each grant is discussed annually with the Treasury. I am sorry to say some of them are going up, and especially those to the West Indian colonies, the increase being on account of the sugar position.

2694. Cyprus is £92,000?—That is always the same. It is a fixed sum which is the amount of the old Turkish tribute.

2695. Did they pay tribute to Turkey formerly?—Yes: and when we annexed Cyprus, the Treasury insisted on their paying the tribute to us to assist in paying the interest on the Ottoman debt. It was a very controversial matter, which was only settled about two years ago. It was then arranged that His Majesty's Government should pay annually to the Colony the same amount as they paid us. In return for this arrangement the Colony pays £10,000 annually towards Imperial Defence.

2696. One would have thought Cyprus would be self-supporting by this time?—It is self-supporting; it is really a book account. His Majesty's Government still maintain that they are under an obligation to pay us the £92,800. They say they are under no such obligation. (Mr. *Watson*.) They pay us the tribute which was previously paid, and we make a Grant in Aid of an equivalent sum, which practically balances the two things.

2697. The two things cancel each other out?—Yes. (Sir *Samuel Wilson*.) The Treasury wanted to keep it in the accounts. (Sir *Malcolm Ramsay*.) It is stated on the face of the Estimate in great detail, so it was not reproduced here.

2698. With regard to subhead A.6., is there any repayment direct to the Exchequer on behalf of any of the other five Dependencies?—(Sir *Samuel Wilson*.) No.

2699. Those are actual payments from this country?—Those are Grants in Aid, but the Nyasaland one is a loan, and the interest on the money so loaned is added to the loan every year. They are paying us nothing back at present.

Sir *Assheton Pownall*.] Are there any questions on pages 79 to 88?

Mr. *Gill*.

2700. On page 81, under subhead D.3 there was a presentation of a silver watch and two pairs of binoculars. It sounds rather interesting, on the face of it?—That was to the King of the Hedjaz

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Mr. W. P. HILDRED and [Continued.
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when he met King Feisul. They met on a ship in the Persian Gulf. Through the instrumentality of the High Commissioner of Iraq a meeting was arranged.

Captain *Crookshank*.

2701. On page 88 are the actual details of scientific research of the Colonies. There seem to be only two items: one of which is sponges and the other is entomological research. How is it this has not by now been merged in the Empire Marketing Research Organization?—There are very small items of research work such as sponges which we did not think of sufficient importance to worry the Empire Marketing Board with, and it was agreed to continue this research fund. It is administered by a Colonial Office Committee presided over by Sir Halford Mackinder.

2702. Take Sierra Leone: the Empire Marketing Board has its feet there already; they have a fruit farm there?—It is merely a matter of convenience. I have been asked the question before by this Committee. This Research Fund was kept in existence. It has a balance of £4,435, and we are not voting anything to it now. £100,000 was originally voted to be spread over five years, and we spend very little. It is small things that can be done much more quickly than if we had to go to the Empire Marketing Board, but great care is taken to see that there is no overlapping.

2703. It is dying out. You are not going to keep it alive?—We want to keep it alive, but we are not crediting it with any money in the present year.

Major *Salmon*.

2704. On sub-heads C3 and C4, would you mind explaining the difference between the New Hebrides services at Suva (Grant in Aid) and the New Hebrides; Expenses under the Anglo-French Protocol?—You mean Tonga on page 80?

2705. Yes. I do not quite follow what is actually the difference between these two heads. What has the Anglo-French Protocol to do with the New Hebrides?—I will give you the details; sub-head C3 is a grant in aid to the administration of Fiji. The Governor of Fiji is also the High Commissioner for the Western

Pacific, and the £1,500 is a Grant in Aid to the funds of the Fiji Government. C4 is the actual cost of the purely British staff in the New Hebrides. It is made up of the Resident Commissioner's salary and entertainment allowance, legal assistance to Resident Commissioner, and the salaries of the Assistant Commissioner, a clerk and accountant, etc.

2706. That is under the French Protocol, is it?—Yes.

2707. Under sub-head D1, the Defence of Iraq, is the reduction of staff to be permanent there?—Yes; it is going down. This year the cost of defence is lower by £20,000 owing to economies.

2708. Is that the Air Force that are there?—Yes; the Air Force.

2709. That is the difference between what it actually costs us for sending the Air Force there and maintaining them there instead of at home, or how is it worked?—(Mr. *Waterfield*.) It is the excess cost of maintaining the forces. (Sir *Malcolm Ramsay*.) As compared with maintaining them at home.

2710. Under sub-head D5 you have "Maintenance of Iraq Levies"?—(Sir *Samuel Wilson*.) That we pay for. The Air Force administer the levies, though the cost is shown on our Vote.

Sir *Assheton Pownall*.

2711. That is not an item that is being reduced, D5?—No; there are four companies.

2712. That is a fairly stationary item?—Yes.

2713. Iraq is not bearing a larger proportion of it?—No; the force is maintained by us.

Major *Salmon*.

2714. Why was it necessary to ask for an estimate of £174,000, and then a supplementary Estimate of £16,000?—I have the Air Ministry explanation. It was due to movements being more than originally estimated; an under provision for re-engagement bounties; and additional expenditure in respect of clothing. The whole £16,000 was not spent; there was a saving of £4,000 on that.

2715. It was under-estimated originally?—Yes.

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[Continued.]

Mr. Denman.

2716. With regard to passage allowances to Governors, those reduced passages look rather heavy. Is that a scale that has no relationship to the actual cost, or is it based on cost?—It was laid down years ago by the Treasury what allowance should be given to the Governor going to each Colony. They allow so many passages. If you go out as a governor you generally take your staff with you, aides-de-camp, and perhaps servants. The amount allowed varies according to the size of the Colony, and so on.

2717. There is a reduced passage allowance on retirement in the last case. Would the Governor bring back his staff?—He would bring back some of them. Furniture, and all sorts of things may have to be brought back.

2718. It seems to be a very costly business?—Very. When I went out as a Governor I had to take an aide-de-camp, a private secretary and other staff.

2719. Going out?—Yes. And I had to bring them back with me; I could not leave them in the colony.

Sir Assheton Pownall.

2720. If he does not complete his full time the allowance is proportionately reduced?—If he does not complete his full time it is proportionately reduced.

Mr. Denman.

2721. If he comes back, as in that case, owing to ill-health, his expenses of transport are less than if he comes back in the ordinary course?—No, it makes no difference. It is an excuse for saving a little at the Governor's expense if he does not do his full five or six years.

Sir Assheton Pownall.

2722. A fresh Governor has to go out sooner, and therefore it adds to the expense?—Yes.

Mr. Denman.

2723. In fact, it does not add to the costs?—I do not think it is right, because if a Governor comes home he

ought to be refunded his travelling expenses.

Sir Assheton Pownall.

2724. I think it is a question of whether he comes back of his own volition, or whether it is ill-health, however, this Committee cannot do anything?—The Treasury pay them so much.

Mr. Denman.

2725. Is the Treasury satisfied that this is an economical arrangement?—(Mr. Waterfield.) I am not familiar with the details, but I think, if the Committee will refer to a Memorandum put in, Appendices 24 to 28 to your Report of 1928—

Sir Assheton Pownall.] We have been into this at length in the case of Canada, I remember.

Mr. Denman.] Then I will not pursue it.

Major Salmon.

2726. Just a question on the railways. On page 84 there are special receipts. Are they taking over their railways, or is the present arrangement going on?—(Sir Samuel Wilson.) Which railway are you referring to?

2727. Any of the three mentioned: Uganda and Nyasaland?—The Uganda railway is not to be considered till 1934, if you are talking about the capital expenditure on it. That was paid by the Home Government, and how the territory is to repay the loan will not be settled until the year I mentioned.

2728. What is going to occur in Nyasaland over the Trans-Zambesi Railway guarantee?—We pay them a Grant in Aid of £60,000 a year, which appears on page 79. That is to cover the obligations which they are under to the Trans-Zambesi Railway to pay the interest and sinking fund on the debenture stock. The territory is not in a position to do it, so we give them a Grant in Aid for the purpose.

2729. That may go on till they are in a position to pay?—When they are in a position to pay it will be discussed with the Treasury, who will say how it is to be repaid. (Mr. Waterfield.) The railways in Nyassaland are privately owned.

26 March, 1931.] Mr. W. P. HILDRED and [Continued.
Brig.-Gen. Sir SAMUEL H. WILSON, G.C.M.G., K.C.B., K.B.E.

DOMINIONS OFFICE TRADING ACCOUNT.

Sir Assheton Pownall. and unfortunately Sir George Saltmarsh was killed the other day. The accounts are not in, and I would submit to the Committee that they might leave the matter over till next year. It is no use doing it this year.

2730. Will you go to Trading Accounts, 1929, paragraph 5?—(Sir Malcolm Ramsay.) We have no account for the British Phosphate Commission,

(The Witnesses withdrew.)

(Adjourned to Tuesday next at 2.30 o'clock.)

TUESDAY, 31st MARCH, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Mr. Ede.
Mr. Gill.

Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VII.

ON VOTE 4.

LABOUR AND HEALTH BUILDINGS, GREAT BRITAIN.

Sir LIONEL EARLE, K.C.B., K.C.V.O., C.M.G., J.P., and Mr. A. G. BARNETT, C.B.E., called in and examined.

Chairman.

2731. We will go to page 339. We had half finished with Sir Lionel when he was here before. You will notice Carlisle and Castleford. In both cases the plans were not ready. I have no observations till I get to page 344. With regard to Stockton and Thornaby, you bought the freehold, I see?—(Sir Lionel Earle.) Yes.

2732. That may be advisable for the State. Then we go to pages 347 and 348; I see nothing there to draw attention to. On page 350 there is Calton Hill. I am

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not going to talk about that at all. We have heard all we need hear about that in the House, and I think Honourable Members know what the trouble is there. I have nothing more to say on pages 339 to 351.

Major Salmon.

2733. I should like to ask you a question, Sir Lionel, on No. 16, Carlisle. You say you commenced the work of erecting the building, but it was delayed owing to a modification of the plans. Is not that rather a costly matter, to start a building

I 4

31 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O., [Continued.
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and, after giving the contract, to alter the plans?—The explanation of that is that after the commencement of the work it was found that the foundations of the employment exchange gable wall were deeper than those of an abutting gable. It was necessary to underpin the latter,

and some delay occurred in obtaining the owner's consent.

2734. It was not a question of altering your actual plans?—No; it was something which was found out which could not have been known beforehand.

ON VOTE 5.

MISCELLANEOUS LEGAL BUILDINGS, GREAT BRITAIN.

Chairman.] We will go to page 352, Class VII, Vote 5, Miscellaneous Legal Buildings, Great Britain. On page 354 you will find a reference to Harlesden Court House which was discussed in the House last year. I find nothing on pages 353 or 354, except the Harlesden

matter to which I have just referred. "Harlesden: Purchase of leasehold interest." With regard to sub-head GG on page 355: "Provision for new Sheriff Court House, Edinburgh," we will leave that alone. That is the same Calton Hill trouble.

ON VOTE 6.

OSBORNE.

Chairman.] There is nothing on "Osborne" on page 356. There is a little item on page 357 of £13 9s., which an officer undertook to pay, but went bankrupt and disappeared. It is an ordinary case of vulgar fraud in respect of a small amount. I now put the two Votes to the Committee. Have I your permission to say we pass those two Votes?

Sir Assheton Pownall.

2735. On page 352 there is a very big difference in percentage on sub-head E, "Furniture and removals." You were nearly 50 per cent. out. I see a note on it: "Demands for additional furniture for new County Courts"—and so on. It seems a good deal of difference, £1,457?—(*Sir Lionel Earle.*) The exceeding on the additional furniture only amounted to £950; the other exceeding was on repairs and replacements, £500.

Sir Assheton Pownall.] It seemed a good deal in proportion to the total amount of the Vote.

Mr. Leif Jones.

2736. Is Osborne full now?—It is practically full. It is fuller than it has ever been before during my nineteen years' experience. We have extended it to the Civil Servants abroad who live in tropical countries, and a few go there; not a great many. The Indian Army have used it a great deal. I think the average at the present moment is 42, which is fuller than it has ever been before.

Mr. Benson.

2737. Forty-two patients?—Forty-two patients.

2738. What exactly is Osborne?—It is a convalescent home for officers of the Navy, Army and the Air Force.

Sir Assheton Pownall.

2739. And the Colonial Service now?—And now for civil servants who live in tropical countries and have had their employment in tropical countries.

Mr. Benson.

2740. What was it, a palace?—It was Queen Victoria's Palace.

2741. Where is it?—In the Isle of Wight, near Cowes.

2742. The cost is £21,300. Is that the total cost of everything?—The net cost is less, of course.

2743. £16,000; the gross cost is £21,300?—£21,300.

Sir Assheton Pownall.

2744. £14,500 net cost?—£14,500 net cost.

Mr. Benson.

2745. That seems an extraordinarily heavy burden?—It is a very large place, and there is a certain amount we get back from the Privy Purse for the house-keeping of the State Apartments, which were the private rooms of Queen Victoria.

31 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O.,
C.M.G., J.P., and Mr. A. G. BARNETT, C.B.E.

[Continued.]

2746. Is it worth maintaining from an architectural point of view?—Not a bit.

2747. It is really a white elephant, and we are trying to use it as a hospital?—It certainly confers a tremendous benefit on these officers.

2748. True, but that is not so much the point. Could one confer similar benefits at a very much lower cost?—I do not think you could, because these officers pay, comparatively speaking, very small rates. Serving officers pay only 6s. a day; retired officers and half-pay or pensioned officers pay 4s. 6d. a day; and civil servants of the Tropical Service pay 10s. a day.

2749. It practically amounts to a subsidy of £300 per officer?—Yes. Against that you must set the quick recovery of these officers to return to their duties.

2750. My point is, is that £300 a heavy subsidy, due to the fact that Osborne is thoroughly unsuitable for the purpose, as a building?—Part of the cost, as I say, is the State Apartments. You will see a footnote on page 357: "The apportionment is, approximately, convalescent home, £9,170, and State Apartments, £5,004."

2751. We receive that difference out of the Privy Purse, do we? The point I want to get at is: Is Osborne a reasonably efficient institution from a hospital point of view, or is it that we are merely trying to use something that is entirely inefficient, for sentimental reasons, or the mere fact that we have got it?—I think it is an extremely efficient place from a hospital point of view. The thing was a gift, to start with, and if you had to embark on a heavy expenditure for a convalescent home for this sort of thing, I am not at all sure you would do it nearly so cheaply.

Sir Assheton Pownall.

2752. To look after the officer is an obligation on the State?—I think so. They are recovering from operations, and I am told you cannot go into a private convalescent home under £6 6s. a week.

Mr. Bird.

2753. £161 is rather a heavy charge for telephones?—But you see "telephone calls" on page 357. You get an appropriation in aid; the officers pay for their calls, of course.

Mr. Bird.] The appropriation in aid is £19. £161 seems a lot of money to

spend on telephones, does not it, for one place.

Sir Assheton Pownall.] It is nearly 10s. a day. It is "Telephones, etc."

Mr. Bird.

2754. I will tell you why I asked this question about the telephones. It always appears to me that the Post Office are very anxious to put in twice the quantity of telephones that are required, for the purpose of boosting up their revenue, and I do not think it would hurt any of the establishments to cut down their telephone expenses by half?—I do not know. I will look into this question, but, of course, there are certain telephone calls used officially. There are outside medical officers who are called in at times in severe cases, and the telephone is used. We have two medical officers outside the State Service who volunteer their services. One lives at Ventnor and the other at Ryde, and they may be called in on occasions by telephone, I think, but the bulk of the telephones, I think, are used by the officers, and they certainly pay, because there is a call-box there, which they pay for out of their own fund.

2755. But they only paid £19 4s. 5d. for the whole year, as against £161, so it cannot be all officers' telephone calls?—I will look into that. (Mr. Phillips.) In the previous year they paid £60 4s. 2d. as against £19 in 1929. (Mr. Barnett.) The change is due to a coin box having been installed for private calls, the rental being paid by the Officers' Sports Fund. We do not pay for the officers' calls and ask them to repay us; they have a box in which they put the money. It does not pass through our accounts at all.

Major Salmon.

2756. Although you pay for the telephone?—We pay for our telephone.

Mr. Bird.

2757. Who collects the money from the coin box?—They pay for it and collect it themselves on behalf of the sports fund, which they run themselves. Out of that money they pay for this coin box and they collect the money in due course from it, and it does not pass through our accounts at all.

2758. They pay so much money into the box and take it out again for their

31 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O., [Continued.
C.M.G., J.P., and Mr. A. G. BARNETT, C.B.E.

sports fund?—They pay for their calls as they have them.

2759. Who collects the money out of the box?—The house governor on behalf of the officers themselves, and not on behalf of us. On behalf of the officers the coin box is rented from the Post Office. The money is put in when they make their calls, and that money is taken out on behalf of the officers, and not on behalf of us to pay the Post Office.

2760. They have a coin box?—Yes.

2761. They want a telephone call; they put the money for their call into this box?—Yes.

2762. It is not taken out by the Post Office, but taken out by the Governor and utilized for the officers' sports fund?—No; utilized to pay for the telephone service. If there is any profit made on it, it goes to the officers' sports fund, but primarily it is used to pay for the telephone. It is only worked through the sports fund as a matter of convenience.

2763. And nobody knows how much it amounts to, to check the difference between the £19 and the £161?—It does not come through this account at all. (Sir Malcolm Ramsay.) Does not the witness mean that the receipts from those telephone calls go straight to the Post Office, and do not pass through this account at all?

2764. The witness said not?—That is what my people tell me is the position. It goes straight to the Post Office, and it is outside the £19. (Mr. Barnett.) Quite.

Major Salmon.

2765. Is Harlesden County Court open for the business of the public; it appears on page 354?—(Sir Lionel Earle.) It is completed now, so I presume it must be open. It is finished, and therefore must be open.

Chairman.] I propose, with your permission, to pass those Votes and then go on to Office of Works and Public Buildings on page 358.

ON VOTE 7.

OFFICE OF WORKS AND PUBLIC BUILDINGS.

Chairman.

2766. May we go to page 358, Office of Works and Public Buildings. The saving is attributable to an arrangement by which the Government of Northern Ireland performs services for His Majesty's Government, and there is less work being done?—(Sir Malcolm Ramsay.) There was a saving, due partly to the fact that the Office of Works did not do so much work as they expected, and partly to the fact that they were able to come to a much more favourable arrangement by which the Government of Northern Ireland would do work for them; those two causes combined account practically for the whole of the saving.

Chairman.] We go to page 359; we actually got back the old charges, "Proportion of agency fee for 1928." There is a slight misprint, "Gratuity awarded to an officer under Section 34"—it should be, "Section 4." There is nothing else on this page, or on page 360. May I pass that Vote? I am taking the Vote on page 358. Unless any gentleman wishes to put a question, I shall ask permission to say we pass it.

Mr. Bird.] On page 358, under sub-head D, the telephones again seem an enormous amount. I just casually turn through the book, and wherever you go there seems to be about £10,000 for every Department for telephones. It seems extraordinary.

Chairman.

2767. I am sure Sir Lionel will tell us every care is exercised to see that that is not an improper expenditure, if such an expenditure does take place?—(Sir Lionel Earle.) Of course, it is a very big department.

Mr. Bird.

2768. It need be for £9,900 a year for telephone charges. Everybody has one in his room, I suppose?—Not everyone, but there is a telephone in all the principals' rooms, certainly, and in many of the principal officers' rooms, the architects and surveyors, and so on.

Chairman.

2769. Do these charges cover messages between members of the staff in the same building?—Yes, they do.

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2770. That, of course, costs money, and I suppose it saves money?—Yes; it saves it.

Mr. Bird.] It would be very much cheaper to have an ordinary internal telephone system than to have to pay charges for one officer ringing up another one.

Chairman.

2771. It is a notional charge; it is not paid actually in cash?—It all goes into the Post Office, which is out of one pocket into another.

Mr. Bird.] It bolsters up those accounts.

Chairman.] We do not pay any money to the Post Office; it is a notional charge.

Mr. Bird.] I quite understand that.

Chairman.

2772. Sir Lionel, what have you to say about the internal telephone which Mr. Bird suggests?—I should have thought if the Post Office thought that was the most economical, they would have installed it.

Major Salmon.

2773. There is no charge by the Post Office for an internal telephone. Each time you call from room 20 to room 16 you do not have to pay any money?—No, but the Post Office pay the operators dealing with the switchboards.

Mr. Bird.] The Chairman rather suggested there was a charge for telephoning from one room to another.

Chairman.

2774. I will not say a charge, but a cost. May I put it this way: If you have a large amount of messages passing between the Head of a Department and his staff you must have consequently a large amount of girl staff to do the switchboard work, and that will swell the amount which we have down on these Estimates for telephones. Is not that so?—Yes, it is, but I think if you had an internal system you would have to have a switchboard equally.

2775. The internal ones you switch over yourself?—I do not think you would get an internal system between the rooms unless you had a main switchboard to do it.

2776. I think Mr. Bird is quite right. I agree with him it is an astounding thing to see £10,000 for telephones, and although we do not rebuke you, we draw your attention to it?—This is not only

telephones but telegrams, and we have a great many telegrams to China, Japan, South America, and all over the world; it is not all telephones. I suppose we could give the Committee the amount for telegrams and telephones on this Vote, or on any vote, then you could see exactly what they were.

2777. The Treasury had a hit and miss test some years ago. I suppose you have looked into this, Mr. Phillips?—(Mr. Phillips.) I think I ought to point out that while it is true that certain of the works Votes such as Osborne do contain charges for telephones, this is the main Vote where the charges for telephones and telegrams for the whole of the Works Votes is provided. It may look rather large, but that is because this Vote contains practically all the administrative expenses.

Mr. Leif Jones.] Do you think a habit has grown up of using telegrams and telephones unnecessarily when a letter would serve? There is no advantage in limiting the Department unless they were using an express service for something which could well wait.

Chairman.] Is there anything in that A letter costs 1½d. if you have to pay for it.

Mr. Leif Jones.

2778. Do you send a lot of telegrams when letters would do?—(Sir Lionel Earle.) I do not think the telephones in my Department are abused at all. (Mr. Phillips.) The arrangement used to be that the Post Office supplied telephones and telegrams free. About three years ago we switched over and made the Departments account for it on their votes, with a view to securing whatever economy that might produce.

2779. Do you find the Departments approximately use the same percentage of their outgoings on telegrams and telephones?—As they did before?

2780. No, whether one Department is the same as another, or whether one is very expensive?—I should have to look into that. I will ask the Post Office what their experience is.

Mr. Bird.] The Minister of Agriculture has £5,400 worth of telephones.

Major Salmon.

2781. What is the Empire Marketing Board on page 359, £67,000 under

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Note C?—(Sir *Lionel Earle*.) It is work carried out for the Empire Marketing Board.

2782. What work did you do—find them offices or buildings?—We built that large entomological section for them at the Natural History Museum.

2783. It includes work of that character?—Yes.

Chairman.] I propose to avail myself of your permission to pass that Vote, and, then go on to Public Buildings Great Britain, on page 361.

Mr. Butler.] On page 360, I should like to know what this account is.

Chairman.

2784. The Hertford British Hospital. That is the one which Sir William Lewis went over to see and put right. We had a great deal of trouble about it, did not we?—Only as regards its old fashionedness and so on. The King Edward Hospital Committee have sent over people recently to see what shall be done, but there was no expenditure falling on the taxpayer. It was a gift of Sir Richard Wallace originally, and we have the account. No charge falls on public funds. It appears every year, because we have to render the accounts to this Committee.

ON VOTE 8.

PUBLIC BUILDINGS, GREAT BRITAIN.

Chairman.

2785. We will now go to Public Buildings, Great Britain. The over-all cut was £20,500 last year, and was not allocated against sub-heads. We have said all we want to say about these over-all cuts. On sub-head A, this is after making an over-all cut of £13,000 on sub-head A. There is a very large amount less than granted on sub-head C, 10 per cent., £41,571. Do I understand sub-head A was spent on ancient monuments?—(Sir *Lionel Earle*.) No.

2786. That was sub-head EE., Unemployment Relief Works. That was ancient monuments, was it not?—Sub-head EE.

2787. There was a saving on painting, on Note C; I suppose that is the lower costs of materials. Have you anything to say there, Sir Malcolm?—(Sir *Malcolm Ramsay*.) The saving on sub-head O is rather interesting, because a good deal of it is attributable to the fact that they have made better contracts for painting, and I think Sir Lionel Earle will tell you it has been his policy to bring in some of the smaller people who tendered at better prices. That has on the whole paid, although in some cases men have had to be helped round the corner who have got into difficulties, as notes at the end of the accounts show. On balance there has been a very big saving on the painting, and that runs through nearly all the Votes administered by the Office of Works. (Sir *Lionel Earle*.) It was a saving of as much as about 30 per cent. by the policy

of obtaining lump sum tenders on bills of quantities.

Mr. Bird.

2788. When you say you had to help them round the corner, Sir Malcolm, do you mean you had to give advances in respect of their work?—(Sir *Malcolm Ramsay*.) No; the sort of thing I mean is noted on page 365 at Note C, "A painting contractor at the Duke of York's School, Dover, was paid £202 10s. 9d. in addition to the contract sum, for extra preparatory work, the need for which became apparent after the work had commenced." Further, "A painting contractor became bankrupt and failed to complete his contracts and extra cost amounting to £458 16s. was incurred," and special arrangements were made. When you employ these small men who cut their tender very fine, it pays you to help them rather than to throw your tender back to the big contractors.

2789. I agree, especially when you are making a cut of 30 per cent.?—(Sir *Lionel Earle*.) This policy of obtaining lump sum tenders started in 1927. There is only one disadvantage, that occasionally, in spite of every precautionary step that can be taken to find out their financial status from banks and other places, we occasionally get a firm that goes wrong. There is one in this particular vote.

Major Salmon.

2790. On sub-head EE on page 361, I notice for "Unemployment Relief

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Works," you have £37,000. Do you get that repaid by the Unemployment Grants Committee?—No.

2791. Was that work specially put in hand to deal with unemployment?—Yes, and it was largely purely manual labour, bringing the earth down to the proper level of the buildings and so on, and there was an enormous resulting effect from the aesthetic point of view. If you go to Richborough alone, the result of this work is simply staggering.

2792. Under sub-head F, Rents and Insurance, you say that over-spending is due to the payment of arrears of rent and to an error in estimating?—Yes.

2793. Is there any special reason why we have arrears of rent, and why the people do not pay punctually?—Premises were leased at 70 to 74, City Road, E.C., for a new Ministry of Pensions area office, to concentrate work covering east and north-east London and the County of Essex. Rent was payable from the 11th August, 1928, the date of possession, but owing to delay in connection with amendments to the draft lease, this was not completed till the 30th April, 1929, and the first payment of rent, £1,160, was made in May, 1929.

2794. So the Department did not pay up to date?—Yes.

2795. On the question of subhead K, "Furniture," I notice there is £10,740 more than granted?—The principal unforeseen services were furnishings of Nos. 10 and 11, Downing Street. These houses were quite improperly furnished before, and, when the present Government came in, neither the Prime Minister nor Mr. Snowden brought in any furniture of their own. In fact, I think, Mr. Snowden lived in only a small flat in Victoria Street, and we had to supplement furniture for the actual living of these gentlemen in these houses. I know when Mr. Churchill left there were nine vanloads of furniture of his own taken out of No. 11.

Chairman.

2796. Do you intend to keep that furniture there permanently?—Yes, it is now going to be kept there permanently.

2797. Therefore, if by chance Major Salmon were to become Prime Minister, he would not need to bring any furniture there?—Not only that, but I got a Cabinet decision that that furniture must not be removed or put into store in order

to bring in the furniture of future Ministers, and the Cabinet approved that, because otherwise you will get this very charming and nice furniture going absolutely to seed if it is put into store.

2798. Is it historical furniture?—No, but good copies. There was the International Postal Congress which was quite unforeseen, which cost £1,040. There were the Royal Commissions on Licensing in London and Edinburgh, £600, the Royal Commission on the Civil Service, £340, and the Five Power Naval Conference, £880. None of those things were foreseen.

Major Salmon.

2799. That furniture goes back to stock presumably, and is credited?—Yes; that is so.

2800. And it would be re-issued?—Yes, but there is a certain cost involved. I do not mean to say you will get back these actual sums, because there is the handling of it.

2801. Apart from the cost of handling, the value of the actual furniture will be re-issued?—Yes.

Chairman.

2802. What do you mean by "furniture"? Do you put up curtains and give them knives and forks?—It is chiefly tables, desks and chairs.

2803. Do not you have Ministers who bring in their plate and china? Do you give them knives, forks and curtains?—Do you mean in Downing Street?

2804. Yes?—We now provide practically everything.

2805. Curtains?—Curtains.

2806. Beds?—Yes, beds.

2807. That is quite a new departure?—No, beds have always been there. It was tables, sofas, bookcases and that kind of thing which had to be provided, and certain curtains had to be replaced; they were in rags.

2808. Do I understand if a gentleman of very moderate means becomes a Minister and goes to live there, he need not go to any expense to equip the place, so as to conform with his position and to entertain?—He need do nothing beyond find decorative plate and things of that kind; we do not find that.

2809. It is difficult to know where to draw the line?—We never do that in the embassies or legations.

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2810. You used to grant, in the old days, a whole equipment of plate or silver?—And in the old days the Ambassador, when he retired, was allowed to keep it.

Mr. Bird.

2811. Can you without much trouble tell us how much was spent in Downing Street on furniture?—£3,600 in the two houses, Nos. 10 and 11.

2812. That is not excessive?—It was not the whole furniture. There was some furniture there, but this expenditure was upon things essential to the life of a man holding that position.

Chairman.] We do not take any objection to that.

Mr. Butler.

2813. On page 362 under subhead K, the same heading, "Furniture," it mentions repayment terms, and if you look at page 364 you see, about three-fourths of the way down, "Civil Departments for Services carried out on repayment terms." There is rather a difference in amount. Then lower down: "Net credit on subhead R (Repayment Services)." Can you explain the difference?—That item on page 364 covers all subheads, not furniture only.

2814. How do you explain the difference between that and subhead R at the very bottom? It is the entry before the last, which is "Miscellaneous"?—(Mr. Watson.) There is a total at the bottom of page 362. (Sir Malcolm Ramsay.) They are not necessarily the same items at all.

2815. It is a little confusing to follow?—It is.

Mr. Butler.] I have found that it is difficult to follow matters like this, if we are to criticise the accounts as we ought to do, because there does not seem to be enough on these three pages for me to understand it at all. I may be very stupid, but I find it difficult to follow the details.

Chairman.] I agree.

Mr. Butler.] I do not see why the accounts should be given to us in less detail than the Estimates.

Chairman.] If you have any suggestion to make, I will support you, and I am sure Sir Lionel will do what he can to elucidate the accounts next year.

Mr. Butler.] I frequently ask questions to make these matters clearer.

Chairman.

2816. I would suggest that you ask Sir Malcolm to say a word for the benefit of all of us?—(Sir Malcolm Ramsay.) I think the answer is that the Committee very largely trust the Comptroller and Auditor-General to call their attention to any irregularity. If we are to make the accounts self-explanatory, their bulk will be so enormous that they will become unmanageable. The Honourable Member has hit upon a very complicated matter, which has given the Treasury a great deal of trouble, and it would take a long time to explain the way in which repayment services are treated. The Office of Works and Public Departments are very often asked to finance services which are repaid by outside bodies, and the cardinal principle that the Treasury follow is that public money must not be used for financing any of these services unless there is a public case for it. But you get various kinds of repayment services. There is the service which is paid for and done out of public monies, like the telephone service, and is repaid out of public money. Then you get people in residences, who have to pay for their own alterations, but the work is done by Sir Lionel, who sends in the bill to them. Thus you get various classes of repayment services, and it is very difficult, without pages of explanation, to show exactly what the different classes are.

Mr. Butler.

2817. I would like to thank the Auditor-General for that explanation, but I think it is of interest to the Committee to hear a report on it?—If there is anything more on which I can go further into detail, I will be delighted.

Mr. Ede.

2818. Could we be told what the Government has to do with Brompton Cemetery, on which £6,440 was spent, on page 362?—(Sir Lionel Earle.) The history of Brompton Cemetery is rather a longish one, but I can give you the full facts if you like. It is not a public expense; it is a large source of revenue. In 1928-29 the receipts were £12,334 and the expenditure was £6,928. In 1929 the receipts were £9,740 and the expenditure £6,440.

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[Continued.]

Major Salmon.

2819. So you are profiteering?—It has been a most lucrative business.

Chairman.

2820. It was discussed in the House about four or five years ago?—The cemetery was established pursuant to an Act called the West of London and Westminster Cemetery Company Act of Parliament, 1 Vic. Cap. 130, and in 1852 it came to us.

2821. Are people buried there now?—Yes; it is very much used. During twenty-three years there were 13,621 interments, and the fees received in respect of those interments amounted to £63,716.

Chairman.] Are there any further questions on that?

Mr. Ede.

2822. I am not quite sure why we are interested in the business. It is the only national cemetery that we have that we run on a commercial basis, is not it?—It is the only one I have anything to do with. Personally, I shall be very glad when it is full.

Major Salmon.

2823. How many years' life has it got yet?—In 1923 there were 1,039 grave spaces remaining unsold, the value of which was estimated at about £43,000.

Mr. Ede.

2824. On page 364, with regard to the receipts, last year I made a suggestion with regard to these places of interest under the control of the Commissioners for which there were charges for admission made, as to bringing them to the notice of schools in the locality. Do you know if anything has been done in that way?—You mean as regards the admission fees, or as regards a notification of the castle or historical monument being there?

2825. The latter?—We have advertised very largely in the post offices and hotels in the neighbourhood, with very attractive posters.

2826. Has it led to any increase in business?—Last year was not very good because things generally were bad, but the tendency is upwards in normal times.

Chairman.

2827. With regard to the Tower of London, have you ever considered re-

ducing the charges? What does it cost to visit the whole Tower?—1s. 6d. and part of that (sixpence) is for visiting the Regalia, which does not come under our charge.

(At this point Major Salmon took the Chair.)

Mr. Benson.

2828. With regard to the electric current, on page 364, supplied from the generating station at South Kensington have you got a generating station there?—We supplied current at South Kensington to all the museums. We manufactured our own current. It has been stopped now, but we did that.

2829. You now buy from the electricity companies?—Yes.

2830. It is cheaper, is it?—Yes, it is much cheaper.

2831. You said you advertised. Are there any restrictions on your powers of advertising?—No.

2832. This is about the only Department, is not it, where there are no restrictions on advertising?—Restrictions in what way?

2833. Once or twice I have been asking questions on Appropriations in Aid, the sale of postcards, and things like that. The witness has said, "We have no power of advertising"?—We do not pay anything for advertisements. We draw them in our own office and put them up, with the Post Office's consent, in post office places.

2834. You do not do any advertising outside Government property?—No, unless the hotels allow us to put up a poster in the front hall, or something like that, which they do on many occasions.

2835. You get your posters printed at the Stationery Office?—They are drawn in our own place, the type and the sketch.

2836. Have you got illustrated posters and cards for distribution?—They are on sale at the place, the castle or the abbey.

2837. I do not mean a postcard, but a poster for distribution in hotels all round where you have a show place?—Yes; the local hotels do put them up. If you go to Southampton, I think you would find posters, for instance, of Netley Abbey, and in the post offices in the neighbour-

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hood, you will also see those posters, and very attractive they are.

Major Salmon.] Are there any questions on page 364?

Mr. Gill.

2838. Can the witness tell me where I will find the details showing how this £104,753 rents and acknowledgment rents is made up?—The books of the Department, I am afraid, is the only place where you will find the details of that.

2839. There is no return or White Paper, or anything of that kind issued?—No.

Major Salmon.

2840. With regard to the sale of 24, Old Queen Street, Westminster, for £15,250, what property was that?—It was used for offices. It was purchased in 1920 for £14,430 and was sold in August, 1929, for £15,250.

Major Salmon.] Are there any questions on pages 365, 366 and 367?

Mr. Ede.

2841. On page 367 can we be told what the cost per bed or per place was in the Board of Control Institution at Rampton?—No; I think that is a matter for the Board of Control. I do not think we can tell you.

Mr. Ede.] You do not know how many patients it was built for. We know it was built for mental deficient, but I was wondering how many patients it was built for so as to get the cost per bed.

Major Salmon.] The only thing Sir Lionel was responsible for was the actual building, not the maintenance cost.

Mr. Ede.] That is how these things are generally compared. I wanted to find, from any answer he could give me, how it compared with other institutions.

Major Salmon.

2842. I suppose the Ministry of Health would be the right Department from whom to get that information?—(Sir Malcolm Ramsay.) Yes, or the Board of Control. (Mr. Watson.) We could find some figures and put them in.

Mr. Ede.

2843. I would like some?—(Sir Lionel Earle.) I can give you these figures. There are 779 beds, 303 for female and 476 for male patients.

Mr. Ede.

2844. Just under 800?—That is so.

Mr. Ede.] That meets my point.

Major Salmon.] Will you want any figures from the Treasury in addition?

Mr. Ede.

2845. No; I can get them from other sources?—(Sir Malcolm Ramsay.) 806 was the average number of patients at Rampton daily.

Major Salmon.] Do the Committee pass pages 367, 368, 369, 370, 371, 372, 373 374 and 375? (Agreed.)

ON VOTE 9.

PUBLIC BUILDINGS OVERSEAS.

Major Salmon.

2846. We will go to page 376, Class VII, Vote 9, Public Buildings Overseas. There is nothing on pages 377, 378 and 379. On page 380, "Shanghai: Installation of central heating in Offices"; has that job been finished yet, Sir Lionel, or is there still work to be done?—(Sir Lionel Earle.) It is completed; I think you will see that in the footnote.

2847. But there are further charges to come?—Yes; it is the Consulate-General.

Sir Assheton Pownall.

2848. On page 379, do those "remnants" mentioned finish the expendi-

ture in those three instances?—Yes, they do.

Major Salmon.

2849. On page 381, as regards "Yokohama: purchase of naval hospital site for erection of consular residences." Has that been started in a new position at Yokohama?—Yes, it has been.

2850. I know the position was a very suitable one when I was out there?—Yes, it is going on. At the same time, we have a very skilled official in charge of the building at Tokyo, and he is doing the Yokohama building as well.

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[Continued.]

ON VOTE 10.

ROYAL PALACES.

Major Salmon.] We will go now to page 382, Vote 10; Royal palaces.

Mr. Benson.

2851. Is the £40,500 reimbursed from the Civil List?—(Mr. Phillips.) No. The Civil List is fixed on the basis that this is borne by Votes.

2852. Is not it rather advisable that the Civil List should include this, so that one then sees what the Civil List is?—In fact, it was settled by Parliament the other way.

Mr. Benson.] With regard to the Palaces not in His Majesty's occupation, what exactly is a Palace; what is the definition of a Palace?

Major Salmon.

2853. They are palaces such as Hampton Court?—(Sir Lionel Earle.) I do not know how one would define it. They include Marlborough House, St. James's Palace, Kensington Palace, Hampton Court Palace; various grace and favour residences there, like Hampton Court Stud-house, Kew Palace and the Military Knights' houses at Windsor Castle. (Sir Malcolm Ramsay.) A list is set out in the Estimates, is not it, Sir Lionel? (Sir Lionel Earle.) Yes.

Mr. Benson.

2854. Kew and Kensington and such places are all utilised for some public purpose?—Only to the extent that they are open to the public. A large part of Kensington Palace is open to the public on certain days. There are two largish houses there where Princess Louise and Princess Beatrice live, and there are a few grace and favour residences, but the bulk of the palace is open to the public.

2855. Broadly speaking, what is the social utility of these palaces? Do we just keep them up for the sake of keeping them up?—I suppose Hampton Court, for instance, which is the most notable of them all, gives more pleasure to the public than anything I know.

2856. Hampton Court is an old building?—Very old; it dates from the time of Henry VIII.

2857. That is a *raison d'être* for its maintenance?—Absolutely; they are ancient monuments of first class importance.

2858. They are all ancient monuments?—St. James's Palace is earlier; it is Henry VII; Kensington Palace is William and Mary and Queen Anne.

Major Salmon.

2859. They are historical buildings?—They are historical buildings of first-class importance.

Mr. Benson.

2860. There is no early nineteenth century stuff that we are keeping up simply for the sake of keeping it up?—Not a bit.

Mr. Ede.

2861. There will come a time when the early nineteenth century stuff will itself become an ancient monument. It may be well to preserve for posterity things we may not regard as articles of beauty now, because public taste and standards change. I have no doubt some people who saw Cardinal Wolsey building Hampton Court thought he was spoiling the reaches of the river. On page 383, with regard to the Grant in Aid account, it would appear that during the year that account was overspent to the tune of £6,000. The expenditure exceeded the income by that amount?—It is a running account.

2862. But actually during the year it was overspent by £6,000?—Yes, but you see we had a balance in hand from the year before of £7,251. It is a non-surrenderable Vote.

Mr. Ede.] The balance was reduced to £1,000; so if expenditure at the same rate occurs during the current year we should be £5,000 on the wrong side at the end of it.

Major Salmon.

2863. I suppose it is fair to say you would not have spent the money if you had not the money in hand?—If that was so (it is not so) we should ask for a bigger Vote and the House would have an opportunity of criticising it.

Sir Assheton Pownall.

2864. The reason you asked for so little was because you had this balance in hand?—Exactly.

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[Continued.]

Mr. Ede.

2865. I gather from an answer given to my colleague that this was a sum which was fixed?—(Mr. Phillips.) It is not a fixed sum. What was decided when the Civil List was last fixed was that the cost of external repairs and alterations to these premises should be borne on the Votes, and the figure of £40,500 represents the sum required in respect of external repairs and alterations that year.

2866. You carry the balance forward from year to year, and estimate for the next year in accordance with the balance?—(Sir Lionel Earle.) Yes.

Mr. Gill.

2867. With regard to Hampton Court, are not there residents at Hampton Court?—Yes; there are grace and favour residences, as they are called, in the Palace; several of them.

2868. I think the name possibly gives me the answer to what I was going to ask. Do they pay any rent?—No; they pay no rent. They pay rates and expenses, but they get it free.

2869. Who determines who these favoured individuals shall be?—His Majesty.

Major Salmon.] Do you agree to pass pages 382, 383, and 384. (Agreed.)

(Mr. Arthur Michael Samuel returned to the Chair.)

ON VOTE 11.

REVENUE BUILDINGS.

Chairman.

2870. We will go to page 385, Revenue Buildings. No cut was made in this estimate. On sub-head B, the saving was due mainly to lower prices in connection with painting and other services, I suppose the reduced cost of material, such as lead and linseed oil have had a great effect upon the expenditure, have they not?—(Sir Lionel Earle.) Somewhat.

2871. There is nothing for me to mention on page 385. On page 386, there is "Furniture" again under sub-head J. Under sub-head P, "New Works, alterations and additions," this amount was relieved by transfer of capital works to loan money. It is dealt with on page 394. I draw honourable gentlemen's attention to note to sub-head J: "The expenditure on the repair and replacement of old and worn-out furniture and the replacement of inefficient racking was greater than anticipated." I suppose that is metal racking for the storage of papers?—Yes; it is racking for the Inland Revenue.

2872. Page 387, sub-head R, "Furniture"; this was formerly charged to telephone capital account?—Yes.

2873. In 1928 it was £54,000; it now rises to £101,000?—(Sir Malcolm Ramsay.) That is right. This Vote has been affected in two ways by the decision that capital for the postal and telegraph buildings shall be provided out of loan moneys. That has led to a very big drop in the expenditure on works, which was much heavier last year,

but, on the other hand, the ordinary maintenance of furniture for postal and telephone services, which used to be provided otherwise has now been put on this Vote, so the Vote has lost a good deal owing to the capital works, and has got a new charge in respect of fittings.

Major Salmon.

2874. With regard to "Furniture," how is it that on sub-head C and sub-heads J and R, but more especially on sub-head C and J, the expenditure is so much more than the grant? I should have thought it could have been anticipated by the expenditure beforehand for those two Departments?—(Sir Lionel Earle.) They were unforeseen demands which were made on us during the year. I have a list of them here if the Committee would like to have it.

2875. Before you put in your estimates, do not you ask the Departments what furniture they want, so that you can form an estimate?—Yes, we do, but very often things crop up during the year which they say they must have.

2876. Did the Inland Revenue make a mistake to the tune of £5,600?—They made a mistake, if it is a mistake at all, to the tune of £1,900.

2877. On Inland Revenue Buildings they under-estimated by £5,600?—£3,500 is explained in footnote J, and the balance is explained by these unforeseen services all over the place, in various towns which I could give the Committee, amounting to £1,920.

31 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O.,
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2878. My point is that when a Department is asked to give an estimate of their requirements for the year on a thing like furniture, they can tell before the last moment if it ought to be changed, or should not be changed, or if they want more furniture because they have new buildings?—I am afraid they do not give us a correct estimate; that is my answer.

Mr. Gill.

2879. Does furniture include office equipment?—Yes.

Mr. Gill.] Some Act of Parliament or change of method can easily mean all kinds of new office equipment.

Major Salmon.] If that were so, I quite agree with you, but the main part is apparently for the same buildings as they had before.

Chairman.

2880. If there are no more questions, let us go to page 389. There is £113 on A, II i, "Proposed Works." That is Calton Hill again. I have nothing to say about that. On page 390, note 2: "Revised Estimate, £6,551." That is £1,000 plus. At the bottom of the page "Estimate (revised) £30,867" is plus £3,500. What does the Treasury say to that? Is the Treasury quite agreeable? It is at the bottom of page 390?—(Mr. Phillips.) Yes, I think so.

2881. What do you say, Sir Malcolm? You have £3,500 plus on a revised estimate at the bottom of the page, the last line of £30,867. Are you satisfied of the necessity for that revision?—(Sir Malcolm Ramsay.) Yes.

Chairman.] Are gentlemen agreeable that I should pass page 390? (Agreed.) We will now go to page 391.

Sir Assheton Pownall.

2882. On page 391 there is a rather curious difference on the "Minor

Works," of £3,000 odd. I should have thought that with a number of minor works it would even itself out, on those minor works under £500. You have a note about "Re-housing schemes"?—(Sir Lionel Earle.) The Inland Revenue had a very large number of re-housing schemes during the year.

2883. It seems to me a big difference, £3,000 on £8,000?—It is very difficult to estimate for these tax offices all over the country; you never know what changes are going on.

Sir Assheton Pownall.] You would think it would average itself out on the whole of them, and come out within 10 per cent. anyhow.

Chairman.

2884. I would draw the attention of Sir Lionel Earle to this, note H. II, 1, on page 391 at the bottom, and H. II, 2. Might not notes be added in future in cases like these giving the total expenditure for the year? I do not want any reply, but will you make a note and think it over whether you can give us a little more information?—The expenditure for the year is given at the top of the page.

2885. The total?—£249 8s. 9d. expenditure, and the unexpended £750 11s. 3d.

2886. I am much obliged. I did not realise that. I see nothing on pages 392 and 393. On page 394 this expenditure was split into three parts in 1928, when £340,000 was spent. The drop is due mainly to the removal of capital works to loan moneys?—(Sir Malcolm Ramsay.) I alluded to that just now. They have taken away all the postal works, which are now provided out of loan capital.

Chairman.] Is it your pleasure that I should pass that Vote? (Agreed.)

On Vote 12.

ROYAL PARKS AND PLEASURE GARDENS.

Chairman.] We will go to Vote 12, Royal Parks and Pleasure Gardens, on page 395. We have to go to paragraph 52 on page xx. I have no observations to make on that.

Major Salmon.

2887. Has all this work been completed now?—(Sir Lionel Earle.) Yes.

2888. Will it cost a great deal more money for maintenance, although we had these gifts very kindly given to us by donors?—I do not think so. The bathing paid for itself, with a slight profit last year, but bathing, like many other things in the parks, depends mainly on the weather. The bowling green, which has been made, will be opened this

31 March, 1931.] Sir LIONEL EARLE, K.C.B., K.C.V.O., [Continued.
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spring, and I should think that will be fairly self-supporting. They are very expensive things to keep up.

Chairman.

2889. I remember we raised the question years ago of that little bit of land near Knightsbridge Barracks which we let the soldiers play football on. Expenditure was required to put the turf back after muddy weather. It is not a question of the money but it looked unsightly. Have any steps been taken with regard to that?—The First Commissioner gives orders for the football to stop immediately the Head Gardener says the turf will suffer.

2890. It is very unsightly at times?—I do not think that will be so again.

2891. I am very glad to hear it. It was not a question of the money but a question of the amenities. Let us go to page 395, Royal Parks and Pleasure Gardens. The supplementary money was for improving the parks. Will you look at the list on page 396: "Contributions from private donors for improved facilities for recreation"? In note G it says £20 was paid as compensation for injuries received through the fall of a branch of a tree. That was an elm tree?—(Sir *Malcolm Ramsay*.) The Commissioners of Works get abused if they remove a tree, but they have to compensate the public if a tree, not having been removed, falls upon them, so they have it both ways.

2892. L is curious: "An offer of £60 was accepted in settlement of a claim for £133 0s. 4d. in respect of damage"?—That is rather a curious case: a gentleman who was an uninsured and irresponsible sausage manufacturer knocked down part of the parapet of the Serpentine balustrade, and had nothing with which to pay.

2893. That question of the Serpentine balustrade has come up many times since I have been in the House; you said you were going to alter the camber of the road, did not you Sir Lionel?—(Sir *Lionel Earle*.) It will be altered this year, because the road is in such an awful condition that it has to be done.

Sir Assheton Pownall.

2894. All at one time? Will you cut us right off if we are going across the park?—I think it will probably be done

half at a time, but it will be done during the dead season.

Chairman.

2895. Are you going to put barriers at the north and south end of the bridge to prevent motor cars going across, because I have never known the time when that place was not smashed within a short time of its being repaired?—I have never heard of that. You think it would be a dangerous place, even if the camber were removed.

2896. I think the motor-cars are dangerous. Is not it a fact that we are continually having to have the balustrading repaired?—I have never heard of a case before this in my time.

2897. We are not talking about the same thing; I mean the stone?—I have never heard of it before this.

2898. I have seen it; I used to ride there every morning?—I will make inquiries, but I never heard it was dangerous.

Sir Assheton Pownall.

2899. On page 396, with regard to the "Contributions from private donors," did someone promise you £700 and not send it, because you realised £700 less than you estimated?—(Sir *Malcolm Ramsay*.) The building is carried out partly out of private moneys and partly out of public funds. The money had not been fully spent, and therefore the contribution was abated in proportion. The rest will come in next year.

Chairman.

2900. There is a point I would like to draw the Treasury's attention to on page 397, Note F ii (2). It says "£4,382 3s. has been appropriated in aid of this Vote, and £6,099 1s. will be appropriated in aid of the Vote for 1930." Is that the usual practice? If money has been appropriated, ought not it to have been put in the Appropriation-in-Aid of the 1929 Vote? How did it come in this Vote?—That is the same point I was talking of. They got this contribution and put it on a suspense account and appropriated in aid of the Vote *pari passu* with the expenditure on the Vote. (Mr. *Phillips*.) It is quite normal. (Sir *Malcolm Ramsay*.) They get the interest on it.

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[Continued.]

Mr. Gill.

2901. On page 396 in the Appropriations-in-Aid and Receipts, the large items amongst the receipts are for licences for letting chairs, boats, kiosks, etc. How is that arrangement carried out. Is it by contract, tender, or what?—(Sir Lionel Earle.) Tender and contract.

Chairman.

2902. Public tender?—Yes, only as regards the chairs nobody has tendered for years, except one man; he is the only man who is in a position to do it. We have advertised for years, but Mr. Shanly is the only man who has ever applied.

2903. Have the Departments considered doing this business of the chairs themselves?—We have considered it, but I have always been very opposed to it, for various reasons. I think we should have to employ very much more expensive gentlemen to look after it than they do. I think there would be far less appropriation-in-aid to the Exchequer than under the present system. You would have all sorts of troubles with the Unions. These are rather elderly men who are past work, who are employed by Mr. Shanly to take the tickets for the chairs, and I think we should be debarred from employing that sort of person.

On VOTE 16.

WORKS AND BUILDINGS IN IRELAND.

Chairman.] With regard to Vote 16, Works and Buildings in Ireland, is the

Committee willing to pass it?—(Agreed.)

TRADING ACCOUNTS (OFFICE OF WORKS).

Chairman.] I have looked through the Trading Accounts, and I have nothing

to tell you about them. Is the Committee willing to pass them?—(Agreed.)

(The Witnesses withdrew.)

(Adjourned to Thursday, 16th April, at 2.30 p.m.)

THURSDAY, 16TH APRIL, 1931.

Members Present:

Mr. Bird.	Sir Robert Hamilton.
Captain Crookshank.	Mr. Leif Jones.
Mr. Denman.	Mr. Lathan.
Mr. Ede.	Sir Assheton Pownall.
Mr. Gill.	Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. F. PHILLIPS, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VI.

ON VOTE 16.

DEPARTMENT OF AGRICULTURE, SCOTLAND.

Sir ROBERT GREIG, M.C., LL.D., D.Sc., called in and examined.

Chairman.

2904. The Public Accounts Committee last year, as will be in the remembrance of Mr. Leif Jones and others, drew attention to the cost of Land Settlement in Scotland, and if Members will look in the Treasury Minute, which they have in front of them, on page 5 they will see paragraph 11, "Land Settlement, Scotland." We had some discussion about the Land Settlement schemes in Scotland, and the Treasury therefore wrote to the Scottish Office. It is a very old story which has been frequently examined. We drew attention in our Second Report to the cost of Land Settlement in Scotland. We observed that the obligations of the Department in regard to the schemes now in operation must be discharged, but we invited consideration of the question whether economies could be effected. Mr. Phillips will remember the Treasury then drew the attention of the Department to this suggestion of ours, and the Treasury asked to be furnished with a Report on the possibility of reducing the average amount which was lost on the schemes every year. As Sir Robert Greig is here, and as I fear the matter is not very much altered, perhaps he will say what he has to say as a result of the confabulations with Mr. Phillips or the Treasury, and I will ask Mr. Leif Jones to say a word, because I think he interested him-

self about it mostly last time.—(Sir Robert Greig.) We submitted a Memorandum to the Treasury upon this very point, and I assumed the Treasury had forwarded their views to this Committee. In this Memorandum we stated as clearly as we could the reasons why there is no probability of a radical reduction in the cost for some time to come. These costs depend upon the building costs, the cost of materials, and equipment, and wages mainly, and until there is a reduction in the price of building materials there is not likely to be much reduction in the cost of Land Settlement. I could read this Memorandum to you, but it is a longish one.*

2905. No.—It puts our position quite definitely and clearly.

2906. I think we had better have that circulated. I do not think it would be possible for us to deal with that unless we had time to consider it. I would like, unless my colleagues think otherwise, to have that, and to think over it?—Very good.

Mr. Leif Jones.] I should like to see that Memorandum before examining upon it.

Chairman.

2907. I agree. You are in London, are not you?—No, but I am frequently in London.

* See Appendix 13.

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[Continued.]

2908. You could come at any time, without the necessity of our giving you the trouble of a special journey?—Yes.

2909. I think you had better let us have the Memorandum, and we will consider it?—Yes.

2910. We will take that line, Sir Robert, if you please?—Very good.

2911. It is no good our groping about in the dark until we know all the facts. We will go to Class VI, Vote 16, Department of Agriculture, Scotland, page 303. You will see this Vote has been very closely estimated. The largest savings are under subheads M.1, 3, and 6. They are mostly services for the development fund and the Empire Marketing Fund. These funds have involved expenditure much less quickly than was expected, consequently there was a shortage of corresponding receipts. From the accounting point of view, Sir Malcolm tells me the whole of this Vote is in order. What do you say, Sir Malcolm?—(Sir Malcolm Ramsay.) From the accounting point of view, yes, Sir.

2912. You do not wish me to draw attention to anything in it?—No, Sir. Everything is in order as far as accounting goes and everything is explained that is in any sense abnormal.

2913. You see on page 306 there is the grant from the Empire Marketing Fund towards expenses incurred by the Department estimated £35,600 realized, £20,934. Have you anything to say about this Vote, Sir Malcolm?—No; there is nothing I can suggest you should ask. The policy of the Vote is, of course, beyond me.

Chairman.] I have nothing to draw attention to, after what I have said, on pages 303 to 311.

Captain Crookshank.

2914. The only question that struck me was how sub-head M.6, the Empire Marketing expenditure, is correlated to the Appropriation in Aid under subhead P?—(Sir Robert Greig.) The two amounts appear in both places. There is a difference of £1,200, which is accounted for by the salary of an official.

2915. Then the expenditure is different, too?—Yes; it is slightly different.

2916. £1,000. How does that arise?—I cannot answer that at the moment. (Sir Malcolm Ramsay.) Perhaps I can explain that, if I may. The repayment includes the expenditure as in subhead M.6,

which is £19,938. In addition, there is a contribution of £1,500 towards administrative expenses under sub-head A which makes a total credit of £21,438. On the other hand, there are direct items, which are appropriated separately, of £504, and that is shown in the appropriations in aid, and that leaves a net credit of £20,934.

2917. Thank you. It is not very clear?—The point really is that it includes not only the items under subhead M, but the salaries, too. (Sir Robert Greig.) Salaries of £1,200.

Mr. Leif Jones.

2918. About these Empire Marketing schemes, do I understand you did not proceed with some of them at all?—It arises in the usual way. The Research Stations are optimistic in the assumption of what building will be done in the period, and their estimates are too large. We have necessarily to provide for their estimates, and they are nearly always too much.

2919. It is a very large over-estimate?—It is over a considerable sum.

2920. No?—I can give you the details, if you like.

2921. I do not think we need delay on that, but it struck me to spend only £20,000 out of £34,500 was a very big over-estimate?—It involves four or five different schemes, and each item on each scheme adds up considerably.

2922. You would agree with me, would not you, that it was rather a bad estimate?—Yes; it is not an estimate made by us, but it is a bad estimate, I agree.

Sir Assheton Pownall.

2923. What is the Hebridean Drifter Service, subhead O?—That is a steamer which we charter every year to assist in the transport of materials in the West of Scotland, and it costs us that.

2924. You got back £3,300, which is within £1,000 of the expenditure?—Yes; we got back £3,300.

2925. From whom does it come back?—The charges we make for the transport of materials.

2926. Private enterprise is not sufficient to cope with that?—That is the idea. This steamer goes to places which are not fed by other lines of steamers.

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Sir ROBERT GREIG, M.C., LL.D., D.Sc.

[Continued.]

TRADING ACCOUNTS (DEPARTMENT OF AGRICULTURE FOR SCOTLAND).

Chairman.] Gentleman, may I take you to the Trading Accounts? Look at page 55, Department of Agriculture for Scotland. There you see the fact emerges from these accounts that, broadly, the cost of administration, at the bottom of the left-hand side, charges for interest, £103,000, and depreciation, completely swamp this account; but the loss this year is rather less than last on account of some advantage by reason of de-rating. Turn over to page 56, please, and you will see there on the left-hand side of the combined Estate balance sheet £2,087,000. (That, I think, corresponds with the total on page 58, where you get the amount of Exchequer and other advances, £2,087,000), and reserves for administrative expenses, insurance, bad and doubtful debts, depreciation, and interest on capital, so you have £3,104,000 at stake. Captain Crookshank says can we deal with these conveniently until we get the Memorandum. I do not think we can, but perhaps we will ask a question or two, so that it might give us material when we are considering the Memorandum. To me it is an appalling state of affairs that we have all this loss. How long it is going on before you can stop it I do not know. What do you think, Mr. Leif Jones?

Mr. Leif Jones.] I thought it was necessary to delay until we got the Memorandum. I presume it will deal with the loss incurred, and so on.

Chairman.

2927. Are you all quite clear what the points are on these Trading Accounts, or would you like Sir Malcolm to say a word, so as to prepare our minds in readiness for them?—(Sir *Malcolm Ramsay.*) I should like to say a word, if I might, and I think Sir Robert Greig would. It may shorten the proceedings. The Committee will understand that in Scotland, unlike England, the whole of the work of land settlement is done directly by the State. In England, it is done through the hands of the county councils and the State pay the very heavy losses that the county councils incur. In both countries there is a heavy loss, and from the very outset Parliament faced up to the fact that it was initiating a policy of land settlement when prices were at the peak and economic rents could not be charged for the

holdings. Subject to correction by Sir Robert, who, of course, knows the subject much better than I do, the position broadly is that in both countries about half the capital expenditure from the outset was contemplated as the price that the State would have to pay for settling ex-Service people. Those facts have been stated repeatedly before this Committee, and, I think, in the House. You can calculate the loss in various ways. Various people have made attempts to do so, but, broadly speaking, about half the capital sum in Scotland (and I think the position in England is very much the same) will be a loss in the sense that it is the price that Parliament deliberately agreed to pay for the policy of carrying out the scheme of land settlement at a time of peak prices.

2928. Does the amount exceed what the fear, or expectation, was?—No.

2929. Did they think it would amount to as much?—From the very beginning Parliament has been told that 50 or 55 per cent. of this money would have to be written off, and the prophecies have come true. It has not been more expensive than had been anticipated, but I think Sir Robert would put it better than I can. (Sir *Robert Greig.*) All I can add to what Sir Malcolm has explained so clearly is that it is the cheapest system of land settlement in the Empire and probably in the world. This policy has been carried out by each successive Government for thirty years; each Government has approved of it, and this loss is the approved cost of carrying out this policy, and so far as we are able to get figures, it is the cheapest method of putting the people on the land that we have discovered. In the case of Western Australia, that Government has written off between £2,000 and £3,000 per settler. Our write-off per settler is £400. New Zealand has written off £10,000,000. The Canadian Government has written off certainly not less than £15,000,000 or £20,000,000. We have lost, if you choose to call it a loss, but I prefer to call it a cost approved by the Government. The approved cost of land settlement in Scotland for the last thirty years is less than the price of a light cruiser.

Mr. Leif Jones.

2930. Is there any particular reason for choosing the comparison with a light

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[Continued.]

cruiser?—No; only because it is near about the same. It is just about the same sum. (Sir *Malcolm Ramsay*.) I think it was quoted in the House. I think the House began it.

[Sir *Assheton Pownall*.] It was not a light cruiser that was mentioned in the House.

Mr. *Leif Jones*.

2931. A "light cruiser" is being used in the mouths of some people to indicate a doubtful benefit?—(Sir *Robert Greig*.) I am referring to relative costs.

Mr. *Leif Jones*.

2932. I suggest pounds, shillings and pence make less appeal to the imagination and represent the facts?—The pounds, shillings and pence amount to about £2,000,000.

Chairman.

2933. I will not take any more of those Estates, Borgie, Gariochsford, East Craigs or Knocknagael Beechwood, and Failie Mains Stud Farms, as they will all come in under your Memorandum?—No; they will not all come under it.

2934. How far down shall I go?—To page 63.

2935. Begin at Borgie?—Borgie and Gariochsford would come under our Memorandum, but page 63 onwards would not.

Chairman.] Page 63 is East Craigs Plant Registration and Seed Testing Station. I have nothing to which to draw attention on that, nor on page 64, nor page 65. I have no questions on pages 66, 67, 68, 69 and 70.

Mr. *Leif Jones*.

2936. On page 63 I see the loss on the East Craigs Plant Registration and Seed Testing Station was £8,000, this year. Why was there that loss?—Because this is a research station and a plant seed testing station. It is carried on for the purpose of the development of agriculture and not with any expectation or intention of making a profit.

2937. Is not the loss considerably greater this year than in preceding years?—No, I think not.

2938. In this one year you have lost ("loss" must be the word) more than all the previous losses put together. How long has it been going on?—It has been going on five or six years. Can you tell me the loss last year Sir Malcolm?—(Sir *Malcolm Ramsay*.) £7,400.

Mr. *Leif Jones*.

2939. It was £8,000 in the last year, and the total loss up to date was £7,400?—No; that is the previous year. On the next page there is a complete balance sheet which shows that over the complete period the loss has been £52,800. (Sir *Robert Greig*.) That is on page 64. (Sir *Malcolm Ramsay*.) That is the cost of scientific investigation.

2940. I suppose the same applies to East Craigs?—It is the same thing.

Chairman.

2941. If there are no further questions we will pass to Vote 17?—Sir *Robert Greig* may wish to say something on that Vote.

ON VOTE 17.

FISHERY BOARD FOR SCOTLAND.

Mr. GEORGE HOGARTH called in and examined.

Chairman.

2942. We are very glad to see you, Mr. Hogarth, but we are very sorry for the occasion of your being here. We are very sorry indeed to hear of the death of Mr. Jones, and perhaps you will say a word to those connected with him to express our regret. We are very sorry indeed about it?—(Mr. *Hogarth*.) I will convey that to the Board.

2943. We will turn to page xix, paragraph 50. Here is something which Sir

Malcolm Ramsay would like to say something about. Here is an altogether improper certificate, I am given to understand. The third paragraph of paragraph 50 on page xix begins: "The full statement which has been furnished to me by the Department of Agriculture makes it clear that when the certificate was given the contractor had not in fact earned £1,000 under the contract." This seems to be an improper state of affairs. What do you say, Sir Malcolm?

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and Mr. GEORGE HOCARTH.

[Continued.]

—(Sir Malcolm Ramsay.) I should explain that in this matter the Surveyor of the Department of Agriculture was acting for the Fishery Board, and the Fishery Board are blameless. The whole trouble arose from great pressure to get a particular payment through before the end of the year, but the Department does not dispute for a moment the fact that the certificate given by the Surveyor was not in accordance with the facts. I can show you the certificate if necessary, but if the Department admits it I need not detain the Committee.

2944. Was it simply stupidity?—I hope it was. He certified that materials had been delivered at the site when they were all lying at Glasgow. (Sir Robert Greig.) No. (Sir Malcolm Ramsay.) The sum had not been earned under the contract: we are agreed about that. He should have given a modified certificate and told his superior officers exactly what the facts were, leaving them to deal with the situation; but on the certificate he signed there was nothing to say that the £1,000 had not been earned under the conditions of the contract. I can leave it at that. This Committee have on many previous occasions drawn attention to the responsibility of officers who have to sign for instalments of contracts, and have repeatedly impressed upon the Departments concerned that signing certificates is not a mechanical act, but is, in fact, the pledging of the word of the signer that the statements were correct. In 1911, 1912, and 1914, previous Committees dealt with this same point. I brought this up because I think it is perhaps well to remind people from time to time of that fact, which sometimes tends to be overlooked.

2945. I think there is no doubt that this Committee must insist on the complete accuracy of these certificates. If a certificate is given, it must represent the absolute truth of what it contains, and I have no doubt your Department has taken steps to impress this upon your people?—(Mr. Hogarth.) It is not a responsibility of my Department. (Sir Robert Greig.) It is entirely a responsibility of my Department. The Fishery Board is entirely innocent of this.

2946. I have no doubt you have taken the proper steps?—Yes, I have taken them.

Chairman.] We cannot get on unless we have accurate certificates. The whole

system of accounting will go to pieces unless we have accurate certificates.

Mr. Leif Jones.

2947. What steps have been taken?—I saw this officer, and obtained all the details from him, and I learned, as I expected, that he acted in excess of zeal and without sufficient consideration; but I have explained to him, and he knows perfectly well, that such a certificate cannot possibly be issued, and it will never be issued again.

2948. By him?—By him.

2949. It was zeal for what? What was the particular motive?—This £1,000 would have been lost, he thought, to the parish council which was building this pier unless it was paid by the 31st March. The Fishery Board had made a condition that the £1,000 should be expended before the 31st March. Within a few days of the 31st March the materials for which he gave the certificate were shipped on board a steamer in Glasgow. He himself saw them shipped in the steamer. He saw those materials insured against risks at sea. He knew that in ordinary circumstances these materials would be landed on the shore of Lochboisdale on the 31st March. As a matter of fact, there was a very heavy storm at sea and they were not landed by the 31st. Nevertheless, that does not excuse him.

2950. It is Antonio's difficulty in "The Merchant of Venice"?—Yes. In order to prevent this £1,000 being lost to the parish council (and the Fishery Board were anxious that it should be paid by the 31st March) he wrote out a certificate, which he could have modified to meet the circumstances, and which he should have done. But in any case this would not have occurred if it had not been a payment made through the Fishery Board. In ordinary circumstances a payment made by my Department (it was not our payment; it was a payment by the Fishery Board) would automatically have been compared with the contract, and the certificate would have been written down in accordance with the contract, but it was not my Department that made the order to pay.

2951. You think you have sufficiently brought home to him a conviction of his sin?—Yes.

2952. You do not think it will happen again?—No.

Mr. Leif Jones.] I do not think there is much more to be said.

16 April, 1931.] Sir ROBERT GREIG, M.C., LL.D., D.Sc.,
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[Continued.]

Sir Robert Hamilton.

2953. Was this action taken by the Surveyor entirely on his own initiative?—Yes; he is entitled to give a certificate when the materials are on the ground.

2954. I think Sir Malcolm said that pressure has been brought to bear to pay the money by the end of the financial year?—The parish council were very worried because they thought the £1,000 would not be paid if the money was not spent by the 31st March, and they wrote to him.

Mr. Leif Jones.

2955. Is this the only sort of thing you have come across lately?—(Sir Malcolm Ramsay.) I have come across no parallel case. There has come to my knowledge a case in which a gentleman certified that he had travelled first class and claimed full fare when he had travelled third class, but he lost his situation for that and other misdemeanours. I have also had questions about the form of certificates which have been satisfactorily settled, with which I have not thought it necessary to trouble this Committee, but nothing parallel with this case.

2956. It is clear the officers concerned do understand their duties now?—I have not observed anything to lead me to think that there is any doubt in their minds. As a rule, the Surveyors have a very high sense of their obligations in this matter.

Captain Crookshank.

2957. It was the Easter week-end. That may have been a reason for a signature ahead of time. The 31st March was Easter Day. I suppose all the offices shut up?—(Sir Robert Greig.) No, I do not think that would have made any difference. This Surveyor went to Glasgow himself and saw the materials in the ship to make sure they were there, and that he could vouch for them.

Mr. Bird.

2958. I understand you are not defending the giving of this certificate?—Not in the least. I am only trying to make it clear to the Committee that the officer, from an excess of zeal and desire to get the business done, did this.

2959. As you are not defending it, I cannot quite understand the paragraph in Sir Malcolm's report, which says: "The Department urges at the same time

various reasons of public expediency and convenience why the payment should have been made before the close of the financial year"?—(Mr. Hogarth.) The public expediency and convenience was that if it had not been paid within that year we, the Fishery Board, could not have paid it in the following year, because our grant for the following year was fully allocated to other cases.

2960. I do not quite follow that. If the certificate had not been irregularly given, there would not have been the money available in the next year to have met the certificate for £1,000?—(Sir Malcolm Ramsay.) They could not carry the sum forward; that was the trouble. They would have had to get a fresh Vote for it. (Mr. Hogarth.) Yes, that is the point.

2961. You mean that the certificate having been given, though irregularly given, you did urge the expediency of paying that £1,000?—No. The Department of Agriculture urges those reasons; but I was explaining the reason why it had to be paid within that year, or why it was very desirable that it should be paid within that year. We had a certain Vote for 1929-30. We made a grant of £1,000, with the consent of the Development Commissioners, to Lochboisdale, on the condition that it was earned and paid before the 31st March, the end of the financial year. We made that condition because we knew that our funds for the following year, 1930-31, would be fully required for other harbours. That was the reason for the condition.

2962. So that, supposing the certificate had not been given for the £1,000—?—The Department of Agriculture would have had to look elsewhere for the £1,000.

Mr. Leif Jones.

2963. That is not quite true, I think. There was an alternative procedure. It was possible for them to have proceeded otherwise. It was not necessary to grant this irregular certificate. He could have got the payment made without that?—(Sir Robert Greig.) If the Chief Surveyor had mentioned the matter to me, or to one of my Assistant Secretaries, we would have telephoned to the Treasury or wired to the Treasury the same day and got Treasury sanction.

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[Continued.]

Mr. *Leif Jones.*] That is what ought to have been done.

Mr. *Bird.*] On the answer that was given to me it would appear that, if the £1,000 had not been paid during that financial year, the £1,000 would not have been available in the next financial year.

Mr. *Leif Jones.*

2964. They could have got leave to pay it?—(Sir *Robert Greig.*) They could have got leave to pay it.

Mr. *Bird.*

2965. But the witness gave me the other answer; which made me wonder whether it was only the officer who certified the £1,000 who was to blame; whether the Department were not behind him as well?—Oh, no; my Department would at once have got sanction for it by wiring or telephoning to the Treasury.

2966. It is not suggested that the officer was getting anything himself for

giving the certificate?—(Sir *Malcolm Ramsay.*) No; I thought of that, but there is no question of that kind. (Sir *Robert Greig.*) There was no deception of any kind. (Sir *Malcolm Ramsay.*) It never occurred to him to state the facts and ask his chief to sanction something exceptional.

Chairman.] Sir Robert Greig, you have heard what the Committee has said. We are much obliged to you, Sir Malcolm, for drawing our attention to this matter. It is evident that this man did a very foolish thing, but it is evident that he did nothing unworthy or dishonest. We are quite satisfied about that. He did a very foolish thing. It was an excess of zeal. Now we have put that on record, we are not going to harry and persecute the man. You will see that he does not do it again. He did something very foolish; we will leave it at that.

(Sir *Robert Greig* withdrew.)

Chairman.

2967. We will now go to the Vote on page 312. There is a Supplementary Vote of £16,500 under subhead C. Under subhead EE. there is, "Loans to herring fishermen," which I remember quite well. That raises an interesting constitutional point which I should like Sir Malcolm to explain to us, with regard to that £10?—(Sir *Malcolm Ramsay.*) The point was that a supplementary estimate was presented to Parliament in this case simply for the purpose of getting authority to carry out a particular service. The provision of only £10 was made, but it was wished to begin the service early in the next year, and before the Estimates for the following year had been voted. Therefore, they took a nominal provision in the supplementary Estimate which was presented here in order that Parliament might sanction the principle and allow them to begin the work at the beginning of the New Year, out of the money taken in the Vote on account.

Chairman.] Are there any questions on that?

Mr. *Lathan.*

2968. I should like to have some information about this £1,164 Herring

Brand Fees?—(Mr. *Hogarth.*) We have under the Acts a power to apply a brand to barrels of herrings cured in Scotland. That brand is fourpence a barrel and this surplus is the difference between the total collection in the previous year and the estimated cost of administering the brand. This £1,164 is applied for harbour purposes in supplement of subhead C. (Sir *Malcolm Ramsay.*) I think the Committee might be interested to hear this. Just before "Extra remuneration" on page 313 it is mentioned that £64 with interest had been written off as irrecoverable in respect of the balance of two loans to herring fishermen. That is perfectly true, but nearly the whole of the loans which have been advanced, of which these form part, has been repaid. £5,440 was advanced by way of loan to fishermen, and of that only £64 has been written off to date, and the whole of the rest has been repaid with the exception of £343. (Mr. *Hogarth.*) £283 now. (Sir *Malcolm Ramsay.*) I think the Committee would like to know that the money does come back. The fishermen have responded very well, I think.

16 April, 1931.]

Mr. GEORGE HOGARTH.

[Continued.]

TRADING ACCOUNTS.

FISHERY BOARD FOR SCOTLAND.

Chairman.

2969. We now go to page vi. of the Trading Accounts, Fishery Board, Dredger "Dragon." Do you wish to say anything on that dredger "Dragon," Sir Malcolm?—(Sir *Malcolm Ramsay*.) No; I think it was a policy which is perfectly right. These small harbours have to be kept open and they are perpetually silting up. They cannot afford to pay for the dredging themselves and the

public has done it. That is really the history. The "Dragon" has not paid its way on a commercial basis.

2970. Is it cheaper to run our own dredgers or to hire them?—I think it is probably cheaper to run a Departmental dredger. The witness knows more about that than I do. (Mr. *Hogarth*.) I think there is no question about it that it is cheaper to run our own.

Chairman.] Are there any questions on page vi or page 80.

(Mr. *Hogarth* withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS V.

ON VOTE 10.

DEPARTMENT OF HEALTH FOR SCOTLAND.

Mr. JOHN JEFFREY, C.B., C.B.E., called in and examined.

Chairman.] We will turn now to Civil Appropriation Accounts, Class V, Vote 10, page 222. This is a fairly close estimate, except under subhead G.1 "Maternity and child welfare," £11,000 less than the grant was spent?—(Mr. *Jeffrey*.) That was due to a lower incidence of acute cases in respect of which in previous years grant was allowed for hospital treatment. All these percentage grants have now disappeared. The Local Government Act of 1929 wiped them out.

Chairman.] I see nothing to call attention to on pages 222, 223, 224, 225, or 226.

Mr. Gill.

2971. With regard to subhead G.4, the grant is exceeded there, and the note says: "The increase was mainly due to a special additional payment to the British Social Hygiene Council." Could the witness tell us the circumstances of that grant? That is on page 223?—The explanation is this: for a number of years the Department paid a sum of £1,000 a year to this Council for propa-

ganda work in connection with venereal disease. That contribution was wiped out by the Local Government Act, 1929, and this payment, along with the expenditure on grants for venereal disease, was thrown into the block grant, and an additional year's payment was really made to this Council to tide them over the interval until such time as the local authorities would make contributions towards their propaganda expenditure.

2972. In effect, two years' grant was made in one year?—Two years' grant was made in one year; that is really what it was.

Mr. Leif Jones.

2973. On subhead G.6 I notice the remission of duty on spirits to hospitals; do they get their spirits free of duty?—Yes.

2974. What is the fourpence?—I suppose the actual amount of duty on the spirits consumed was fourpence less than we had estimated. (Sir *Malcolm Ramsay*.) I think it was a known amount beforehand, and they put it down as a round figure in the Estimates.

16 April, 1931.]

Mr. JOHN JEFFREY, C.B., C.B.E.

[Continued.]

HOUSING ACT, 1914.

ACCOUNTS, 1929.

WIDOWS', ORPHANS' AND OLD AGE CONTRIBUTORY PENSIONS ACTS,
1929. ACCOUNTS, 1929.

Chairman.] We go now to the White Papers. The first one we take is the Housing Act Accounts, House of Commons, Paper No. 165. I have nothing to draw attention to upon that. There is nothing for me to say. Upon the other one, there may be something to say. We will take them together. Will you go to Paper No. 34? The report merely recapitulates the features of the accounts?—On page 2 of Paper No. 34 there are things to which I want to draw your attention. There is £4,000,000 Parliamentary grant Treasury Pensions Account, the financing fund behind the scheme. The next one, II, the Pensions Account, is the account from which the pensions are paid. They are the only observations I have to make, because on page 8 the Report of the Comptroller and Auditor-General recapitulates the salient features of the account.

Mr. Bird.

2975. I should like to ask what the surrendered land was on page 3 of Paper 165. You surrendered some land, but apparently it cost nothing. Was it land which you bought and spent money on?—(*Mr. Jeffrey.*) It was bought by the Company, but it was surrendered, because it was no longer needed when Rosyth Dockyard was reduced to a care and maintenance basis. The whole position has been carefully explained to this Committee in previous years. The Company holds a large amount of land unbuilt on, and they are feuing it, so far as they can get people to take it up. This year, I understand land has been let off for two shops and a dwelling house. That is all for the benefit of the Company.

Mr. Gill.

2976. On paper 165, with reference to the subscription on account of 100,000 £1

shares in the Scottish National Housing Company, I see £62,500 has been paid up. Does that mean there is a further £37,500 to pay?—Yes. (*Mr. Phillips.*) If called up.

2977. Is there any income from this particular investment, or is it too early for that?—(*Mr. Jeffrey.*) There is an income, but I do not know if the income is sufficient to meet the outgoings. The Treasury have to subsidize the Company to the extent of roughly £30,000 a year.

2978. There is no income in regard to this particular amount of money?—No; that was capital which was raised to pay for the building of the houses at Rosyth, and the rest of the capital was obtained from the Consolidated Fund.

2979. Who controls this Company?—A body of Directors, on which the Department of Health and the Treasury are represented. Of the other Directors, one represents the Burgh of Dunfermline, which holds about 50,000 shares. There are 100,000 shares altogether. Dunfermline holds 50,000, and there are private individuals who hold shares, and they are represented.

2980. Has there been any dividend paid at all on any of the shares?—The agreement with the Company guarantees a dividend of 5 per cent. on the paid-up capital.

2981. Does the Government receive 5 per cent. on this £62,500?—So far as the Government holds a portion of the £62,500. The Government does not hold the whole £62,000, but so far as the Government holds shares, they get the 5 per cent. (*Mr. Watson.*) The £2,500 credit is appropriation in aid of the Vote as 5 per cent. dividend on the Government holding.

Mr. Gill.] That was the point I wanted to get to, and that is what I want.

(*Mr. Jeffrey withdrew.*)

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Mr. W. W. McKECHNIE, C.B.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS IV.

ON VOTE 10.

PUBLIC EDUCATION, SCOTLAND.

Mr. W. W. McKECHNIE, C.B., called in and examined.

Chairman.

2982. We will now go to Class IV, Vote 10, page 184, Public Education for Scotland. This expenditure comes very close to the Estimate, as Honourable Gentlemen will see. There is no scope for variation. The main items, sub-head C, "General Aid Grant," and sub-head D, "Superannuation of Teachers," are exactly determined in advance by a formula relating to the English figures.

Therefore there is nothing possible for us to say about this account on page 184, and, unless Sir Malcolm has something to say, I propose to pass from it to page 194. Have you anything to say, Sir Malcolm?—(Sir *Malcolm Ramsay*.) No. The expenditure on education in Scotland gives me a very poor run. It is nearly all automatic.

Chairman.] If it is nearly all automatic we cannot do very much.

CLASS III.

ON VOTE 14.

REFORMATORY AND INDUSTRIAL SCHOOLS, SCOTLAND.

Chairman.

2983. We now pass to Class III, Vote 14, Reformatory and Industrial Schools, Scotland. On page 138, sub-head A, Salaries, means the salaries of local collectors. As you will see, on page 139, near the bottom: "Provision for the cost of Departmental administration is in-

cluded with the Scottish Education Department, Class IV, Vote 10," which we have just now done; therefore, there is nothing to say about it. I think the Committee will excuse you, Mr. McKechnie. There is nothing to be said here?—(Mr. *McKechnie*.) Thank you.

*(The Witnesses withdrew.)**(Adjourned to Tuesday next at 2.30 p.m.)*

TUESDAY, 21st APRIL, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.

Mr. Gill.
Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Sir A. W. HURST, K.B.E., C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS III.

ON VOTE I.

HOME OFFICE.

Sir MALCOLM DELEIVINGNE, K.C.B., and Mr. J. F. MOYLAN, C.B., C.B.E., called in and examined.

Chairman.

2984. We will go to the Home Office, Class III., Vote I, on page 100. This Vote is largely connected with the Services of administration and inspection, and four-fifths of it consist of salaries, travelling and other expenses of inspection. I see nothing to draw attention to on page 100. I see only one matter on page 101; that is at the bottom: "Probation of Offenders." This was extended from July, 1926, by the Criminal Justice Act, 1925. Perhaps Sir Malcolm will tell us later on whether that charge will grow, that £45,000 there? (Sir *Malcolm Delevingne.*) It is not expected to grow.

2985. On page 102 I draw attention to the cost of materials under subhead J.2. This saving has been counteracted by the reduced receipts. You will see that in the trading accounts where we can discuss it more conveniently. Subhead N, Royal Irish Constabulary, is a diminishing service. On page 103 there is the Anthrax Prevention Act.—That is the same as the point to which you have just called attention.

2986. Has Sir Malcolm Ramsay anything to help us with?—(Sir *Malcolm Ramsay.*) I have nothing to say; it is all accounted for quite regularly. The only question I raise is on the Anthrax

Act, just to call attention to the expense.

Mr. Leif Jones.

2987. On page 103 there is an item, "Baronetage Enrolment Fees," which seem to have greatly exceeded the estimate. How many baronets are represented by £345?—(Sir *Malcolm Delevingne.*) Twenty-three.

Chairman.] It says in Note 10: "The Estimate is necessarily conjectural."

Mr. Leif Jones.] So I see.

Chairman.

2988. What have the unfortunate baronets to pay?—£15.

Mr. Denman.

2989. That means that the Government of the day exceeded the estimate of the creation of baronets?—Or more baronets succeeded to titles. I do not think there were 23 new baronets.

Mr. Leif Jones.

2990. The estimate was for ten baronets and the actual production was 23.—It does represent fees in respect of 23 new baronets, I am told. A fee is not now charged on succession. If the Com-

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Mr. J. F. MOYLAN, C.B., C.B.E.

[Continued.]

mittee is interested I will let Mr. Leif Jones have a note about it.

Mr. Denman.

2991. On page 101, subhead D.1, "Inspection under Cruelty to Animals Act," do you work in collaboration with private enterprise in that? There is a great deal of private enterprise in inspecting cruelty to animals, is not there?—No.

2992. Does not the R.S.P.C.A. perform that kind of work?—This is under the Vivisection Acts. It relates to experiments on animals. It has nothing to do with cruelty to animals in the ordinary sense. These are the vivisection inspectors.

2993. It is purely a charge in respect of vivisection?—Yes.

2994. Do you inspect at all in respect of the Employment of Children Act?—That is almost entirely a matter for the local authorities, except in so far as some provisions might apply to children in factories.

2995. It does not occur in any of these headings; there is no expense in respect of that at all?—No.

Mr. Benson.

2996. I should like to know about subhead J.2 and appropriation No. 8; that is on pages 102 and 103. There is a very heavy shrinkage there. That is the Anthrax Prevention Act.—(Sir Malcolm Ramsay.) I think that will be seen better on the Trading Accounts.

2997. I am not sure, because if one compares the total figure in the Trading accounts it was £14,500 expenditure as against £15,000 last year. There has been no very radical change in the condition of the anthrax station, whereas the cost of materials has dropped from £12,000 to £1,200 and receipts from £22,000 to £3,000, whereas your trading figures for this year as compared with last year show very little difference. I want to know why there is this extraordinary difference. It is not shown in your trading accounts?—(Sir Malcolm Delevingne.) What we have to do each year in connection with the anthrax station is to estimate for a full year's working. We have no means of knowing before hand how much wool of the infected varieties will be received during the course of the year. We therefore have to estimate for a full year's work-

ing, but during the last two or three years, as Hon. Members know, there has been a great depression in the wool trade, and the supplies received have been altogether insufficient to keep the station working anything like full time. Therefore, there has been a great falling off in the expenditure on the work of disinfection, and a greater falling off in the fees received from the owners of the wool, who are charged a flat rate for the disinfection.

2998. That I can quite understand, but I do not quite understand on what you base your estimates for sub-head J.2, and No. 8 on page 103. There is £12,000 and £22,000. There is nothing in the previous year's activities which would justify those figures?—For the last three years at least the figures have not justified it. We cannot allow for that, because there might have been a sudden revival in the wool industry, and we should have received larger quantities of wool than our estimate would have allowed us to disinfect.

2999. So that you put in your estimates year by year what is likely to be the maximum, irrespective of the state of trade?—Yes; that is what we have settled with the Treasury would be the proper way of meeting the situation.

3000. You make allowance for any possible contingency?—Yes.

3001. Not the mere probabilities?—No; it would be very unsafe to do that because if trade suddenly revived—

3002. You would still be allowed to put your Appropriations in Aid against your increased cost. You would not require a supplementary estimate?—(Sir Malcolm Ramsay.) Yes; they would because a department cannot use appropriations in aid in excess of the amount allowed by Parliament, so if the gross cost goes up heavily, they must get a Supplementary.

Chairman.

3003. I agree, but make that clear to us. We had a discussion about that last year. If the original Vote is exceeded, notwithstanding the Appropriations, you must still go back to the House of Commons?—That is what this Committee has perpetually insisted on. In fact, Parliament determines the amount of the Exchequer grant and the amount by which it can be supplemented by Appropriations in Aid; and no Department

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[Continued.]

may exceed the aggregate of those two amounts in its expenditure. If I have a Vote of £100, and I am authorised to apply appropriations in aid to the tune of £10, I get an Exchequer Grant of £90, and I may use £10 in fees. If my gross expenditure is £101, I have to come to Parliament to get a supplementary Vote.

Sir Assheton Pownall.

3004. Even if you have excess of appropriations?—If I have £1,000,000 appropriations in aid, I cannot touch them. Parliament specifically limits the amounts of appropriations in aid which each Department can apply in addition to the Exchequer Grant.

Chairman.

3005. In other words, even if the appropriations covered the excess which you have spent you must still come back to the House of Commons?—They cannot touch it without the consent of the House.

Chairman.] We had a troublesome argument about that last year; the House did not seem to realise that.

Mr. Benson.

3006. On sub-head L.1 there is an excess expenditure of £6 8s. 11d. Why should that not require a supplementary estimate? Is it because your total from sub-heads A to N shows a big saving?—That is so. Provided the gross total authorised by Parliament is not exceeded, the Treasury have power, subject to criticism by this Committee, to authorise the application of savings on certain sub-heads of Civil Votes to meet excesses on other sub-heads.

3007. Here you have a £28,000 excess, but in order to safeguard yourself you have put in £12,000 under sub-head J.2. If you had put in £1,500 as a reasonable estimate for the year under sub-head J.2 instead of the £12,000, you would still have had ample margin to meet it under the savings in the gross total?—I do not follow you when you say that there is an excess; there is a saving.

3008. I mean a saving. There was an excess there over the £12,000, which was wildly improbable?—That is so.

3009. You do not throw out your various accounts. You estimate as nearly

as you can each item, trusting that the excess expenditure will be balanced by the savings?—That is so, broadly.

3010. Broadly speaking, it works out that way because one gets very few supplementaries?—Yes.

3011. But here, for some reason or other, you take the maximum possible expenditure?—And the maximum possible fees.

3012. And the maximum possible fees. You would have been entirely warranted by the total saving in making a much more careful estimate there?—They could have. I think Sir Malcolm Delevingne will agree, but there always is a peculiar difficulty about estimating for services in respect of which there are large receipts which the Department is authorised to appropriate in aid. If there is a boom in business you get a boom in receipts, and vice versa, and looking through the Estimates, the Committee will have noticed that in all these cases of services which have large Appropriations in Aid there is a tendency to estimate very fully. Over and over again the Committee has noticed savings on the expenditure on Empire Marketing Services and a corresponding shrinkage of receipts. I do not know whether the Treasury wish to add anything, but the tendency on services of this sort is to estimate fully, because a sudden boom may necessitate your going to Parliament for the ordinary routine work of carrying on the station?—(Sir A. Hurst.) I would only point out that although there is a saving of £26,000, of which £15,000 is associated with this station, the rest of the saving is made up of a number of small items, which it would be rather difficult to anticipate. It is made up of several items of £1,000 or £2,000.

Mr. Benson.

3013. But the accounts for the majority of the services show that there is a favourable balance at the end of the year. There is something to be surrendered to the Treasury?—Quite.

3014. Considering the number of heads and sub-heads that we have, the number of supplementary estimates presented to the House is remarkably few?—The margin here is 4 or 5 per cent. Possibly, if we ran a narrower margin than that we might have quite a batch of supple-

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[Continued.]

mentary estimates coming forward each year, seriously congesting the business of the House of Commons.

3015. Surely it is bad estimating to take, on sub-head J, your maximum possible expenditure, irrespective of the state of trade and the probable expenditure?—(Sir *Malcolm Delevingne*.) Might I intervene there? It is not the maximum possible. The maximum possible would be the output of three shifts, supposing the station worked three shifts day and night. We base our estimate on working one shift only out of a possible three. If the work were extended by receiving large supplies we should put on a second or a third shift, so we are not basing our estimate on the possible output, or the maximum fees. We are basing our estimate on what happened in the early days of the station when we received supplies sufficient to keep the station working full time on one shift.

3016. On the other hand, a large excess on one sub-head helps to free you from Parliamentary control on all the other sub-heads?—(Sir *Malcolm Ramsay*.) Quite true; that is the danger.

3017. I think that is the danger. It is an entirely wrong policy?—I beg your pardon. It does not exactly do that, because on a Service like this, if you do not spend your money on running your station you do not get your fees. In 1929 there was a shortage of £15,000 in appropriations in aid, leaving only £10,000, and that was the margin only within which the Treasury could authorise virement. (Mr. *Watson*.) The Department was under the necessity of saving money by reason of the shortage of receipts being some thousands more than the saving in expenditure.

3018. I was quite wrong, but I still think the Estimate ought to approximate more nearly to the state of trade?—(Sir *Malcolm Ramsay*.) I meant the maximum expenditure that is in sight.

3019. I mean that.—If they made their Estimates very fine on these services, which ought to be, in a full state of trade, self-supporting to a large extent then they run the risk, if there is a boom in trade, of having to come to Parliament to get a Supplementary Vote for a service, every item of which has been sanctioned by Parliament, but for which they have not given quite sufficient money. I think those considerations are present to the minds of the Treasury

when they examine them. (Sir *A. Hurst*.) That is so.

Captain *Crookshank*.

3020. For probationers under sub-head H, the sum required was less. Was that because there were fewer probationers or because the cost had gone down?—(Sir *Malcolm Delevingne*.) I think it was quite a casual variation. (Sir *Malcolm Ramsay*.) I think it is largely because the local authorities did not send in their claims for the full amount. This grant depends on the expenditure of the local authorities, and they were considerably in arrear in sending in their accounts. (Sir *Malcolm Delevingne*.) I think that is so. (Sir *Malcolm Ramsay*.) I think the amount has remained fairly constant, has not it, Sir *Malcolm*? (Sir *Malcolm Delevingne*.) Yes, that is so.

3021. May I ask a question on the question of the museum, whether there is an increasing attendance at that museum. Is it getting more popular?—We had just under 6,000 visitors last year, which we thought was quite a satisfactory number. It is an increase of about 1,000 over the year before. It certainly is becoming better known, but we still find it is unknown to a large number of people who ought to be interested in it.

3022. Has there even been any question of entrance fees to make it help pay for itself?—I think not. The whole object of the museum is to help occupiers to bring their factories up to a high standard of safety, health and so on, and that would be rather nullified if we charged an entrance fee for coming to see the exhibits.

(At this point Mr. *Leif Jones* took the Chair.)

Major *Salmon*.

3023. In the case of sub-head A.1 I observe that there is £1,600 more than granted under salaries and wages, and I see the explanation is that there was an increase in staff and certain savings. Nevertheless, it makes in the aggregate £1,600 more. Does the increase in staff of over £1,000 mean temporary staff or permanent staff?—Permanent.

3024. Therefore, it really comes to this, that the headquarters of the Home Office

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are increasing their staff permanently?
—Yes.

3025. Is the work increasing?—It has increased considerably.

3026. Do you employ any temporary staff at all?—I am afraid I cannot give you the figures off hand. We do employ temporary staff, certainly.

3027. Under sub-head B.1 I observe that you say that there have been certain savings made under the inspection of factories and workshops. Does that mean there is going to be a permanent saving or are they temporary?—They are purely casual. Vacancies for inspectors have not been filled at once during the year.

3028. Under the Aliens Restriction Act there is a saving. Is that going to be a permanent saving?—No, I do not think so.

3029. Under sub-head G.3, "expenses of deportation orders," how is it that

you are put to an expense by deportation orders?—If an alien is deported, and if we cannot make arrangements for his free transport, either by an agreement with the shipping companies or by making him pay out of his own pocket, the State has to pay.

3030. The money goes under that head—Yes.

3031. In connection with the Appropriations in Aid, Item 11, Medical Referees, I observe that with regard to the fees paid by applicants under the Workmen's Compensation Act the realisation is roughly £1,000 less than the anticipated?—Yes.

3032. How do you account for that?—Fewer cases went to the Referees. You will notice under subhead E the expenditure was also considerably less than the sum voted.

3033. It reflects in the Appropriations in Aid?—Yes.

TRADING ACCOUNTS: WOOL DISINFECTING STATION.

Mr. Leif Jones.

3034. We turn to page vii of the Report in the Trading Accounts. This Account shows an increasing loss each year.—I am afraid it does.

3035. It was £11,560 in 1929, £9,931 in 1928, and £8,938 in 1927. Is this steadily going on? You know now about the following year, for instance?—I am afraid the tide has not turned yet.

3036. Is it ever likely to turn?—It would require a prophet to answer.

3037. That is what we expect of Accountants?—Not of a Government Department.

3038. I see since the beginning this account has given a total loss of £112,000 to the country. That represents the cost to the State of giving effect to this Anthrax Prevention Act. Is this the only way of dealing with it; must we go on spending all this every year?—I think I have explained in previous years to the Committee the exact position of this station. It was put up in order to apply a system of disinfection to imported infected materials for the purpose of protecting the workers in the factories against the occurrence of anthrax. The Departmental Committee which inquired into the subject before the War advised that the only effective means of protecting the workers was to disinfect the

materials when they entered the country.

3039. Could not you protect them by shutting out the materials from infected areas?—That would involve an interference with trade. They come from India, parts of Asia, Mediterranean countries, and so on.

3040. You mean without shutting wool out altogether you could not do it?—Not without shutting out an enormous amount of wool. It was decided at first to run it as a trial station to get the scheme running efficiently. It was intended, when that stage had passed, to extend the requirement to other classes of infected materials. The trial period has long since elapsed and in the ordinary course we should have extended the requirement of disinfection to classes of material which are not being disinfected at present, but the great depression in the wool trade has raised great opposition amongst the manufacturers to any extension of that requirement, and although the Government have the matter under consideration no decision has yet been taken. The station could be made to pay its way if all infected materials which are imported into the country were disinfected.

3041. If you do not do the thing thoroughly is not it useless? How far have you succeeded in preventing

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anthrax?—I would not like to say that, but the station has had the effect of almost entirely stamping out anthrax in the Bradford trade.

3042. You think it has succeeded?—As far as it has gone.

3043. You would be sorry to see any cessation of the system?—Entirely. We should like to see the station treated, not as a trading service at all, but as a public health service. It is as much part of our factory administration really as the employment of the inspectorate.

3044. Must we go on spending £10,000 a year on it?—The Home Secretary has the matter under his consideration at the present time. We realize that it is a most unfortunate situation. The staff has been reduced to the minimum necessary for running the station at all, but we realize that it is most unfortunate that we have to keep up this large station when we cannot keep it anything like fully employed.

3045. How would you make it pay from your point of view, so to speak? You suggested there might be some way of doing it?—From the point of view of the Home Office we should extend the requirements of disinfection to other materials.

3046. Other than wool?—We have only scheduled at present certain varieties of wool and hair and there are varieties of wool and hair which come from the infected regions, which are not at present scheduled. If the requirement of disinfection was extended to those, as there is power to do, that would provide additional material for the station to work upon.

3047. If you have stamped out anthrax it would seem unnecessary to carry that further?—I do not quite follow.

3048. If you have got rid of anthrax in this country by disinfection to the limited extent to which you have done it, it does not seem necessary to extend—It was only in that part of the field where the scheduled varieties were employed, that is, Bradford. We have not stamped out anthrax in the country.

Mr. Benson.

3049. There are only about twelve cases a year?—That is so, but it is a disease which has always particularly impressed the workers because of its terrible nature.

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Mr. Leif Jones.

3050. Are you pressing for the extension you speak of, or are you letting it go?—No; we are not letting it go. It has been under discussion with the trade for some time, and the matter is now before the Home Secretary for decision.

3051. If they decide in your favour, will this deficit disappear?—Unless there was a further slump in trade we should secure further materials, and that would probably wipe out this deficit.

3052. That is as far as you are concerned, but the trade which imported these things would have to bear the cost?—Yes; that is the problem.

Major Salmon.

3053. You have said that anthrax is practically stamped out in the country, except for a very few cases, under a dozen a year, I understood you to say?—All I said was that so far as we had scheduled the materials, anthrax had been stamped out in that branch of the wool industry in which those materials were employed; that is the Bradford section of the trade.

3054. Would it be fair to say that where anthrax has occurred in the country, it has derived its origin either from wool or from hair?—Do you mean anthrax among animals or anthrax among the factory workers?

3055. The factory workers?—Wool, hair, or hide.

3056. In every case where anthrax has occurred among human beings, has it been traced to that cause?—In factories it is through handling wool, hides, or hair. There may be a case where it is not, but I cannot recollect it.

3057. Yet you think it necessary to recommend the Home Secretary to extend this disinfection?—I should not like to pledge myself to the 12 cases; the number is not large, certainly. You are always liable in cases of this kind to have an outbreak. The anthrax spore, if it comes in contact with a cut, is likely to cause an outbreak. It is accidental whether the damage is done or not. If it is, it is a particularly horrible thing.

3058. Before the introduction of this Act, how many more cases did you have than you have to-day?—The number was quite considerable. I could not give you the figures without looking up the re-

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cords, but the number was quite considerable; in fact, it was regarded as a very burning question in the industrial world before the war.

Mr. Bird.

3059. The disease usually comes through shaving brushes, does not it? It is more prevalent in hair than in wool?—Not necessarily, but you can get anthrax by using a shaving brush which has been made of infected hair. The spores of anthrax are very resistant and they live for years. It was only after very considerable research that the method employed at the Liverpool station was discovered, and it is the only effective method which is known.

3060. The Act applies to wool and hair?—The Act applies to any material which may be scheduled by Order in Council.

3061. The Schedule only applies to wool and hair?—We have only scheduled so far certain varieties of wool and hair.

3062. If you scheduled other materials, what would they be?—What we have been considering is other varieties of wool and hair.

3063. What wool comes under the schedule now?—At present we have scheduled all East India goat hair and all Egyptian wool and hair. There are a great number of other varieties of hair and wool from the Mediterranean countries, and in fact from all parts of Asia, especially Central Asia.

(At this point Mr. Arthur Michael Samuel resumed the Chair.)

3064. The Australian wool is exempt from the Schedule?—The Australian wool is quite free from anthrax.

3065. And New Zealand?—Yes.

Chairman.

3066. Would it be possible to prohibit altogether the importation of these classes of wool? Are they very important?—Very important.

3067. We could not do without them?—No.

Mr. Bird.

3068. There would be a shortage of mohair?—The East Indian hair is very largely used.

Chairman.

3069. Has it occurred to the authorities to consider that point? Anthrax is a very dangerous disease?—It would involve such an upheaval in the manufacturing industries that I do not think it would be possible.

3070. Now we go to page 90. The only observation I have to make on page 90 is that the cash receipts have not covered direct cash expenditure, altogether apart from over-heads. What have you to say about that, Sir Malcolm Ramsay?—(Sir Malcolm Ramsay.) I think that is a very familiar position. It is the fact that, as the witness has explained, business has been very small, and at present the Home Secretary has not seen his way to order the station to be shut up.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS III.

ON VOTE 3.

POLICE, ENGLAND AND WALES.

Chairman.

3071. We will go to the Treasury Minute on Police equipment. We had a long discussion on that last year. Will you look at the Treasury Minute, page 4? I have no observations to make on paragraph 8. The Committee had asked whether further progress could not be made in the direction of standardisation of qualities and patterns

for Police Force equipment. The Treasury thereupon wrote to the Home Office and asked for the observations of the Secretary of State as to the best means of effecting progress as suggested. We raised that in debate on the floor of the House. Mr. Clynes gave some reply that he was looking into the matter of the supply of uniforms and so on, if my memory serves me. The Committee might like to hear what developments

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have occurred?—(Sir *Malcolm Ramsay*.) If this matter is before the Estimates Committee, this Committee will consider whether they wish to deal with it.

3072. We will, without expressing any opinion, pass it on to the Estimates Committee?—That is for you.

Chairman.] We have drawn attention to it and the Estimates Committee are dealing with it, as I understand. Would not it be the wish of the Committee to leave the Estimates Committee to carry it on? (*Agreed.*)

Chairman.] Last year the Committee took evidence as regards a loss by defalcation which had occurred in connection with the Metropolitan Police Fund. There is a note about it on page 4 of the Treasury Minute. "My Lords note the comments of the Committee." The loss was probably facilitated by the fact that the offices of the Commissioner of Police and of the Receiver are entirely different organisations, and had not kept touch. The Committee were assured that now the two offices act in close co-operation, and they suggested that the Receiver should be given a definite responsibility for supervising the arrangements for the receipt and custody of money in the Commissioner's Office. The present Committee will doubtless wish to know what action has been taken in regard to this recommendation, and what is the answer to it. In the meantime, has Sir Malcolm Ramsay satisfied himself that an improvement has taken place?—We were told last year that they were acting in close co-operation, but this was a new suggestion that the Receiver should be given a more definite responsibility for supervising the money in the Commissioner's Office. That is a matter for the Home Office, and the Commissioner of Police. Whether it is practicable without legislation, I could not say off hand, but doubtless the witness will be able to tell the Committee. (Sir *Malcolm Delevingne*.) Will you hear Mr. Moylan, the Receiver, as you did last year?

3073. Yes?—(Mr. *Moylan*.) Immediately after this defalcation took place steps were at once taken to prevent a similar irregularity occurring with regard to the moneys involved in that particular case. At the same time a Committee was appointed on which the Receiver was represented to examine all the arrangements in the Commissioner's Office with regard to the receipt and safe custody of moneys of any kind. That

committee made various recommendations for the improvement of the existing arrangements, and new regulations were made. Those regulations have been approved by the Receiver and subsequently by the Home Office, and are now in operation. It is the Receiver's duty to report any failure to observe these regulations that comes to his notice, and also any irregularity in regard to the paying in of moneys due to the Police Fund. The actual day to day supervision of the carrying out of the regulations, of course, rests with the Commissioner of Police. His officers are charged with the duties of carrying out these regulations, and it is for the Commissioner of Police to see that they do so, and to take disciplinary action if they fail to do so. In that sense, the Receiver cannot relieve the Commissioner of his responsibility.

3074. Will that satisfy you, Sir Malcolm Ramsay?—(Sir *Malcolm Ramsay*.) That was the position last year. The Committee raised the question whether anything could be done to break down what is, I think to some extent, a statutory barrier and let the writ of the Receiver run further than it now does. (Mr. *Moylan*.) I do not think it leaves the matter in quite the same position as it was before, because previously the Receiver was not aware of the arrangements governing the receipt and safe custody of moneys. He has now been made aware of these arrangements and has approved, with the Secretary of State's approval, of the new arrangements with regard to them, which I think alters the situation entirely.

Major Salmon.

3075. Who has the responsibility?—The Commissioner has the responsibility of seeing that his officers carry out the regulations. The Receiver has the responsibility of taking any action, if there is any irregularity with regard to the payment of moneys into the Police Fund. (Sir *Malcolm Ramsay*.) The position is that these arrangements go back to the Act of 1829 under which very definite spheres of duties are assigned in rather watertight compartments to the Receiver and to the Commissioner. Until you get away from that Act, and what I conceive is a rather antiquated arrangement, you cannot carry the matter any further than Mr. Moylan has explained. (Mr. *Moylan*.) I am not altogether in agreement with the Auditor-General as to the arrangement being an antiquated one.

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Financial control was deliberately separated from the Commissioner, because at the outset the cost of the Metropolitan Police was entirely borne by the ratepayers, and it was considered essential that the control of expenditure should be in independent hands, that there should be a representative, independent as far as he could be, of the ratepayers, and even now half the expense is borne by the ratepayers. This question of whether or not the arrangement was an antiquated one and ought to be changed was very fully gone into a matter of eight or nine years ago, and the Secretary of State decided to make no change, but since that date the relations between the two Departments are far closer than they used to be, and though in a sense perhaps the Auditor-General is correct in speaking of watertight compartments, because you have two separate offices each with a head appointed by the Crown, they do work together far more closely than they used to.

3076. Do you do similar work to what they do on the police side of it, so far as the handling or paying out or receiving of money is concerned?—No; we do not overlap at all. The Commissioner is mainly concerned with the handling of moneys by police officers, and to a certain extent with the handling of moneys by his civilian staff. The civilian staff come into it mostly with regard to these moneys for abstracts of reports, but other moneys are received by the police for various purposes, and the Commissioner is necessarily responsible for them as police officers; the Receiver could not be made responsible for the actions of police officers.

Chairman.

3077. Does anybody else wish to make any observation? If not, we now go to page 106, Vote 3. (Sub-head C is the compensation to a clerk whose appointment lapsed. Sub-head F seems to be a growing amount, and these grants are to make the Exchequer grant up to 50 per cent., are not they?—(Sir Malcolm Delevingne.) Yes.

3078. They seem to be growing; I do not know whether they ought to grow.—It is a question of policy very largely.

3079. On page 107, that expenditure on the Metropolitan Police Fund is entirely under the control of the Home Secretary, is not it?—Yes.

3080. I had made a note on paragraph 9, but that was dealt with on the Treasury Minute. I have dealt with that. On page 110 there is a trumpery item of £4 11s. 3d. loss by theft. It is not worth our bothering about that; I only mention it. It was money taken from a garage, and an arrangement was made that moneys will not be kept in that way in future.—(Sir Malcolm Ramsay.) That was put right at once.

Mr. Benson.

3081. On page 106, subhead F, £7,000,000, does that include the Treasury Grant of £2½ millions on page 107 to the Metropolitan Police?—(Mr. Watson.) Yes.

3082. Roughly speaking, the Police costs of London are about one-third of the Police costs of England and Wales?—Yes; that is right.

3083. That is rather heavy, is it not?—(Mr. Moylan.) That is approximately the proportion of the numbers.

3084. Is there any reason why the costs of policing London should be so heavy?—That is a large subject. (Sir A. Hurst.) The Metropolitan Police District covers much more than London. (Mr. Moylan.) It is an area of 700 square miles with a population of eight millions.

3085. That is about one-fifth. It costs very nearly twice as much per head of population on the Government grant for London as for the rest of the country?—There are all sorts of other considerations than the population. If the population is scattered it requires very little policing.

Sir Assheton Pownall.] It is the home of Central Government.

Mr. Benson.

3086. It may be, but that would be covered by subhead D (i) on page 107?—No; that relates almost entirely to the men employed by the Admiralty at dockyards.

Mr. Benson.] We had that last year about the dockyards. Has anything been done?

Chairman.] It was done.

Mr. Benson.

3087. No. We recommended that for the Metropolitan Police in dockyards should be substituted dockyard police.—That has been done to a very large ex-

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tent, and I think the Admiralty are considering that question.

Chairman.] We had better leave that until the Admiralty Vote comes up. We have a Minute on that.

Mr. Benson.

3088. What is the Dogs Act?—Those are receipts in respect of moneys collected from the owners of lost dogs.

Captain Crookshank.

3089. What are the expenses under the Dogs Act, which are more than the receipts we get?—Lots of people do not claim their dogs. The Police employ three contractors for collecting lost dogs from Police Stations, and they keep them a certain period to give the owner time to claim them. If they are not claimed within a certain time they are sold or destroyed.

Chairman.

3090. There is £2,000 loss on it?—Yes.

Sir Assheton Pownall.] Cannot you charge more for the dogs you sell and re-charge yourselves in that way?

Chairman.

3091. Or charge more for the dogs you hand back to the owner?—That point has been considered, but a large proportion of these people are poor people who can ill afford to pay the fee.

Mr. Bird.

3092. You would have more left on your hands?—Yes. If the fee were bigger we should.

3093. Do not you have the larger proportion when the time for paying the dog licence comes round?—Yes.

3094. That means they cannot pay the 7s. 6d.?—Yes.

Captain Crookshank.

3095. Under G on page 108, Draughtsman, Clerks of Works and so on, is your work done by the Office of Works?—No; it is done by the Surveyors' Branch of my Office. That is a question that was gone into two years ago, I prepared a Memorandum on the subject.

Captain Crookshank.] I had forgotten that. I will look it up.

Major Salmon.

3096. I observe on page 107 under subhead A (iv) "Contribution in respect of services of Metropolitan Police for Imperial and National Purposes, £100,000." Is that a flat rate that is given for all the necessary services?—That is a regular annual amount that was fixed in 1909 and has been paid ever since.

3097. That is for general services?—General services of an Imperial character, protection of the Royal Family, and other things like that.

3098. Would looking after museums be a part of it?—No.

3099. There would be an extra for that?—Very few police are now employed on that sort of duty, but if they were they would be paid for by the owners of the museum.

3100. How is the £100,000 absorbed; is it for processions and things like that?—A small part is for processions. It is for protecting the Royal Family and various services carried out by the special branch.

3101. Parliament pays for it; it is a charge.—Parliament pays for certain police and not for others. The extra police who have to be employed in Parliament Square to protect the approaches of the Houses of Parliament are not paid for, but those who are inside the House are paid for out of the House of Commons Vote.

3102. Item A.9 is legal expenses, £16,000; what sort of expenses do you have to deal with?—That represents the payments made to the Police Solicitors, Messrs. Wontner, for conducting proceedings on behalf of the Commissioner in various Courts.

3103. They are the Solicitors who represent the Police in all proceedings?—Yes; and it includes a certain amount for Counsel's fees.

Mr. Bird.

3104. There is no solicitor on the Staff?—No.

Major Salmon.

3105. Subhead N, "Miscellaneous receipts (i) Interest on Bank Balance"; you must have rather a large sum of money to get an interest of £38,000 on Bank balance?—Yes; that is because our money comes in twice a year, and for periods after those half-yearly receipts of

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moneys we have a substantial balance, which is either invested in Treasury bills or lent by the Bank of England on our behalf to the market.

Chairman.

3106. Is that in accordance with the Treasury practice?—(Sir *Malcolm Ramsay*.) This is quite distinct from the Treasury.

3107. It is all out of the ratepayers' pocket. Does the ratepayer get any benefit from that?—(Mr. *Moylan*.) Yes.

Major Salmon.

3108. The £38,000 is presumably taken in as part of the receipts, and when you consider your total expenditure this is credited to the total expenditure before you make out the amount of money you require for the year's work?—Yes; it is one of the receipts in aid.

3109. There is an interesting question here on the question of electric light. Do you make terms with electric light companies, or do you pay what they charge in each Court and police station?—We make terms with the electric light companies. We get the same terms as they allow to the Office of Works with regard to the Government Departments.

3110. Do you do the same thing with regard to rates?—We have a similar arrangement with regard to that to that in force as regards Government offices. We make a contribution in lieu of rates.

3111. Do you make those arrangements, or do the Office of Works make them for you?—No; we make them.

3112. And you make the arrangements with the electric light companies in the same way?—Yes.

3113. The figure of rates and taxes of £44,000 is an agreed figure for all the police stations and all the police courts?—Yes; agreed with the local authorities.

3114. On the same basis as other Government offices?—Yes; we work in consultation with the Treasury Valuer.

3115. Why is it necessary to show under different heads the cost of furniture, electric light and gas fittings? I notice you have it down under two heads. Probably there is a reason for it. Under item 38 you have, "Furniture, electric light and gas fittings for new stations"; under item 42 you have, "Furniture, electric light and gas fittings for existing stations." Is that to show the difference between renewals and new stuff?—Yes; it is to distinguish the expenditure on new buildings from the expenditure on maintaining our existing buildings. Item 38 is furniture, electric light and gas fittings for new buildings.

Sir Assheton Pownall.

3116. With regard to the item in sub-head N (i) which Major Salmon was asking about, Interest on Bank Balance, you mentioned that large sums were lent to the market at times from money received from local authorities?—Yes.

3117. Are sums lent to the market in that way absolutely safe from the point of view of the lenders?—The Bank of England guarantees them.

ON VOTE 5.

REFORMATORY AND INDUSTRIAL SCHOOLS, ENGLAND AND WALES.

Chairman.

3118. Let us pass to page 117, Class III, Vote 5. Will Hon. Members look at sub-heads D and E? The bulk of this expenditure is under sub-heads D and E, and it is automatic. There is a fixed grant of 50 per cent., and we cannot do anything with it. It is statutory, is not it?—(Sir *Malcolm Delevingne*.) No, it is not statutory. It is an agreed contribution; it is not statutory.

3119. The parents' contributions under sub-head H are collected in full. You see those under Appropriation in Aid;

half of them are due to the local authorities. That amount is paid out and charged against sub-head H, I suppose. Payments are only a small proportion of the contributions, as the schools for children maintained by local authorities are not very many, are they? Most of these schools are voluntary, are not they?—Yes.

Chairman.] I have nothing to say on page 118.

Sir Assheton Pownall.

3120. Are these schools jointly maintained by the local Poor Law authorities and the State? Are these sums a Grant

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in Aid, as it were, to help the local authorities on sub-heads D and E?—Where they are maintained by the local authorities the State pays 50 per cent. of the cost.

3121. So these sums represent in most cases 50 per cent. of the total expenditure?—Yes.

3122. The rest fall on the rates?—Yes. In the case of the local authorities' schools. In the case of voluntary schools, some of it falls on private funds.

3123. The sums received are shown over the page, £17,000?—No; those are the amounts collected from the parents of the children committed to the school. The Courts have power, when they send a child to a reformatory school, to order the parents to pay a part of the cost. There are two classes of schools, those which are maintained by local authorities and those which are maintained by voluntary associations. Every school has to submit an estimate every year, which is examined and criticised by the Department.

3125. Roughly speaking, how much do you give as a rule?—We pay 50 per cent.

3126. Of those that you approve?—Yes, of the approved estimate.

Mr. Leif Jones.

3127. Are these schools being increasingly used or not? In the year under review there are fewer children than in the preceding year?—For some years the numbers steadily fell, partly, I think, because of the increasing tendency to use the probation system for young persons; but last year I believe the numbers have shown a slight tendency to rise.

3128. Do you see any distinction between the reformatory schools and the industrial schools in that respect?—The reformatory schools are rising slightly, I think; the industrial schools are about stationary.

3129. It is the industrial schools that are voluntary. Not in all cases are children committed to them; they are sometimes sent by their parents?—At these Home Office schools all the children for whom the Exchequer contributes are committed.

Mr. Gill.

3130. I understood that some of these schools are controlled by voluntary autho-

rities and others by the local authorities. Is that so?—Yes.

3131. Is the measure of financial aid the same in both classes of schools?—Yes, exactly the same; fifty per cent.

3132. Is the 50 per cent. based on the gross expenditure or the net? I will tell you what I have in mind. I think in connection with some of these schools they run farms, for instance?—Fifty per cent. is 50 per cent. of the net expenditure.

3133. You take into account any profits that arise on work that is performed by the people who are inmates of these schools?—Yes, certainly.

3134. Then 50 per cent. of the net cost is granted?—Yes.

3135. And the same amount is granted, whether it is voluntary or not?—Yes

Major Salmon.

3136. On the question of inspection and the collection of moneys from parents, do you employ officers to collect the money?—In the Metropolitan area we employ agents.

3137. What do you mean by "agents"? Do you mean the representative of the local authority, or do you mean you employ an individual?—It is simply a title; they are employees of the Chief Inspector of Reformatory Schools. They are servants of the State.

3138. They are servants of the State who collect the money. What do you do about inspection? Do you have inspectors and do the local authorities have inspectors going to these schools?—All the schools are inspected by Home Office inspectors, and provision is made in the Home Office Vote for them.

3139. I appreciate that the Home Office schools are inspected by inspectors, but if the local authority is running a school, they also have inspectors. Take the London County Council as an example?—A local authority may have their own arrangements for supervision, but all the schools, whether voluntary or local authority schools, are subject to Home Office inspection and supervision.

3140. Is your inspection made from a scholastic point of view, or from what point of view?—Every point of view; everything that bears on the welfare of the children.

3141. You have a closer inspection than the Ministry of Health would have in the case of Poor Law schools?—I am not so very well acquainted with the standard

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of inspection in the case of the Poor Law schools, but ours is a very close supervision, and experience has proved it to be necessary.

3142. Even though County Councils may be running their own institutions?—I believe that is the case.

3143. It strikes one, looking at it from a broad national point of view, that the inspection may be duplicated by having the local authority sending inspectors to inspect their own schools; their own schools, bear in mind; I am not discussing private schools.—That raises a very

large question. I do not feel myself competent to express an opinion.

3144. Major *Salmon*.] I think it would be a good thing to have a note on the extent of inspection by the Home Office and the extent of inspection by the County Council, where they have their own schools.

Chairman.

3145. Very well?—I will let you have that.*

* See Appendix 14.

ON VOTE 18.

NORTHERN IRELAND SERVICES.

Chairman.

3146. There are no points for me to draw your attention to on Vote 18 for three reasons. The amount in subhead A is covered by an Appropriation in Aid; subhead B, County Courts, is recovered by deduction from Northern Ireland share

(*Sir Malcolm Delevingne and Mr. Moylan withdrew.*)

of reserve taxes, and subhead C: "Ex-Service Officers' and men's appeals," is an Imperial service. Therefore, there is nothing for me to draw attention to on these figures. Have you any questions, Sir Malcolm?—(*Sir Malcolm Ramsay*.) No.

ON VOTE 4.

PRISONS, ENGLAND AND WALES.

Mr. A. MAXWELL, C.B., called and examined.

Chairman.

3147. Will you turn to the Treasury Minute about the prison dietaries. The prisoners were to have greater variety. We had some discussion about that last year. I do not know whether Mr. Maxwell has anything to say about that?—(*Mr. Maxwell*.) It is very difficult to see how we can introduce any greater variety than there is at present. For one thing, our dietary is very strictly limited. In the breakfast and supper items of bread, margarine and porridge, there is no room for variety. As regards the dinners, we have recently revised the whole dietary and have arranged that in an ordinary prison there will be fourteen different dinners, which will be given on different days, so that the prisoner will not always expect to get the same dinner on Monday and Tuesday, and so on. I have copies of those dietaries before me if they are of interest to the Committee. I do not think it is possible to introduce much more variety; certainly it is not possible to introduce

any more economy. The cost at present is 6½d. a day.

Mr. Leif Jones.

3148. I should like to have details of this dietary of 6½d. a day?—That is the average dietary throughout the prisons, taking the cost of food and dividing it by the number of prisoners.

Mr. Gill.

3149. Before we go into that, might we know what the 6½d. represents: is it the cost of the raw food, or is it the cost of the raw food, plus services, etc.?—It is only the cost of the food, because the services are largely rendered by the prisoners themselves.

Mr. Gill.] It makes quite a different figure if you have to pay for services.

Mr. Leif Jones.

3150. I want to hear a specimen dinner?—Nine ounces fresh beef, one-sixth of an ounce of flour, half an ounce

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[Continued.]

of carrots, half an ounce of onions, four ounces of fresh vegetables. That is one dinner, to which is added a ration of bread and potatoes.

3151. Does that cost less than 6½d.?—Yes, because the 6½d. includes the bread for the breakfast and the porridge. Of course, we do not buy the best beef.

3152. I see you effected several thousands of pounds of saving through the low price of wheat?—Yes.

Mr. Benson.

3153. With regard to the variety, you have certainly introduced an enormous difference in the dinner dietary, but is there any particular reason why you should not vary the practice of giving cocoa with the porridge?—Yes; we have sometimes cocoa and sometimes tea, but I do not know what other varieties you would suggest.

3154. In the old days it was eight ounces of bread and a pint of porridge morning and night. You said now it was bread, a pat of margarine and porridge as well?—That is the breakfast.

3155. And what for supper?—Bread, margarine and cocoa.

3156. You get the cocoa there?—Yes.

3157. There is no porridge at all for supper?—No.

Mr. Benson.] You get the variation in that way.

Mr. Leif Jones.

3158. I wanted to know how your changes in dietary had been received by those who are accustomed to lodge in your institutions. Have they been well received, or have they shown no appreciation?—On the whole they are well received, but we get occasional grumbles because the old dietary was much more stodgy and gave the prisoner the impression of being fuller than the present dietary; the present dietary is more nutritive.

3159. You think it is sufficient?—Yes. It is less stodgy in the sense that there is less bread and carbo-hydrates and more proteins.

Mr. Benson.

3160. You felt ravenous in the old days?—It all depends on the food to which a man is accustomed before he starts this diet.

3161. The B diet, which is certainly very heavy so far as weight is concerned, leaves all its recipients extremely hungry, even with additions?—I do not think

the present diet leaves the ordinary person extremely hungry. At one prison we have allowed men to help themselves to bread as much as they liked, and we find very little is wanted above the ordinary ration.

Major Salmon.

3162. On the question of diet, you stated you had fourteen varieties. How many did you have before the introduction of the fourteen?—We had a regular seven-day dietary. That was repeated every week.

Mr. Benson.] No, it was not different on every day of the week. I can give it to you: Monday, ten ounces of boiled beans and two ounces of fat bacon with six ounces of bread and six ounces of potatoes; Tuesday, a pint of soup, six ounces of bread, six ounces of potatoes; Wednesday, suet pudding, six ounces of bread, and six ounces of potatoes; Thursday, four ounces of boiled meat without bone, six ounces of bread and six ounces of potatoes; Friday, suet pudding again; on Saturday it was soup; and on Sunday it was four ounces of bully beef.

Major Salmon.

3163. Mr. Maxwell this afternoon started, first of all, by saying that there was no opportunity of doing anything in the way of variety of dietary, but in practice, so far as the dinner meal is concerned, they have fourteen varieties in place of seven as heretofore. I think everybody will agree that that is a step in the right direction. When we hear of the actual cost of food per day per prisoner, no account, I understand, is taken of the cost of labour, the cost of the fuel for cooking the food, or the utensils in which you cook it. It is merely the cost of food; and when I ask what is the price they charge for milk, or debit themselves with as the cost of milk, I am afraid at the moment there is a little difficulty in being certain as to how the milk is charged to this particular account, because if they have got a farm I understand that all they would charge for milk would be the cost of actually running the farm; not what would be the commercial price of milk, but what it would cost, having labour free, but feeding the cattle and supplying the milk from the farm to the prisons. So it should be borne in mind that when we talk about 6d. or 6½d., it is a very interesting figure to mention, but it is rather important to have in

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[Continued.]

mind what the real costs are, before any of us go away with the idea that we are supplying food at 6d. per prisoner. I am afraid it would cost much more than that when you take into account the real economic factors. As regards the question of the diet, I presume that now you have medical advice as to the calorific values of the food that the prisoners should have per day?—Yes.

3164. And the menu is framed on that basis?—Yes.

Mr. Benson.

3165. With regard to subhead G on page 112: "materials," a quarter of a million pounds, and the Appropriations in Aid, which are primarily for materials made up and sold to other Departments, £200,000, on what basis do you charge other Government Departments for their supplies?—Mainly on the basis of the cost of materials plus a small percentage addition for the cost of tools. In some cases the price is similar to the lowest contract price at which the Government Department can get it done outside.

3166. There is a loss apparently on the materials and tools. Is that because there is nothing in Appropriations in Aid for the materials used in the prisons themselves?—Subhead G includes both the materials used for the manufacture of articles for the prison service and the materials used for the manufacture of articles supplied to other Government Departments.

3167. All clothes are made inside the prisons, are not they?—All prisoners' clothes and some officers' clothes.

3168. Is all the material woven there, or just the rough cloth?—A good deal of material is woven, but we have to purchase cloth sometimes. We weave about 75 per cent. of the cloth we use.

3169. At Wakefield?—At Wakefield and other prisons.

3170. You are building a new Borstal institution apparently. At the same time you are pulling down other prisons, for instance, Knutsford. Is there any strong reason why these other prisons could not be adapted for Borstal use?—Yes; we carefully considered that. As a matter of fact, there are two prisons that are being used for Borstal institutions. The old convict prison at Portland has been adapted for use as a Borstal

institution. There was considerable public criticism, at the time, of the Home Office for using an old convict prison as a Borstal institution, but we did it at Portland because there is a large open space adjoining the prison, and it is possible to transform, by the boys' own labour, the old convict cells into rooms for the lads. The prison at Knutsford, for instance, has no open space; it is within a high wall, and the same fatal objection applies to all the other prisons. I think space is essential to the Borstal training of lads.

3171. That is true if you keep the boys strictly to the prison confines. In a Borstal institution are the boys allowed outside the prison grounds?—There is no close limitation such as obtains in an ordinary prison. There is generally a wall round the prison building or Borstal building within which the boys are detained at certain times, but for a large part of the day they are out on the space outside.

3172. You have included Wakefield. What is happening there?—That was for building new quarters for officers.

3173. Is that being used as an ordinary prison?—It is being used as a special prison for certain selected types of prisoners serving six months and over.

3174. It is the training prison. You are making experiments?—The difficulty generally is that we have so many short-sentence prisoners; we have remand prisoners; debtor prisoners; and so on; but at Wakefield we can carry the training much further. They are all persons who are physically fit, and they are serving six months or over.

Major Salmon.

3175. On the question of tools and materials for manufacturing, there is only one point I would like to ask in this connection. You manufacture for Government service. It is a part of the work which you give the prisoners, and of the training of the prisoners. Do you keep an account as to which prisons are able to manufacture a similar article at a lower figure than other prisons, or, in other words, where the material may go further, and you get a better yield for the money spent on material from prison A against prison B?—Yes; we have a system of checking the amount of material used against the number of

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[Continued.]

articles turned out, and we can easily discover, and do discover, if a prison is using an extravagant quantity of materials, or if a prison is managing to make the articles with less material.

3176. Do you have that return given to you quarterly, so that you can keep a real check on it, or is it merely done promiscuously and spasmodically?—The books are made up quarterly showing the amount of materials and number of articles turned out.

3177. And there is a comparison made to show which prison gives the best yield?—Yes.

3178. Is there any inducement to the men responsible to give better supervision from the workshop point of view?—Only in the sense that a man is more likely to get promotion if he proves himself a good organiser.

(Mr. Maxwell withdrew.)

CLASS II.

ON VOTE 11.

IMPERIAL WAR GRAVES COMMISSION.

Major-General Sir FABIAN WARE, K.C.V.O., K.B.E., C.B., C.M.G., called in and examined.

Chairman.

3181. Will you take page xiii, paragraph 33 of Sir Malcolm's Report?—(Sir Malcolm Ramsay.) That is formal; that is in order.

3182. You say everything is in order?—Yes.

3183. I have no questions to ask. If there are no questions, let us go to page 90. There are no observations on this Vote so far as I see. Under sub-heads A and B, for practical purposes these two sub-heads are treated together; they represent the grant to the Commission apart from endowment, but the por-

3179. What I want to try to arrive at is this: Have you a check of the materials that you bring in against what you actually manufacture from those materials? Have you a reasonable check to see that none of the material goes out, as it could go out if there was not a proper check, and you would not have any knowledge of it?—Yes; we should certainly discover it. We have a whole system of books called conversion books, showing the amount of material issued to a particular shop and the number of articles manufactured out of that material.

3180. Do you find discrepancies?—Yes, at times.

Major Salmon.] There are bound to be; I am not questioning that.

Chairman.] With your permission, I will say you are passing Vote 4. Is that so? (Agreed.)

tion for salaries, you will notice, is set out separately in sub-head A in order to preserve pension rights, and the salaries must be voted separately by Parliament. Full details and statistics are given in the Eleventh Report. I do not think we need bother Sir Fabian Ware. All we have to say is that we are extremely obliged to him for the very reverent way in which he has carried out this work. We are very grateful to you for everything you have done, Sir Fabian?—(Sir Fabian Ware.) It is very kind of you to say so.

Chairman.] We want to assure you that you have our thanks.

(The Witnesses withdrew.)

(Adjourned to Thursday next at 2.30 o'clock.)

THURSDAY, 23RD APRIL, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Gill.

Sir Robert Hamilton.
Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. A. P. WATERFIELD, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

ROYAL HOSPITAL, CHELSEA, ACCOUNT, 1929.

Mr. W. H. WILLCOX, O.B.E., called in and examined.

Chairman.

3184. Will you look at White Paper No. 154, upon which there is nothing for me to draw your attention to, except on page 4, where there is a little note about which I wish to ask Sir Malcolm to speak a word to you, that is to say the Constance de Jong legacy?—(Sir *Malcolm Ramsay*.) I mention that only because it is rather interesting. This good lady died and left some £50,000 to be divided between certain charities and Chelsea Hospital. "Chelsea Hospital" was a very vague term, and they had to go to the Court and get it decided. The matter was decided by Mr. Justice Eve in favour of the Royal Hospital, and they got the money.

Major Salmon.

3185. I observe that in this report of the account of receipts and expenditure of the Commissioners all the information you really supply this Committee with is that of how you have dealt with certain legacies. There are no details as to the actual running of the hospital or what it costs. Is that because it is not under any Government control, or is there any special reason for that?—(Mr. *Willcox*.) That is not met out of the funds. The general expenses of the Hospital come out of the Army Vote and the Office of Works Vote.

3186. So when we have these figures before us we never give any considera-

tion at all to the real cost of Chelsea Hospital. That is always merged in the general Army Vote?—Yes; that is stated in the printed Army Estimates.

3187. What is the object of merely telling us that you are receiving certain dividends from securities invested? It is not very informative as to the general running of Chelsea Hospital?—This return is presented to Parliament under the 1876 Act, I think. These are funds which are private funds at the disposal of the Commissioners, and they were required to submit them to audit, I think, in 1876, for the first time, in order that Parliament might be made aware of the way in which these funds were administered.

3188. We do not know how they are administered. All that we know by this statement before us is that you have received certain cash for investments, but we do not know how you have spent the money?—It is shown on the other side. (Sir *Malcolm Ramsay*.) They have accounted for every penny of this money that is not voted by Parliament. Part of it goes in Army prize money to soldiers and their representatives and part in accordance with the Trusts of the various pious donors.

3189. I am afraid I have not made my point clear. We cannot say if, in fact (and I am not suggesting that it is not so) Chelsea is run economically or properly. We do not have, with the witness from Chelsea here, to discuss the

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[Continued.]

details of that particular expenditure involved through money granted by Parliament?—No, Sir; it does not arise at all on this account. It is open to the Committee to raise it on the Army Vote, which provides for the running of the Chelsea Hospital. This is merely for certain miscellaneous funds which come into their hands by bequest, and cannot

be accounted for on the Vote; therefore a separate account is presented.

3190. On the Army Appropriation Account we can see all about Chelsea?—Yes. You can cross-examine Sir Herbert Creedy, and ask him any questions.

Chairman.] If there are no further questions I will pass to the Army Appropriation Account and ask Sir Herbert Creedy to come into the witness chair.

(*Mr. Willcox withdrew.*)

ARMY APPROPRIATION ACCOUNT, 1929.

Sir HERBERT J. CREEDY, K.C.B., K.C.V.O., and Mr. J. B. CROSLAND, C.B., called in and examined.

Chairman.

3191. I want to say that there have been a great many more examinations by our friend, Sir Malcolm Ramsay, than appear in the Army Appropriation Account No. 49. He has been searching and examining for us over a very wide field. When I have done several of these Votes I will go to paragraph 11 and get him to explain to you the many little researches he has made for our benefit in the interests of accounting, and he will tell you many things which do not appear in these paragraphs. In the meantime I will take you through the paragraphs, starting at page iii in the Blue Book No. 49. Vote A is merely constitutional, because the Army cannot be maintained in excess of the numbers voted by Parliament annually. Sir Malcolm Ramsay will now say Yes or No: does this certify that the limit has been observed?—(Sir Malcolm Ramsay.) Yes.

3192. That is an end of that. That goes on record. Paragraph 2, "Outcome of the account," is merely statistical and explanatory. I merely draw your attention to it; I cannot help you by explaining it. It is all set out there; "Extra troops in China," paragraph 3, is merely explanatory. With regard to paragraph 4 there are discussions going on about that which began in my time at the Treasury, and I do not think a settlement has been arrived at?—(Sir Herbert Creedy.) The Secretary of State for India said in the House on Monday that it was proposed to refer to a Tribunal all claims and counter-claims between India and ourselves.

3193. On paragraph 5 Sir Malcolm is going to make a statement: "Over-

issues of Servant Allowance"?—(Sir Malcolm Ramsay.) The facts are indicated there. I have not set them out fully. The situation is very complicated. There are two different factors which operate in rather different ways. This was intended to give a general picture of the over-issues which were brought about by a too wide interpretation of the Regulations by the General Officer Commanding. As I say there, the matter has been put right by the War Office, who issued a general instruction, and in future the servant will not be allowed in these cases. About £1,700 has been written off, representing over-issues in past years, which the Treasury and the War Office did not think they were able to recover from the units or officers concerned.

Mr. Benson.

3194. I want to ask how far the General Officer Commanding was culpable in this matter, or whether it was really a reasonable interpretation he gave?—(Sir Herbert Creedy.) I should not say he was culpable. He put rather a wider interpretation on the powers vested in him than he should have done. He had this to be said in his favour that in these peculiar establishments, which are very small, he had asked for an increase of establishment. He had been told by the War Office that far larger questions of policy were under consideration, affecting coast defence generally, and he must carry on as he was. Before he got that answer he anticipated he would get an increase of establishment, and gave this authority for officers to draw servant allowances in cash instead of having soldier servants.

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[Continued.]

Mr. Leif Jones.

3195. I want to know from the Comptroller with regard to the paragraph at the end which refers to "Other Commands" if he has any reason to suppose that the same thing has been done in other Commands, or has he anything to guide him as to the extent to which over-issues have taken place?—(Sir *Malcolm Ramsay*.) We think that it has happened to a certain extent in other Commands, but I am afraid we cannot give you a complete picture, because we do not cover the whole ground in any one year. We make a test, and take all the Commands in rotation over a series of years.

3196. This £1,787 represents six years?—That is the money that is definitely identified.

3197. In six years in one Command?—That is so; it is one Command in six years.

3198. Presumably other Commands have done the same?—(Sir *Herbert Creedy*.) We have no reason to think so. We have no reason to think that this is anything but an isolated case.

3199. Have you any reason to think the opposite?—We have every reason to think that this was an isolated case. Probably some of that £1,700 was quite properly drawn by the officers. I do not say even half of it was, but part of it probably was, so the real loss is not so much as is shown on the accounts.

Major Salmon.

3200. What is expected to be the annual gain from the suppression of this allowance?—If this had gone on it would have been presumably somewhere in the neighbourhood of £300 a year.

3201. For one Command only?—Yes; but we have every reason to believe that this was not a common practice.

Chairman.

3202. Let us go to paragraph 6. I shall ask Sir Malcolm to make a statement about that. In the bottom paragraph of paragraph 6 it says: "I understand that the War Office propose to issue further instructions designed to improve control over the use of motor transport and to remove the misapprehensions which have been found to exist in certain units." I need hardly say to Sir Herbert that this Committee does not look with any favour upon, I will not say the improper, but

the careless use of motor transport which runs the taxpayer into expenditure?—Nor does the Army Council.

3203. I hope you will keep a very vigilant eye upon it?—(Sir *Malcolm Ramsay*.) This is, in my opinion, and I think, in the opinion of the Army Council too, a serious matter. It is very difficult to prevent the use of public vehicles on non-public services; but, to take the first case (a) here, one query I raised alone involved 87 cases where, in my judgment, transport had been used improperly and 4,000 miles had been run by various vehicles to race meetings, and so forth, without any payment.

3204. That cannot be allowed to go on?—I think the Army Council realise that, but perhaps the Committee would like to know from the Witness a little more.

3205. What have you to say, Sir Herbert?—(Sir *Herbert Creedy*.) The mechanical transport, of course, is a rather recent development in the Army, and we may classify it into three categories: there is the transport which is run by the Army Service Corps, and that, I think, is fairly closely controlled. There are vehicles on Army Service Corps charge which are lent out, as it were, to hospitals and other institutions, rather away from ordinary headquarters. Thirdly, there is the regimental transport in the hands of the units. Most of these cases have arisen in regard to vehicles falling within the last category. There is one explanation, a human explanation in a way. Till mechanisation came in, units had horses. It cost nothing to put some jumps into a horsed cart and send it off to a point-to-point meeting, whereas if you use a lorry or car, petrol and wear and tear do involve a certain amount of expense, so you get the rather odd position of some units still having horses who find that they can use their horses without any detriment or loss (because they are not always wanted for military duty every day), whereas a neighbouring unit that is mechanized is deprived, or feels rather deprived, of the use of transport for these semi-military purposes. The Army Council have issued instructions from time to time, but we are now codifying and consolidating them all into a general instruction which we hope will have the effect of restricting the misuse of mechanical transport. The number of

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[Continued.]

vehicles affected is very large. There are 2,200 vehicles, leaving out tanks or armoured cars, scattered in perhaps 150 stations, so although Sir Malcolm has had 100 cases under notice, it is not a very large percentage, when you have regard to the widespread area in which these vehicles are distributed.

3206. We hear what you say, and that is all right so far as it goes, but I think I carry my colleagues with me when I say that this Committee will look upon it with a very serious eye, now the time has arrived when the Army has settled itself down to the use of mechanical transport rather than horse transport, if the Department does not take very firm steps to see that it is stopped. If it does continue we shall have to ask some Members of the Army Council to come here and hear what they have to say about it. Will you convey to the Army Council that we hope that the misuse of this mechanical transport will cease?—I will convey that to the Army Council.

(At this point Mr. Leif Jones took the Chair.)

Sir Robert Hamilton

3207. On the paragraph we have just been discussing under sub-paragraph (a) I see repayment has not been made in respect of journeys not of a military character. Has repayment been demanded?—We have got repayment in a good number of cases, and a certain number we are pursuing. Some of the cases are rather interesting. There was a case where we were a little hard in a way. A non-military lady was injured in a flying accident, and she was taken off to a hospital. We have made her pay for that. It is on the extreme side.

3208. It is rather different from an officer attending a race meeting?—Yes, but it shows how diverse some of the points are.

3209. I should like to ask if there are cases in which cars have been materially damaged by accidents?—No; I cannot recall any. (Sir Malcolm Ramsay.) No; we have not picked up any that have been damaged. (Sir Herbert Creedy.) We should undoubtedly hear of those, because there would be a Court of Inquiry, and it would be a matter for disciplinary action.

3210. The question of demanding repayment is being strictly watched?—Yes; we are following that up.

Mr. Denmun.

3211. The fact that repayment is demanded rather implies a recognized system of using cars at certain fees. Is that so?—Yes, for certain classes of recreational services there is a scale laid down in the regulations, and the cases of irregularities that have arisen are where the regimental transport has been used for recreational purposes, and the charge has not been made against the users; it is so much for a three-ton lorry, so much for a one-ton lorry, so much for a heavy van, and so much for a light van.

3212. It is a well recognised system?—Yes.

3213. People have neglected to pay their recognized obligations?—Yes; some of the cases are very near the border line. Taking the case of the lady who was injured, if I were a Commanding Officer I should never have thought of demanding payment. If it is a car to go to a civilian point to point meeting, that is clearly non-military.

3214. A military point to point meeting is not a non-military purpose?—That is for recreational purposes at recognized rates. Other examples are troops required to attend horse shows, agricultural shows and point to point races. That is what I call semi-military. It has a value in that it keeps the troops in the air and keeps them amused and gives them some physical activity.

3215. Who is the authority which states whether a journey is a chargeable journey or a free one?—The General Officer Commanding has to give authority for the use of the transport.

3216. There is a regular procedure before the car is taken?—Yes, and there is an elaborate system by which the purpose and extent of the journey are recorded in log-sheets and a proper mileage is recorded.

3217. There is not much excuse for abuse. The method seems sound enough?—I think it is largely for the reason I gave, that some units have not got used to the idea that when they have lost the horse they cannot use a van or lorry in its place. It is rather a hardship on a unit in a way. They probably have

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[Continued.]

been a little slow in recognizing that they will have to pay for this in future.

3218. Are the terms of hire for an ordinary car, for instance, a mileage rate?—There are not many private cars. The charge for a light van is 7d. a mile. a heavy van 8½d. and so on. There is a regular scale.

Mr. *Benson*.] There have been two types of breach, one attending race meetings and the other, taking ladies to hospital.

Mr. *Leif Jones*.] And others.

Mr. *Benson*.

3219. Those are the two mentioned?—Yes.

3220. Are there a great many hospital or race meeting cases?—I suggest it is not what is usually understood by joy-riding. Nurses are sometimes taken from hospital to the places where they work, but it is not for running out in the country.

3221. Some are for race meetings?—Yes.

3222. Is there any military value in a race meeting?—In a military race meeting, a point to point, there is, because it gives officers extremely good practice in equitation, and the Army Council attach considerable importance to their being able to ride across country.

3223. Surely the officers who are riding will take their horses with them?—It is usually the conveyance of stores, hurdles and fences and things of that sort.

3224. If it is military, why should the officers be charged at all?—It is either a military purpose, or not military?—It is semi-military. It is not strictly military training like a military exercise at Aldershot. It is regarded as being something in the nature of a recreation, though it has a military value. Similarly, we allow a military officer to hunt his horses, on paying a certain charge for his horse. It is of distinct value for keeping him fit and giving him an eye for country, but it is not like an ordinary parade ground training.

3225. Sir Malcolm says: "I understand that the War Office propose to issue further instructions"?—Yes.

3226. He has been calling attention to this for the last two years?—We have issued instructions from time to time on the subject, one in 1926, one in 1927 and another, I think, in 1928, and we propose, as I say, to consolidate the

whole scheme of regulations and circulate it to all commands.

3227. But the thing has stopped now, I take it. There is a clear and definite understanding?—That is the object of issuing this consolidated regulation, to bring it home to all concerned.

Mr. *Bird*.

3228. Could you tell me the total amount that is outstanding in respect of these unauthorised journeys?—It is a little difficult because a lot of them are local cases, and we have had to refer it locally to the commands. We have recovered £40 or £50 recently on three or four heads, but as you may imagine all these detailed cases—

3229. I was trying to find out whether it was a case of tens, hundreds or thousands of pounds?—Nothing like thousands of pounds, I should think. Would you think so, Sir Malcolm? Not more than hundreds?—(Sir *Malcolm Ramsay*.) One case under (a) involved 4,000 miles of running, which at 6d. a mile is £100. (Sir *Herbert Creedy*.) I should say it was in the neighbourhood of hundreds, certainly not thousands of pounds.

3230. We have heard about this lady. Can you tell me whom you are pursuing at the moment, the lady, or the unfortunate officer or sergeant who drove her?—We are not pursuing the lady. Her family have paid. (Sir *Malcolm Ramsay*.) I think the cases of conveying ladies are very few. A typical case is taking a Rugby team or boy scouts to some match or function.

3231. If a regimental band is employed for a sports meeting and is paid by the Committee is a charge made there for carrying them by regimental transport?—(Sir *Herbert Creedy*.) If they were going out on military duty, no charge would be made, but if they were going out on a private engagement—

3232. When it is by permission of the Commanding Officer?—That would be charged against the Band fund. There was a case of bands being taken on a state occasion in Egypt and we thought that that was military duty. Egypt is special, and we thought a charge need not be raised on that occasion. It is a state occasion.

Major *Salmon*

3233. Under sub-paragraph (c): "Un-economical use was made of motor trans-

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port"—what does that mean?—It was suggested some vehicles had been sent from Bulford to Tidworth, although there were vehicles available at Tidworth. We went into that, and the answer was that some of the vehicles were undergoing minor repairs, and that there was a shortage of trained drivers.

3234. It is an important thing in the handling of mechanical transport to see that there should not be a waste of that kind?—Undoubtedly.

3235. Because that is a matter of management?—Yes. The Commanding Officer of the Unit is supposed to keep in touch with the Officer Commanding the Army Service Corps, and keep him acquainted with the amount of transport that is available for Army purposes, outside ordinary regimental use.

3236. Why should there be any misapprehension as to what the orders were, if I understand correctly that for the last three or four years you have issued instructions regarding the proper use of mechanical transport?—I think it is largely a question of interpretation. You can only give it in general terms. We say: "when mechanical transport is authorized by the General Officer Commanding to be used for the purpose of carrying stores or troops required to be carried in connection with recreation or military functions, e.g., rifle meetings, etc." It gives someone the opportunity to stretch the regulation.

(At this point Mr. Arthur Michael Samuel returned to the Chair.)

Chairman.] May we pass to paragraph 7, "Vocational Training." This paragraph is merely narrational. It merely makes a record, and Sir Malcolm was kind enough to put it in because the Committee has always shown an interest in vocational training. Are there any questions on this paragraph?

Mr. Leif Jones.

3237. I would rather like to hear what they are doing there. It says: "The effect of the policy of the Dominions is being carefully watched." Does that mean you curtail your operations in this matter?—We have not curtailed them yet, but a few years ago, in 1928, we leased some extra agricultural land at Chisleton thinking it would come in useful if the policy of emigration persisted. That policy, as we know at the moment, is rather in the balance, but

we have enough students to work the land, not only in a way that will train them, but at a profit.

3238. At a profit?—Yes.

3239. Is the number of your students increasing?—It varies; it is about 2,000. Last year 2,000 completed courses of instruction at the three centres, and we have under consideration, and it will be shown in connection with next year's Estimate, whether we can afford to extend the scope of this vocational scheme.

3240. Who are the people you train; members of the Army?—Soldiers in the last six months of their service.

3241. Have you any responsibility for placing them afterwards?—Yes; we take great interest in placing them, and the figures are very interesting. Out of that 2,000 men the percentage of people securing employment was rather nearer 90 than 80 per cent.

Mr. Gill.

3242. What industries does the training cover?—It covers a very large range of trades besides agriculture, such as acetylene-welding, boot-repairing, brick-laying in all its forms, cabinet-making and carpentry.

3243. Did I understand you to say that training covers a period of six months only?—Six months is the normal.

3244. Is the theory that you can turn out an efficient bricklayer after six months' training?—I think we get a pretty good bricklayer at the end of six months; good enough to get employment.

3245. As a bricklayer?—Yes.

3246. In those cases do you find any difficulty with the Trade Unions about the men not having served enough apprenticeship?—We recognize the difficulty of that, but I think the Trade Unions have been rather sympathetic.

3247. And they have been prepared to work the scheme with you?—Yes I have not heard of any difficulties on that score.

3248. I think the training centres are to be complimented if they can turn out an efficient craftsman in six months, as compared with the usual six or seven years' apprenticeship. I am not complaining, and I think it is a splendid idea, and the more that can be done to teach a man to do a job rather than picking up anything he can, the better, but it is remarkable that your scheme is

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so good that you can turn out competent craftsmen in six months' time?—It is rather interesting. We do not take anybody on who is not keen on it, and we make them all pay. According to their rank they pay. The lowest is 5s. a week, and the warrant officer, Class 1, the highest, is 10s. a week. The men are in desperate earnest. They know that in six months time they will, or will not, have a job, according as they do or do not do their work. We are fortunate in having good men as Commandants.

Mr. Gill.] I think it is a splendid record that the number of men placed is so high as between 80 and 90 per cent.

Chairman.] Very good.

Mr. Gill.

3249. That is the best test of the scheme, because undoubtedly the people employing these men are coming to you time after time?—Yes.

Chairman.

3250. Do you make a search of those trades in which there is a shortage of labour, for instance, plastering, and I was told there is a great shortage of very skilled labour in the best class tailoring trades, with very high wages. Do you make a search?—Plastering is one of the subjects in the curriculum.

3251. Do you get men to take that training?—Yes.

3252. Would not it be advisable to urge men to go into those trades where there is likely to be a number of vacancies, for instance, plastering and the tailoring trade?—I am quite sure plastering is paid much attention to, because that is one of the things taught at Aldershot.

Captain Crookshank.

3253. I understand you have now reduced the fees the men have to pay. I raised that question two years ago?—Yes; it is 5s. to 10s. now, according to rank; lance-corporals 5s.

Mr. Butler.

3254. Is it six months or a year in the case of farming?—Six months.

3255. Can one understand farming in the course of six months?—I do not think it is claiming to turn out men who are going to be owner-farmers, but they get a good idea. I do not know if you know the training centre.

3256. I have been down there?—They learn how to plough and a good many other things.

3257. I did not realise it was six months. That does not give one time to grasp all the features of farming, because they do not all occur within six months?—That is so.

3258. The War Office is also carefully watching the policy of the Dominions with a view to not having too much acreage?—Yes.

3259. That has to be projected a year ahead in order to be successful?—Yes.

3260. You cannot adapt it, as with other forms of training?—No; we have got this land on a lease.

3261. You cannot forecast it for less than a year ahead?—No; nor can you forecast accurately the number of volunteers.

3262. There will always be a difference, as in this report, between the Estimate and the actual expenditure?—That was an exceptional year. We undertook to train some miners for the Ministry of Labour for a year, but we only had them for six months, so that upset both sides, our Estimates and our expenditure.

3263. We shall always have to face that difference between the forecast and the expenditure?—Yes.

Mr. Bird.

3264. What is the percentage of men engaged in farming out of the total?—Chisleton is mainly farming. Out of the 2,000 Chisleton provided one-third. I would not like to say that all represents people engaged in agricultural pursuits, because they teach building there, too.

3265. In this paragraph it does say the training is mainly in farming?—Yes, at Chisleton, but there are two other centres, one at Aldershot and the other at Hounslow.

3266. You said just now you were successful in placing between 80 and 90 per cent?—Yes.

3267. Most of those were in this country, I take it?—Yes; very few have gone abroad, because some very good schemes

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we had for settling them overseas have come to the ground owing to the difficulties.

3268. When you place them in this country what do you place them as—farm labourers?—Yes, or sometimes perhaps a little higher than a farm labourer, and we may, if we are lucky, get some advantage out of the Government Bill for small holdings.

3269. That was my next question.—We have that in mind.

3270. That was in my mind, whether you put them as some form of employee or on small holdings, such as a poultry farm.—There is a good deal of poultry farming.

3271. Not so much as farm labourers?—No. There is a good deal of poultry farming and occasionally we have taken families and taught the wife how to look after poultry, to fit them for that occupation.

3272. Do you find the majority of the men taking the farming course are men who would be entitled to a pension when they leave the Army?—They may or they may not be. If they are on the ordinary seven and five years they would not have a pension. A fair number of them would have no pension, because they would be privates, and it is most unlikely they would have put in 21 years.

3273. They would not be in such a happy position to take on a job as a small holder. If they had a pension it would be a nice little job for them?—Yes. I have seen some of them of the rank of quartermaster-sergeant and even regimental sergeant-major, and they would have a pension, and they, especially if the wife had learned something about farming, would be very well able to take up poultry farming.

Major Salmon.

3274. Does the fee you charge of 5s. or 10s. simply go towards the cost of the tutors and the materials you use?—Yes; if you look in the Estimates you will find it is all put down there. The thing does not pay its way entirely.

3275. It does not pay its way entirely?—No.

3276. You said just now (which was very gratifying to hear) that you found jobs for 80 or 90 per cent. How long do they remain in their jobs. Have you

any record?—I am afraid I have not the record here, but it is part of the scheme of each of the three centres that they shall look upon it as a home, and the Commandant tries to keep in touch with them.

3277. What I had in mind was that although after their six months' training you may find them a job, as you probably remember, in the case of some of the hostels for training for ex-Service men, the difficulty they had was in retaining the job?—Yes.

3278. They either threw it up because they did not like it, or because they were not satisfactory. I wondered if you had any record of their continuation of employment in any particular job?—I have not the record here, but last time I heard about it I do not think there was any serious difficulty.

3279. I think it is a very excellent scheme, and one on which you are to be commended. At Aldershot and Hounslow presumably the training is carpentry, bricklaying and trades of that kind?—Yes; Hounslow is a little different. It is the headquarters of people who are taking courses, very often for example as intending taxicab drivers. They are attached there in a military capacity, but they come to London to find their way about London and learn their job there. Commissionaires are given some little training, but that does not take so long.

3280. Can you give a reason why there is a falling off of trainees?—The particular falling off here was due to the fact that the Ministry of Labour stopped their classes for the miners.

3281. Not your own men?—No; ours varies. It is about 2,000 a year.

Chairman.

3282. 2,100 I have here.—Yes.

Major Salmon.

3283. What is the number of men who leave the Army after the expiration of time? It is more than 2,000?—Yes; about 30,000.

3284. Only a small percentage take advantage of the training?—A good many of them have jobs to go to, and a certain number are discharged in India, and either stay there or go off to the Dominions.

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3285. There are special reasons?—Yes. I do not say we could not get more if we could afford it.

3286. It is not a case of not having men to volunteer; you mean you cannot take the men because you have not the money to spend.—Oddly enough, it varies. Sometimes, there is a great demand for it; at other times, the men do not seem to be forthcoming in the numbers we expect. There are other ways in which they can get employment, for instance, in the Police, and the Regimental Associations provide for them.

3287. You think it is adequate?—If we had the money it could be worked up and we could provide for more.

Chairman.

3288. You say if you had more money?—If we had more money in the Estimates. It is not a self-supporting concern.

3289. You tell us, if you had more money (will you give us a figure?) you might turn out more men. We might pursue that line.—If Parliament voted us more money for this particular service, and we were to popularize the scheme, we could take in more men.

3290. Do you think a large sum would be required?—No, not a large sum.

Chairman.] Could you give us a little paper to show what you could usefully spend in order to help these men?

Captain Crookshank.] Is not that outside our province?

Chairman.

3291. It is out of Order. Would the Committee like to hear about it? As it is out of order, may I say this: would it be a large sum?—It would vary almost directly with the present cost.

3292. What does this cost?—The total cost is £18,000. In the current Estimates Chisleton is £24,000, Hounslow £15,000 and Aldershot £14,000.

3293. £9 a man?—(Mr. *Waterfield.*) Yes, about that. (Mr. *Crosland.*) We could not count on that £9 a man if we were to extend the scheme, because that includes the farm work, which pays its way to a far greater extent than the trades which we should extend.

Major Salmon.

3294. What would it cost in your view; more than £9 per man?—I should rather hesitate to give a shot. I only just remark that if there was a large expan-

sion there would be a good deal more capital expenditure, and that would need a good deal of investigation before we could say what it was.

Mr. Bird.

3295. It is interesting to hear that these amateurs can make a farm pay; so many farmers cannot?—The receipts in respect of farmwork are far greater in proportion than the receipts in respect of some of the trades.

3296. I understood you to say you made it pay?—We make it pay to a greater extent than some of these other trades. (Mr. *Waterfield.*) The gross costs are £27 per head. Then there are receipts which would bring it down.

Chairman.] There is a shortage of cooks all over England. You could set up training for them.

Major Salmon.

3297. You could not train them in six months?—(Sir *Herbert Creedy.*) The regimental cooks do get a certain number of situations in that direction. There is a regular competition arranged for them by the Institute in the Buckingham Palace Road. Mr. Senn arranges a competition every year, and it is very keen. The Blues had the best cook for several years, but I think they were displaced this year by a line regiment.

Chairman.

3298. We will now go to paragraph 8.—(Sir *Malcolm Ramsay.*) With regard to paragraph 8 the amount of proved overpayment is trifling. It is only £43, but I mention the matter because I suggest this has been going on some time and that the officers were not really paying proper attention to getting the most favourable terms from the Company. I thought if I mentioned the matter, it might have a salutary effect. On the immediate case there is only about £43 involved. (Sir *Herbert Creedy.*) And of that £43 we have come to an agreement with the railway company to repay us half.

Major Salmon.

3298A. Is it not important that the officer responsible for this sort of thing should know what the rates are for certain classes of goods?—There is a little history behind it. Originally, when we wanted to get rid of the hutting material on Salisbury Plain we used to sell it to

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the contractor on the spot, and he disposed of it, and sent it by rail to whatever destination he desired. We found in this way that we did not get a very good price, so we decided to move it into a centre where it would be auctionable at better prices. The railway company told the military authorities that the contractors had paid them on that basis, one-third timber, one-third joinery, and one-third iron, and the military authority perhaps would have been more prudent had he got that in writing or made some inquiry. So from a month in 1927 till the end of May, 1928, we went on paying on that basis. Then we thought it was uneconomical, and had the goods actually sorted out and properly classified. In respect of those months to May, 1928, there was a sum of £40 odd involved of which we got half.

3299. It is not a question of the amount of money I am raising. It is a question of the knowledge of the officer in charge?—He took it verbally from the railway company when he should perhaps have got something a little more explicit.

Chairman.

3300. Would you like to say anything, Sir Malcolm?—(Sir Malcolm Ramsay.) Nothing more.

3301. May we go on to paragraph 9. I will ask Sir Malcolm to say a word on that because he made an exhaustive survey of the position?—I think the facts are stated clearly in paragraph 9. The regulations are perfectly explicit, and the officer in charge did not carry them out, and that was how the fraud arose.

Chairman.] Does anyone wish to ask any questions?

Sir Assheton Pownall.

3302. Was the necessary action taken?—(Sir Herbert Creedy.) Yes. The officer who permitted the system to go on unfortunately died of a malignant disease, and when we discovered it the system was still going on, during the period in which his Second in Command was carrying on. I do not think any great blame attaches to the Second in Command. He was doing double duty. He thought he was only there quite temporarily, and he had inherited this system from his sick chief.

Chairman.

3303. If the man is dead we cannot ask any more questions. We must leave

it where it is. May I take it Hon. Members are satisfied with paragraph 9? Then we can go on to Vote 14, paragraph 10. I want to ask Sir Herbert whether there has been any progress towards final settlement?—No. The last stage is that the Irish Free State say that legislation will be necessary in their Dail, and they are preparing a draft Bill, which they will send over to us to concur in.

3304. If there are no questions on that we will go to paragraph 11, and there I propose to ask Sir Malcolm if he will give a very full explanation and tell us exactly what he has been doing there, because he has been doing a great deal more than appears in this blue book?—Yes, Sir. I think the Committee will realise that in regard to all the accounts that come before them, my people have been continually at work all the year, and when we notice anything we think is not right we raise a question at once. In the great majority of instances I have no sort of difficulty, in conjunction with the Treasury, in getting the matter put right, and many of the matters are not of sufficient importance to trouble this Committee with. But although you do not see these cases, the fact of your existence does have a very wholesome and salutary, but unseen, effect on Departments who do not relish the prospect of cross-examination in this room. On the Army we have raised a number of questions, and as the Army is de-centralised and I think de-centralisation is a very good thing. It is very easy for auditors going round to pick out points in which the procedure in one Command differs from that in others. In the course of the year we have sent about 200 reference sheets, a good many of which were substantive points. Most of them were put right, and I need not waste your time with them. In this paragraph I had in mind 21 cases. One involved £1,380, which was recovered, and a recurring charge of £750 a year.

Sir Assheton Pownall.

3305. On what sort of lines?—That was where the cost of nurses had to be divided between the Army Vote and certain private funds. The taxpayer was paying £750 a year too much.

3306. I thought you said the War Office was receiving £750 a year too

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much?—No; the War Office was paying £750 a year too much. That has been put right. (Sir *Herbert Creedy*.) That was a very special case.

Mr. *Leif Jones*.

3307. How do you get on the track of these?—(Sir *Malcolm Ramsay*.) The War Office issued instructions, and when we went for a local audit we naturally looked to see whether they were being carried out. We differed from the local construction that was being put on them and consulted the War Office, who took our view as against that of their own people. I send bodies of my people round all the Commands throughout the summer months.

3308. With whom do they confer when they go to Aldershot?—They would address any questions they have to raise to the local Auditor. They would deal with their opposite numbers in the Army organisation, if necessary, by means of a formal question. If the answer is not satisfactory it comes up to headquarters, and we take it up with Sir Herbert and Mr. Crosland.

3309. Who is definitely the Accounting Officer in these cases; is there only one Accounting Officer for the whole of the Army Accounts?—Technically. (Sir *Herbert Creedy*.) I have, at all the local Commands, a financial officer who is my representative, but it is my responsibility. I stand in the white sheet here; he does not. (Sir *Malcolm Ramsay*.) We have raised such questions as these. We find there are local contracts for meat where headquarters contracts would supply it cheaper. We have found uneconomical arrangements in connection with contracts for tea and the consumption of ice in Egypt. All these minor questions have been put right and met to our satisfaction.

Sir *Assheton Pownall*.

3310. As a case in point, you would see there was co-ordinated buying of quantities of tea for the Navy and the Army in Egypt, and put that right?—In the case of other commodities we have considered it. We have considered, for instance, the baking of bread.

Sir *Assheton Pownall*.] I did not know what measure of pooling there was as between the Departments.

Mr. *Leif Jones*.

3311. Might we have the question of the baking?—(Sir *Malcolm Ramsay*.) It really arises on the Navy account, whether it is necessary to continue a separate bakery at Chatham apart from the arrangements for Army supplies. There is a curious difference between the two Services which I have never been able to understand, although the experts may understand it. It is that the Army is content with a cheaper kind of bread than the Navy; at any rate, it is a different quality. (Sir *Herbert Creedy*.) We are content with a cheaper quality of cordite than the Navy, too. We have a series of inter-departmental Committees which go into this question of co-ordination very closely. There is one on the question of chaplaincy services, to see that where there are Navy, Army and Air Force personnel in a station, one Wesleyan chaplain shall deal with all three. We have one committee on clothing, one committee on building, one committee on education, and one committee on accommodation, so that we can use each other's buildings. Every year a report is made by each Committee, and a copy goes to the Treasury, so they are in touch with our efforts.

Sir *Assheton Pownall*.

3312. With practically everything where there is a possibility of useful co-ordination you have already some organisation to see whether that is done?—The chief one, perhaps is the contracts co-ordinating committee, which tries to ensure that the largest user may buy for the smaller users.

Major *Salmon*.

3313. Does that apply to foodstuffs?—Yes; we buy flour for the Air Force, I think, for example.

3314. Do you buy flour for the Admiralty?—No.

3315. So your co-ordination falls down when it comes to going into detail?—No, I do not think so. (Mr. *Waterfield*.) We do go into detail as far as we possibly can. I do not wish to suggest that the Departments are not as willing as we are to co-ordinate. (Sir *Herbert Creedy*.) We go into the most minute detail as to patterns of cloth and matters of that sort.

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Major Salmon.

3316. As the Estimates Committee are going into it I do not want to cross-examine you here on it?—We are preparing a *magnum opus* for you on that.

Mr. Gill.

3317. Are your Accountancy Officers concerned, not merely with accountancy matters, but do they take a roving commission generally, and wherever they can assist in securing economy, raise the question?—(Sir Malcolm Ramsay.) Under the Act I am only concerned with accounts, and I am only entitled to call for papers explaining the entries in the accounts, but the view of this Committee has always been that whatever the Statute may say, my functions go further than that, and that, so far as is possible, I ought to review questions of economical administration. That is why my officers, where they get the Army and the Navy acting in the same area, pay a great deal of attention to the question of contracts and comparative prices, and this attitude on my part has always, I think, commended itself to previous Committees, and I have had their wholehearted support. There are naturally matters that a layman like myself cannot intrude into e.g., if I began to argue with experts as to the propelling force of cordite, I would only invite defeat. But when it comes to a question of bread and tea and the co-ordinating of supplies I am on firmer ground.

3318. I want to make it perfectly clear that I was not quarrelling with your policy.—I am very glad you asked that.

3319. I wanted to appreciate how far you felt your duties enabled you to go. If necessary, I would give you further powers.—I have always had the support of this Committee, if I am reasonable. I shall be turned down at once if I extend my influence into spheres where I cannot be effective.

Mr. Leif Jones.

3320. Do you find a welcome on the part of the Army officers with whom you have to deal?—My relations with accounting officers have steadily improved. I should be surprised to hear that my office was regarded as being inimical to accounting officers. I think the Treasury will bear that out. My

officers have always taken great pains not to act as detectives, but to call the attention of accounting officers to things which perhaps they do not know, on the assumption that they are just as much interested as we are in getting value for money. (Sir Herbert Creedy.) We regard the Auditor-General's Department very much as a Board of Directors would regard the auditors who come and look over their accounts, as friendly towards us. (Sir Malcolm Ramsay.) Returning to paragraph 11, there are other cases, e.g., the construction of a bathing pool or the Aldershot tattoo, in which I thought the help given had gone rather far. But I do not need to enter into details especially as the matters are not yet settled.

Chairman.

3321. I have nothing to say on paragraphs 12, 13, 14, or 15.—(Sir Malcolm Ramsay.) I have nothing to say on those.

Sir Assheton Pownall.

3322. On paragraph 12, have you found the measures of value recommended by that Committee which sat two or three years ago have proved satisfactory?—(Sir Herbert Creedy.) Yes; I think it has worked very well. You will see the result of it on page 77.

3323. You take the items they recommended?—Yes.

Major Salmon.

3324. On page 13 with regard to the loss arising through the Thames flood, have we reached now the figure of our total expenditure?—We have not quite reached a final and definite figure, because we do not know the cost of reconditioning some of the material that was damaged, but the total loss on reconditioning and the loss on sales and for damage will probably be in the neighbourhood of £100,000

3325. Have you taken steps that if you had a flood again would prevent a similar sort of damage?—The Embankment has been strengthened in front of Millbank, where a lot of the damage was done, and we have a service under consideration for raising the wall along the river frontage of Woolwich Arsenal.

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[Continued.]

Chairman.] Gentlemen, we will leave this, if I have your permission, and I will take you to the Treasury Minute, which you have in front of you, of the 12th January. You remember we dealt with those unfortunate, blameless horses that were destroyed. Quite apart from the money that was lost, these blameless horses lose their lives. That is on page 5, paragraph 13. It was a most deplorable thing, but nothing can be done. We cannot restore life to them, and we can only deal with the loss of money. The Treasury has taken note of it, and we can do no more. I merely put on record that the Treasury has carried out our wishes. Will you follow me to page 3 of the accounts. I do not know how to take you through these with as little trouble as possible. I think, if you will allow me, I will take the pages as Chairman, one by one, and note the points to which I want to draw your attention, and then I will take each member separately, and he can put what questions he thinks proper. I find nothing on pages 3, 4, 5, 6, and 7. On page 8 there was a supplementary estimate of February, 1930, which remodelled this Vote. You will remember the alterations were due to the cost of troops in China and the withdrawal from the Rhine. On page 9 will you look at No. 5, "contribution from the Government of Egypt," £150,000. You will note that. On No. 6 I draw attention to "Less supplementary, £560,000." Are there any questions on pages 3 to 9?

Sir Assheton Pownall.] On the question of actual numbers borne, can you say at all, Sir Herbert, what difference it makes to Army finances, the fact that you had 15,000 less than voted on your Establishment?

Chairman.

3326. There is an item about that later on, I believe. The money is dealt with later on?—We only take the money for an estimated average strength.

Sir Assheton Pownall.] So that if recruiting is abnormally bad, the difference is not anything like so much as one might expect?—No. That is usual; for example, we knew we should start 10,000 short this year.

Chairman.

3327. What is your Army to-day?—148,800.

Sir Assheton Pownall.

3328. This is establishment?—Yes; 148,800 is the estimate for this year.

Chairman.

3329. Is that the actual?—No, that is Vote A, numbers.

Sir Assheton Pownall.

3330. This is 142,000?—(Mr. Crosland.) This is regimental establishments.

3331. What is the difference between the two?—(Sir Herbert Creedy.) Staff and miscellaneous.

3332. 150,000 is the comparable figure?—Yes.

Sir Robert Hamilton.

3333. Could you explain that figure of the supplementary, £560,000, in connection with the Army of Occupation on the Rhine?—Yes; when the Government decided to bring home the Army at Wiesbaden we lost the money which the German Government had given us for the upkeep of it, so when it came home it fell as an ordinary normal charge on Army Estimates. The German Government paid us something in the neighbourhood of £1,000,000, and when they came home we lost nearly £560,000.

3334. You lost a payment which you had allowed for?—Yes, they came home. Orders went out in September, and they came home in December.

Captain Crookshank.

3335. How about the Egyptian contribution?—That we definitely dropped out of the Army Estimates in the year 1930, the year following this.

3336. For political reasons?—Yes.

3337. It has always appeared?—Yes; but it has not been paid for many years. (Mr. Waterfield.) Following on the abortive negotiations for the Treaty, it was decided it was absurd to make further provision for it.

3338. This is the last time it will appear?—Yes.

Major Salmon.

3339. Have we a large number of troops in China at the present time—in

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[Continued.]

Shanghai?—(Sir *Herbert Creedy*.) We have about six or seven battalions there.

Sir *Assheton Pownall*.

3340. Including Hong Kong?—Including Hong Kong. It is Tsientsin and Shanghai; under 8,000 altogether.

Major *Salmon*.

3341. Altogether in the Far East?—Yes; the Far East, meaning China.

Sir *Assheton Pownall*.

3342. Excluding Singapore, but including Hong Kong?—Yes.

ON VOTE 2.

TERRITORIAL ARMY AND RESERVE FORCES.

Chairman.] Please go to Vote 2, page 10. I have nothing to draw your attention to, except Note F at the bottom: "Includes, with Treasury sanction, a compensation payment of £120 on account of extra expenditure incurred by a contractor in respect of sanitary services at territorial camps." There is nothing in that. There is nothing on page 11 for me to talk about.

Mr. *Leif Jones*.

3343. Appropriations in Aid, £35,300. What was the total amount received under that subhead? I see it is "Receipts from sales and lettings of Territorial Army property"?—(Sir *Herbert Creedy*.) The excess receipts amounted to £6,900, as shown in the footnote.

3344. What is the property of the Territorial Army which they let or sell for this large sum? Is it mainly letting or selling?—Each Territorial Association has a great deal of property in drill halls, training grounds, and, perhaps, rifle ranges, and they may be able to dispose of an old drill hall. A company fades away and perhaps they sell the old drill hall and buy a drill hall in a district where the population is increasing.

3345. Is that mainly lettings or sellings?—I should think largely letting, and a certain amount of sale.

Mr. *Leif Jones*.] Have you an account anywhere of the possessions of this rich organisation?

Sir *Assheton Pownall*.] There are many organisations.

Mr. *Leif Jones*.

3346. The Territorial Army?—There is a statement showing the financial posi-

tion of the Territorial Army County Associations on the 31st March, 1930. The last paper was Command 3,704.

Major *Salmon*.

3347. Is that equipment the property of the War Office, or do the Associations purchase it themselves?—They get a good deal from Ordnance Stores, but a good deal of it they can buy locally. The ammunition they get from us.

3348. Clothing?—Generally, they get it from Army sources.

Sir *Assheton Pownall*.

3349. Using the clothing grant you give them?—Yes.

Major *Salmon*.

3350. You give them a clothing grant in cash, do not you?—Yes.

3351. My point is, do they purchase their clothing through the War Office, or do they make separate purchases on their own?—(Mr. *Crosland*.) Mainly from the Army Ordnance Department.

3352. But there are exceptions?—(Sir *Herbert Creedy*.) I think the exceptions are rather rare. I could not tell you what percentage, but I think the vast bulk is bought from Army stores.

3353. Does that apply only to the Association of London or around the Administrative County, or does it apply also to the North of England?—Nearly all is purchased from the Army stocks.

Chairman.] May I take it Vote No. 2 has been passed? (*Agreed*.)

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[Continued.]

ON VOTE 3.

MEDICAL SERVICES.

Chairman.] May I ask you to deal with Vote No. 3?

Mr. Leif Jones.

3354. I see the total expenditure on this Vote is just about £1,000,000. Roughly speaking, that means that for medical attention the Army costs us per man about £7 10s. Have you looked at it from that standpoint at all?—(Sir Herbert Creedy.) Yes; we have indeed. As a matter of fact, it costs us rather more than that. There is an Appendix.

3355. I only did it roughly?—In Appendix 10 of the Army Estimates there is the total cost of medical and dental services for the Regular Army, effective charges, £1,600,000, non-effective charges, £500,000.

Mr. Leif Jones.] So that it comes to what per head?

Sir Assheton Pownall.] £13 or £14.

Mr. Leif Jones.

3356. Have you made any comparisons, as to whether that is a reasonable amount, with other organisations of any kind? I do not know what you could compare it with?—I think it is a little difficult. We have had this question under review for years, because we feel it is very costly, but, on the other hand, we are in a great difficulty because we cannot get enough candidates to come forward to accept commissions, and we have serious representations from many sources that something will have to be done to increase the emoluments of the R.A.M.C. officer.

3357. Does the average citizen cost anything like £14 a head for medical and dental treatment?—No, but I think there are various reasons to account for that. In the first place, we have to have hospitals for our own people. We cannot send them into civil hospitals, because there is very little room. We have to have sufficient hospital accommodation, not only to deal with the ordinary day-to-day work, but to cope with an epidemic, and to be prepared, in the event of hostilities, to cope with the casualties that would come home early in the campaign before the hospital system had been extended. We do not keep beds for more than what we estimate to be the "average number of sick." The

"average number of sick" is a difficult term, because some days the numbers actually there are much higher than on others, but we overhaul the number of equipped beds with great care every year.

3358. Do you have to meet large overhead charges for beds which are not occupied at any time?—There would be the cost of keeping the buildings heated and clean.

3359. Do you never think it possible to let civilians in to fill these empty places, on payment? I wondered whether it is necessary that there should be loss in this way?—It would be rather difficult to take any of us and put us into a military hospital, to live under military discipline.

3360. It does seem to be an enormous cost?—You must remember we have 150 stations in this country (I do not say there is a hospital in each place) and 50 abroad. If you look at this it is not 150,000 men in a town but it is for 150,000 people scattered all over the world, in little groups sometimes.

Sir Assheton Pownall.

3361. Could you say the shortage, especially of the lieutenants of the R.A.M.C., affects your finance? You have to re-employ sixty or eighty lieutenant-colonels or majors, who, I suppose, are also drawing pensions, but is there anything in it, from the financial point of view, because there are practically no lieutenants in the R.A.M.C. I wondered if you had taken out the cost. If you had all the lieutenants of the R.A.M.C. you want, and could do without a number of the civilians and re-employed senior officers, what difference would it make from the financial point of view?—We cannot look at it only from the financial point of view, because we must have enough Officers to go abroad. The Civil practitioner may be a little cheaper than the ex-R.A.M.C. officer.

3362. If you could show that it would save money, you would be in a much stronger position in urging that you should offer more money, and so increase recruiting?—I am not sure that we could do that.

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[Continued.]

3363. It is not only civilians, but there is a whole page in the Army List of Officers who are re-employed after their time is up. Are they not very expensive?—They are not very expensive. There is a difficulty about sending them abroad too.

Major *Salmon*.

3364. You have 560 beds in the two hospitals at Tidworth and Aldershot?—Yes.

3365. Do you keep those two hospitals up to the maximum number of beds that you are equipped for, the whole number?—We work it out on the average number we may have over any long period. There are 20,000 troops in Aldershot and rather more in the Southern Command.

3366. Experience has taught you that with a certain body of men over a period you require a certain number of beds. I did not know if you kept up the maximum strength of the beds at those two particular hospitals?—No, not at their maximum strength. The number to be kept equipped during the year is reviewed from time to time, in the light of experience.

3367. As regards the doctors, I suppose it is possible to get the doctors you want if you were to get a certain number of civilian doctors, and use them so many times in a year?—I think we do that in the case of small stations, but the real crux of our difficulty is to get enough officers to serve abroad in India.

3368. It is for foreign stations where your troubles are?—Yes.

3369. Not for home stations?—No. We are so short now that foreign service rota comes on so quickly that people are getting an unfair amount of foreign duty. It is a vicious circle; we cannot compete with the panel practice.

3370. You seem to have a very large stock of medicines. I suppose after a certain period they deteriorate. Do you have a big wastage under that head?—They are all turned over, I think, with great regularity.

3371. Have you a system whereby you undertake to keep a certain quantity, always up to a certain level?—There are scales laid down for every hospital according to the number of equipped beds, and the probable number of patients. It would have such-and-such a supply of various drugs and instruments.

Sir *Assheton Pownall*.

3372. In the event of a doctor wanting to retire after ten years and go to private work, he would be too soon for a pension. Would he get a gratuity of £1,000 or £1,500?—We have been trying that. It would really be a species of short service.

3373. The same as the Colonial Service?—Yes.

Captain *Crookshank*.

3374. On subhead G you got much more than you estimated for hospital and dental treatment. That is entirely for officers, I take it, according to the Estimates?—No, not necessarily for the Officers. It might be for families.

3375. It is the wives?—It might be.

3376. If a military officer treats the family he does it at an ordinary civilian scale?—No, I think he does it for nothing at all. They are not entitled to charge. The case of Appropriations in Aid would be that of an officer who met with an accident. He would be charged 2s. 6d. a day if he went to Millbank.

Chairman.] Are you satisfied that Vote 3 has been exhausted? (Agreed).

ON VOTE 4.

EDUCATIONAL ESTABLISHMENTS.

Chairman.

3377. Is there any special reason for the drop in the Royal Military Academy payments by parents? Why was that; less cadets?—(Sir *Herbert Creedy.*) There is a Note B: "The number of cadets was less than estimated."

Major *Salmon*.

3378. I should like to ask as to the cost for the education of the students.

Are the figures going down per student or are they going up?—It varies. There are two conflicting influences at work. A smaller number tends to throw the average cost up, and there has been some fall in the cost of commodities in the last few months, and that will reflect itself in other directions.

3379. I think I have before raised the point, but as regards our total expenditure for our educational establishments it

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[Continued.]

seems rather high. How does this figure compare with the general educational establishments of the other forces?—It is a little difficult to compare because in a way our complications are different. Our Service has got its complications. The ramifications of science in connection with a ship differ from those in connection with, say, cavalry. "Education" is a very comprehensive term. It does not mean what you might call school education. It is education in military efficiency, for a very large part. With regard to subhead D, "schools for fighting arms," they are to train the man not to be learned, but to be a more efficient soldier.

3380. Is this increased cost attributable to the mechanisation of the Army?—Partly that. If you call tanks mechanisation, that certainly has added to our difficulties. Then there is the wireless and signalling.

3381. Has not that been counteracted, to a certain extent, by the decreased cost of the cavalry schools?—The cavalry was reduced some years ago, but we have to have a school for what cavalry we still possess

3382. Is that kept down to the minimum?—Yes, certainly.

3383. With regard to subhead H, Army Education, does that mean for the rank and file?—Yes; it is really the Army Educational Corps and the Queen's Army Schoolmistresses who train the other ranks.

3384. When you say "other ranks," what do you mean by that?—Other ranks, as opposed to officers. (Mr. Waterfield.) That includes the vocational training centres. (Sir Herbert Creedy.) That includes the vocational training centres, and such education as we give to children and families.

3385. Do you take advantage of the local education authority's facilities, or is it that, because you are the Army, you will not take any advantage of them?—It very often happens that there is not any local education authority school. We do not have many Army schools in Aldershot.*

3386. Have you any?—I doubt if there are any. There may be some in the outlying parts.

3387. Would you think it an unreasonable thing that a child should have to walk to a school from a camp, if he did not have to walk any further than the ordinary child?—The distances on Salisbury Plain, for instance, are rather great.

3388. Greater than in the rural areas?—Yes, because when you make a camp you generally choose an out of the way place. Catterick is another example.

3389. It may be possible to take advantage of the local education facilities without having a duplication of military facilities, because the distance may be only a little way. On the other hand it may be cheaper to provide transport to take the children there?—That is very carefully watched. I had it before me not very long ago. On the pink page of the Estimate it says: "In educating the children in regimental, garrison and detachment schools where provision is not made by local authorities": it is specifically addressed to cases of that sort.

Chairman.] If there are no further questions on Vote 4, may we go to Vote 5? (Agreed).

* Note by Witness. There are military schools in Aldershot because the local civil educational facilities are insufficient. H. J. C.

ON VOTE 5

QUARTERING AND MOVEMENTS.

Mr. Leif Jones.

3390. The appropriations in aid are £788,000. How are they made up?—They fall under one or two heads. A deduction of one shilling a day is made from the marriage allowance of a soldier on the marriage allowance roll or the married quarters roll when he occupies quarters. It would also cover receipts from families of soldiers not on the married quarters roll and from lettings of War Department property.

Major Salmon.

3391. Where it says: "Lodgings, furniture, and stable allowances" does that mean that there is an actual money allowance, and that we are not finding any buildings ourselves?—Lodging allowance is given where the Government cannot provide any accommodation.

3392. Where the Government provide accommodation it does not appear in Vote 5?—No.

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[Continued.]

3393. Where does it come?—It is Vote 10 which covers barracks and quarters attached to them.

3394. Do you want to say anything on that Sir Malcolm?—(Sir Malcolm Ramsay.) No.

Chairman.] We will pass Vote 5.

ON VOTE 6.

SUPPLIES, ROAD TRANSPORT AND REMOUNTS.

Sir Robert Hamilton.

3395. On Vote 6 the explanation to subhead A is that "Savings due to the strength of the Army being lower than estimated were more than offset by increased expenditure mainly due to the higher prices of meat." Does that mean you had been getting a different class of meat, or that the price was higher?—(Sir Herbert Creedy.) For this particular year, 1930, prices were higher. They have fallen in recent months, and we have made an adjustment in consequence in the current Estimates.

3396. What class of meat is being purchased for the Army?—Mainly beef.

3397. Argentine?—Yes; there is a certain amount of corned beef of American origin, and there is frozen beef.

3398. There has not been any departure from the practice hitherto followed in purchasing supplies?—No.

Major Salmon.

3399. Under subhead D, Petrol, is that a contract made for the year? You say here: "Due to a rise in the price of petrol"—The petrol is bought for all Departments under central arrangements. (Mr. Waterfield.) It is a good example of co-operation.

3400. Which Department buys it?—(Sir Herbert Creedy.) The Treasury is responsible for settling the arrangements.

3401. Is this the reflection of their settlement, that we have paid too much for it?—(Mr. Waterfield.) The contract for petrol is at a varying price; it is based

on the market price prevailing during the year, with a rebate, and the benefit comes in the rebate.

3402. In making a contract for petrol, do you have a falling clause, that if it falls to the public you get a reduction? Yes. It is the current market price.

3403. I am sorry, but I do not understand how it is that it is due to a rise in the price of petrol. Did petrol actually go up?—I think that was the tax in 1930.

Chairman.

3404. 1928-9 was the petrol tax.—I beg your pardon. It must have been caused by a rise in the current price, during the year.

Major Salmon.

3405. Because it was a general rise, and therefore you paid only your quota of the general rise; your basic figure was a lower figure than the ordinary purchaser's, but if there was a rise or a fall you got the benefit, or paid, as the case may be?—Yes.

3406. On the question of subsidies for mechanical transport, does that mean you give a subsidy to owners of mechanical transport, so that you have the use of it in an emergency?—(Sir Herbert Creedy.) That is so. It is for certain types of lorry, the six-wheel lorry which has not developed commercially as much as we should like.

Chairman.] You will note on Vote 6 the deficit is very small, £20,304 on £5,036,000 grant.

ON VOTE 7.

CLOTHING.

Chairman. Does anyone want to ask any questions on Vote 7, Clothing?

Major Salmon.

3407. Have we any stock left from the war?—(Sir Herbert Creedy.) Yes, we still have some.

3408. Are we taking any steps to use it up?—We are using it up as fast as we can. On page 77, you will see what

we have got, and you will see that the consumption is proceeding and reducing the gross total of our holding. There is a difference of £250,000 in the year.

3409. Adding uniforms and boots and all that you include under the head of clothing?—Yes.

Major Salmon.] That is a very satisfactory answer.

Chairman.] Shall we pass Vote 7? (Agreed.)

(The witnesses withdrew.)

(Adjourned to Tuesday next at 2.30 o'clock.)

TUESDAY, 28TH APRIL, 1931.

Members present:

Mr. Bird.	Mr. Gill.
Mr. Butler.	Mr. Lathan.
Captain Crookshank.	Sir Assheton Pownall.
Mr. Denman.	Major Salmon.
Mr. Ede.	Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. A. P. WATERFIELD, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

ARMY APPROPRIATION ACCOUNT, 1929.

ON VOTE 8.

GENERAL STORES.

Sir HERBERT CREEDY, K.C.B., K.C.V.O., and Mr. J. B. CROSLAND, C.B., called in and examined.

Chairman.] We delayed a little our work on these Votes because two of our colleagues could not be here, who were particularly interested in certain matters. We therefore begin at Vote 8, page 18. I have no observations to offer on Votes 8 or 9. We will go to Vote 10. On page 21, under Note CC, I note it is quite small in relation to the turnover. There are three ex-gratia payments, which are quite small. I have nothing to say on the pages up to page 49. I will take up to the whole of Vote 10 and report to you that I have nothing to tell you. The Committee now will deal with every Vote from page 18, Vote 8.

Mr. Lathan.] You say there are three small items; they do not appear to be particularly small; they amount to £731.

Chairman.] In relation to the turnover of £3,000,000.

Mr. Lathan.] I cannot quite understand an ex-gratia payment to a contractor.

Chairman.] I will take Vote 8, page 18, first.

Major Salmon.

3410. I want to raise a point on page 18. On sub-head A. I notice it states "Wages of civilian subordinates, etc., at Ordnance Establishments" an expenditure of £1,004,863. Would Sir

Herbert Creedy kindly say if those figures are repeated again in the accounts of the Army Ordnance Factories?—(Sir *Herbert Creedy.*) No; these are Army Ordnance Department Stores.

3411. They are nothing to do with the Factory side?—No.

Chairman.

3412. Have you anything to say on that, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No, Sir.

Major Salmon.

3413. On the question of the sales of surplus and old stores £161,556, where you give the details of subhead D, I would like to ask under that Head are these old war stores or old stores, or is it simply the sale of surplus and old stores of current materials?—(Sir *Herbert Creedy.*) The appropriation in aid really falls into four sub-categories, receipts in respect of stores issued and services rendered on repayment to other Government Departments; issues on repayment to Territorial Army County Associations; sales of surplus and old stores; and Barrack damages and Miscellaneous Receipts. In the present estimates the total

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[Continued.]

estimate is £196,000; the stores issued is £48,000, the Territorial Army repayments £3,000, the sales of surplus and old stores £95,000 and the balance is Miscellaneous, £50,000. That gives you some idea of how it is divided.

3414. When you say "old stores" do you mean stores that have been sold? You have had too large a stock and got rid of them, or have they deteriorated?—It may be both. Surplus stores and also old stores including mechanical transport and warlike stores, where such stores are sold, not as articles, but as scrap metal.

Sir Assheton Pownall.

3415. On Vote 8, with regard to the sales of surplus and old stores, have you now virtually sold off all your relics of the war?—We have got rid of the large bulk of all surplus warlike stores. You will see some figures later on in the account. You will see there how, in certain instances, stock has fallen; for example, in clothing.

3416. Some years ago I remember you were drawing on these old stores to the

tune of hundreds of thousands a year, and I gather they have practically all gone?—Not quite all. We can still draw, to a certain extent, but to a diminishing degree each year.

3417. Is there any figure showing what I call the war time stuff on page 77?—On page 153 of the Estimates there is a note to this effect: "The annual expenditure on the purchase of general stores would normally be, at present prices about £660,000 as against only £448,000 required in 1931. The difference of £212,000 represents the extent to which in 1931 the Army will still be living on stocks."

3418. There are some appreciable amounts left over for future years?—Yes, appreciable, but not very large.

Chairman.

3419. Have you any remarks to make, Sir Malcolm?—(Sir Malcolm Ramsay.) No.

Chairman.] Will my colleagues allow me to say we take Vote 8 and pass it? (Agreed.)

ON VOTE 9.

WARLIKE STORES.

Chairman.] Is there anything on Vote 9?

Major Salmon.

3420. How is it we require the words here "Less Supplementary £80,000," on subhead C "Warlike Stores". Did you have to go for a Supplementary Vote there? What does that mean?—(Sir Herbert Creedy.) This is part of the last China Supplementary Estimate.

3421. You credit the Warlike Stores and the original amount there that you had for special purposes?—For the pur-

pose of the account we take the original estimate plus the supplementary estimate.

Sir Assheton Pownall.

3422. It is less the supplementary estimate?—(Sir Malcolm Ramsay.) They found they asked for too much in the original estimate, so they reduced the provision by the supplementary and applied the saving of £80,000 towards meeting the additions needed on other Votes.

Chairman.] May I take it you will pass Vote 9? (Agreed.)

ON VOTE 10.

WORKS, BUILDINGS AND LANDS.

Chairman.] Now we take the whole of Vote 10. I would like to take pages 20 and 21.

Mr. Lathon.] I would like a little information with regard to "Compensation to Contractors", and the circumstances under which compensation is paid to them under subhead CC?

Chairman.

3423. They are quite small, I said, in relation to the turnover?—(Sir Herbert Creedy.) I have not the exact details, but it sometimes happens that a contractor finds quite *bonâ fide* that he has put in too low a tender, and if we are satisfied and obtain Treasury sanction we

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[Continued.]

give him compensation, but, as you will observe, and as the Chairman said, there are only three cases in a sum of over £3,000,000.

Captain Crookshank.

3424. On page 21, could you explain to me your receipts from electric light and barrack damages, etc., No. 2. We have just passed Vote 8 which also has an appropriation in aid from barrack damages. How does that happen?—There may be two classes of barrack damages. There might be the destruction of barrack stores, which are provided for under Vote 8, and under Vote 10 it would be damage to the building.

3425. The same word means both things?—Yes; it means damage to the barrack or its contents.

Major Salmon.

3426. On No. 3, "Receipts from lettings, sales of land and produce" you say you have actually received £289,000 instead of the estimated £200,000. Does that mean to say you have sold land and produce or what does it mean?—With regard to the receipts from the lettings and sales of land and produce, we have, for the past four or five years, been making a general overhaul of all our estate holdings to see whether we could not sell anything which was not immediately wanted. You know what it is when you try to sell land; you cannot always be sure that the transaction is coming off in any particular year. That accounts for part of it, and the other is due to the fact that we were fortunate in getting good prices.

3427. What sort of produce; is it what is grown on the land?—Yes, grown on some of the land. You will see the detail of the sales on pages 48 and 49, and it is rather interesting to notice that on the whole we seem to have done very well out of the sales of land, if you look at the original prices we paid for them.

Chairman.

3428. You will see them on page 48.—It is rather curious. It shows how land has appreciated in certain places. If you look at the very first item it shows it.

Sir Assheton Pownall.

3429. I cannot understand subhead C. You apparently thought you were going

to have a saving of £5,000. You brought in a supplementary reduction of £5,000, and then you proceed after all to find you are short by £36,000 instead of having £5,000 too much. Have I understood it rightly? That is page 20, subhead C, "Works—Construction and Maintenance Services". To bring in a supplementary showing a saving of £5,000, and then to exceed by £36,000, seems quaint?—I think that is complicated with China, too. (Mr. Waterfield.) The explanation on page 21 is that "the progress made with certain works services was more rapid than anticipated when the supplementary estimate was prepared".

3430. It is rather a curious way of doing it to say, "We will want £5,000 less", and then to say, "We will want £36,000 more"?—(Sir Herbert Creedy.) It was for China we wanted the supplementary money, and then we found we were able to make progress with the works in hand.

3431. Can you divide it between construction and maintenance?—I might take the account on page 45, Part I, Part II, and Part III. Parts I and II are construction and Part III is maintenance.

3432. It does not say so there?—(Mr. Crosland.) Page 44 gives the details; page 45 is just a summary.

3433. With regard to the construction items how do you decide year by year between the many claims which you have as to which items are going to be done in that year?—(Sir Herbert Creedy.) Representations come up from the Commands in the early autumn as to all the services which are necessary, desirable, or (if you can take a lower category) which will be a little bit of a luxury. Then they are all brought together into a schedule, and the Quartermaster-General and I would go through them first and then they would come up to the Estimates Committee of the Army Council. They are dealt with then Item by Item and put in order of priority, and the surviving items represent only a fraction of what is desired.

(At this point Sir Assheton Pownall took the Chair.)

Sir Assheton Pownall.

3434. If it were necessary, for financial reasons, to reduce the items by 20 per

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cent., some would have to be crowded out?—Yes.

3435. And many are crowded out year by year?—Yes; many which are desirable rather than necessary.

Mr. Denman.

3436. With regard to your policy of buying and selling land, do you decide from time to time that you no longer want land, and then sell it?—Yes.

3437. Or do you ever hold it and simply let it?—Whatever our experts tell us, in the light of local circumstances, is the better thing to do. Sometimes it is better to hold it until it appreciates; sometimes we let it, and sometimes we sell it.

3438. You do feel yourselves entitled to speculate in land to the extent of holding it if you think there is going to be a rise?—We should not hold it if it were entirely superfluous to our requirements. We are not skilled Estate Agents in that way.

3439. I notice you sold 88 acres of a Golf Course, on page 49, which apparently you had held as a Golf Course previously?—We had probably let that as a Golf Course. It is part of the area over which the Battalion in Jersey used to train. It is possible to combine both the Golf Course and the training, because the training would not necessarily take place every day over that portion of the land, so we sometimes let it and get what we can out of it.

3440. On the contrary, as between renting and purchase of land, on the other side, I suppose you act there in accordance with what you think is the most economical way?—It would depend. For example, at Catterick where we have been trying to create a large training area, if we can buy corners to fill up, we do, so as to get a compact piece of land on which the training can take place, or, if we want to enlarge the area for temporary purposes we might hire land.

3441. It is no part of your policy generally to hold land that you do not need?—No; we have had a very careful overhaul of our holdings, as I was saying, with a view to getting rid of what we do not want.

Mr. Ede.

3442. With regard to some of these sales of land, is not it a fact that you

bought some of these lands subject to common rights and so acquired them rather cheaply, and then extinguished the common rights and tried to sell them as freehold?—I do not know that we did that as a deliberate policy. We may have found that the common rights interfered with our training and we had to extinguish them.

3443. I had some negotiations on behalf of the Surrey County Council with the Department last year with regard to some land at Pirbright, in the Aldershot Command?—Pirbright or the Surrey Commons?

3444. Where that occurred?—Yes.

3445. Are you carrying out the policy that was then announced, of offering these lands that are for sale, first to the County or County Borough concerned?—Yes, I think we should do that.

3446. It was stated that that would be the policy in future?—Yes.

3447. May we take that that is being carried out?—Yes.

Mr. Bird.

3448. If there was a tenant in occupation you would offer it to him first?—I do not say we should let the Council have first choice, but we should let them know. We always get in touch with anybody who might be a possible purchaser.

Mr. Lathan.] I would like some of the details in regard to the sales of land. There are one or two that seem capable of a little explanation. In most cases the natural thing has happened that the value of the land has increased and the sale price is above the purchase price, but there is one in London on page 49, No. 24, where it is not.

Sir Assheton Pownall.] I thought we would go through these Votes page by page. If we go now from pages 24 to 49 inclusive, they are all similar details on those pages. Are there any questions on those pages?

Mr. Gill.

3449. In the list of New Works there are several included for new Quarters for soldiers who have married?—Have you any particular one in mind?

3450. No. It is rather a general question I wanted to ask you?—Yes.

3451. What determines the building of new quarters for married people?—The principal consideration would be whether it would be possible for them to get any

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lodgings in the neighbourhood. It so often happens that an Army Station is so far from a Town that we have to build married quarters. Take Salisbury Plain or Catterick. There are always a certain number of married quarters built with every Barrack, because they are given to the Senior non-commissioned officers who have to be near for their work and duties.

3452. For those who are married on the strength if houses are reasonably available, you do not go building new quarters?—No, not if they are reasonably available, but on the whole we find for the senior ranks we must build, because the barracks are either generally in a distant part of the place, or else they are in a very crowded place where you cannot get houses.

3453. Having determined that married quarters have got to be provided, is there any standard set up as to what those married quarters shall be?—Yes, there is a definite specification for each rank, both of non-commissioned officers, warrant officers and officers.

3454. As to the rooms provided?—Yes, the number of rooms.

3455. And the size?—Yes.

3456. And everything else?—The cubic content, yes. There is a very strict medical supervision as to the amount of air space that people shall have. I am afraid there are a lot of very old derelict quarters that we are trying to replace as we can get money.

3457. I see there are still quarters in existence that are not up to the standard that you have when you build new?—That is so, and very definitely below civil standards, but we are trying to get what money we can from the Treasury.

3458. That is what I understood. They are being brought up to date and renovated and brought up to a decent standard, and any new ones are of a certain standard?—Yes.

Mr. Lathan.

3459. My point was on page 49, Item No. 22, there were 5½ acres of land, of which the original cost was £2,070 in 1804, and which was sold for £1,950. Then Item No. 24, in London, land which in 1839 cost £4,173, was sold for £3,759. Then Item No. 23, there is land which in 1856-7 cost £10,170, was sold for £7,000, and a little lower down, Sandown?—You will observe that those are the excep-

tions. In each case we act on the best expert advice of land agents that we can obtain, and we all know that it does fluctuate. For example, a very common case is that very heavy traffic springs up in front of the building that we once occupied and the value goes down at once. I can quite imagine that Vauxhall Bridge Road is far less habitable than it was in 1889, for example.

3460. Less habitable, but its value for business premises surely has considerably advanced in that period of time, 40 years?—I can give that assurance that we never act without the closest consultation with the experts. (Mr. Crosland.) We get what we can when we have land that we do not want.

3461. You would get the market price for it, I take it?—(Sir Herbert Creedy.) The largest possible price.

3462. The extraordinary thing to me is that land in London, in Vauxhall Bridge Road, has apparently deteriorated in value since 1889?—I am afraid I have not the details of that particular transaction in mind, but I have no doubt some new feature accounts for the depreciation.

Sir Assheton Pownall.] It may be that it is a very busy tramway corner. Such things do depreciate buildings for living in in main roads.

Mr. Lathan.

3463. It would have a value for business?—It may not have very convenient facilities for business.

Mr. Bird.] It looks to me as though Item No. 24 might be back land with 161, Vauxhall Bridge Road built in front of it, or side and back land.

Sir Assheton Pownall.] Have you any further questions, Mr. Lathan.

Mr. Lathan.] I will leave it there.

Mr. Bird.

3464. Can you tell me, on page 22; what the position of the scheme at Blackdown is for the Air Defence Brigade that was held up?—We have not made very much progress with that.

3465. Is that for want of money?—We have been rather anxious not to go ahead with the building till we were quite sure of our plans. As you know, Air Defence is in rather a transitional state. In the current year we have an estimate of £30,000 which we hope to spend.

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Captain Crookshank.

3456. The thing that struck me on going through this list was the postponement of practically every estimate dealing with ordnance. On page 24, Colchester is postponed; on page 32, Portsmouth is postponed. Salisbury Plain, on page 34, is postponed. On page 36, "Improvements to Ordnance Committee Offices" is postponed. Is there some change of policy going on?—We have been reviewing the position of our store depots to see whether we could concentrate rather more, and that has held up the progress with the building.

3467. What has been decided?—Are you interested in any particular one?

3468. No, except that, of course, they are very different places?—At Portsmouth on the Ordnance workshops we have spent nearly £13,000 and we hope to finish that this year. That was one.

3469. You mean they were held up for just local reasons?—Yes.

3470. Not a big matter of change over of Ordnance Depots?—No. We have been trying, where we can, to close down unnecessary depots, and to concentrate. Catterick Ordnance Depot we hope to finish this year.

3471. Is there any change with regard to mechanised units; because there again the only two Votes for them are postponed, Catterick on page 28, Item 37, and Garages on page 36, Item 98?—On Garages, page 36, Item 98, we spent £32,000 out of the £41,000.

3472. But it says, "Review of requirements delayed progress"?—Yes, it did delay progress.

3473. That again is local and not general?—Yes; this is a lump sum for garages scattered throughout the Commands.

3474. There is only one other question, and that is on Item 39 on page 28, "Catterick Musketry Camp," "Delay in acquisition of the site retarded progress." I thought we had stopped buying at Catterick two or three years ago?—We have stopped buying on a large scale there, but there are little parcels of land that we want, for example, for this specific purpose of the Musketry Camp, and we had some difficulties with the owners. We could not come to terms with them.

3475. It is so odd. I should have thought that a Musketry Camp would

have been one of the earliest things required?—We did not want a Musketry range at Catterick, because the troops did not come in until they came back from the Rhine.

3476. There were troops there before?—Very few. There was nothing like a Division until after December, 1929; almost after this account.

Sir Assheton Pownall.

3477. Are you pretty full there, or have you troops still to come back there?—Catterick, I think, is very nearly full now; it has a Division and a Divisional Commander.

Major Salmon.

3478. Referring to Chilwell, I notice on Item 48 you estimated the total for work to be £104,000, and you spent in 1929 £2,000. It occurs to me, if I understand the position correctly (you have a note here to say the service is postponed) that it is rather strange, is it not, that you contemplate spending £104,000, you actually spent £2,000 on the site, and then you say the work is postponed. What does that mean?—Nothing was spent at all. The whole future of that enormous depot at Chilwell is under consideration. (Sir Malcolm Ramsay.) The Vote taken was £2,000 but nothing whatever has been spent.

3479. The first column (the estimate), does not mean that the money was spent?—No.

3480. If you take Item No. 44, Catterick again, you estimate that the total to 31st March, 1930, is £11,311. You say the expenditure in 1929 is £766?—(Sir Herbert Creedy.) Yes.

3481. What is the total figure that you will ultimately spend?—That is completed.

3482. At what figure?—At the figure given there.

3483. £11,311?—Yes, as against an estimate of £12,900.

3484. You have to compare the second column with the last column?—Yes.

3485. On page 45, it is a little confusing. You ask for a supplementary estimate. The original estimate provided for £254,580, and the supplementary estimate was £620; yet you have only spent in that connection £230,291. How was it you had to ask for a supplementary estimate when, as a matter of fact, you had not come up to your

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estimate by £25,000?—That also was China. (Mr. *Crosland*.) £25,000 for China. There is a footnote starred at the bottom of the page, explaining that £25,000 cash asked for China is really £25,620 “cost.”

3486. That is not quite the question I was asking. May I call your attention to the second original estimate. You are referring to an estimate in Part I of £925,000, where you asked for a supplementary of £25,620, for which China was responsible. I understand that, but this is further down on the page, where it says “less amounts included under Parts I, II and III for value of stores consumed, for value of transport, etc.” Then you say “Original £254,580, supplementary £620,” and you actually have only spent £230,000. I rather wanted to know how it was you had to ask for a small supplementary estimate of £620?—(Sir *Malcolm Ramsay*.) That was a reduction.

3487. What does “Supplementary £620” mean?—That is a deduction. The £255,200 represents the estimated value of stores consumed from stock but

included for costing purposes in the Estimate for Vote 10 (see Note on page 23 of the Account). They originally abated £254,000; then they found that was not enough, so they took power to abate some more, £620, producing a net figure of £2,481,000. But this abatement was over-estimated.

Sir *Assheton Pownall*.

3488. They only received £230,000?—Yes.

3489. Therefore they put down an extra £620, and they were £25,000 too much?—They were short on their expenditure and short on their receipts.

3490. It is rather confusing, is it not?—Yes. It is complicated because the £30,000 at the bottom comes in as a further saving. I think that is a general saving of which the Committee has already expressed its disapprobation in another connection.

3491. The overhead cut?—Yes.

Sir *Assheton Pownall*.] That takes us up to page 50.

ON VOTE 11.

MISCELLANEOUS EFFECTIVE SERVICES.

Sir *Assheton Pownall*.] We now pass to Vote 11 on pages 50 and 51. Are there any questions on that Vote?

(On this Vote no Questions were asked.)

ON VOTE 12.

WAR OFFICE.

Sir *Assheton Pownall*.] We now pass to Vote 12, War Office.

Major *Salmon*.

3492. The only question there is, the surplus on salaries and wages under sub-

head A was £2,830, and then you have to have a supplementary Vote of £8,000?—(Sir *Herbert Creedy*.) That was China. China will not appear in future in the supplementary estimates, because it is all taken into the normal estimates of the year.

ON VOTE 13.

HALF-PAY, RETIRED PAY, AND OTHER NON-EFFECTIVE CHARGES FOR OFFICERS.

Sir *Assheton Pownall*.] We now pass to Vote 13. Are there any questions on that?

(On this Vote no questions were asked.)

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ON VOTE 14.

PENSIONS AND OTHER NON-EFFECTIVE CHARGES FOR WAR-
RANT OFFICERS, NON-COMMISSIONED OFFICERS, MEN, AND
OTHERS.

Sir Assheton Pownall.] We now pass to Vote 14 on page 55. Are there any questions on that?

Captain Crookshank.

3493. Why do we get a deficit on sub-head C. I do not understand that? I do not understand the explanation. Why should stabilisation give you a deficit?—(Sir Herbert Creedy.) “The process of stabilisation of War Disability Pensions by the Ministry of Pensions, which throws certain arrear charges on Army Votes, was more rapid than anticipated.”

3494. Why should the stabilisation of pensions throw any arrears on Army Votes? Stabilisation does not go backwards, does it?—(Mr. Crosland.) Yes, it does go back. (Sir Malcolm Ramsay.) It transferred a charge to the War Office expenditure from the Ministry of Pensions. Therefore the War Office expenditure was underestimated. The

pensions which previously had been paid by the Ministry of Pensions are now paid by the War Office, and were not provided for. (Sir Herbert Creedy.) They were paid by the Ministry but not stabilised.

3495. Do you administer them, or do they administer them for you?—These are our own.

Major Salmon.

3496. Does that mean that the two organisations are paying out pensions to-day?—The Ministry of Pensions pay a vast number of pensions in respect of men who came up for the war. Those are the Service pensions for people in the Regular Army.

3497. As separate from the people in the war?—Yes; that is the rough and ready distinction

ON VOTE 15.

CIVIL SUPERANNUATION, COMPENSATION AND GRATUITIES.

Sir Assheton Pownall.

3498. We now pass to Vote 15. Are there any questions from the Committee on that Vote? What are “Injury Grants” under sub-head F?—(Sir Herbert Creedy.) Certain payments made under the Superannuation Act to civilians injured on duty and also payments made under the Workmen’s Compensation Acts. (Sir Malcolm Ramsay.) They are mostly under the Workmen’s Compensation Acts. (Sir Herbert Creedy.) This year it is £31,000. Payments under the Workmen’s Compensation Acts account for £14,000 of that, and payments under schemes framed under the Injuries in War Compensation Act account for £9,000.

Sir Assheton Pownall.] Are there any further questions on Vote 15? If not we pass to the balance sheet on pages 60 and 61.

Major Salmon.

3499. When you speak of the cash held on behalf of the Ordnance Factories, who holds that cash, £295,000?—(Mr. Watson.) The Paymaster-General.

3500. Does the interest during the period run to the credit of this fund, or how is it worked?—It goes into the ordinary sum of Government balances available for any purpose and tends to reduce the borrowings on ways and means.

Captain Crookshank.

3501. When you say, “Trust Funds:—Investments (as per contra),” you look at the other side and you see “Investments on behalf of Trust Funds (as per contra).” If a Director of Trust Funds were to put that in his balance sheet it would cause some amusement at the meeting, would it not?—(Sir Herbert Creedy.) This is not really a balance sheet.

3502. That is what I was rather suggesting. When you look at “Investments (as per contra)” you look to see what the investments are. The one below that, “Claims Suspense Account” you alter a little on the other side by saying “Suspense Claims.” It is not very in-

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formative?—(Sir *Malcolm Ramsay*.) The accounts, though lacking in detail, are correct. On the left-hand side you have the liabilities, and on the right-hand side you have the cost of the investments made.

Sir *Assheton Pownall*.

3503. It is not our duty to go into that, is it, Sir *Malcolm*?—If there are any irregularities I would let you know.

3504. Does that apply to "Claims Suspense Account" and "Suspense Claims"?—Yes.

Mr. *Denman*.

3505. If this is not a balance sheet, what is it a balance of?—(Mr. *Crosland*.) It represents the balances on our ledgers as they happen to stand at the end of the year, and if you took the same figures on the 1st April, most of these figures would be entirely different, so from that point of view it does not represent any permanent meaning.

3506. You happen to have on that day cash in the hands of the Paymaster-General, £1,706,000?—Yes.

3507. Do you end up every year with an appreciable balance of that kind? Is that your practice?—We should normally, but that is a very different thing from the balance or surplus on the account, because so many transactions relating to this account have not come into the ledgers by the 31st March, the position on which date is represented here.

3508. The liabilities are represented roughly on page 60?—Yes.

3509. You have to pay that cash out in days or weeks?—Yes.

Sir *Assheton Pownall*.

3510. In addition to the warrants, £460,000, which have not been presented?—(Sir *Malcolm Ramsay*.) Yes.

3511. Are there any further questions on the balance sheet? If not, we will pass to the Appendices and take them one at a time. On Appendix 1 you show "Temporary Deficiencies." I presume those deficiencies have been made good since?—(Sir *Herbert Creedy*.) Yes. (Sir *Malcolm Ramsay*.) The deficiencies have increased during the last six years. They are all temporary, but they have grown from £92,000 in 1926 to £225,000 in 1930, and I am not quite clear as to why that growth has occurred. (Sir *Herbert Creedy*.) I think the reason is

that we are overhauling all our standards of reserves. We may in the process of revision be able to do with rather less.

Major *Salmon*.

3512. What do you mean by the word "Deficiency"? Deficiency as to what?—as to the value of the stock it is supposed to represent on your books, and what is actually physically in stock?—These are munitions of war, and for reasons of security we do not give the details. Supposing the reserve approved by the Army Council were X million pounds in value, at the present moment we are X minus a quarter of a million pounds. It does not mean that they have deteriorated to that extent.

3513. But you have drawn on them to that extent and reduced your reserve by that sum?—(Sir *Malcolm Ramsay*.) They were bound to keep so much reserve, and they were short by £225,000.

3514. What is to prevent you from using stock from that reserve stock for current stock, and thus apparently reducing the estimate, but in effect spending more money. (Mr. *Waterfield*.) That is the object of this certificate. (Sir *Malcolm Ramsay*.) That is the object of this certificate. They will turn over this stock as they go along, but once a year they get up to the high water mark, and you get a certificate to show whether that has been done or not.

3515. But the fact remains that the process of deficiency is increasing. Each year your deficiency is an increasing figure?—That is a point to which I would draw the Committee's attention. There may be causes to account for that. (Sir *Herbert Creedy*.) I think the reason is that we have so many types of reserve under consideration that we do not want necessarily to hold to this present approved scheme till we know what the result of the decisions on re-consideration of the standards generally is.

3516. So it is a matter of coming to an early decision as to what your aggregate amount should be in the way of reserve?—Yes. (Mr. *Waterfield*.) It is very small. It is a deficiency of about £200,000 on stock which would run into many millions.

3517. I understand the Auditor-General knows that; we do not know that. From our point of view we have a much smaller force and you are only reducing from normal times, if that be

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so, to the extent of a quarter of a million. The question of high policy then occurs: is it too much or too little? That is a question the experts must advise on.

Mr. Bird.

3518. When any of your reserves become obsolete, do you write them off?—(Sir *Herbert Creedy*.) We try to work through them pulling out from the oldest, but if a particular article of munitions became obsolete we should have to scrap it. We try to use it up in some way or other.

3519. It gets pushed off on to the Territorials, and you charge them for it?—Some times it goes to the Territorials. That does happen, to a certain extent.

3520. Things are bound to become obsolete as stored?—Certain of them. (Sir *Malcolm Ramsay*.) As a general rule they issue the older stores for current consumption.

Sir *Assheton Pownall*.

3521. We will pass to Appendix II, pages 64 and 65. Are there any questions on pages 64 and 65? Appendix III comes next, on pages 66 and 67, showing the effective military expenditure in the Colonies. Is there any set off from those, other than the Rhine, in the sums given as subsidies from the Colony concerned?—(Sir *Herbert Creedy*.) You will find it on Vote 1 in the Estimates, but you will find it here also on page 9 of the present account.

3522. "Colonial Contributions"; I remember it?—Yes.

Sir *Assheton Pownall*.] If there are no questions I will pass to Appendix IV, "Cost Accounts," which runs to page 76 inclusive.

Mr. Gill.

3523. In connection with the Royal Army Clothing Factory, could we know the percentage, or could you give us any idea of the percentage of goods that were produced through the factory, as compared with the goods actually required during the year?—It depends on the trade. On page 144 of the Estimates you will see what we spend altogether on clothing. It is not actually year for year, but it gives you a general idea. We spend £549,000 in all, and you will see that the cost here of articles manufactured is £370,000.

Sir *Assheton Pownall*.] Two-thirds, as near as need be.

Mr. Gill.

3524. Why do we go outside at all?—For one or two reasons. We always have to remember that, on mobilisation, we shall want a tremendous power of expansion, and it does not do to have all our eggs in one basket, particularly a very vulnerable and fragile basket in the middle of London, so we must spread our sources of manufacture. Besides some of these things are made cheaper and better outside than in the factory, such as boots and shoes, which are a very large item.

3525. One reason is, I understand, that you want an auxiliary source of supply in the event of an emergency?—Yes.

3526. And, secondly, some things can be bought cheaper than you can produce them?—Yes; we buy £100,000 worth of boots, for example, which we do not attempt to manufacture.

3527. Are you satisfied that what is produced is an economical proposition as compared to buying outside?—No, honestly, I think if we started with a completely clean slate we could buy from the trade cheaper, but on the other hand, we want some establishment which will be a check on the trade in the matter of prices, so the two things interlock.

3528. The fact of your having your own factory and can go there and produce the goods has some effect on the contract prices?—Yes, and it gives us a test as to what goods can be produced at.

Captain *Crookshank*.

3529. I wanted to ask a question on page 17: Under "clothing" you have "clothing factory" in the Vote we have passed of £120,000. I cannot make any selection of these figures total £120,000. The main estimate takes £120,000 for "Clothing Factory"?—In the estimate you will find a reconciliation of that. The £370,000 is the cost figure, and the £110,000 in the Estimates is simply the wages of the manager, matron and civilian subordinates, and small miscellaneous expenses. The cost figure includes buildings, plant and so forth, which are put down in the Estimate. (Mr. *Crosland*.) You will find it is very close. There is, as a matter of fact, exact agreement, not shown, but a very close correspondence appears between the

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£120,000 on page 17 with the amount for labour and supervising and clerical staff items at the top of page 69.

Sir Assheton Pownall.] Almost exactly the same.

Captain Crookshank.

3530. They would be exactly the same?—(Sir Malcolm Ramsay.) One is cost and the other is cash. (Mr. Crosland.) Quite.

Major Salmon.

3531. On the cost of the Royal Army Clothing Factory is it considered, from your experience of the trade, that 27.5 for direct labour is a fair percentage of what it costs the trade, or have you no means of knowing?—(Sir Herbert Creedy.) It is rather difficult to institute a very close comparison, because our building is not as up to date as a modern clothing factory would be.

3532. I was speaking more especially of the direct labour, versus the material for making a certain quantity of clothing?—It is affected by the circumstance I have mentioned.

3533. Your lay-out is not as economical?—No. Did you go with the Estimates Committee and look round it? They were interested in the question of the Clothing Factory and they went round and saw it?

3534. On page 70, Electricity Supply Stations, how does your own production work out as compared with the cost at which you could buy it, in ordinary towns, from the local authorities?—We should get it from the local authority if it were fairly reasonable, but when we want it on a very large scale, as we do at Aldershot, Tidworth and Catterick, we find it more economical to manufacture our own.

Sir Assheton Pownall.

3535. They could not supply it without extending their installation, probably?—At Tidworth and Catterick they could not.

Major Salmon.

3536. Have you given consideration to the question of having it supplied by the bulk supply authority?—(Mr. Crosland.) We have given close consideration to the question of getting a bulk supply.

3537. The cost per unit is very high?—(Sir Herbert Creedy.) Catterick will probably show a reduction when there is a greater number of troops there.

3538. It struck me that the cost of production was higher than you ought to be able to get it from a bulk supply?—We are in close touch on that question with the Electricity Commissioners.

Major Salmon.] The cost of distribution is greater than the cost of production.

Mr. Denman.

3539. The largest item is the depreciation of plant and mains, so obviously distribution costs are to some extent included in those figures?—They are rather heavy. Aldershot is a concentrated place, but Tidworth and Catterick are large areas. It is not like supplying a large row of houses off one main. It has to go to different buildings, which are very much scattered at Catterick.

Mr. Gill.

3540. The distribution charge is included in the 2.29d.?—It is included.

Major Salmon.

3541. May I ask a question on the direct labour. At the shops, when you speak of direct labour, is that for manufacture or maintenance?—Down below you will see Feltham. It is the overhauls. It is not the manufacture.

3542. It is the maintenance and repairs?—Yes.

3543. On the Ordnance Workshops, how is it that you show them on this account and we have a separate account. What is the difference?—The one we are coming to later on is the Ordnance Factories where we manufacture, and here it says: "Ordnance Workshops, repair and recondition stores of all kinds."

3544. "Except that of certain major repairs of guns and rifles"?—Which are carried out in the Ordnance factories.

3545. All minor repairs would be carried out on the spot, and all major operations would be done in the Ordnance factories, is that the distinction?—Yes, that is roughly true.

3546. Have you any other ordnance workshops in any other part of the world?—There is a whole list of them there.

3547. How do they compare? I suppose you compare one with the other to see if one is better managed than another?—This cost account is built up of an aggregation of the accounts of the separate workshops, the prices of which are compared by the officers administering the establishments.

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[Continued.]

3548. Is there any one at headquarters who has before him the four or five balance sheets, as the case may be, to make comparisons?—Yes; the Director of Ordnance Stores himself.

3549. It is managed from that angle?—Yes.

3550. On the question of laundries, does the same thing apply there?—You have a number of laundries?—Yes, as to using local laundries certainly. Whenever we can use a local laundry we do.

3551. Do you find, as a fact, that you can handle your laundries as cheaply as you can get it done outside?—In these places we do. There are only five large ones, Catterick, Woolwich, Netley, Malta, and Gibraltar.

3552. You speak of laundry pieces costing on an average nearly 3d. each?—That is a unit; it is not a piece.

3553. What does the unit consist of?—A soldier's blanket is a unit; a pair of trousers is three-quarters of a unit; a cook's apron is a quarter of a unit.

3554. As to your running costs on the various classes of vehicles, such as lorries, do you find that by keeping them in a high state of efficiency, your running costs are kept low?—We think that they are quite reasonable. They are watched very carefully on an analysis of the returns from the different stations.

3555. Do you ever get an opportunity of comparing what it costs you for maintaining an ordinary 3-ton lorry with what it costs in an ordinary commercial house?—We think there is not very much analogy, because a commercial house would run its lorry as much as it could run it. Our lorries have to serve a double purpose. They have, first and foremost, to be there to go with the unit to war; so they are not used to capacity. They are used to train the troops; they are kept for reserve, but they are used as much as possible.

3556. And sometimes for pleasure?—Very little. A lorry is not a thing that you would use very much for pleasure. That is an automatic check on it.

Major Salmon.] I agree.

Mr. Denman.

3557. One point on the laundries: Can you explain the reason for the different cost per laundry unit at different places? Why should Gibraltar be 80 per cent. more expensive than Malta?—I should imagine the labour problem

is not very easy there. You would probably have to get people in from La Linea to work it. It is on a very confined space, where the cost of land is relatively high as compared with Malta.

Sir Assheton Pownall.

3558. There is a good deal less in numbers, which might account for it, possibly?—Yes; it is less than half the number in Malta.

Mr. Denman.

3559. You are satisfied that reasonable economy is practised in washing?—Yes; washing may be a serious thing with mechanisation. People will have more dungarees, and so on, to wash than there used to be.

Sir Assheton Pownall.] We will now pass to Appendix V, the value of stocks. Is there any question on page 77?

Captain Crookshank.

3560. How is it you manage to have such an extraordinarily small amount of petrol; £3,000 worth is very little, is it not?—You notice this is in store. This is not what we have with the units.

3561. Nor is this a reserve, I take it?—It is a working reserve. We have arrangements by which we can buy very quickly and have it on demand. The facilities for distribution are so good. This is in store, as opposed to that with the units.

Major Salmon.

3562. When you have, on page 77, the value of mechanical transport £85,000, and in 1929, you had £108,000—does that mean that to-day you have a much smaller stock of mechanical transport?—I think we got rid of a lot of obsolete vehicles. We have been weeding out a lot of obsolete vehicles which we have not replaced.

3563. Have you made up your mind what the level ought to be?—No; that varies from year to year; it is always under review. As we tend to mechanise more units, so the amount of lorries will go up, but there is to be a test this year to see if it is possible to reduce the number of lorries.

3564. Under the next Vote there is a very big drop of a quarter of a million, Vote 7, which I think is a very good thing?—Yes.

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[Continued.]

3565. This does not take your war reserves in at all? This is what I call actual daily stock?—Yes, but it includes war reserves as well.

Sir Assheton Pownall.] We will now pass to Appendix VI "Rewards to Inventors." Is there anything on that?

Mr. Butler.

3566. Who decides the question of giving rewards to inventors?—There is a Departmental Committee which sits and appraises the merits of inventions.

3567. Every invention would go to that Committee?—Yes; anything thought worthy of a reward would go to that Committee.

Sir Assheton Pownall.] We will pass to Appendix VII. Are there any questions on that Appendix?

(No questions were asked on Appendix VII.)

Sir Assheton Pownall.] We pass to Appendix VIII "Gifts of Army Stores." They are not very large. Are there any questions on that.

(No questions were asked on Appendix VIII.)

Sir Assheton Pownall.] We will pass to Appendix IX "Losses."

Mr. Gill.

3568. With regard to Number 23, "Overpayments to the Southern Railway Company for military duty traffic to and from the Rhine, £792," is that amount not recoverable?—That is the question of cheap trains as against boat trains. The Company maintains that the ordinary Warrants issued to soldiers are not available on boat trains.

3569. Is this the excess amount you have had to pay for people travelling on the boat trains?—Yes; this is a series of transactions. (Sir Malcolm Ramsay.) The Army have been overcharged by the railway for the carrying, on the Southern Railway, of troops going abroad. It was rather an intricate point and involved rather a nice calculation as to whether they were entitled to assess the charge on the boat train fare or on the ordinary fare. As regards the past the War Office had to give way eventually, because they were advised that this payment was not legally recoverable, as it had been originally paid under a mistake in law. The matter has been put right for the future. It origin-

ally arose in connection with the troops going to the Rhine.

3570. It occurs to me that a Company of the substance of the Southern Railway Company, if the War Office was correct in their contention and had overpaid the Southern Railway Company, would have repaid. On the other side, if the Southern Railway Company contend that they are correct and are entitled to this money, should this amount come in under the heading of "Losses due to theft, fraud, etc."

Sir Assheton Pownall.

3571. It is "Other losses".—(Sir Herbert Creedy.) Nothing to do with fraud.

Mr. Gill.

3572. I beg your pardon. In any case I cannot feel that it is a loss. Either the War Office is right or the Southern Railway is right.—(Sir Malcolm Ramsay.) We would all agree with the Honourable Member. The Company is entitled to keep the money, but under the rules of this Committee it has to be put down on this account.

Mr. Gill.] I think if the War Office were right about an amount like this, the Southern Railway Company should be pressed for the amount if it cannot be cleared.

Sir Assheton Pownall.

3573. We regard it as an overpayment and the Southern Railway Company regard it as a payment.—(Sir Herbert Creedy.) And our legal advisers say it is not recoverable.

Mr. Gill.

3574. That point is not likely to arise again?—No.

Major Salmon.

3575. With regard to Item No. 27, "Forage erroneously issued to a Unit owing to a misinterpretation of Regulations, £2,262," surely if it was delivered to a unit by mistake that unit would have it in stock. It would not be lost, would it?—It was a forage allowance; not in kind. It does not mean the horses ate twice as much. Certain officers drew, under a misapprehension, a second forage allowance; that is to say, money instead of in kind, for a second horse.

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[Continued.]

Sir Assheton Pownall.

3576. £2,000 must be a considerable number of officers over a long period. Was it a big unit like a cavalry regiment?—It happened to be a Survey Company of the Royal Artillery. It was for the best part of five years. (Mr. *Waterfield*.) When this new unit was formed in 1926, they were not immediately notified that the allowance was not payable, and when the matter was discovered the Army Council felt it would be hard to penalise them not merely by the withdrawal of the privilege, but for it to have retrospective effect.

3577. The officer who issued it should have known? (Sir *Herbert Creedy*.) It was quite a new kind of unit. It was not a standard pattern unit like a cavalry regiment.

3578. He did not realise what the exact allowance was, and allowed too much to be drawn?—Yes.

Major *Salmon*.

3579. What was our wonderful test audit and stocktaking system doing to allow it to go on for five years?—If you had a test audit of 10 per cent. you would not necessarily strike any particular unit in five years.

ARMY (ORDNANCE FACTORIES) ACCOUNTS, 1929.

Sir REGINALD TOWNSEND, K.C.B., C.B.E., called in and examined.

Sir Assheton Pownall.

3585. Have you anything to say on this, Sir Malcolm?—(Sir *Malcolm Ramsay*.) This is divided into two parts, one the Appropriation Account, with the Report on page 10. That shows what Parliament voted in the way of cash for the factories and what receipts they authorised them to use. The rest of the volume deals with the figures from a totally different point of view, showing the cost of the manufacturing operations. I have no observations to make beyond what I say in the Reports. There was a good deal of shortage of work. Therefore they neither spent as much as Parliament authorised, nor did they get so much paid.

Major *Salmon*.

3586. May I take a broad question, without going into details. I would like to ask the Officer in charge

Sir Assheton Pownall.

3580. It appears to be an honest misunderstanding?—Yes.

Major *Salmon*.

3581. Who found it out ultimately?—I think the War Office found it out.

Sir Assheton Pownall.

3582. And they are on the lookout for anything of the same sort in future?—Yes. (Sir *Malcolm Ramsay*.) I ought to add in explanation of the fact that this was not earlier discovered that there are several hundreds of forage accounts and this only affected one. It is a very heavy job auditing these and it would probably cost a great deal more than it is worth to run through every one of them.

Mr. *Denman*.

3583. I wonder whether the War Office is aware of any considerable sums which it may hope to recover in the next ten years?—(Sir *Herbert Creedy*.) I think nearly all the War claims are wound up now.

Sir Assheton Pownall.

3584. Have you anything to say on new works, Appendix 10, Sir Malcolm?—(Sir *Malcolm Ramsay*.) No; I have nothing on the rest of the account.

of these particular accounts: Are we adopting, in the Army Ordnance Factories, the most up to date methods of check, both in the introduction of mechanical means and generally of keeping the accounts?—(Sir *Herbert Creedy*.) Sir Reginald has had a very great experience in manufacturing cost accounts. I can give that assurance to the Committee at once. Every opportunity is taken of introducing new devices of every kind. That is so, is it not?—(Sir *Reginald Townsend*.) Yes, I think you will find we have probably one of the most modern systems in the country, even though it may be a Government Department, with all kinds of tabulating machinery.

3587. It is fair to say the Admiralty are following on what you introduced some time ago?—(Sir *Herbert Creedy*.) Sir Reginald is advising the Admiralty on their cost accounts. (Sir *Malcolm*

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Sir REGINALD TOWNSEND, K.C.B., C.B.E.

[Continued.]

Ramsay.) I may say, as Sir Reginald Townsend cannot say it for himself, that he was in business before, and he was specially brought in to introduce this system of cost accounts on the most modern methods. I have no hesitation in adding it is much the most up to date system of cost accounts we have in any Government Department, and I am told it compares favourably with any outside. (*Mr. Watson.*) The Department were pioneers in introducing modern cost accounts. (*Sir Malcolm Ramsay.*) I thought it was only due to Sir Reginald that the Committee should know that, because he is the mainspring of the whole thing.

Sir Assheton Pownall.] Is there any question arising on pages 3 and 4, the explanatory note? If not, we pass to the accounts themselves, Ordnance Factories, page 6, which run on to page 9 inclusive. Are there any questions on them?

Major Salmon.

3588. This deficit on page 7 is the difference between the estimated and the actual amount that was spent. Is that what you call a deficit?—(*Sir Herbert Creedy.*) If you look at the Note to sub-head H it says, "Production for the Army and for other customers was less than estimated."

Sir Assheton Pownall.] We pass to page 12, the manufacturing accounts, which run on as far as page 14 inclusive. Are there any questions on those?

Major Salmon.

3589. As to the item, "Works carried out by contract", is that contracts for other departments?—(*Sir Reginald Townsend.*) No; it is outside contracts carried out for us.

3590. On the question of your depreciation, have you a system of depreciating over so many years?—Yes; we depreciate on a diminishing value: 10 per cent. on plant, 3 per cent. on machinery and so on.

3591. Do you find, in practice, that that more than repays the capital outlay?—It just about meets our requirements. That is thrown up by the balance of the Supplies suspense account, which you have before you.

Sir Assheton Pownall.] If there are no further questions, we will pass to Capital Account, on page 15.

Mr. Lathan.

3592. Is the Capital Account really a "Stores in stock" account?—It is stores in stock.

3593. That is the only capital you have, I suppose?—No; on the next page we have further capital.

Major Salmon.

3594. Is it right to call it a capital account?—It is a portion of the capital.

3595. Stores in stock is not capital?—It is an asset.

3596. It would not be commercial capital?—Yes; distinctly. (*Sir Malcolm Ramsay.*) It is a capital asset.

Major Salmon.] Yes.

Sir Assheton Pownall.] On pages 16 and 17 there is what I might call the balance of the capital assets account.

Major Salmon.

3597. When you put down the value of the land you do that on the book value, whatever you bought it at?—(*Sir Reginald Townsend.*) The actual purchase price.

3598. Why do you call your buildings Class A, B and C?—That was arising out of a re-valuation after the war. They put the buildings in three categories, and the plant likewise. Class A is where the user is 75 to 100 per cent., Class B, where the user is 25 to 75 per cent., and Class C where there is no user, or under 25 per cent.

Sir Assheton Pownall.] We pass to page 18 "Statement of indirect expenditure" running on to page 20 inclusive. Is there any point on that. After that comes page 21, showing the customers who had this completed work, and the amount in each case. That goes on to page 26 inclusive. Is there any point on that. Page 27 is a "Statement analysing the surplus on the Vote", and there is "Statement of losses" on page 28.

Mr. Denman.

3599. I think we might have an explanation of No. 3 on page 28, the over issue for 10 years of an allowance to an officer employed at Woolwich Arsenal?—(*Sir Herbert Creedy.*) There was an officer appointed as Senior Inspector of Danger Buildings. The post is usually held by an officer of Captain's rank who is graded FF. for pay and with Class 11 allowances. As a matter of fact the

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[Continued.]

officer in question who was appointed was a Major. It is provided that in the case of an officer holding an appointment appropriate to the incumbent of a lower rank he can receive his Regimental rates of pay and allowances; that would mean he received the pay and allowances

of a Major. Unfortunately, in making the change over, he was put on to a scale of allowances one higher than the one for which he was eligible and which was appropriate to him, and as he had received the money in good faith we did not feel we could ask him to pay it back.

(The Witnesses withdrew.)

(Adjourned to Thursday next at 2.30.)

THURSDAY, 30TH APRIL, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Gill.

Sir Robert Hamilton.
Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.
Mr. West.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

SIR MALCOLM RAMSAY, K.C.B., MR. A. P. WATERFIELD, C.B., and MR. A. E. WATSON, C.B.E., called in and examined.

LAND SETTLEMENT (SCOTLAND).

Chairman.

3600. We want to put a question to you. I have Sir Robert Greig's document in front of me, Appendix No. 13. We have to carry out our obligations on the Land Settlement in Scotland but it is a very expensive way of carrying out our obligations. Would the Committee like to have Sir Malcolm's advice on the matter, and would you like to hear what Mr. Waterfield has to say in reply to the Memorandum, which was in answer to the Treasury Minute on paragraph 11 of the Committee's Report last year. We know very well we have to carry this out, but here it looks to me as if the Economy Committee might have its attention drawn to it. We can do no more. The law is that the work has to be carried out, and the obligations met. I wondered whether the Economy Committee should be asked to look at this Land Settlement question?—(Sir Malcolm Ramsay.) The question, as I conceive it, is that the policy of land settlement in Scotland (and the same applies to the

much bigger problem in England) has been running since 1919, and earlier in Scotland, with the full knowledge of Parliament that it is a comparatively expensive business, in the sense that it can not be made self-supporting beyond about 50 per cent. That has been stated over and over again in the House; it has been stated before this Committee, and it has been repeated in previous reports. Last year your Committee had a paragraph in their Report, saying that they could not go back on existing obligations. That means that all the money spent, largely consisting of loans, has gone and cannot be touched; but they asked whether any economies could be effected, obviously thinking of future settlements, and Sir Robert Greig's paper deals with that narrower aspect of the question. To my mind, I think he supplies a very fair answer, and assuming, as I think you must, that you cannot upset the policy, there is practically no scope for economy in the future carrying out of it. If Members agree with that view, which is suggested to

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my mind by this paper, I would suggest that you get back to policy, which is really a dead horse; the Committee has flogged it many times, and I do not think any action on the part of this Committee would really be of any practical value.

Major Salmon.

3601. May I ask Sir Malcolm one question arising on this paper? Could we know the aggregate amount of money involved? It tells us the amount per settlement, but it does not say the total amount of money?—I speak subject to correction, but, under the Land Settlement Acts of 1919 and 1921, £24,000,000 might be borrowed by the parties concerned for the purposes of land settlement, of which £20,000,000 was to go to England and something like £4,000,000 was to go to Scotland.

Sir Robert Hamilton.

3602. Yes?—It was said at the time, or very soon afterwards, and certainly this Committee was told, that of the sums expended in those ratios, something like 50 per cent. would be a final and permanent charge on the taxpayer, and that only half could be met by the annuities and rents which the tenants could be expected to pay.

3603. I think, of this £4,000,000, about half a million was not expended, which went back?—The maximum allowed by the Acts was 3½ millions; but only £2,158,000 was borrowed.

Chairman.

3604. We cannot say anything more than Sir Malcolm Ramsay has said. All I can suggest is that the Committee should consider whether this is a matter that should go to the Cabinet or to the Economy Committee?—(Mr. Waterfield.) I did not realise that I should be examined on this. It is true that any question of expenditure is open to the Committee, irrespective of questions of policy. It is open to them to make recommendations on any question of expenditure, irrespective of policy.

3605. We should be touching policy here?—Yes.

Chairman.] Therefore I should rule that we are not competent to deal with it. I know Mr. Leif Jones may disagree with me.

Mr. Butler.] So do I.

Chairman.] All I can say is that I would suggest that the Treasury takes note of what has been said to-day, and

brings the matter at its discretion, before either the Cabinet or, if it is within its power, before the Economy Committee, and they must deal with it, as the matter is entirely out of our province.

Mr. Leif Jones.] I would like to protest against those last words "outside our province"; but I think it is perfectly open to us to say to the Treasury, and to the Government, that a certain system is being pursued by the Government to-day which is an expensive system. I think it is part of what we are here for, if we form that opinion. I am quite satisfied with what you said. If the Treasury will do that, I am quite satisfied.

Chairman.] Do not let us get involved in a discussion on policy. In view of what you have just said we can get on.

Mr. Leif Jones.] It is precisely about policy that I challenge your ruling.

Chairman.] If you challenge my ruling I will make a ruling; I will discuss it.

Mr. Leif Jones.] I challenge the view that the Public Accounts Committee cannot touch it because it is a question of policy. If you think it is necessary to say that—

Chairman.] I do not feel it is necessary to say that.

Mr. Leif Jones.] Then I am satisfied.

Sir Robert Hamilton.] The very large expenditure that has been incurred on this Land Settlement in Scotland is very largely past history. Are we satisfied that the expenditure at the present time is too extensive?—I do not think so. The rate at which it is being carried out now is very much less than it was just after the war.

Chairman.] That is so, but as we always expected it would be 50 per cent. and we have watched this loss going on for a very long time, whether it is very much now does not much matter. This is a very expensive thing. The question is whether it was right for us to do it originally. We are not in a position to say whether it was right or wrong; therefore we refer it to the Treasury to consider, and they will take the steps they think proper.

Mr. Benson.

3606. How much of the £24,000,000 has already been spent?—Sir Malcolm Ramsay.) Most of it. (Mr. Watson.) The greater part of it, nearly £18,000,000 or £19,000,000. (Sir Malcolm Ramsay.) Scotland spent about £2,158,000 out of

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[Continued.]

its maximum £3,500,000 and they have ceased borrowing, and England have spent rather less than their share.

3607. Are they continuing the policy to spend up to the total?—(Mr Watson) There is a certain amount of work to be done. I should not like to commit myself to the statement that the remaining £800,000 or £900,000 will be spent. I should think it would be rather less than that in Scotland.

3608. That £800,000 or £900,000 is due to work which is not complete. It is not due to an extension policy?—It is not due to an extension policy. I think it is due in part to carrying out the policy which has been approved in respect of schemes which have not been definitely entered upon, perhaps. I think there is still a certain amount of new work to be done.

3609. Which is not consequent upon money already spent?—No, not directly consequent on the money spent. I think that is right.

3610. That is the only thing we can really take cognisance of, the money that has not been spent under this head already, and money which is not to be spent as a result of work, either already in progress or having already been started?—It is money to which the Scottish Department of Agriculture would rather be inclined to consider themselves to be committed by reason of the policy pursued, but that is rather a different thing.*

* *Note by Witness.*—

My answers do not state the position clearly. The Land Settlement (Scotland) Acts 1919 and 1921 authorised loans not exceeding £3½ millions in total. This was money additional to that available out of grants to the Agricultural (Scotland) Fund provided in accordance with the Small Landholders (Scotland) Act 1911. Power to make loans within the limit of £3½ millions lapsed on 31st March, 1926, at which date £2,158,000 had been lent. Grants under the 1911 Act continue to be made and they are available for the continuation of the programme of land settlement: the grants are made from the Vote for the Department of Agriculture, Scotland, and in 1931 Estimates the following provision is made: (a) £175,000 grant-in-aid to facilitate the constitution and enlargement of holdings, improvement and rebuilding of dwelling houses, etc.; (b) £79,000 grant-in-aid to meet the annual loss on land and settlement; (c) £15,000 grant-in-aid, in lieu of grants previously made from the Local Taxation Account, under the Local Government Act, 1929.

Sir Robert Hamilton.

3611. Not only that, but it is statutory. It is paid into the fund for that purpose?—Precisely. (Sir Malcolm Ramsay.) They have settlers waiting. Their list is not yet exhausted, and expectations have been held out to these people, on the strength of what has been said in Parliament, and in due course when we get settlements for them they will be settled on the land. (Mr. Watson.) 80 per cent. has been carried out in Scotland, and, as to the remaining 20 per cent., the people are expecting it.

Chairman.] In view of the necessity for economy in all directions (I will not express myself whether the expenditure should be carried forward or not) I think we ought to hoist a danger signal and let those whose duty it is to look into the matter be put on inquiry.

Sir Robert Hamilton.] Do you mean a danger signal, because we think the cost at present incurred on Land Settlement is too high?

Chairman.] I particularly guarded myself against that. I said I am not going to express an opinion about that one way or the other. We merely draw attention to this very large expenditure, and ask those whose duty it is to consider this expenditure, whether they think it is right to go on with it?

Sir Robert Hamilton.] The money has been allocated for this purpose. Is it for us to go into it?

Chairman.] What does the Committee think?

Major Salmon.] It is not within our province to say that there are certain sums unexpended, and we think, in these very difficult times, it is undesirable to go on with the expenditure of money under this head?

Sir Robert Hamilton.] If we are to be a Geddes Committee, yes.

Chairman.] No; we are not going to be a Geddes Committee. We question the advisability of this expenditure, and we leave it to those, whose duty it is to come to a decision, to come to a decision, without our expressing any view about it one way or the other. We call their attention to it.

Mr. Denham.] I concur in that view. I do not think we can express a view on policy without far more evidence than is before us; but I agree with Mr. Leif Jones, that we are entitled to call attention to expenditure where we are clear,

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[Continued.]

and I hope in the Report we shall do so, in the case of the Telegraph expenditure; but in this case we really have not got sufficient evidence about the Land Settlement to form a judgment.

Chairman.] Mr. Denman expresses my view.

Mr. Leif Jones.] That is my view, that we should say, "Having studied this account we find this service is costing a good deal of money, and we would like it to be looked into."

Sir Robert Hamilton.] If we go on those lines we are open to say the same of the Admiralty, the Army, or the Air Force, that they are spending too much money.

Mr. Denham.] I think it is open to us.

Chairman.] I think we should fail in our duty unless we drew attention to this.

Captain Crookshank.] I should have thought we were only entitled to draw attention to it, if we thought there were misappropriations or technical waste of money, as opposed to the big scale. It is not our function to say how big the Army should be or how much should be spent for educational services.

Mr. Leif Jones.] Where do you find that limitation of our powers? Why are you anxious to put a limitation on what we do? I cannot find it in any of the Resolutions appointing us. In the past I can find instances where strong views have been expressed on policy in connection with the Army and the Navy, and I do not want to cripple our hands in future. I do not want to say anything positive to limit our powers, be-

cause I never know when they may have to be exercised.

Captain Crookshank.] I think that is true, but if we want to discuss the powers of the Committee we ought to do so on some suitable occasion and to come armed with precedents. I think on this occasion it is quite sufficient to draw attention to it without expressing a view one way or the other.

Mr. Leif Jones.] Yes.

Chairman.] We are not going to express a view.

Mr. Bird.] I quite agree with Captain Crookshank.

Mr. Butler. I agree with Mr. Leif Jones.

Chairman.] As there is a division of opinion—

Mr. Bird.] Where is the division of opinion?

Mr. Leif Jones.] We are singularly agreed.

Mr. Bird.] We are agreed.

Sir Robert Hamilton.] I do not want to tie our hands any more than Mr. Leif Jones does, but I do not want to go any further than we are entitled to go. If we think the expenditure is extravagant in this case, we can say so, but if we are not satisfied that the money was extravagantly spent—

Chairman.

3612. We will leave it to the Treasury to take what steps it thinks proper, without our expressing any opinion. (*Mr. Waterfield.*) We will take note of it.

AIR SERVICES APPROPRIATION ACCOUNT, 1929.

Mr. C. LL. BULLOCK, C.B., C.B.E., and Sir SIGMUND DANNREUTHER, C.B., called in and examined.

Chairman.] Will you take note of paragraph 14 of the Treasury Minute dated 12th January, 1931. That is the first item. Mr. Leif Jones will deal with that.

(At this point Mr. Leif Jones took the Chair.)

Mr. Leif Jones.

3613. The first matter we have before us is the Treasury minute of the 12th January, 1931, on our Report last year. You have read that minute by the Treasury, have you?—(*Mr. Bullock.*) Yes.

3614. And that represents the views of your Department?—Yes.

3615. Have you any remarks to make on that, Sir Malcolm?—(*Sir Malcolm Ramsay.*) No; I think they have completely met the wishes you expressed last year. I do not think there is anything arising on it. They have issued instructions.

3616. The Treasury are quite satisfied?—(*Mr. Waterfield.*) We are satisfied with that, Sir.

Mr. Leif Jones. Has any member of the Committee any questions to ask on that minute? If not, there is nothing

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more to say about it. I think we may say we are satisfied. We will turn now to the Report of the Comptroller and Auditor General on the Appropriation Account. I do not think anything arises on paragraph 1. If there are no questions we will pass to paragraph 2. The gross expenditure was close on £20,000,000.

Major *Salmon*.] I think it is very satisfactory that they are so close to their estimate.

Captain *Crookshank*.] At last.

Major *Salmon*.

3617. It is about time, I agree.—(Mr. *Bullock*.) I cannot claim any credit for that, I am afraid. (Mr. *Waterfield*.) I do not want to deprive the Air Ministry of credit, but it is obvious to the Committee that that was the result of a very large Supplementary Estimate.

3618. What was the Supplementary Estimate?—£760,000; and I am afraid we must all take an equal share of blame for having made a somewhat inaccurate estimate originally. We had expected that certain credits would accrue to us, which in fact did not, such as contributions from India.

Mr. *Leif Jones*.] I think that is a very conscientious explanation on the part of the Treasury.

Captain *Crookshank*.] If all the Departments had as low a supplementary estimate as this one, in relation to the total expenditure, we should not be in such a bad way; £760,000 on an estimate of £20,000,000 is not very bad.

Mr. *Leif Jones*.

3619. Paragraph 3, "Claims upon the Government of India," says: "A final settlement has not yet been reached on the following questions outstanding." Where do they stand now?—(Mr. *Bullock*.) I am afraid no further progress has been made, and I cannot see any hope of really early progress. The Air Ministry's share in this matter is very much less than that of the War Office, and we have to keep in line with the War Office. It has been further complicated by the Simon Commission and all the political questions relating to India. We should be very glad to see them settled and get the money.

Sir *Robert Hamilton*.

3620. Has not there been an arrangement to refer the matters in dispute?—To a tribunal; but that again has been delayed.

3621. That is a step forward?—Yes.

3622. That has been definitely arranged?—Yes, but I cannot say when the tribunal will assemble. (Mr. *Waterfield*.) A question was answered by the Secretary of State for India about three weeks ago, saying that he hoped the Tribunal would be appointed in the relatively near future.

Major *Salmon*.

3623. Does the effect of the outstanding amount have an annual effect on your Budget or Estimates?—(Mr. *Bullock*.) In the present year, as Mr. *Waterfield* was remarking, we budgetted for £240,000 receipts which we did not get. That was for an alteration in the capitation rate from £50 to £80, and arrears; but it is clear we shall not get more than the £50 at present—and that is what we are getting, on the old basis.

Mr. *Leif Jones*.

3624. Paragraph 4, Vote 7, subhead (C) "Retaining Fees and Reserve Pay". Is that matter settled?—It is settled, in this sense, that the scheme, which was a special scheme for the premature discharge of reservists, in order to avoid overbearing, is at an end. We still have power, in individual cases to discharge reservists prematurely, but this is a mere bagatelle. The original scheme will result in a saving, which we have not yet achieved, of £60,000; that is to say, it does not yet come into these accounts. It will be spread over a period of years.

3625. What is the actual process by which you save the money?—2,700 Reservists in all have accepted premature discharge; that is to say we shall be relieved of paying them one shilling a day over future years, during which they would still have been on the Reserve had they not taken premature discharge, in return for this bonus payment. It meant an immediate deficit in the cash for this year with which we are dealing, with a future saving.

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[Continued.]

Major Salmon.

3626. What interest do you get for your investment?—(Mr. Waterfield.) We are cutting our loss. (Mr. Bullock.) We have got out of a future liability.

3627. For a capital sum you have cut your loss?—Yes. (Sir Malcolm Ramsay.) They have made rather a good deal; otherwise, if things took their course, they would have had far more reservists than they wanted.

Mr. Leif Jones.

3628. What sort of capital sum did you pay in order to be quit of your future liability?—(Mr. Bullock.) In these accounts £19,000 deficit arose on the Vote. They are entitled to roughly £18 a year over a period, which would vary in individual cases. We offered them from 30 to 50 per cent. of their future pay, to be discharged forthwith.

3629. What is the limit now? 12,000?—Of the Reserve, yes. Actually we have reduced it to 10,000.

Mr. Leif Jones.] Are there any questions on paragraph 4?

Major Salmon.

3630. When you say you have limited it to 10,000, was there any particular reason why you had the Reserve down as low as that, when you first thought it should be 12,000?—Yes, it is because of the requirements as regards Mobilisation of the Service. That is a very tricky business and it was revised on that basis.

3631. In the light of experience?—Yes.

Mr. Leif Jones.

3632. With regard to paragraph 5 there is a curious story here about Fisheries. Have you been able to let your Fisheries?—(Sir Malcolm Ramsay.) This is a rather unhappy affair, as I think Mr. Bullock will agree. (Mr. Bullock.) I agree. (Sir Malcolm Ramsay.) The Air Council set up an Air Gunnery and Bombing Range in Fife, partly over the land and partly over the Tay, where there were salmon fisheries. Soon after the tenant and owner raised claims as to the damage to their fisheries caused by the Bombing Range. Eventu-

ally the matter went to litigation and the Court of Session, overriding the Sheriff, decided that the Fisheries had been largely destroyed and therefore the unfortunate Air Ministry had to compensate the tenant and pay to the landlord the rent that the tenant ought otherwise to have paid him. The Air Council then had rather a difficult decision to make as to the future, whether to keep on the fisheries, of which they became tenants, or to compromise by buying them outright, or to remove the range; but, on the advice of the Fishery Board for Scotland that they could get quite a good rent by sub-letting, they hung on. Unfortunately they have been paying £700 to £800 a year for the Fisheries and they have got no offer as yet which is worth accepting.

3633. You bought the fishing rights?—(Mr. Bullock.) We have leased them.

3634. At this annual rental?—In order to get out of a claim for compensation to the tune of £20,000, from the owner.

Major Salmon.

3635. How many years lease have you got?—(Mr. Waterfield.) Till 1939. (Mr. Bullock.) Ten years.

Mr. Leif Jones.

3636. You have not yet let the fishings?—No, we have had no offer which we thought we were justified in taking, but they have been advertised again. I am afraid that it is very unlikely that we shall get the rent which we hoped we should get.

3637. How far do you think the claim that the fishings were injured by the bombing was justified?—I think it was grossly exaggerated, and, in addition, the company who were leasing it were not using it. The tenants gave notice, through the appropriate legal machinery, that they would repudiate the lease. We were advised that they would not succeed in that, but unfortunately, when it went to a higher authority, it was confirmed that they had a right to repudiate.

3638. Did they do so?—Yes, and that led to the claim from the owner for compensation.

3639. And they have not been let since?—They have not been let since. The Air Ministry cannot claim to know more about law than the Law Officers of Scot-

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land, or more about fishing than the Scottish Fishery Board, but I regret the situation which has arisen, very much.

3640. Were the Treasury consulted about this?—(Mr. *Waterfield*.) Yes.

(At this point Mr. Arthur Michael Samuel returned to the Chair.)

Chairman.

3641. What were the fish?—Salmon.

Sir Robert Hamilton.

3642. Was the question of possible damage considered before the locus was decided?—(Mr. *Bullock*.) Yes, we were told it would be very small. The expert told us it would not exceed £50 a year, if anything.

3643. That was before you settled on that spot as being the most suitable?—Yes, we were told it would be trivial.

Mr. Denman.

3644. I think it would be useful to have just a general statement on "Compensation for Losses." What arrangement is there between the Treasury and the Department as to compensation? Does the Department compensate at its own will, within the limit of the estimate?—No. Treasury authority is required.

3645. For each case above a certain amount?—That is so.

Mr. Bird.

3646. Under what heading did they put their claim for injury to fishing?—Under what legal heading?

3647. Yes. Was it damage to the fish, or were the fishermen frightened of getting bombs on their heads?—Destruction of the fisheries, alleging that they could not carry on.

3648. Did you drop your bombs in the water and actually kill fish?—No; they were only practice bombs. I suppose they suggested the fish would be frightened away.

Chairman.] Herrings cannot hear at all, but the reverberation of the air caused by the ringing of a bell, or banging on the side of a boat, or the letting off of a pistol, has some effect on the water which communicates itself to their

(Mr. *Bullock*.) Throughout. (Mr. *Waterfield*.) We sanctioned the action taken by the Air Ministry throughout. We felt, in view of the expert advice which had been given, that we had no alternative.

bones, and they become frightened and go away.

Mr. Bird.

3649. Have any dead fish been observed on the surface of the water?—That is a question which I cannot answer, but I should expect not. The bombs are not heavy, with a full explosive charge. They are dummies.

3650. The salmon fisheries are conducted by people for a living, not for sport?—Yes, it is definitely a commercial proposition.

3651. Have you made approaches to anybody to let on reduced terms by result?—No; we have not.

3652. I should have thought that if you got hold of some of the professional fishermen they would have put their tackle up. It is not a very expensive tackle to erect, and you could have fixed the rate on a graduated basis according to the amount of fish caught, and, if the Chairman is right in saying that the fish are frightened and do go away because of the bombs, you would not get anything, but if it is not so you would get a rent corresponding to the number of fish caught?—That is a possibility that I should be very glad to consider, but it is a matter *sub judice*. The fishings are being advertised through the Commissioner of Crown Lands, and we may get a better offer, but I do not think we shall get the rent which we originally hoped. There were advantages in selecting this site for a range. We got the land from the Scottish Forestry Commission for £1 a year, which means we are only paying £801 in all. Elsewhere there is a range where we had to purchase land for £4,000, say £200 a year, and we pay another £700 annual rent as well. Honourable Members will remember the fuss there has been when we have tried to get sites in Oxfordshire or Berkshire and so forth. This range is not so very expensive, but I regret that this situation has arisen.

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Major Salmon.

3653. Is it essential that you should go through the Crown Lands when you try to let those fishings?—I think it is good business. We are not very well qualified to let these fishings.

3654. If it is business, we ought to treat it as a business proposition. I should have thought you would go to people who laid themselves out to let places of this kind?—Certain bodies do the leasing of fisheries for the Crown, and we assumed that they were better qualified to do it than we were.

3655. I am not arguing that they are not; but if you had adopted, as Mr. Bird said, either the arrangement he has suggested, or letting them have a lease for 7 years for a lump sum, that might have been preferable?—If this present advertisement is not a success, I should be very pleased to consider that and any other alternatives the Committee may recommend.

Chairman.

3656. May I pass to paragraph 6. Here was an omission to obtain Treasury authority. Perhaps Sir Malcolm will say a word about it?—(Sir Malcolm Ramsay.) I have mentioned this matter because a concession was made to the contractor for R.100, namely, that he might occupy a Government shed at a nominal rent, which I thought was rather low, and in any case required Treasury sanction. The Air Ministry have now got sanction from the Treasury, who have had the case before them. (Mr. Waterfield.) We have now given a covering sanction. The only question at issue between the two Departments was whether the action taken by the Air Ministry was within their discretionary power. The Comptroller and Auditor General thought it required Treasury sanction, and we share his view, but on its being submitted to us by the Air Ministry we agreed that their action was proper and gave the covering authority.

3657. Are you satisfied with that Sir Malcolm?—(Sir Malcolm Ramsay.) Yes. When I raised the question I thought the rent was very low, but if the Treasury are satisfied I have nothing more to say.

Major Salmon.

3658. On the question of the £1 rental, was it contemplated that the original shed would not be large enough for the airship when it was built? It seems to be rather extraordinary that the airship is built in a particular shed and, after it goes out and comes back again, the Air Ministry think that the shed is not desirable. Does it become the responsibility of the Air Ministry to find an alternative shed?—(Mr. Bullock.) The airship concerned was built by a contractor at Howden in Yorkshire, and the shed clearance was not considered by our experts to be sufficient for getting it in and out with safety. We were responsible for any damage done in getting her in and out, although the company were responsible for the housing of her, and it seemed to us that if we tried to get her in and out of the shed at Howden we should run a very great risk of damaging her, or wrecking her, and being liable for a very large sum. Therefore we offered the company the shed rent free, if they would house the airship at Cardington. Had we charged rent they might have said "No, we do not want to use your shed," and we should have had to go on taking it in and out of the shed at Howden.

Mr. Benson.

3659. Assuming the Air Ministry were liable for damage and the contractors were liable for housing, the liability for housing surely carried with it the obligation to provide reasonable housing, and housing that was not dangerous?—That is a very good point, but this is a very new science. Available experts are very few, and, after careful consideration, we were advised that it was very doubtful whether, if it went to arbitration, the decision would be in our favour or in the company's favour; and we thought it was running an undue risk.

Chairman.

3660. The fourth sentence in paragraph 7 says: "to which I have not yet received replies" as to the accounts in detail. I believe they have now been received?—(Sir Malcolm Ramsay.) Yes. (Mr. Bullock.) Within a few days. (Sir Malcolm Ramsay.) They are very technical and small accounting points.

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They do not affect the broad picture, and I think they will be put right in future years.

3661. We will now go to paragraphs 8, 9 and 10. In paragraph 10 at the bottom of page (v). It says "Two cases in which large discrepancies have been adjusted noted in Appendix No. IX." These adjustments have been approved by you now, I understand?—(Mr. *Waterfield*.) Yes.

3662. On the third line of page (vi) it says: "In one of these a large deficiency in the stock of empty petrol containers" was discovered. (Sir *Malcolm Ramsay*.) That was a case where the regulations were perfectly watertight, and if they had been carried out by the parties concerned there would have been no loss, but, owing to fraud and collusion, and, I think, to some extent negligence, about 20,000 empty petrol tins disappeared, and over 13,000 of these were proved to have been sold without payment being brought to account. The Air Ministry made a very stringent investigation and have taken very strong disciplinary action with the various parties concerned. I think the question is now satisfactorily disposed of.

3663. Is not it a curious thing that time after time in our investigations we hear of fraud in connection with petrol? Petrol seems to have a peculiar attraction for certain people?—I think it excites the worst passions in human nature. When you have a large number of stations scattered all over the world, some in the desert and some in countries where commercial morality seems to be of a different standard from

that here, it is extraordinarily difficult, as Hon. Members will see if they compare their own experience at home, to keep track of the petrol tins and their contents.

3664. Has it occurred to you that you might have a general investigation about petrol use and wastage, which would apply to every Department of State, so that we shall not be confronted year after year with these losses or wastages (if not fraudulent use) of petrol?—My people and Mr. Bullock's people do pay very great attention to it.

3665. Is the general supervision throughout the various Departments adequate?—We do look particularly after the petrol records, and I think Mr. Bullock will bear me out.

3666. You are particularly vulnerable?—(Mr. *Bullock*.) We are particularly vulnerable. Since the petrol scandals, I think Sir Malcolm will agree, we have overhauled our machinery. If you have 50,000 employees, some are bound to be dishonest and some will get away with it. This case I regard as a bad case.

3667. Do you bring it home to the individuals concerned, that it is just as dishonest to take petrol as it is to take money out of the till?—Yes, certainly.

Mr. *Bird*.

3668. This is the fraudulent sale of containers, not of petrol. There is no shortage of petrol reported at all, but of containers, which the natives take away for carrying water and all sorts of things?—That is right. They are quite different from our tins.

Chairman.] There is no more to be said on that.

ON VOTE A.

Chairman.] We will go to page 1, Vote A. There is nothing on that for us to deal with is there?

Sir *Assheton Pownall*.

3669. I want to ask, with regard to the shortage on the maximum numbers allowed, whether that was deliberate or whether it was through shortage in recruiting?—(Mr. *Bullock*.) It was a combination of various factors, such as, in the interests of economy, substituting for uniformed personnel civilian personnel as batmen, and that kind of thing. That

leads to a smaller number; but there is a shortage in recruiting as well.

3670. Was there a shortage of officers recruited as well?—No; officer recruiting is satisfactory.

Chairman.] I find nothing to call attention to on pages 2, 3, 4 or 5 of the Abstract of Appropriation Account.

Major *Salmon*.

3671. On the question of all these supplementary estimates, the point I should like to ask Mr. Bullock is this: Under each head we seem to have

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supplementary estimates. Does this have regard to the figure of £700,000 that we have heard of a little earlier this afternoon?—That is the spread of that figure.

Mr. West.

3672. On page 2, with regard to "Quartering, stores," etc., how does that £1,808,000 compare with last year?—With the expenditure for 1930?

3673. Yes, 1930-31; how does that compare? Roughly, is it less or more?—I should say rather less, but does the Honourable Member mean the outturn, because I have not got that yet?

3674. The total sum. I should have expected there would be a great reduction on the cost of stores, if they include food?—There is a reduction per head, but the Force is growing.

3675. The growth is very small, about 3 per cent. I should think the cost of living in food and clothing, as we are told by the Board of Trade, has gone down perhaps 20 per cent. Has there been a considerable reduction, in fact, at all approximate to the cost of living reduction, in the cost of quartering these men?—No; there have been certain savings in rations, clothing, and other matters, on a capitation basis.

3676. Cannot we have any evidence at all as to what has been the reduction? Do you get any figures out of the cost per head of clothing, food, and so on?—We could put in a paper, with pleasure.

3677. You have not got it available?—No.

Mr. West.] I think it would be very interesting.

Captain Crookshank.

3678. There was not such a big drop in 1929, was there?—Is it 1929-30 compared with 1928-29?

Mr. West.

3679. I was thinking of 1929 compared with 1930, taking the last 12 months that we have accountancy figures for? We have not got them yet?—(Sir Malcolm Ramsay.) In the year 1928-9 the Estimate was £1,711,000; in the year under discussion, 1929-30, they came

down to £1,676,000; and this year in the Estimates the amount is up a little.

3680. Taking clothing, has there been any material reduction in the cost of uniform clothing?—I am afraid I cannot give the figures offhand.

Mr. West.] It is surely important.

Mr. Butler.] Are not we considering the accounts for 1929?

Chairman.] Yes.

Mr. Butler.] We cannot go from one year to another.

Chairman.

3681. We must not do that?—I think I can give the Honourable Member some information from the Estimates, if food interests the Honourable Member. The cost of a daily ration at home, at 1st January, 1930, was 12.1d., and it had fallen to 10.25d. in the next year. That is given in the interleaved pages of the Estimates.

Mr. West.] Did I understand you to say I must not ask that question?

Chairman.] I did not say that; I thought you were mixing up the two years.

Mr. West.

3682. No. Could we get similar figures as to the cost of clothing?—(Mr. Bullock.) I am afraid I have not got them here. I did not think it would arise on these accounts. It seems to me rather indirect, but I should be glad to give the Committee any information I can.

Chairman.

3683. When you give that information to Mr. West, would you tell us where you get your food?—Entirely through the Army, at home. We are running our own show in Iraq and Palestine, and there they would draw their food from us.

3684. Is that the complete policy of the Air Force?—Certainly. I should be very pleased to put in a paper on that, if it would interest the Committee.*

Chairman.] Put it in and let us see what it does amount to, at your leisure.

See Appendix 15.

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ON VOTE I.

PAY, ETC., OF THE AIR FORCE.

Chairman.] Let us go on now to Vote I, on page 6. I am going to take page 6 and page 7 together. I have no observations to make.

Mr. Butler.

3685. There seem to be some points arising on the explanations. On sub-heads A and B there seems to be a tendency to over-estimate the rates of pay, and that is reflected later on on page 17, under the Medical Services. There is a tendency to over-estimate the rates of pay drawn on Explanation B on that page. I wanted to ask whether that tendency was likely to continue?—(Mr. Bullock.) It is rather a difficult matter to get exact estimating on the question of pay, because there are five main groups of airmen, and ten ranks in each group except the last one, which makes 48 ranks in all. It is difficult to estimate the number of promotions, because there are qualifying examinations, so it is guess work. I hope to get a little closer, but there will be some variations.

Mr. Bird.

3686. You would not promote unless there was a vacancy on the establishment?—You do not necessarily promote to a vacancy.

3687. You create one?—In the case of Officers, say—I give quite arbitrary figures—with vacancies for 150 Flight Lieutenants, it might be decided there were only 145 or 140 people fit for promotion.

3688. I was thinking of the ranks, because when I was promoted to be a Lance-Corporal in 1914, I was on the Establishment, but without pay. I did not know whether that still existed?—I do not think so. I should not like to be certain off-hand, but I do not think that arises.*

Sir Assheton Pownall.

3689. What is the item of £7,800, "Reduced payments in respect of Unemployment insurance." That seems a very big difference on a staff of 25,000 or so. That is Note B on page 7?—(Sir Malcolm Ramsay.) That is the capitation rate that they pay to the Insurance Fund in respect of Airmen who are discharged to enter civil employment, in order to entitle them to the Insurance benefits. When the Estimate was made it was anticipated that they would have to pay £10 10s. on each man; the Supplementary Estimate reduced this to £8 10s.; but, as a matter of fact, the actuarial calculations brought it down to £7 10s. (Mr. Waterfield.) The Government Actuary makes a calculation based on the actual results for the previous year.

Mr. Leif Jones.

3690. On the top of page 7: "Contributions from Indian Government for Home Effective Services," the original estimate was £350,000, and in the Supplementary you abate that by £244,000. What is done with the £244,000? Did India pay £244,000?—(Mr. Bullock.) No. The Indian Government did not pay £244,000. It was mixed up with the question that was raised before, of the adjustment in the capitation rate for "Home Effective Services." We had budgetted, with the consent of the Treasury, for getting a larger figure, and for getting arrears, neither of which have been forthcoming.

3691. Does the same apply to the repayment from the Vote for Colonial and Middle Eastern Services?—There we actually got rather more. It was a relatively small amount.

Chairman.] May I take it we pass Vote 1 up to page 7? (Agreed).

ON VOTE 2.

QUARTERING STORES (EXCEPT TECHNICAL) SUPPLIES AND TRANSPORT.

Chairman.

3692. Now let us go to Vote 2. The only observation I have to make is with

* *Note by Witness*—There are no lance ranks and no unpaid ranks in the Royal Air Force.

respect to the note at the bottom "Tentage to the value of £70 10s. 10d." etc. Has that been sanctioned by the Treasury?—(Mr. Bullock.) It has not.

3693. Or the rifles, on page 13?—(Sir Malcolm Ramsay.) My latest information is that it has not. (Mr. Bullock.) I am

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waiting for a report from Iraq. I am afraid I have not the information in my possession.

3694. What does "Presentation" mean?—I should think it was a gift to a powerful Sheik, perhaps to prevent a war, but until I get the information I am not in a position to say definitely.

Mr. Bird.

3695. On the explanation B., that is given: "Due to increased consumption of water" £857. What is that? It seems a lot of money for water, does it not?—It is £2,000, a larger figure.

Mr. Bird.

3696. £2,000 for increased consumption of water?—That includes a number of other heads. It was partly an increase of rates, and partly we find it very difficult to calculate, over the very large force in this country, what the consumption of water is going to be. Ultimately I think it was 17,000,000 gallons more than we anticipated.

Chairman.

3697. Do you pay on a meter or on an assessment?—Both.

Mr. Bird.

3698. It seems a lot of money. "Bar-racks services" include many other services than water, but the explanation is that the deficiency is due to increased consumption of water?—I think the largest item was water. It is not a very happy description. (Mr. Watson.) Nearly half the total provision on that sub-head is water.

Mr. Butler.

3699. It seems curious to provide an extra £6,000 for provisions and horses?—(Mr. Bullock.) The extra £6,000 is not all for horses. There are three horses at Aden and some camels and mules there and elsewhere.

Sir Assheton Pownall.

3700. On maintenance in quarters of furniture, there seems a very large over-

estimate, on sub-head D.?—It was based on previous experience, and we have now found that, thanks to gradually using up war time stocks and indifferent stuff, we are getting a much longer life out of furniture. The estimate was made in the light of past experience, on the best basis possible. It is now found that the demands for replacement are nothing like so big.

3701. When the estimates were framed in 1928, ten years after the war, you would have had more data and should have got a bit closer to it?—We should still be using the old furniture after a matter of ten years.

3702. You said it was difficult to estimate then, but you can now. I did not quite see where the difference between ten years and eleven years would get you so much closer?—They say that they have been getting more experience of it. I do not know whether ten years is a reasonable life for the furniture or not, but that is what I was told by those responsible for the estimates, when I questioned it.

Mr. Leif Jones.

3703. What are these sales, at the top of page 9? To whom do you sell, and what do you sell?—(Sir Malcolm Ramsay.) Clothing and equipment, including supplies to the Indian Government, and supplies issued on repayment. There are also sums repayable for supplies issued to British troops in Palestine and Aden, and to the Iraq levies, and the Aden Protectorate levies.

3704. Were those sums paid?—Yes.

3705. I suppose the estimate was made after you had got some of the money?—(Mr. Bullock.) No; it is forecasting the probable receipts.

3706. The realised sum is so near to £83,000 estimated, that it looks as if you issued stores up to a certain sum?—It is based on capitation rates, and so forth. We know roughly how many Indian Government personnel, and so forth, we have in these overseas commands, and we can budget fairly accurately as to what supplies we are likely to have to make to them.

3707. It is dependent on the number of men you are dealing with, or that the Indian Government is dealing with?—To a very considerable extent.

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[Continued.]

Mr. Benson.

3708. Reverting to sub-head D, the mere fact that when you are budgetting for maintenance of furniture there is a difference of over £38,000 suggests that your expenditure on furniture is pretty heavy. How much do you spend on maintenance of furniture?—The current year's estimate is £112,000, but that is for furniture, barrack equipment, and other accommodation stores.

3709. This is furniture in quarters. Does that mean chairs and tables?—Everything; including chairs and tables.

3710. There is domestic furniture?—Yes.

3711. That is purely domestic furniture that you saved on?—Nine-tenths of it.

Chairman.] Except petrol, there is nothing where you can have more waste or overlapping than furniture.

Mr. Benson.

3712. The sum spent on maintenance of furniture strikes me as being exceptionally heavy?—It is not maintenance only. The Air Force is in process of trebling its fighting strength. New units are forming.

Chairman.

3713. Those are additions to the permanent equipment?—Yes. If a chair is smashed it is replaced, but in addition there is new furniture.

Mr. Benson.

3714. You are trebling your fighting strength. How much of this £100,000 was due to increase of staff and how much was due to repairs of breakages?—I cannot answer that out of hand, I am afraid.

Mr. Bird.] The barrack damages appears at £5,006, just above that.

Mr. Benson.

3715. What exactly does that mean?—The Home Defence scheme, if I may try to illustrate my point, which was approved in 1923, meant adding 34 new stations at home, with quarters for personnel and so forth. They come along from year to year. We have started on all the stations except four, and there are new quarters to be furnished. You cannot relate it directly to the total number of personnel.

ON VOTE 3

TECHNICAL and WARLIKE STORES (including EXPERIMENTAL and RESEARCH SERVICES).

Chairman.] We will pass now to Vote 3, page 10. Are there any questions on pages 10 and 11?

visits have been roughly equal. I think, on grounds of high policy, the visits are to be encouraged.

Mr. Bird.

3716. On page 13, we have Petrol again. As the Chairman was saying just now, petrol seems to get lost. Here we seem to give it away. What petrol is this? Secondly, do we give away more than we receive from other people?—*(Mr. Bullock.)* Are you referring to "Petrol and Oil valued at £238 18s. 5d. were issued to Aircraft of a Foreign Government"?

3717. Yes, and to the other, valued at £14 10s. 9d.?—It is a question of reciprocal visits between the Air Force units of Iraq and the French units in Syria. When we visit them they provide it for us, and when they come to us we do the same for them, and the

Chairman.

3718. "In connection with a sale of aircraft abroad the usual charges for freight and departmental expenses were waived on grounds of policy." What about that?—That is Ibn Saud; high policy again.

Mr. Bird.

3719. Why do you separate the £14 10s. 9d.?—That is Belgians coming to this country. The other was in Iraq.

3720. You mean a Belgian used £14 worth of petrol?—It was a Belgian Mission which came to this country.

Mr. Leif Jones.

3721. What are these materials that you sell? Take Farnborough, on page

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[Continued.]

13: "Sales of material." You estimated originally £5,500 and then added a big supplementary. What are these materials that you sell?—All kinds of old stores that we do not require any longer.

3722. I suppose the same applies at Cardington?—The same applies at Cardington.

3723. There is a tremendous inequality. At Cardington you took a lower estimate than in the preceding year, and only sold £700 worth instead of £3,250. Does it come in lumps, or is it a continuous sale?—In lumps. The whole business is rather casual, and it all depends what material happens to be available, and Cardington being an Airship works is rather peculiar.

3724. What are the rents you receive at Cardington?—That is a very long tangled history. There is a place called Shortstown, built under the Admiralty during the war for the use of employees, and we still have a large number of employees housed there, who pay us rents.

Mr. West.

3725. Under sub-head M. what are these rewards to inventors? Are they for improvements of engines?—The largest item there, I think, would be the slotted wing.

3726. Is not that something to do with safety?—Entirely. It gives you greater control over your machine when you are flying at low speed.

3727. Has it been proved, by experiment, that there are fewer accidents owing to that improvement?—I should say "proved" is rather a difficult word, but "demonstrated to our entire satis-

faction," yes. To prove it mathematically is not easy.

Sir Assheton Pownall.

3728. Has it been shewn by the proportion of accidents to miles flown by slotted winged machines?—I do not think we can say it has, but the accident ratio has got steadily better, if you take, as you ought to take, a long period. If you take a short period the results are valueless.

3729. I thought miles flown would give you a figure?—Hours flown.

Mr. Benson.

3730. I want to know what these "Fees for inspection and tests" are, No. 3, on page 13?—Various inspections and tests carried out for the trade, primarily, and which we insist on their paying us for.

3731. Tests of commercial machines?—Yes, for the trade—the aircraft manufacturing industry.

3732. Do you issue a certificate?—Yes.

3733. That an engine of such and such a type is satisfactory?—Yes, but it might not be for the purpose of the certificate. It might be for any purpose. We have very good testing facilities, and if it can be done, compatibly with the public interest, we do it.

3734. What are your "Miscellaneous receipts"?—(Sir Malcolm Ramsay.) "Miscellaneous receipts including sales of surplus stores; recoveries for lost tools; sales of Stores to civil aircraft using Royal Air Force Aerodromes; the use of Mechanical Transport on repayment, etc."

On VOTE 4.

WORKS BUILDINGS AND LANDS.

Chairman.

3735. Let us go to page 14, Vote 4. I have one observation to make. Sir Malcolm notifies me that at the bottom of page 15, under Note N, it says "Excess receipts were due to the unexpected receipt," etc. This means that the fourth payment came in earlier than the Air Ministry had allowed for? Is that correct?—(Mr. Bullock.) That is correct.

Mr. Butler.

3736. There is a point on the way these explanations are made. One finds in all these accounts that these explanations are often of very little use: "E. A grant towards the cost of reconstruction of a certain road did not mature." and when you refer to Appendix No. 5 it is not clear which certain road is meant?—It is a road at Kidbrooke, as a matter

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[Continued.]

of fact. The work was done by a public authority.

Sir Robert Hamilton.

3737. Sub-head G. is "Rents, compensations, and re-instatements, £30,000." I do not understand the explanatory note. £27,000 was spent. What are those compensations and re-instatements?—It is where we had, for example, hirings in Palestine and in Iraq, and we have to re-instate and make good damage.

3738. Hirings of what?—Hirings of quarters and so forth in the emergency in Palestine, and we have to make good. That is re-instatement. We have hired premises in Baghdad and all over the place.

3739. That applies mainly to service abroad?—Yes, mainly.

Mr. Leif Jones.

3740. I wanted to put a question on page 14. You deducted "For probable under-spending on the Vote as a whole" an original sum of £200,000. Then there was a supplementary estimate of £200,000. What was the date of that Supplementary Estimate?—February, 1930.

3741. Why did you take £200,000 of that money? Was that the sum you were going to spend before March 31st, 1930?—That was what we anticipated.

3742. It was very odd that it should be exactly the sum which you had deducted?—The answer is that that balances the super cut imposed on us, in view of lags in previous years, which did not mature.

3743. I suggest that is no answer. I suggest a supplementary estimate ought to be the amount which you are going to spend before the end of the current financial year, and that it has no relation at all to the amount you have deducted at the beginning. I press the point because there is a real matter of principle involved, and I do not know whether it has been decided by your Department and the other departments to abandon this system, which appears to have grown up, of regarding the super-cut almost as if it were a sum which was put by, and on which you were entitled to draw by the end of the year. Are you still doing this?—We have a much smaller super-cut at present. We were super-cut £650,000 this year on Votes 3 and 4, and that proved altogether excessive. (Mr. Waterfield.) I think the amount of the Supplementary Estimate under this Vote was not intended to bear any particular relation to the super cut. The amount asked for was that which was thought enough to enable the Vote to balance, taking into account the liabilities outside.

Chairman.

3744. I think that this is an important point which you would like to go into at the next meeting. Perhaps Mr. Bullock will let us have an observation or two. You will examine the point raised by Mr. Leif Jones, and we will proceed from that point when you come back?—(Mr. Bullock.) Yes.

Mr. Leif Jones.] I should like Sir Malcolm's view about it too.

(The Witnesses withdrew.)

(Adjourned to Tuesday next at 2.30.)

TUESDAY, 5TH MAY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Ede.

Sir Robert Hamilton.
Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.
Mr. West.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Chairman.] I had three Memoranda circulated to Members yesterday. They received them and I hope they read them. The one dealing with food supplies obtained from the Army (which was the one Major Salmon wanted), I propose, with your permission, to forward to the Estimates Committee which is dealing this year with Inter-departmental co-ordination. Is that your wish? (Agreed.) The one dealing with the cost of food and clothing, which contains some very interesting details, I think I should be justified in recommending you to allow me to have printed as an Appendix to our Report. Unless you object, I should have that printed as an Appendix. (Agreed.)

Mr. Denman.] Is there any point in sending the other to the Estimates Committee?

Chairman.] Very much so.

Major Salmon.] The Estimates Committee at the present moment are dealing with it and are having witnesses to-

morrow, and this will be very useful for them.

Chairman.] I do not know that I have any authorisation for saying so, but I think that was what was in Major Salmon's mind when he proposed it?

Major Salmon.] Yes.

Chairman.] Because he is a Member of that Committee.

Mr. West.] We cannot say anything about that.

Chairman.] We could, but it is no good overlapping the work.

Mr. West.] I asked a question at the last meeting, to get to know how the cost of food had diminished, and, on this Memorandum, it just shows less than one per cent. diminution between 1928 and 1931. Of course, I thought there would be a very big decrease by 1931. The estimate for 1931 is one per cent. less, I should guess. Will that come before the Committee to-day?

Chairman.] We are going to summon the witnesses now. You can ask them what questions you like about it.

Sir MALCOLM RAMSAY, K.C.B., Mr. A. P. WATERFIELD, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

AIR SERVICES APPROPRIATION ACCOUNT, 1929.

Mr. C. Lt. BULLOCK, C.B., C.B.E., called in and examined.

Chairman.

3745. I am going to ask the witnesses about this. We will now consider Sir Malcolm's Memorandum, which was circulated to you yesterday. This question of the super-cuts arose out of a question by Mr. Leif Jones. As I understand the position, Mr. Bullock, it seems to me, to use a colloquial expression, that the

Treasury squeezed you too hard on Votes 3 and 4, and the result was you had to come back with a Supplementary Estimate on Vote 3, and ask for £369,000 out of the £450,000 which had been cut away from you?—(Mr. Bullock.) That is broadly so. It was an exceptional experiment. For example, the super-cut this year is only £100,000, and it is confined to the Works Vote.

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[Continued.]

3746. The next step is this: that instead of you asking for this lump sum, you, or the Treasury, decided to account for it by subheads, and therefore you first restored the super-cut and then accounted for your savings under the appropriate sub-heads?—That is correct.

3747. On Vote 4, instead of saving £200,000, you overspent £23,000, I think?—That is so.

3748. But you had an unexpected wind-fall in appropriations in aid, and you got £59,000 more than you expected there?—That is correct.

3749. So you had to ask for £223,000, less £59,000?—£164,000 net.

3750. That means you got back £164,000 from your £200,000: is that so?—Yes.

3751. You got back £164,000?—We had to ask for £164,000.

3752. As a matter of fact, you treated the super-cuts as book entries only?—For the purpose of the presentation of the supplementary, yes.

3753. Then I am glad to say it looks to me as if you had returned to rectitude, so far as this Committee is concerned (we are strict disciplinarians on accounting) and practised proper accounting then?—To the best of our ability.

3754. It was a tremendously involved process, but you seem to have got to an economical result, which has helped to save the taxpayer's pocket. Is not that so, Sir Malcolm?—(Sir Malcolm Ramsay.) They have been very economical and, in the result, their estimate was very near what they wanted. They did not ask Parliament for more than they really wanted, and I think that is the point that the Right Hon. Member had in mind.

3755. I propose to ask you, Sir Malcolm, before you go any further, to say what you have to say to guide the Committee, and then I will ask the Committee to ask questions?—I took the liberty of writing a paper on the subject which expresses my views and which has been circulated. The Treasury have already undertaken, and indeed arranged, that the super-cut in the Civil Estimates shall be earmarked against specific sub-heads of Votes, and not be general. That, I think, will do away with any difficulties with regard to the Supplementaries, and, what is much more important to Members, in regard

to discussions in the House of Commons, where points of Order are always arising on the undistributed cut. With regard to the three fighting Services, for one of which Mr. Bullock is answering, the position is a little more complicated, but I hope the Committee will ask the Treasury to adopt some method on that which will bring the position of the Fighting Services into line with what they have assured the Committee will be the case with the Civil Services. There are two alternative methods by which that can be done, and I do not know whether Mr. Bullock or the Treasury are prepared to inform the Committee now what they think would be best.

Sir Robert Hamilton.

3756. May I put a question to Sir Malcolm to ask him his views as to which is the most preferable course to follow. As between the Fighting Services they adopt different courses?—I purposely did not express a view. It is rather a matter of practical convenience. I think Members are much better qualified to say what would suit them in debate than I am.

3757. From the accounting point of view?—From the accounting point of view, either would suit; my own preference, if I had one—I may be quite wrong—would be rather to follow the practice which has been adopted in the Navy, by which, if the Minister having asked for £1,000,000 is given by the Chancellor of the Exchequer only £800,000, he says in effect: "You may put that before the House, but I reserve my right to ask for the £1,000,000 if needed; meanwhile you can put the Estimate before the House." Then the House knows exactly what it is asked to vote. It knows nothing of any arrangements between Ministers, which are not material for the purpose.

3758. The Supplementary asked for would be to meet actually only the estimated amount which would fall due within the year?—Yes; I think we have all agreed that, however clumsily the Supplementary was expressed, in point of fact, the Air Ministry only asked for the service of the year what they thought they would spend, although by accounting entries they created the impression that they were putting back the full amount.

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Mr. C. LL. BULLOCK, C.B., C.B.E.

[Continued.]

Chairman.] Does the Committee wish me to proceed by asking the Treasury witness to say now what he has to say, so that we can consider it with all the facts in our minds?

Mr. Leif Jones.

3759. I want to raise a question far more general than anything which has been dealt with by the Comptroller and Auditor-General or by the Treasury. I want to submit that the accountants are creating an altogether unnecessary amount of confusion by making any reference at all to the cuts when they bring in their Supplementary Estimates. I submit that a Supplementary Estimate is an Estimate, made at the time when it is presented, of the amount which is going to be spent before the end of the financial year. That may or may not have some relation to the cut that was made at the beginning of the year. It may be close to it; it may be far away from it. It may be only a few pounds where the cut has been £200,000, and I think we drag into this discussion the question of the cuts which really have nothing to do with the Supplementary Estimate. I want to put that to the Comptroller and Auditor-General?—I quite agree.

Mr. Leif Jones.] I want to raise the question whether the true conception of the Supplementary Estimate is not simply that, in the circumstances of the case, the Service in question requires, before the end of the financial year, a certain sum of money. It is quite true that in dealing with the Treasury the Department concerned justifies its action in asking for a Supplementary by referring to the fact that: "Our Estimate was higher than you allowed us to have, and therefore we are driven to a Supplementary Estimate." In the House of Commons we have nothing to do with that. It may be a defence of the Minister if he is abused for bringing in a Supplementary Estimate, but, again, it has nothing to do with the Supplementary Estimate. That is the general question. I want to know whether I am right in my conception of what a Supplementary Estimate should be.

Mr. Benson.] There is one point on Mr. Leif Jones' remarks that I should like to make: I am not quite sure that I have got his point correctly. I take it Mr. Leif Jones is assuming the overhead cut.

Mr. Leif Jones.] There has been a cut.
Mr. Benson.] Of £200,000.

Mr. Leif Jones.] I assume that. That is not always so with Supplementary Estimates.

Mr. Benson.] When you introduce a Supplementary Estimate you have to state what the money is for, and the Minister, in defence, will say: "This is for subhead A," which in the original Estimate shows, say, £50,000. The question is: "Have you spent £50,000?" and the answer is: "No, we have spent only £40,000; we have not got any more money because of the overhead cut." It seems to me, if you make an overhead cut, surely you have to introduce that overhead cut into your Supplementary Estimate, if it is to make good, not any particular overspending, but a general deduction as a result of the overhead cut.

Chairman.

3760. Sir Malcolm, perhaps, can deal with it?—In answer to the Right Hon. Member, I should say I entirely agree, from the point of view of the House, that what the Departments ought to ask for is money that they will be short of in order to meet the liabilities which mature between February and the end of the year.

Mr. Leif Jones.

3761. Yes?—To Mr. Benson's point, if I may say so, the answer is that the Treasury began, what I think was a very unfortunate practice, of making this deduction by means of an overhead cut; thereby they created a wholly ridiculous position. Under subhead A they said they were going to spend £1,000,000, and under subhead B they said they were going to spend £2,000,000, making £3,000,000. They take off £200,000, and nobody knows which of those two subheads it is going to come off; but, later on, supposing they find they are going to spend not only £2,000,000, but £3,000,000 on one of the subheads, and they want more money, they have to begin, as an accounting proposition, by wiping out the general overhead cut, and showing against each subhead individually what they expect to spend; and the complications of putting back this money flow from that fact. What Mr. Benson has raised is quite right. Once you have started the vicious principle of making an overhead undis-

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[Continued.]

tributed cut, you can only undo it by going back and allocating the amount to the individual subheads, calculating what you want for each, and finally getting a sum, which, by great mathematical ingenuity, does represent the sum you want by the end of the year; but no one can tell, without much study, what it means.

Chairman.

3762. Shall we have the question answered by Mr. Waterfield?—(Mr. Waterfield.) I entirely agree with Mr. Leif Jones' point, that it was an unfortunate arrangement which the Treasury made with the Air Ministry on this occasion for showing the amount required for the Supplementary Estimate by deleting the super-cut. As the Right Hon. Member says, that has nothing to do with the super-cut; it was a pure accident whether it was identical. It would be a very unlikely thing that it would be the same as the super-cut. If the real amount required were less than the super-cut, we should still show some super-cut. If it were more we should show, besides the super-cut, some credit to a subhead. The preferable thing would be to follow the practice followed by the Navy in precisely similar circumstances. The Navy required an Estimate in the year 1928. They left the super-cut untouched, and they showed the credit, distributed to several subheads as required. If we were to continue the present system of showing the super-cut in the Works Vote as a general overhead deduction from the whole of the Works Vote (which is still in question), I think I can give the Committee an immediate assurance that we would not follow in future the Air precedent, but would follow the Navy precedent. Turning to the question whether we should show the super-cut in future in the manner in which it has been hitherto shown in the Fighting Services Estimates, or whether we should adopt one of the two suggestions put by the Comptroller and Auditor-General, I should like to have the opportunity of discussing that further with the responsible authorities of the Service Departments; but, as far as the Treasury are concerned, and as far as we can see at this moment, we are entirely sympathetic with the suggestion that the present system is bad, and that one of the Comptroller and Auditor-General's alternatives had better be adopted. If

the Committee would like me to indicate a preference between those two I am inclined to think that on the Works Vote (I am speaking without the opportunity of full consideration) it is better to show the gross expenditure, and a deduction, set out for information to the House, under the several subheads. Otherwise it seems to me (it is a point against the spending Department) that the Department is concealing from Parliament its intention. If Parliament is informed that there is a gross expenditure which the spending Department contemplates will be spent unless certain contingencies occur, it is open to Parliament to say, if they wish, that they think that that is an improper arrangement; but if no such information is given, Parliament is not aware of what is happening; it is not aware of any bargain, undertaking, or understanding between the head of the Service Department and the Chancellor of the Exchequer; and, if there should be such an understanding and Ministers subsequently come to Parliament and explain that there was such an understanding and that they are now asking for a Supplementary Estimate in consequence, it seems to me that Parliament might have reason to complain.

Mr. Leif Jones.

3763. On that statement, I am quite satisfied to leave it there to-day. We shall hear later on, perhaps this Session, what decision has finally been reached?—Certainly.*

3764. Shall you be in consultation with the Comptroller and Auditor-General upon that?—Yes.

Mr. Denman.] I think it would clearly be best to leave this discussion over till we have the further statement from the Treasury; but I should personally like to see us get back to the good old-fashioned habit of producing the Estimates in the form in which they are intended to be followed, leaving out the super-cuts altogether. Have a figure, which can be amended if necessary by a Supplementary later on; but to have an Estimate and to reduce it by an overhead cut seems to me to be a bad practice. I understand we are adjourning the discussion and resuming it with the information we shall have later on.

* See Appendix 16.

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[Continued.]

Chairman.

3765. Mr. Denman has raised an important point. Without expressing any opinion upon it, I think it is for us to consider in private amongst ourselves, whether we should agree to this principle at all?—(Sir Malcolm Ramsay.) On that particular point, I have a definite opinion now which I could express, if you wish it. Although I recognize what Mr. Waterfield has said, that a Department when asking for £800,000 may really want to spend £1,000,000, that point could be met as the Navy have met most of their cuts in the Estimate, by putting a note in the general memorandum which prefaces the Estimate, that on certain Votes, including the Works Vote, there has been a cut made to discount possible delays in progress on an approved programme, and that the situation will be dealt with hereafter in the light of the events which emerge. If a general statement like that is made, Parliament will know where it is, and it will protect, as I conceive, a Minister or a Department from accusations in the House that their Estimates are very bad.

Chairman.] I understand some Hon. Gentlemen wish to postpone detailed discussion, but other Hon. Gentlemen may wish to put questions.

Mr. Butler.] We shall consider this at a later date?

Chairman.] Yes.

Mr. Bird.] I agree with Mr. Denman, that we want to get rid of these super-cuts, as it has always seemed to me that the idea of these supercuts has been to satisfy the public that economies are being effected. The Estimates are reduced from what they were originally put in at. At a later date you get a Supplementary Estimate, very often for a larger amount than they require, so that the Department can then show a saving there. I think the whole thing is fictitious. I agree with Mr. Denman that we want to have the whole amount in the Estimate and not have a super-cut.

Captain Crookshank.] I agree. I do not see that it is much concern of Parliament what bargains and arrangements are made internally between Departments. We only want the result; because it is not to be imagined for a moment that the super-cut is the only thing which is discussed when framing esti-

mates; lots of other arrangements are come to.

Major Salmon.

3766. The only thing I should like to be clear about is this: assuming that the Navy have estimated to spend £1,000,000, and a super-cut of £200,000 has been made, do they show only £800,000, or do they show the £1,000,000 as going to be spent, and there is an arrangement between the Admiralty and the Treasury? (Mr. Waterfield.) Conditions differ according to whether the cut is on Works Vote, Vote 10, in the Navy, or on other Votes, it generally comes in the Navy Votes, 8 and 9. On those Votes Parliament is given no information except the information to which Sir Malcolm has referred in the first clause, and the amount of the super-cut is not stated. On the Works Vote the super-cut is a round sum and is shown as an overhead cut on the Vote as a whole. Parliament is asked to vote the net amount, after deducting that super-cut; but it is not distributed according to the subheads.

(At this point Mr. Leif Jones took the Chair.)

Major Salmon.] That I understand, but the point I am not clear about is the statement on page 2: "The Department asks for a vote of that amount. But the Treasury, profiting by previous experience say: 'You must allow for unexpected delays, and in our judgment you will not succeed in spending more than £800,000, and for that reason we will (while showing in the Estimate that your full programme may cost £1,000,000 in the year) make an abatement of £200,000 in the year to allow for this accident, reducing the net cash which Parliament will be asked to grant you to £800,000.'" I do submit that if that is the practice of the Navy that you show actually that £1,000,000 is going to be spent, but in fact you assume that it is only going to be £800,000, although the figures show £1,000,000, there is an inducement there for the Department to spend that £200,000 if they can, because they have not got to come to Parliament; they have only got to make an arrangement with the Treasury. Therefore, Parliament does not have the opportunity of discussing the question of spending that £200,000, and I am inclined to agree with the idea that the system of super-cuts is a

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[Continued.]

bad principle, and that whatever arrangements are made between the Treasury and the Departments should be made before the formal Estimates are set before the House.

Mr. *Leif Jones*.

3767. I do not quite share the view put forward by some Members of the Committee on this matter. I think an overhead cut on a Works Vote is really an economy, because as the Comptroller and Auditor-General says, "experience has shown that the Office of Works and other Departments have generally over-estimated the amount of money that they could spend in any year," and dealing with a number of works in different parts of the country, I think that that will continue to be the case with a number of their Estimates. They intend to do them if they can, but sometimes there are disputes and delays in regard to works, and regular experience shows that they will not fulfil their programme in the year. In such a case I think the cut is desirable. I do not know that we need carry the matter further to-day. We are going to raise it again, and perhaps we might leave it there?—(Sir *Malcolm Ramsay*.) The Committee will realise that we have been discussing all through the cases of works where the Estimate is definitely settled, and the only question is therefore at what pace the work will proceed. Obviously, when once you place your contract for building a battleship, any attempt to control the rate of expenditure (being always within the estimate) may sometimes be very uneconomical.

Mr. *Leif Jones*.] Mr. West has some questions, I think, to put on the paper forwarded by Mr. Bullock, about the reductions in the cost of food and clothing for the Royal Air Force.

Mr. *West*.

3768. Under the second paragraph about food, the Memorandum shows that

there has been a reduction since 1928 of about 8 per cent. in the cost of food per man, in three years. I do not understand that at all. I thought the Board of Trade figures showed a very much bigger decrease in the last two or three years, or the last year, for instance, than is shown here?—(Mr. *Bullock*.) Wholesale or retail?

3769. Both; and I should have thought, as these are wholesale, they would show an even greater reduction than is shown by the ordinary index figure?—I am afraid I am not able to speak on that point, because we get our food supplies from the Army, and as I have no part in placing the contracts, I cannot answer out of hand. I will look into it.

Major *Salmon*.] You should bear in mind an important factor in that connection, that the only items of food that the Air Ministry purchase from the War Office, and which are referred to here, are about five items of the total food of the country, everything else being purchased through the Canteen Board, so it may be the fall on those particular five items would not be as high as it would be if you took it over 100 items. I only throw that out as a possibility.

Mr. *West*.] On the other hand, it may be that those five are the five on which there has been a reduction. That does not necessarily answer the point.

Major *Salmon*.] I agree that it does not necessarily answer it.

Mr. *West*.

3770. If these figures are at all right, and if they are standardised, apart from what is said here that they may be five special articles, there is ground for supporting the point of view that there has not been any reduction. I do not accept that point of view?—I will take the matter up with the War Office.

ON VOTE 4.

WORKS, BUILDINGS AND LANDS.

Mr. *Leif Jones*.] We will go to Vote 4 of the Air Account, "Works, Buildings and Lands." There are no questions that I want to put on that. I see here you made an overhead deduction of £260,000. That we will not raise any further.

Major *Salmon*.

3771. Does it occur that, arising from a super-cut to meet that possibility of having less money to spend, you slacken down certain works that you have got in hand?—(Mr. *Bullock*.) Because we do not look like realising a super-cut?

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[Continued.]

3772. Yes?—Yes; in this particular year the understanding with the Treasury was that we should neither accelerate nor slow down; that we could work on the programme normally.

3773. But you have, in times gone by, actually slowed down?—We have, on occasion, slowed down.

3774. When you actually slow down you have certain overhead charges that automatically go up higher, because the turn-over of work is not as great as it would be normally?—That is correct.

3775. Therefore, it becomes an uneconomic proposition?—That has happened.

3776. I think it is very important that the Committee should be seized of that

when we are discussing these super-cuts, that the saving of money is only on the face of it. It comes very pertinently, I submit, on "Works, Buildings and Lands" before the Committee, because here where you do have cuts and the draughtsmen are not doing their full amount of work, because you have not got the work to give them, you are still paying their salaries and you are not getting the full amount of work out of them?—That is so. Of course, we should discharge some of them if there was a big delay.

3777. Except those who were on permanent engagements?—You could not discharge them.

ON VOTE 5.

MEDICAL SERVICES.

Mr. *Leif Jones*.] We will go to Vote 5, "Medical Services."

Mr. *Ede*.

3778. May I ask on Vote 5, with regard to the "Pay and personal allowances of Officers" how far that saving is due to the fact that the necessary officers are not forthcoming?—(Mr. *Bullock*.) To a considerable extent. At the present time we are roughly 10 per cent. under establishment, after allowing for the fact that we make good the deficiency in Commissioned Officers by taking on civilian medical practitioners on temporary contracts. There was, therefore, under sub-head D, a deficit which partly sets off that saving.

3779. Part of that £2,000 should be set off against the £6,500?—That is so.

3780. Even then, I gather what is regarded as the efficient working of the Service cannot be obtained, because you have not got a sufficient inflow of officers?—To a certain extent that is true. We should certainly prefer to have more; the flow is not entirely adequate.

Major *Salmon*.

3781. On the question of medical supplies, do you purchase direct or through the War Office or any other Government Department?—Through the War Office.

ON VOTE 6.

EDUCATIONAL SERVICES.

Mr. *Leif Jones*.] On Vote 6 "Educational Services" I have no questions to put.

Captain *Crookshank*.

3782. I wanted to know whether for your vocational training the pupils pay any fees, in the way that the Army does?—(Mr. *Bullock*.) I think not, but I am afraid I cannot give a positive answer out of hand.

3783. It does not look like it. There is nothing in the appropriations?—I definitely think not.*

3784. Is it likely to be considered, so that they should be on the same basis?—It is not really quite the same kind of vocational training, to fit them for after employment, with our people. It is more in the nature of general education, not to fit a man to take up a particular trade; but I should be happy to consider that further.

3785. It is not like Chisleton and places like that. Is it engineering training?—General and technical education.

3786. Carried out in barracks?—Carried out in barracks. (Mr. *Waterfield*.) I think it is quite distinct from

*Note by Witness.—No fees are charged.

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the Army system of training, which is in the last few months before the soldier's discharge.

(At this point Mr. Arthur Michael Samuel resumed the Chair.)

3787. This is part-time training during their service?—Yes, in the evening.

3788. It is not vocational training?—(Mr. Bullock.) No; I think it is rather a misnomer. We might consider altering that in future.

Mr. Bird.

3789. Last week we were considering the vocational training of the Army, and we were told that it is only in the last few months, as the Treasury point out, that the majority of the men were being trained as farmers?—Yes.

3790. I should imagine your men are chiefly trained as engineers?—Our men are chiefly trained as engineers, but this is not isolating them and training them for careers at the end of their service. It is going on the whole time.

3791. Continuation classes?—Yes; I agree the word "vocational" is rather misleading, and I should like to consider altering it.

3792. Is that compulsory?—No.

Chairman.

3793. Is that true of Halton?—This is not Halton.

3794. Is it compulsory at Halton?—Yes, absolutely.

3795. How does that square with your answer to Mr. Bird?—Because we were discussing the General and Vocational Training Subhead. (Mr. Waterfield.) There is a certain amount of vocational training. Under sub-head H the Esti-

mate says: "Assistance in reading and study is also afforded to officers and airmen desirous of obtaining some qualification in preparation for their return to civil life," but that again is part-time. (Mr. Bullock.) That again is not parallel to the Army. It is misleading if you have the same terminology as the Army.

Captain Crookshank.

3796. What about item 1 on page 19, "Cadets' Fees" estimated £4,000, realised £4,615?—The fees are paid by the parents at Cranwell, £75 a year. The reason for there being a surplus is that there are reduced charges in certain cases and it is rather difficult to estimate how it is going to pan out.

3797. Like Sandhurst?—Absolutely.

Mr. Butler.

3798. Under sub-head J, what is the system of officers attending University and Army courses? I ask Mr. Bullock whether it is not regrettable that this Vote was not more fully used, from an educational point of view?—To answer the last part first, I think it is a matter for regret, but it covers a large field. We have no centre for higher technical training, so we send officers to the Universities, and the more promising of them go on to the Imperial College of Science afterwards. That is the kind of course that is involved.

3799. Is there a tendency for that grant to go up or down? Is that system of sending Officers to Universities likely to be developed?—I do not think we are likely to extend it very much further, but as the Force grows our requirements will be a little larger. There will be that development.

ON VOTE 7.

AUXILIARY AND RESERVE FORCES.

Chairman.] We will pass to Vote 7, "Auxiliary and Reserve Forces." I have no questions to ask on that.

(On this Vote no questions were asked.)

ON VOTE 8.

CIVIL AVIATION.

Chairman.

3800. We will pass to Vote 8, "Civil Aviation." I have one observation to

offer on that Vote. Under the note to sub-head D on page 23 I understand from Sir Malcolm that these amounts for can-

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[Continued.]

collation of contracts were investigated and agreed locally by the executive Engineer of the Government of India?—(Sir *Malcolm Ramsay*.) That is so.

Sir *Robert Hamilton*.

3801. The Estimate for "Sales and Miscellaneous Receipts" on page 23 was £5,000, to which a supplementary of £2,000 was added, and only £3,000 was realised?—(Mr. *Bullock*.) I think that is explained by the note at the bottom; it was the non-completion of a sale of land at Croydon which was delayed for some six months. We received a deposit on the purchase money but there was some delay in the negotiations. We expected to receive the payment in the current year but it did not mature, but in the following year it was received.

3802. It was one large payment?—£4,000.

Mr. *Leif Jones*.

3803. With regard to sub-head F "Civil Aviation Subsidies," on what basis do you pay the subsidies?—On a two-fold basis, broadly speaking. They are all contracts with Imperial Airways; that is the bulk of the subsidies, viz., those for commercial transport. As regards European services, they are paid for according to mileage flown. You multiply the mileage by the horse-power of the machine flying. But when you come to the recently instituted Indian Service, we pay on the basis of so many flights completed, within a time-limit on each section. Roughly speaking, they are weekly ser-

vices. There are 100 flights a year, 50 in each direction.

3804. You did not require the amount originally estimated?—That was partly due to the fact that there were interruptions of the Indian service, due to difficulties with foreign countries, and certain sections had to be performed by rail, so there was an abatement in the amount paid to the Company.

3805. Do they carry mails for you?—They carry mails for us, but we are like any other member of the public. It is mails and passengers combined.

3806. Ought it not to be done by the Post Office?—In so far as the mails are concerned, that is done by the Post Office, but the Secretary of State is charged with all matters appertaining to Civil Aviation, and it links up very closely with the Service side. The Air Ministry is not a service Department pure and simple; it is both.

3807. Do they make charges for the mail carried?—There is a poundage rate for mail carried. There are no Post Office subsidies.

Mr. *West*.

3808. "Civil aviation aerodromes," £29,000. To whom is the sum paid?—That is the cost of maintaining Croydon.

3809. Is Croydon the Imperial Airways property?—No; Croydon is Air Ministry property and so is Lympne. Croydon is purely civil aviation; no military operations come under it whatever. We lease a shed to Imperial Airways and there are Customs there.

Chairman.] May I take it we will pass Vote 8 and go to Vote 9? (*Agreed*).

ON VOTE 9.

METEOROLOGICAL AND MISCELLANEOUS EFFECTIVE SERVICES.

Chairman.

3810. We will now pass to Vote 9 on page 24, "Meteorological and Miscellaneous Effective Services". There is nothing on page 24 for me to draw attention to, but on page 25, if you will look at J, it says: "Expenditure was less than anticipated." It includes a payment of £2,235, in respect of the Tay, and it is referred to, if you will look at page iv of Sir *Malcolm's* Report?—(Sir *Malcolm Ramsay*.) That is the question of the Tay Fisheries, which was dealt with last week.

3811. There are payments of compensation arising from Air Force accidents; are there any details that you would care

to give, Mr. *Bullock*?—(Mr. *Bullock*.) I could give particulars if desired. One of them was a payment in Birmingham, where an Auxiliary Air Force machine, flying in the course of duty, crashed and damaged a soap factory and certain residential dwellings. We have to pay compensation in such a case.

Mr. *Benson*.

3812. With regard to the meteorological services, is this money spent mainly in England?—Mainly.

3813. How far are you linked up with the other meteorological services of the country?—This is the meteorological service of the country. Roughly 30 per

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[Continued.]

cent. is for air services; it also functions for the Board of Agriculture, the Mercantile Marine, and other Departments, 3814. This is the Meteorological office for the Country?—Yes.

3815. Is the whole burden met by you?—From Air Votes.

3816. The Army or the Navy, or whoever uses it, does not pay?—(Sir *Malcolm Ramsay*.) They pay for the stations used for Army purposes. (Mr. *Bullock*.) On the following page there is £7,000 contribution from Army Votes in respect of meteorological stations.

3817. Are the various reports issued to the newspapers issued by the Meteorological Service?—Yes.

3818. Do you make any charge?—There is an item for the supply of daily weather reports.

3819. £2,367?—That is so.

3820. You seem to get very little for your work?—I think it is maintained in the public interest. It is not for the benefit of the newspapers alone.

3821. But it is a very, very important section of newspaper work, and newspaper news, and to supply the whole of the newspapers of the country for twelve months with their weather reports for £2,367 seems to me gross under-charging?—I think we are rendering a service to the public.

3822. You are rendering a service to the public?—And the fact that it is reproduced in the newspapers, I should have regarded, with respect to the Hon. Member, as a secondary point; but I should be prepared to consider it.

3823. Is it issued to the public under copyright or not?—That I cannot answer, I am afraid, out of hand. The weather reports are broadcast, too, of course. We have all heard them.

Mr. *Benson*.] The charges are about £40 a week for supplying the whole of the Press of this country with their weather reports.

Mr. *Butler*.] This head covers several other charges as well, as far as I can see.

Mr. *Benson*.

3824. Here we are maintaining a service at the rate of £145,000. It must have some bearing on the sales of newspapers?—I want to be perfectly frank with the Committee. I have apparently misled the Hon. Member. Those charges are to individuals and not to the Press, and the situation is worse than he fears.

3825. Considerably?—I think this information is made available for the public; the Press for the benefit of the public, put it in. I do not think it would be proper to levy a heavy charge.

Mr. *Benson*.] I do not suggest a heavy charge.

Sir *Robert Hamilton*.

3826. I do not think they would pay it?—I do not think they would, and the public would suffer.

Mr. *Benson*.

3827. How do you manage to get "Superannuation" on the credit side, No. 3 of your appropriations?—That is a remnant of an old superannuation scheme. (Mr. *Watson*.) The Meteorological Office had a superannuation scheme, and these are the contributions. (Mr. *Bullock*.) Which will vanish in process of time.

Sir *Robert Hamilton*.

3828. Telegraphic and telephonic charges, £62,000 is a large sum: you exceeded the Grant by £2,000. Is that the communication from Meteorological stations?—No; this is not meteorological; this is general.

3829. What is that £62,000?—All communications passing to and from the Air Ministry.

3830. This seems to be a fairly heavy charge?—There is a charge for rentals as well.

3831. It is not merely for sending telegrams?—No; there are rental charges and call charges.

3832. Rentals for what?—Telephone installations for the whole Force.

3833. Is any check kept over the use of the telephones?—That it is not abused for private calls? Certainly, there is a close check.

3834. You keep a record of messages sent; service messages?—If I were to ask for a trunk number I should be immediately asked by the operator: "Is that an official or a private call?" and a charge would be made, if it were private.

Sir *Robert Hamilton*.] In my recollection it is a very much larger sum than that charged for the other Services.

Sir *Assheton Pownall*.

3835. I do not know whether Sir *Malcolm* can tell us what the Army figure is?—(Sir *Malcolm Ramsay*.) I think it is a larger sum. This covers the foreign cables.

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3836. This is, in addition to subhead F above for the telegraphic, telephonic and miscellaneous charges of the meteorological office?—(Mr. Bullock.) Yes.

Sir Robert Hamilton.

3837. This is the administrative work?—For the whole of the Air Ministry; the Meteorological Office is separate.

Major Salmon.

3838. What reports do you receive from the Meteorological Department. Is it one report per day?—No; there are, I think, for air purposes, hourly forecasts, but I would not like to be absolutely certain. There are a large number per day; forecasting is going on continuously.

3839. So far as the general public is concerned, there is just one report per day, is there not?—I think more, but frankly I get the Air reports and do not study the public reports. May I communicate with you on that?

3840. I wanted to know, just for information. How many times are they right and how many times are they wrong?—I think that is rather an unkind question.

3841. Is it possible to say that? I suppose there is no record kept in the office?—May I put that to the Director

of the Meteorological Office and make him draw up a paper for the Hon. Member? Major Salmon.] Thank you.

Mr. Bird.

3842. I understood you to say that this subhead M included cables, Sir Malcolm?—(Sir Malcolm Ramsay.) That is so. According to the Estimates it includes payments to Cable and Wireless Telegraph Companies for foreign messages.

3843. "Postage abroad": why do you differentiate?—Because you have to pay foreign post offices, but not the Post Office at home.

Mr. Butler.

3844. From the point of view of the presentation of accounts, would it not be better to put the telephone charges under Works, Buildings and Lands on page 14, than under the general heading on page 24?—(Mr. Bullock.) I incline to suggest "No." The Committee is getting a closer control over the division of expenditure in this way, because the other is constructional works, putting in our own installations; it is constructional work done by the Air Ministry abroad.

Chairman.] I take it we may pass Vote 9. (Agreed.)

ON VOTE 10.

AIR MINISTRY.

Chairman.] We will pass to Vote 10, "Air Ministry." On this Vote I have nothing to say to you.

Major Salmon.

3845. With regard to the Air Ministry staff, is that static now—the number of units and the expenditure per annum?—(Mr. Bullock.) No; the whole field is being watched for effecting economies. We have just found a new process in Registry which enables us to reduce the staff by three clerks. We are in process of trebling our fighting strength. We

have taken over large areas in the Middle East. That means that some growth is inevitable, but we economise as far as we can.

3846. Do you mechanise in getting out statistics; because you must have a lot of statistics in your Department?—We do.

3847. What are the "Miscellaneous Receipts" referred to?—Receipts for Civil Aviation licences and such matters as that, and we lent one of our inspectors from the Aeronautical Inspection Directorate for duty in Africa and got an unexpected repayment.

ON VOTE 11.

HALF-PAY, PENSIONS, AND OTHER NON-EFFECTIVE SERVICES.

Chairman.

3848. We now go to Vote 11, on page 28. The only observation I have to make is on Note H, on page 29. Sir Malcolm notifies me that this was all right. It

was on a statutory basis, all authorised by the Treasury, and all perfectly in order. If there are no questions, may we pass to the balance sheet? I have looked through pages 32, 33, 34, 35, 36, 37, 38,

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39, 40, 41 and 42 of these accounts, and Sir Malcolm tells me there is not a single thing which would justify me in detaining you upon them. If you would like to say anything, it is your right to put anything, but I have nothing to draw your attention to, and Sir Malcolm will tell you there is nothing to deal with?—(Sir Malcolm Ramsay.) From the point of view of accounting, they are all in order.

Chairman.] If any Member has any question to ask he will please put it; otherwise, I will go on to the Appendices.

Sir Assheton Pownall.

3849. On page 40, with regard to the telephone services, £2,252, which is in Aircraft establishment; was that in the telephone expenditure of the Royal Aircraft establishment; was that included in the £60,000 odd we had just now, or is it a separate figure?—(Mr. Bullock.) That is a separate figure, because the Royal Aircraft establishment is a manufacturing establishment, and you want the total expenditure costed.

3850. Are there any other expenditures for telephones, excepting that and the £60,000 we had a moment ago?—Yes, under Cardington; where for the same reason it is charged separately.

Major Salmon.

3851. On page 35, what does "By difference between ledger value and sums realised by sale of surplus stores and equipment, £47,327 1s. 2d." mean, Mr. Bullock?—We hold a lot of old stock, and we do not re-value it from year to year. When we sell it it is chiefly, I am afraid, more or less trash, and it realises a good deal lower sum than it stood in our books at, but it is surplus stuff, old aircraft engines, spares, and so forth. There is no demand for it.

3852. You have a certain amount of stock on book entry at original price, and when you sell it or scrap it, you adjust, and that shows a deficit?—Yes.

Chairman.] I have no observations to make on the pages up to 53 or 54. Does anyone want to ask any questions on that?

Mr. West.

3853. On page 54, the costing statement is rather interesting; these figures showing that the cost of 100 lbs. of bread

is 12s. 1d. From that I calculate the cost of a 4lb. loaf in the Air Force is less than 6d.?—Yes.

3854. The cost of labour there is 16 per cent.?—Yes.

3855. Therefore, if you paid all your men half the rates you pay them in the bakeries you would make a reduction from 5s. 8d. to 5s. 5d. My point is that the cost of labour in the total cost of baking bread is infinitesimal?—Yes?

3856. It is one-sixth?—I would not accept "infinitesimal."

Major Salmon.

3857. The cost of producing a four-pound loaf compared with the cost to the Army is slightly higher, because the volume of trade is so much less?—That is absolutely correct.

3858. The cost of making your bread, 8s. 4d., also has regard to another factor, that in some cases the whole of the bakery is worked by machinery; in other bakeries you have part machinery and part hand, and others wholly hand?—Abroad there are some hand bakeries; I think in this country they are all by machinery.

3859. For war purposes are they not taught something in that respect, the same as the Army?—No.

Sir Assheton Pownall.

3860. I suppose the difference between Cranwell and Halton is accounted for by the larger quantity at Halton as compared with Cranwell?—Yes; the establishment at Halton is very much larger. It is our main establishment.

Sir Assheton Pownall.] It seems a very much larger quantity.

Mr. Benson.

3861. I should like to make one enquiry on labour. What does that labour represent. How do you calculate the cost of your labour?—It is simply a question of the wages paid to the labour employed in the bakery.

3862. What type of labour do you employ?—Civilians at Halton; airmen at Cranwell.

3863. Are the airmen's wages the same as the civilians?—No; they would be paid their appropriate rates of pay.

3864. How does that compare with ordinary bakers' labour?—I think it is slightly higher, but I could not answer that without notice.

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3865. The cost of the Air Force labour is higher than the cost of civilian labour?—Yes.

3866. Do you employ women?—Yes, at laundries.

3867. Do you pay them the same as the men?—Yes, the appropriate local rates.

3868. There is no rent allowance here?—No; there is simply depreciation of buildings.

3869. Apart from the rent allowance, that ought to represent a possible commercial figure for cost of production?—Broadly speaking, yes.

Major Salmon.

3870. Just one point I would like to be clear on on that question Mr. Benson is raising. After your bread leaves the bakery, is it moved by the military side or by the civilian side?—I think by the service side.

3871. And there is no charge made for that?—No.

Mr. Benson.] It is rather the cost of production I wanted to get at; it was not anything else.

Chairman.

3872. If there is nothing more to be said on these Appendices, I will put the other Appendices up to Appendix IX. There is one point on Appendix No. VII that might be dealt with. Was this a good settlement: "Slotted wing attachment, user £68,000." I think the Treasury Solicitor negotiated that?—Yes, that is correct.

Chairman.] There is the Air Ministry's share of a general favourable settlement on page 77.

Major Salmon.

3873. Arising on the question of the settlement of awards, how does the system work now as regards the passing of machines, Mr. Bullock? Is the certificate of fitness for flying given now by your Department or by the Board of Trade?—By the Aeronautical Inspection Department, but we are unloading a certain amount of approval on to approved firms in order to reduce bureaucratic control as far as may be. It is done by us and not by the Board of Trade.

3874. Do your own Officers pass machines as regards fitness for the air?—Yes.

3875. I do not know if you saw a report that your Department were considering a year or two ago, as regards the desirability of the same Department giving a certificate for fitness, and yet allowing those officials who do it to have their own invention used within the Department?—Is the Hon. Member thinking of something which appeared in the papers the other day?

3876. I was thinking of something I raised myself a few years ago?—There was something in the papers the other day. I only wanted the opportunity of saying, in case you had seen it, that there has been an apology since.

3877. I have not seen it. Does the same practice reign to-day as did operate a year or two ago, where you permitted your officers who might invent a particular piece of mechanism that it is desirable to use in connection with aircraft, to make them more serviceable to sell their patents, or to license their patents, to commercial undertakings, and to take an interest every time their patent is used?—Yes, simultaneously reporting to us, and if they are called upon to review a device in which they are interested, they have to report at once the fact of their interest, and ask another officer to deal with it.

3878. Have you had in practice, just lately, any such request for somebody else to review?—Yes, it actually arose, I think, about two months ago. The procedure is pretty watertight. I will put in the instructions issued, if you like.

3879. The instructions may be quite watertight; the question is: How are they carried out?—I think they are observed. In a case that was raised recently it was proved satisfactorily that there was no foundation for the charge.

3880. I am not making any charge. I am only raising the question of the principle?—I understand. It was a "rag" which brought the charge.

Chairman.] We will go to Appendix No. IX, which is a statement of losses; you cannot prevent these people robbing you. On page 79 proceedings were taken in respect of certain losses. Section II is "Aircraft losses." I hope there was no loss of life. There is £24 deficiency on No. 11, which is a very old story. I have nothing to say on any of these things. Therefore, I advise the Committee to pass them. If that be their

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pleasure, I shall put them and pass them.

Mr. Benson.

3881. There were sums written off, by the authority of the Air Council, up to £25 in certain cases, and £50 in others. Have the Treasury given the Air Council authority to write off those amounts without consultation?—Up to those amounts; if they are over those amounts we have to approach them and get their approval.

3882. As regards the other Departments, is it the same figure?—(Mr. Watson.) The Army and the Navy, yes.

3883. What about the Civil Departments?—The powers delegated vary according to the nature of the duties of the Departments and the magnitude of

their business, but they are not in any way comparable to the service Departments.

3884. The Post Office has to render a much more minute account?—I think, speaking generally, that is so.

3885. Is there any reason why the Treasury should relax its check on the Fighting Services as against the Civil Services?—They deal with a bigger quantity of stores than the Postal Department, and it is in relation to stores that the losses mainly occur. A great deal of consideration has been given to these things in the years since the war. They have been completely revised.

3886. You are quite satisfied?—Yes. (Sir Malcolm Ramsay.) All the lists of write-offs in detail are furnished to my office, and we scrutinise them.

(Mr. Bullock withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS III.

ON VOTE 19.

SUPREME COURT OF JUDICATURE, NORTHERN IRELAND.

Chairman.] We will now go to the Civil Appropriation Accounts, page 147. The net amount of this Vote is recoverable from the Northern Ireland share of taxes. Therefore, there is nothing for us to say.

Mr. Denman.] Does that mean we do not pay?

Chairman.] We get them back. There is a cross-entry. May I go to the next Vote? There are no witnesses here.

Mr. Denman.

3887. How is the surplus to be surrendered? I do not quite understand it?—(Sir Malcolm Ramsay.) The position is this. They get the Vote from Parliament, which has to be accounted for,

and any surplus of cash left after paying the cost of the Department, is paid over to the Exchequer. Later the whole cost of the Department is taken out of the residuary share of the reserved taxes.

Mr. Denman.] If it paid its way, like the English Supreme Court of Judicature, who would profit?

Chairman.

3888. If it made a profit, who would get the benefit?—(Mr. Watson.) Northern Ireland. The actual expense of the court is recovered from the reserved taxes.

Chairman.] It is in and out and nothing touches our taxpayers here.

ON VOTE 20.

LAND PURCHASE COMMISSION, NORTHERN IRELAND.

LAND PURCHASE COMMISSION, NORTHERN IRELAND, ACCOUNTS.

Chairman.

3889. We will go to Vote 20 on page 149 and you also have in front of you the Land Purchase Commission,

Northern Ireland, Accounts, White Paper No. 36. In addition to contributions towards subheads E, F, and H, the greater part of the expenditure

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Mr. O. LL. BULLOCK, C.B., C.B.E.

[Continued.]

under subheads A, B, C, D, G, I, and J, is recoverable from the reserved taxes. £428,744 is recoverable, so Sir Malcolm advises me, out of the net expenditure of £2,085,382 5s. 6d. Just as a matter of record, I have inquired of Sir Malcolm, and he tells me that the net cost to the United Kingdom in 1929 of the Land Purchase was, including the cost of management, £1,655,194. I think it would not be a bad thing to record that?—(Sir Malcolm Ramsay.) There has been a separate paper presented to the Committee which puts it as clearly as it can be put, and which the Committee has already passed. There the figure for administration is slightly lower. That appears in a Report which I made on that paper. It is not here. The Committee have passed it. £1,655,000 is what we have to pay for the cost of Land Purchase in Northern Ireland. That is a year.

Mr. Denman.

3890. Is that decreasing or is that permanent?—(Mr. Watson.) It will go on for some time until the Land Purchase annuities run off.

Chairman.

3891. A very long time?—(Mr. Waterfield.) Sixty-nine years from about five years ago.

Mr. Benson.

3892. What is the capital value of that?—£30,000,000.

3893. Do we get any of that back from Ireland?—(Sir Malcolm Ramsay.) That is the net cost we have to pay. Northern Ireland and the Free State make certain contributions, which I have taken into account in arriving at the figure I have given to the Committee.

Chairman.] The Land Purchase Aid Fund, on page 150, provides the bonus payable to vendors. The excess stock represents stock corresponding to the difference between the face value of the stock issued and the cash raised thereby. That is all I have to say on pages 149 and 150. Does anyone want to raise any point on that? If not, I will pass that. I have referred you to the White Paper. Do you wish to ask any questions on that? We pass White Paper No. 36. Land Purchase Commission, Northern Ireland, Accounts.

(The Witnesses withdrew.)

(Adjourned to Thursday next, at 2.30 p.m.)

THURSDAY, 7TH MAY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Ede.

Sir Robert Hamilton.
Mr. Lathan.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., Mr. A. P. WATERFIELD, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

GREENWICH HOSPITAL AND TRAVERS' FOUNDATION ACCOUNTS, 1929.

Mr. A. W. SMALLWOOD, C.B.E., called in and examined.

Chairman.

3894. We will go to the Greenwich Hospital Accounts. Although these

accounts are presented to Parliament, there is no expenditure from Public Funds; the estimates are approved by

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Mr. A. W. SMALLWOOD, C.B.E.

[Continued.]

Resolution. Is that so?—(Sir Malcolm Ramsay.) That is so.

3895. The outstanding feature, Sir Malcolm informs me, is that we have spent £170,000 for putting up a School; it is to cost £700,000. Is that not so, Mr. Smallwood?—(Mr. Smallwood.) Yes. £270,000 has been spent up to date on the school. The contract is now in process of execution.

3896. That is at Holbrook, in Suffolk, is it not?—Yes, it is about six miles from Ipswich, on the Stour.

3897. On what page does this £700,000 come? I see on page 9 where it is going to be put up?—(Sir Malcolm Ramsay.) That is the gross estimate that I quoted for the information of the Committee. It does not appear on the account.

3898. Do we replace that money?—No; it is Greenwich Hospital money.

3899. Where does it come from?—(Mr. Smallwood.) From our own funds. We had the money to use.

3900. What did it arise from; the sale of land or investments?—Yes, partly in that manner, by realising investments.

Mr. Denman.

3901. Has Parliament any power over these monies?—(Sir Malcolm Ramsay.) Parliament approves the annual estimate. There is a Resolution, and I take it Mr. Speaker would not rule out of order any questions that Members might ask which were relevant to the Estimates. It is taken now as purely formal business, and a Resolution is passed.

(Mr. Smallwood withdrew.)

CIVIL APPROPRIATIONS ACCOUNTS, 1929.

CLASS VII.

ON VOTE 15.

PETERHEAD HARBOUR.

Sir OSWYN A. R. MURRAY, G.C.B., called in and examined.

Chairman.] We will now pass to page 405, Class VII, Vote 15, Peterhead Harbour. This is quite straightforward. There is nothing to be said there. That is a Convict settlement.

Mr. Ede.

3906. Is it on this account that the works at Port Isaac will come up next

Mr. Denman.] Where is the Estimate. Do we find it upon any of these accounts? *Chairman.*] House of Commons Paper 92 of 23rd April, 1929.

Mr. Denman.

3902. Is that Public money voted for this?—No; they live on their own income, which is partly Trust Money, partly pious benefactions.

3903. They are not actually put to the House?—Yes, there is a formal Resolution proposed from the Chair that the Estimate be approved. I speak subject to correction, but I do not think any debate has arisen in recent years. It might conceivably do so. (Mr. Smallwood.) I do not think so. The Greenwich Hospital is administered under the authority of certain Statutes, and I suppose that is really the reason why the Estimates are submitted to Parliament.

Major Salmon.

3904. Who pays for the maintenance of the School when it is built? Does it come out of Public or private money?—That comes out of Greenwich Hospital Private Funds; everything here does.

3905. There is no subsidy from the Board of Education or from any Government Authority?—The School earns a grant from the Board of Education, but that is not a subsidy. That is a grant which is earned like any other school earns grants.

Chairman.] If no one else wishes to put a question, I propose that we pass that paper. (Agreed.)

year?—(Sir Oswyn Murray.) I do not know. The Admiralty do not manage those works. The Peterhead work is the only work the Admiralty manages. I answer for it because the work is being done under the supervision of the Admiralty.

3907. It was under the Ministry of Agriculture; the Minister of Agriculture

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Sir OSWYN A. R. MURRAY, G.C.B.

[Continued.]

answers for it in the House?—Then they will answer for it here, no doubt.

Mr. *Benson*.

3908. The bulk of the labour at the Harbour is convict labour is it not?—Yes.

3909. How do you arrange your accounts? Do you pay for the labour, or just the material?—There is some free labour in addition to the convict labour; and the supervision of course is also paid for.

3910. Certainly; I was meaning with regard to convict labour. Is the cost of the convict labour borne on the prison vote, or is there any allocation?—On the prison vote. We do not provide for it here.

Major *Salmon*.

3911. Is the number of convicts less?—The number was 68 on the 31st March last. I think it is steadily going down.

3912. Is it necessary to keep this place for Naval convicts, or could they be merged with some other prison?—None of these are Naval convicts; they are Scottish convicts convicted under the ordinary Scottish law, and this is a way of employing them. Our only connection with it is that, as we have experience in this sort of sea work, we are in charge of the operations.

Chairman.] If there are no other questions I propose to pass Vote 15, Class VII. (Agreed.)

Chairman.

3913. May I take you to the Treasury Minute and refer you to page 5, paragraph 12: "Police in Naval Establishments. Write to the Secretary of the Admiralty." We raised that question last year. What progress has been made in substituting Marine Pensioners for Metropolitan Police?—Perhaps the Committee will allow me to read the reply which the Admiralty have sent, only within the last few days, to the Treasury: "Sir, With reference to paragraph 12 of the Treasury minute of 12th January, 1931, on the Second Report of the Public Accounts Committee of 1930, transmitted with your letter of the 23rd idem, I am commanded by My Lords Commissioners of the Admiralty to inform you that in December last they appointed a committee to consider

whether as the result of experience gained in smaller establishments, it would be feasible to extend the employment of Royal Marine Police to H.M. Dockyard, Chatham. My Lords have carefully considered the Report of the Committee and have approved in principle their recommendation that the system of employing Royal Marine Police shall be introduced at Chatham. There are however, certain administrative difficulties which make it impracticable to state precisely when the new system can come into force, and a further communication will be made to you as soon as my Lords find themselves in a position to formulate detailed proposals." I might add that those administrative difficulties largely have reference to housing. There are only available, at present, at Chatham married quarters for 19 Police. The Metropolitan Police there are, speaking generally, unmarried youngish men, and there is a Section-house in which a large number of them are accommodated. The Royal Marine Police, being pensioners, will be probably men between 40 and 50 and they will have families, and we have to consider the question how we are going to accommodate them. It may involve a certain amount of building before we can introduce the new system.

Major *Salmon*.

3914. Will this cost more money, ultimately?—We expect a saving of something like £15,000 a year. We have not yet gone closely into the question of what the housing will cost. It might cost £50,000 to start with, but we should save it over a few years.

Mr. *Bird*.

3915. Accommodation for how many men would that expenditure of £50,000 provide?—We think we should require from 80 to 90 police there, and there is accommodation at present for 19, so that we might have to provide accommodation for 60 to 70 men.

3916. And that would cost £50,000?—That is a round estimate that I have given, but I began by saying that we had not gone closely into the question.

3917. I hope when you do go closely into it, you will find it is very round, because it seems to me to be very excessive for finding accommodation for 70 men?—And their families.

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[Continued.]

3918. And their families, yes. You can build a house now surely, which they can live in, for a cost of £500?—I am not a building expert, so I cannot say. I have given the figure that has been mentioned, but as I say, it has not been gone into.

Mr. Benson.

3919. Cannot you dig up 60 or 70 bachelors among your Marine Police?—I think it would be difficult, but no doubt we shall do what we can in the direction of giving preference to single men.

3920. How are your Marine Police recruited?—They are recruited from men who have served their full time, 21 years, in the Royal Marine Force, and who are in receipt of pensions. They, of course, would have to be men of very good character.

3921. Exactly; but surely out of the vast mass of men who have been superannuated from the Navy you ought to find a sufficient number of bachelors?—We shall find some bachelors, no doubt, and I daresay, we shall give a preference to bachelors.

Mr. Ede.

3922. Is it not a fact that a married man is a better policeman than a bachelor?—I have not the slightest idea.

3923. Do not all Police authorities encourage the marriage of policemen and

the provision of cottages for them?—We have certainly found in other places, with the Metropolitan Police, that we have had to do a good deal of building, because of the number of married police.

3924. You would naturally get a big percentage of married police?—These men would be over 40.

Mr. Ede.] These pensioners are not young men.

Mr. Butler.

3925. Might I take up the point that Mr. Bird raised, that it would cost £50,000? It seems to me to be much more than should be necessary. If you take £500 for each family (which seems excessive if you build them in blocks) you could do it for £30,000; even then some of them would not be married?—I have not given an estimate here of what the Board of Admiralty intend to spend on this. I have merely mentioned a round figure which, perhaps, I was unwise to mention at all. I was asked whether this was going to be a costly business. It is going to cost some money, but even if it did cost £50,000 we should save it in a few years over the smaller cost of the Police.

Chairman.

3926. Do you want to say anything, Sir Malcolm?—(Sir Malcolm Ramsay.) No, Sir.

NAVY APPROPRIATION ACCOUNT, 1929.

Chairman.

3927. I will pass now to the Navy Appropriation Account, 1929, No. 37. I propose, with your permission, to make an observation or two up to the end of paragraph 5, and I shall leave those paragraphs for the examination of the Committee. Paragraphs 1 and 2 we have already dealt with on the Excess Vote. I have nothing more to say about them. There are variations on Vote 4: "Fleet Air Arm"; that is due to policy, with which we have nothing to do; and on Vote 8 due to reduction of Programme. With regard to paragraph 4, Vote A, these numbers are voted. The Bill of Rights controls the Land Forces, but not the Navy Forces. Honourable Members will note there is a steady and continuing drop in numbers. With regard to paragraph 5, Honourable Members will notice there is a saving. That is all I have to say on paragraphs 1, 2, 3, 4, and 5. I will ask Sir Malcolm if

he has anything to say.—(Sir Malcolm Ramsay.) Will the Committee allow me to say one general word about this Report. My position with the Navy is exactly the same as with the Army, and indeed with all the Departments. Throughout the year I have raised a number of questions which have been put right, or else disposed of, if I proved to be wrong, and they are not of sufficient importance to trouble the Committee with. This is why I have cut down my Report to its present dimensions.

3928. Are you taking the whole of your Report in these observations?—The whole of my report. I conceive that that policy is more effective in securing the objects which the Public Accounts Committee has at heart than a policy which insisted on dragging every minor mistake, irregularity, or peccadillo into the light of day. I have brought before the Com-

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[Continued.]

mittee only the more important matters. As I have done ever since I have held office, I have refrained from making any attempt to advertise the activities of my staff, and from making any claim for effecting economies, because whether that is done by my own efforts or by the Admiralty is wholly immaterial. But I should like the Committee to realise that, so far as my own activities are concerned, there is a great deal which lies behind this Report which is never heard of in public, and for which my staff is entitled to credit.

There is nothing for me to add on these first five paragraphs.

Major *Salmon*.

3929. In paragraph 2 it says: "Unfortunately appropriations in aid fell short of the estimate, which for this year had been specially augmented in order to counteract the tendency shown in previous years for receipts to exceed the estimate." I do not quite follow what that means. How have they been specially augmented?—(Sir *Oswyn Murray*.) I believe the Committee have been talking on previous days of what is known as the super-cut. This is the opposite of the super-cut. The Admiralty, finding that in several previous years (in fact I might say ever since the war) the amount actually received in Appropriations in Aid has been greater than, when they formed the estimate, they saw any reason to expect, added a certain amount, which seemed reasonable, for luck in that direction.

3930. How do you get these windfalls? Mainly they are for goods supplied or work done for other Departments, or for services rendered. For instance, when we have an Oil Tanker which we are not using ourselves we let it out commercially, and earn freight in that way. There are supplies which we make to the Dominion Navies, for which they pay us. Another instance is the work on the "Almirante Latorre," a Chilean Battleship, which we reconstructed for the Government of Chile, and for which they paid us.

Chairman.

3931. Paragraph 6 records facts which may interest the Committee. Perhaps you might like to say a word about that?—(Sir *Malcolm Ramsay*.) May I go direct to paragraph 6? This matter was very fully explained to the Committee in the year 1928. The point is this: The Ad-

miralty have had great difficulty in settling the prices of armour plate, the plant for making which is in the hands of a limited number of firms, and for which the demand is irregular, varying enormously with the Naval programme. To meet the difficulties of the firms, who have to maintain a large standing plant to meet emergencies, but which in times of peace is not used to full capacity, some arrangement has to be made to meet, what I think, are legitimate demands, on the part of the firms, for idle plant. This took the form, under the arrangements I refer to here, of an addition on a sliding scale to the contract price for armour delivered. The less armour delivered the higher the price per ton was. As I point out here, in the year in question, which ends at the end of October, 1929, there was no armour ordered for Naval purposes, and therefore the sliding scale became inoperative, and, as a result of fresh negotiations, the firms were paid £60,000, as what is really a subsidy. They asked for more, and as far as I have been able to judge, the Admiralty and the Treasury have made a good bargain.

Chairman.] Are there any observations upon that?

Mr. *Lathan*.

3932. Do I understand the payment to which reference is made in paragraph 6 is in the nature of compensation to the Armour-producing firms for loss?—No; it is not quite that. It is a consideration for keeping large plant which can expand, and which, in times of peace, is not used.

3933. It is not compensation for loss of orders which otherwise would have been given?—In a sense it is. If you ordered Navy armour there would have been no compensation required. It is to compensate them for keeping plant, capable of expansion, and which is not made use of in peace times.

3934. On paragraph 7, there is some reference to a claim for compensation, and apparently a payment?—That is quite another matter.

3935. I would like to have a plain answer. I gather that the payment referred to in paragraph 7 is covered by the reply of Sir *Malcolm*?—We have not come to paragraph 7 yet. (Sir *Oswyn Murray*.) Paragraphs 6 and 7 are so very different that I think you would find it, if I might say so, convenient to

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[Continued.]

dispose of paragraph 6 before you get on paragraph 7.

Mr. Butler.] It seems rather difficult to discuss this fully without taking the Vote at the same time.

Chairman.] Can you postpone your question till we get to the Vote?

Mr. Butler.] Yes.

Mr. Bird.

3936. Is there only one firm that makes this armour plating?—No, there were five; the three firms in the English Steel Corporation (that is Vickers, Cyclops, and Openshaw) and John Brown and Beardmore's. These firms had all, before and during the war, laid down very extensive and expensive plant for producing large armour plates for Capital ships. Under present circumstances, the Admiralty have very little use for those plants.

3937. I quite follow that; I was just asking the number?—In the case of emergency, in war, we should want them.

3938. Yes?—Although there are five plants, we recognised that three plants would be sufficient to supply any probable Admiralty requirements in war. Our first idea therefore was that the five firms should agree which two firms should drop out. The firms did not like that suggestion. They suggested, instead, that the sum paid by the Admiralty as a contribution towards the cost of maintaining plants should be based only on the expenses of three plants, although as a matter of fact the five plants divided the work.

3939. How did the Admiralty decide which three plants they would take for the purpose of arriving at their figure?—It was not necessary for us to do that. We first asked the firms which two would drop out. They said none of them wanted to drop out, but that we should only pay on the basis of three-fifths. It was then immaterial to us.

3940. I can quite conceive circumstances where it would not be immaterial. You might find that some firms worked at a very much higher overhead charge than others, and, if they put up a set of figures in front of you for the purpose of showing what their losses were, some of the five might differ very considerably from others? They give us the opportunity of investigating their figures. We send down our own Accountants and arrive at our own conclusions as to the fairness

of the figures. For instance, in this case the total expenses of the five firms were upwards of a quarter of a million. Our professional accountant in examination found reasons to reduce the charges that he thought we ought to take into consideration to £134,000 for five firms, making £80,000 on the basis of three firms. At the present time we have only three firms, because we told them, at the beginning of 1930, that we really should not require more than three firms and that we thought it was better for them to rationalise, and we then indicated the Cyclops works and the Openshaw works as those that were not required; so the position is, that we have now Vickers, Brown and Beardmore's.

3941. Is it the subject matter of a contract or an *ex gratia* payment?—It is an understanding with the firms that they will keep the plants efficient and ready for use, and the expert staff for them.

3942. But there must be some memorandum surely, or some agreement, that is recorded somewhere?—We agree with them from year to year.

3943. It seems a little funny that, when you have agreed with them, and have set out the basis on which you are going to recompense them, they should put in a claim for a quarter of a million and be so satisfied with half that they are prepared to carry on for the future?—The agreement was that we should pay a contribution towards the cost of maintaining the three plants, the contribution to be fixed on what our professional accountants found to be reasonable.

3944. And they have to take whatever figure your accountants decide?—Yes.

3945. Is that part of a written agreement?—It is an agreement. There is no need for it to be embodied in a formal contract.

3946. I am quite sure that if I were advising a private firm to maintain plant, I should want to know what the terms were, and I should like to record the terms in writing. If you made the agreement with them you might have retired and gone to live far away from these shores, and not be available, and no one would know what the terms of the contract were? There must be one somewhere?—Perhaps the relations between the Admiralty and these firms who were being employed year in and year out were rather different from what you are visualising. They were not afraid of

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[Continued.]

the Admiralty departing from these shores.

3947. I am not talking of the Admiralty. I am talking of the people who were cognisant of the terms of the agreement. You tell me it is not in writing?—We do not draw up a formal contract; there are letters.

3948. That is all I asked. I asked if there was any memorandum. I should describe a letter as a memorandum?—There are letters in which the matter is fully set forth to the satisfaction of both parties.

3949. That is the answer to my question?—Thank you. (Mr. *Waterfield*.) The quarter of a million was the gross figure for the five firms, and would be subject to a reduction by two-fifths for the two firms not included, and, secondly, to a reduction for work which the firms might do for other Governments. The quarter of a million was not a claim; it was the gross figure. (Sir *Oswyn Murray*.) That is so. (Mr. *Waterfield*.) It was not quite that they submitted willingly to such a reduction as that.

Major *Salmon*.

3950. In 1928, you gave to these firms £96,000 for the maintenance of armour plant. Is that correct? It says so here; I presume it is correct?—(Sir *Oswyn Murray*.) Yes, that was the portion of the cost of the armour that was really a contribution towards the cost of maintaining idle plant.

3951. But they had certain work in hand during the year 1928. They had orders on hand?—Yes, they had in 1928.

3952. How is it, when they have not any orders, if I understand the position correctly, you only give them £60,000?—They had had other work on the plant which absorbed some of their costs. They had also, to some extent, reduced their overhead charges, as far as they could, because they realised, as well as we did, what the position was in regard to lack of orders, and they did also agree eventually not to receive from us the full figure which our accountants found they might have claimed.

3953. Does the position really mean this, that now you have fixed your maximum liability, with no orders, at £60,000, and if you give them orders that will, *pro tanto*, be reduced by the value you put upon those orders?—This was an

arrangement only for one year. The question was what we should do for these firms in a year in which there were no orders. The next year, when orders began again, we entered into negotiation with them and made a different arrangement.

Mr. *Bird*.] Would it be possible to have this correspondence, so that we should know the terms of the contract?

Chairman.

3954. Have you any objection?—No, I do not think so; certainly we could give sufficient extracts from the correspondence to give you the terms.

3955. Could Sir Malcolm give the terms to Mr. Bird now, so that there shall be no delay?—(Sir *Malcolm Ramsay*.) Which terms? There were three different stages.

Mr. *Bird*.

3956. I understand there has been some correspondence between these firms and the Admiralty setting out what the Admiralty will pay in respect of services rendered in maintaining the plant?—I am afraid I cannot answer the question: that is really an Admiralty matter entirely. You will realise, for this last year when the sliding scale was inoperative, the firm's maximum claim was put at a great deal less than had actually been paid for the year before. I bring that out in my paragraph. Their calculation, as I understand, was made, after taking credit for work which had been done (but not for the Admiralty) on this plant. It had been in partial use for other purposes; therefore they were able to cut down their demand, but the correspondence I cannot give. I know this, that it is all recorded; it is perfectly definite.

3957. You have seen it, I take it?—My people have seen it. I do not know that I have read it all myself, but I think, speaking from memory, the Treasury Solicitor has been in the business too, has he not? (Sir *Oswyn Murray*.) Yes. (Sir *Malcolm Ramsay*.) It is so complicated that I would respectfully deprecate your asking for the papers to be put in, although they may be put in, if you wish.

3958. The thing that staggered me was the reduction of the claim for a quarter of a million. That has been explained?—You took off two-fifths of it, and then you negotiated.

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[Continued.]

Major Salmon.

3959. To the layman, reading these two paragraphs, and hearing the witness's and your own statement that because they had no work this year, they got £60,000, and the year when apparently they had work they had a higher figure, it is somewhat difficult to appreciate the method of apportionment?—I quite agree. The real truth is that those two payments have no exact relation. They had a sliding scale which worked automatically as long as armour plant was delivered. When none was delivered they started afresh on an examination of all the circumstances, and, after investigating the firms' books, the two parties agreed the £60,000, on the basis of actual facts, but I cannot explain the process here. (Sir *Oswyn Murray*.) The difference was largely owing to the extent of the other orders which the firms had, which differed entirely in the two years. (Sir *Malcolm Ramsay*.) There is another factor. De-rating has come in, of course.

Mr. *Butler*.] You said you would rather take the Vote later, Mr. Chairman, but it means we shall have to raise this matter again when we come to page 31, and then on page 87. If that is your wish, I do not mind.

Chairman.] Do it now, if you think it will save time; I am perfectly willing.

Mr. *Butler*.

3960. It is the last paragraph of the letter on page 87. We are asked to refer to subhead DD on page 31, and then go on to page 87. It says: "My Lords note that the general question of future arrangements is still under consideration and that a further communication will be made to Them on the subject as soon as possible." I wanted to ask if any further communication had been made, and, if not, when it would be made, because that might assist us in this general discussion?—(Sir *Oswyn Murray*.) We have certainly had to make further arrangements with them as regards later years. I have not got the details of those arrangements here, but I could let the Committee have them. They would normally come up in the new year's Appropriation Account.

Mr. *Butler*.] If it has your approval, I think it would be very interesting to ask to have them.

Chairman.

3961. I am willing.—(Sir *Malcolm Ramsay*.) I think Mr. Waterfield has it. (Mr. *Waterfield*.) The Admiralty sub-

mitted to the Treasury an arrangement for the year 1930 which differed somewhat from that of the previous year. It is now proposed to substitute a fixed payment, without taking into account the possibility that the firms might receive other orders, and to bring down the cost by negotiation, bearing in mind that the Admiralty were then entering upon their new programme, and therefore placing orders themselves for armour plate. It would be contrary to recognised custom to quote the exact figures, but I may say that they brought down the price very substantially compared with the price of the previous year, and that the concealed subsidy, which was a feature of the payments for 1928 and the two previous years, has practically disappeared. It has not entirely disappeared; there is still a small element per ton, but it is not more than about 3 per cent.

Mr. *Butler*.] I think that gives us the information we want, and, if I can study that in the Minutes, I think it will satisfy me.

Mr. *Lathan*.

3962. The payments referred to in paragraph 7: £69,000 and £68,900 are of a different character to those referred to in paragraph 6. They are actually payments made in respect of loss of establishment charges and profit.—(Sir *Oswyn Murray*.) These were cases in which we had actually concluded contracts with two firms to do certain work for us, to build submarines. We cancelled those orders, and the firms, of course, were legally entitled to be put in the same position as if they had carried out the orders.

3963. They were legally entitled?—Yes.

3964. There was then a contract?—There was a contract. As generally occurs in these cases, they did not insist on their full legal rights. We came to a friendly and satisfactory agreement with the firms as to what we should pay.

3965. That contract provides for what is described here as establishment charges. Establishment charges would come, surely, under the category that is referred to in paragraph 6?—The difference between the two cases was, that in paragraph 6, there was no question of our having to meet a legal claim from the firms. We wished the firms to keep certain facilities in existence in order that we might use them when we wanted to do so. The firms, in para-

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[Continued.]

graph 7, were firms who had actually agreed with us to build ships, and were entitled, when the contract was cancelled, to be put in the same position as if they had carried out the orders.

3966. But they would receive payment, I take it, for the work done, if there had been some work in progress; but in respect of establishment charges after the work ceased, surely there is no liability there?—(Sir *Malcolm Ramsay*.) I am afraid you misunderstood what I meant. It is for the whole of the work done up-to-date that they were paid these sums. Of course, large elements in any contract that you break are establishment charges and loss of profit.

3967. But, in this case, did the contract provide for the maintenance of an establishment for possible future orders?—No. The contract was to supply submarines at, let us say, £X. The Admiralty ordered them to stop the work. Then you get into a region where you have to calculate what loss has been imposed upon the firm by breaking the contract, and, of course, they have to make their claim up according to the materials used, labour, including establishment charges, which would be a large item, and the loss of profit, and then you have to make a bargain, and, on legal advice, you eventually come to terms without going to law.

3968. I am not suggesting it is at all irregular in any way. I am trying to understand that?—I was trying to explain.

3969. I have some interest in it. With regard to the question of the cost of the submarine, would it be appropriate to mention that?—Quite. I think Sir *Oswyn* has it. The contract prices for these two submarines were in the neighbourhood of £235,000 each.

3970. The payment was a substantial proportion of the total sum?—You have to pay for breaking a contract according to the progress made. (Sir *Oswyn Murray*.) In the case of one ship, the main contractor's work done amounted to £15,000, and in the other to £11,000. Then the sub-contractors' claims on the main contractor amounted to £17,600 in one case and £18,000 odd in the other case. The rest was the compensation for loss of profits and for establishment charges.

Major *Salmon*.

3971. When you do give these orders for these two ships ultimately, is anything to be taken into consideration on the new order? There may be a time when you will give the orders?—These two ships were cancelled altogether. They were not only suspended; they were cancelled.

3972. I suppose it is fair to assume that, within a reasonable time, you may want two more submarines?—We have started building submarines again, but whether these two firms will get submarines depends entirely on the price they quote. We took over the material which had been worked upon; it became our property and we utilised it.

3973. You took over the material for the money—Yes.

Mr. *Benson*.

3974. With regard to the profit, do they claim profit on the whole construction, as a firm would normally claim against a private individual for breaking a contract?—I think in the first statement that these firms put in, they did put in the full profit. The figure that we actually agreed with them, of course, did not provide them with the full profit.

3975. I can quite understand that you must normally be guided, to some extent, by the terms of your contract, even though a negotiation modifies them. Is it impossible to put into your contract the term, that, in the event of cancellation, the potential profit that they might have made shall not be taken into consideration, but merely the costs incurred, plus a profit on the work done, or on the costs incurred, and that profit on the costs incurred, irrespective of the profit on the whole, shall be calculated?—I think we have considered, in the past, whether we should have what is called a "break" clause in these contracts, but the decision has been against it, because it would involve us in paying a very much higher price, particularly if the firms thought that there was a real chance of having contracts cancelled.

3976. But if it went into every contract automatically they would know that the percentage for cancellation in the future would probably not be higher than the cancellations in the past. But you feel that you get, by negotiation, satisfactory results?—I think that a clause

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[Continued.]

of that sort, at any rate at the present time when the whole future of Naval construction is somewhat uncertain, would have a very depressing effect on contractors, and would increase their prices.

Chairman.

3977. Let us pass to paragraph 8, Insurance of Hulls. Will you say a word about that, Sir Malcolm?—(Sir *Malcolm Ramsay*.) I do not think I need detain the Committee. I have set all the story out fairly fully, and it shows the processes through which the policy of insurance has gone. We are speaking here of the insurance of hulls and machinery under construction by contractors, and, after a great deal of consideration, the Treasury and the Admiralty have deliberately decided that it pays the Government not to insure these vessels while they are in the contractors' hands, but to accept the risks of fire, and so forth; and that is now the policy.

Major Salmon.

3978. Who pays the premium to the Government?—They are not insured at all.

Chairman.

3979. In the long run, it pays us not to insure?—(Mr. *Waterfield*.) That was the conclusion we came to, after a long experience.

Sir Robert Hamilton.

3980. The new procedure is not requiring the contractor to insure?—No. (*Chairman*.) If we did it would come into the price?

Sir Robert Hamilton.] He would add it to the price?

Mr. Butler.

3981. Have you settled what the future form of indemnity to contractors will be?—(Sir *Oswyn Murray*.) We are at present considering with the Treasury Solicitor what the future form shall be, but so far as the ships of the 1930 programme, which were the first to which we applied this rule of non-insurance, are concerned, what we did was this. The firms, in making their tenders, had assumed that they would have to insure, and when we informed them of the Admiralty decision we asked them, on the one hand, to give us a rebate, because they were saved the cost of insurance, and, on the other hand, we undertook to indemnify them to exactly the same extent as the insur-

ance policy that they were proposing to take out. So that they were put in exactly the same position as if the change of policy had not occurred. But we are discussing with the Treasury Solicitor at the present time what shall be our standard form of indemnity for future years.

Sir Robert Hamilton.

3982. You put yourself in the position of the insurance company?—Yes, except that we do not charge them a premium.

Chairman.

3983. Do you make it quite clear to the House of Commons and to the public that when we alter a building programme there is, of necessity, a great loss. Does the public and do the House of Commons realise what we have to lose over that alteration of the programme? Here is nearly a quarter of a million lost, under paragraph 7?—(Sir *Malcolm Ramsay*.) I really do not know what the public realises. It often realises very little; it may be more interested in football coupons; but I think the House of Commons is under no sort of misapprehension.

3984. I do not know. I keep my eyes open, and I did not know that it involved that?—I thought every business man knew that to break contracts was a very expensive matter. The difficulty is that you cannot quite tell beforehand what will be the cost of breaking a contract.

Mr. Lathan.] I think you may be assured that, in constituencies like the one of which I have the honour to share in the representation, which is Sheffield, they are quite aware of the consequences that follow.

Chairman.] They realise that money has been spent; they do not realise, without careful consideration, that, in the long run, a very large amount of money is lost which the country does not know about.

Mr. Lathan.] Compensation for loss of profits is paid by the Admiralty, but compensation for loss of life or of employment, as I understand it, is not paid, and there are many hundreds of men who are not affected in any way by these payments, although they lose their jobs.

Chairman.

3985. I think we ought to take some steps, or Sir Oswyn Murray ought to allow us the facility for taking such steps

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as are necessary to bring these losses for compensation for broken contracts very vividly before the minds of the House of Commons and of the public. I am not saying there is anything unworthy in them, but I think they are hidden too much in these accounts?—I have stated it here quite plainly to anyone who takes the trouble to read it. I put in this paragraph on purpose to draw attention to it, and on page 32, under sub-head H.H., it will be seen that £112,804 15s. 8d. was paid in the year under review.

Mr. *Benson*.] It is always open to any hon. Member, who is supposed to know the business of the House, to publish it to his constituents or to the country; but it is equally open to any hon. Member to publish the very much greater saving due to the breaking of the contract. This is a question of policy, and when a Government decides to reverse a naval policy it does so with its eyes open, and anybody interested in the matter can always refer to the accounts.

Chairman.] Without questioning their right to reverse a policy, at the same time the public and the House must have it brought much more clearly before them that reversing a policy is a very expensive amusement.

Mr. *Benson*.

3986. No, I think it might be brought before them that it is a most economical amusement?—What it has cost to break these contracts in this year is clearly shown in this account. Whether the Committee wish to put a paragraph in their Report or not is a matter for them, and not for the witness, which I very respectfully suggest, you can discuss hereafter. I submit that with deference; but what does not appear in this account, or any paper before the Committee, is what the Government and the country are saved by breaking the contract. At a cost of £112,000 they have saved a very large sum, which is several times that amount, but we have not got figures, and we cannot give them.

Chairman.

3987. I agree with what you say, Sir Malcolm, and perhaps you will confer with us later on?—Yes. You have not the figures of what we save; that I cannot give you.

3988. The public must be made to realise that the amount which has been taken off the Estimate does not neces-

sarily represent the saving, because against that must be put the amount that we have to pay for breaking the contract?—(Mr. *Waterfield*.) May I refer to the Supplementary Estimate presented by the Admiralty in February, for the financial year 1930, which showed a very large payment of over £300,000, especially on account of compensation for breaking contracts; so that public attention was specially drawn to the matter.

Major Salmon did not notice it, and I did not notice it. The point I want to make is that men like myself do not notice these expenditures. If Major Salmon and I do not notice it, it would be very difficult for the general body of non-business men in the House to notice it. Do you agree, Major Salmon?

Major *Salmon*.

3989. I agree. Speaking for myself, I was not aware of the cancellation of a £700,000 contract has cost a quarter of a million. I understand these two boats would have cost £700,000, and the loss, including expenditure in the present account, is £215,000?—(Sir *Oswyn Murray*.) I think these figures would be of interest to the Committee. The total amount of compensation that had to be paid for the cancellation of ships of the 1928 programme, namely, two 10,000 ton cruisers, two submarines, and a submarine depot ship, was £440,000. The cost of the programme, if it had been carried out, would have been about £5,000,000.

Chairman.] Ten per cent. loss.

Mr. *Benson*.] Ninety per cent. saving.

Chairman.

3990. It cost us 10 per cent. to make that saving. We have exhausted that point now. (We will turn to page vi, Naval Armament Stores. The reasons for this deficiency will disappear; they were fully discussed in 1929. We do not need to go through that again?—(Sir *Malcolm Ramsay*.) They were not reported, but they were fully explained, and I think the Committee was quite satisfied then.

3991. Paragraph 11, Singapore Works Account, is explained at length. It is a matter of accounting; it is very difficult to carry out. The Admiralty have taken all proper precautions, I suppose?—(Sir *Oswyn Murray*.) That is so. We tried to put the storekeeping out there in the hands of natives. We wanted to avoid

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[Continued.]

sending out a British staff. It would have involved building residences for them, and all sorts of other expenses. Unfortunately, the natives did not prove satisfactory. We had to send out an English storekeeper in charge. He fell a victim to the climate as soon as he got out there, he was unable to exercise the supervision we sent him out to provide, and we had to bring him back and send out another one. The system of store-keeping and the control now is satisfactory. (Sir *Malcolm Ramsay*.) They have dealt with it, and done all they can, I am sure.

3992. We will pass to paragraph 12, Value of Stocks. There is a general tendency towards reduction there. I will take those two pages together, vii and viii. At the bottom of the third paragraph of paragraph 14 you will see "in respect of rangefinding gear"?—(Sir *Oswyn Murray*.) They were obsolete patterns of range finding apparatus of various kinds.

Major *Salmon*.

3993. In paragraph 12 it says: "The decrease in value of victualling and Naval Stores is due mainly to working down of stocks without replacement and to revaluations." Revaluations cover a multitude of sins. Could we know to what extent this means a revaluation?—In the case of victualling stores, where there is a decrease of £77,700 in the value of stock, £33,000 is due to revaluation at lower prices.

3994. So 50 per cent. is due to revaluation?—Yes.

3995. What about the Naval Stores?—(Sir *Malcolm Ramsay*.) In the case of Naval Stores, Vote 8, II, on page 30, the decrease on revaluation is £53,000, and the decrease by working down stocks is £166,000, which is rather more than three times the amount of the other reduction.

3996. What about fuel for the Fleet?—(Sir *Oswyn Murray*.) There you have a decrease in value owing to lower prices, which is off-set by an increase in stock, to some extent.

3997. And on vote 8, III, how do you deal with that?—With regard to Vote 8, III, as the Committee probably know, almost the entire value there consists of gun mountings of old pattern, which are being kept for use by merchant ships if

they have to be defensively armed in time of war, and there is a depreciation. We revalue the gun mountings every year, and there is a depreciation of a considerable amount, £175,000.

3998. That is purely depreciation so far as Vote 8, III, is concerned?—Yes.

3999. On Vote 10, how is that arrived at for revaluation?—There is practically no difference in valuation there. The decrease is due to reduction of stocks.

4000. Because you do not think it is necessary to keep such large stocks generally, now that you have not such a large Force?—We have reduced stocks at five stations where we are not doing so much work.

Mr. *Butler*.

4001. Under "Fuel" there is an apparent increase of stock, otherwise the reduction in price would have caused a bigger drop in the year 1930?—It has been the policy, ever since the war, to build up gradually a reserve stock of oil for use in time of war, and a certain increase of stock took place in this year on that account.

4002. That accounts for that?—Yes.

Chairman.] Is there anything more to be said on paragraph 14?

Major *Salmon*.

4003. With regard to paragraph 14 (b) "modification of patterns," £180,000, does that mean to say that you have written down, or simply wiped off the book value, or is that surplus?—That is mostly for surplus stocks which are of obsolete patterns.

4004. What do you do—sell them or what?—If we can we sell them. We keep some things for a time to see if we can find any use for them. Others we sell, if we can get a market for them.

4005. If you keep a lot of obsolete stock it means staff to look after it, and it is very much a question of: Is it not cheaper to cut your loss and get rid of it?—We use our discretion. Sometimes these articles come in useful for a purpose.

Sir *Robert Hamilton*.

4006. What classes of article are they?—Such things as wireless telegraphy gear of old pattern; rangefinders, such as the *Chairman* was referring to; chain cables, boiler gear; and things of that sort.

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Major Salmon.

4007. For how long would you consider keeping old stuff in stock; would it be a period of years? Have you any period after which you think it is beyond use?—It would depend on the nature of the article. Mooring gear

might come in useful after some years. A great deal of the stuff has no commercial value; we could not sell it for anything except scrap.

Sir Robert Hamilton.] On page vi with regard to the contributions from India, has any question been raised with regard to that payment?—No.

ON VOTE 1.

“WAGES, ETC., OF OFFICERS, SEAMEN, AND BOYS, AND ROYAL MARINES; AND CIVILIANS EMPLOYED ON FLEET SERVICES.”

Chairman.] On Vote 1 there is nothing I see.

(On this Vote no questions were asked.)

ON VOTE 2.

“VICTUALLING AND CLOTHING FOR THE NAVY, ETC.”

Chairman.

4008. I want to ask, on Vote 2, what is the position as regards the supply of bread from the naval bakery at Chatham?—(Sir Malcolm Ramsay.) That was mentioned the other day. You expressed a wish to hear about it, but I am not sure whether this Committee would wish to pursue it or the Estimates Committee, which the gallant Member is on. There is a naval bakery at Chatham, as well as the Army Service Corps and a contractor, three sources of supply. Perhaps Sir Oswyn would prefer to put the case in his own way. (Sir Oswyn Murray.) The naval bakery is really not a source of supply; it is an instructional bakery where we train our bakers for service on board ship. Therefore, the supply of bread from that source fluctuates; and the possible regular sources of supply are from the Army bakery or from contractors. There was a good deal of discussion in 1927 and 1928 as to the possibility of our drawing bread for the Navy from the Army bakery. At first there was a difficulty, because the Army did not think they would be able to meet our mobilisation requirements in times of emergency, when we would have large numbers of reservists coming into the ports. That difficulty was got over, and we agreed to a trial of the Army bread. Unfortunately, the Army bread did not meet with the approval of the sailors, who

did not think it was of as good a quality as they had been used to having.

Major Salmon.

4009. Who used to supply the bread?—A local contractor. I do not think I have his name here, but I have no doubt I could give it to you privately.

4010. I just wanted to know who supplied it?—We agreed with the Army that we should have a careful baking test of their bread against certain other breads, and there was no doubt that their bread was not as good as we were used to. It seems that, as a matter of fact, out of five grades of flours that millers generally supply, the War Office were always in the habit of taking No. 5, which is the cheapest flour. The Admiralty standard has always been No. 4, which represents a good average household grade, but nothing exceptional. We then asked the Army whether they would be prepared to adopt the higher standard of flour that we had been using, but unfortunately they were not able to do that, and we decided that in those circumstances, rather than cause the dissatisfaction that was being caused at the time amongst Naval Ratings, we would go back to our contract source of supply, which we did. The saving, if we had been able to keep on with the Army bread, would have been about £1,000 a year.

Chairman.] On page 12 there is a note: “Certain provisions, value £11 18s. 7d., were presented by H.M.S. ‘Dahlia’”—it is a trumpery little thing.

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but Sir Malcolm has given me a note on it, and we shall have to make a decision: "Food, value £12, exchanged by H.M.S. 'Dahlia' with the Prince of Hodeida. Gifts of stores normally require the sanction of the Treasury, and should be noted on the Appropriation Account." It is not the amount we are dealing with now, but it is a matter of principle. "This is a very salutary and proper rule, but when gifts of trifling value are separately noted in the Appropriation Account the result is somewhat ludicrous. In the present account we have in addition to the 'Dahlia' the watchbell of H.M.S. 'Staunch,' value £5, presented to Lord Fisher (page 30), and two obsolete guns, value £5 10s., presented to the National Nautical School, Portishead (page 35). In the Army account we have on page 80, various trifling gifts separately noted, including a complete set of Web equipment valued at £4, and two unserviceable revolvers dug up by the Port of London Authority." It is all very ludicrous but it has to be done. We must arrange this matter. We have to conform with the law: "On page 13 of the Air Account Parliament is separately informed that a series of photographs of aircraft, valued at 13s. 6d., were presented to the Science Museum." So you see where this takes us. Will the Committee empower me to say we are willing that, while all gifts of stores should be authorised as at present by the Treasury, and brought to the notice of the Comptroller and Auditor-General, the details of trifling gifts need not be published in the Approp-

riation Accounts individually? Are you prepared to authorise that to take place?

Sir *Robert Hamilton.*] What do you mean by "trifling gifts"?

Chairman.

4011. £5 or £6 as here, as long as they pass the Treasury, is it necessary for details to be published?—(Mr. *Waterfield.*) I think there might be a limit in amount, but I think anything which is trifling, or not worthy of the Committee's consideration, should not be published in the Appropriation Accounts.

Chairman.] Is that agreed. (*Agreed.*)

Mr. Butler.

4012. Under what head would the gifts to notabilities and others come, which were £70?—(Sir *Malcolm Ramsay.*) There are some which are larger, which should be notified, but it is ridiculous to spend money on a line of print in trifling cases.

Mr. Lathan.

4013. Are you fixing a limit in respect of these accounts?—I would much rather let the Treasury consider that, because the case of the Navy and the Army is different from that of the Civil Departments. I should think more latitude ought to be given to the Fighting Services, who have more of these cases than the Civil Departments.

Chairman.] Are you agreed that we should do that? (*Agreed.*)

(*The Witnesses withdrew.*)

(*Adjourned to Tuesday next at 2.30 p.m.*)

TUESDAY, 12TH MAY, 1931.

Members present:

Mr. Butler.
Captain Crookshank.
Mr. Denman.
Mr. Leif Jones.

Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.
Mr. West.

Mr. ARTHUR MICHAEL SAMUEL (in the Chair).

Chairman.] I want to be quite certain in my mind what was the effect of our discussion the other day on Land Settlement in Scotland. May I summarise what I think we decided? That we were satisfied by Sir Robert Greig's Memorandum as to the fact that the policy of Land Settlement in Scotland was being carried out in detail as economically as possible, leaving ourselves free, if we so desired, to mention in our Report the fact that the policy of Land Settlement is necessarily an expensive policy, and by so doing we should direct the attention of the Economy Committee to the point and to the matter generally. This means, I take it, that we shall not require Sir Robert Greig's further atten-

dance here and that we have passed the Vote and the Trading Accounts for the Department of Agriculture in Scotland. Do I interpret the wish of the Committee in those observations?

Mr. Leif Jones.] As far as I am concerned, that entirely expresses my view of what the discussion was. I do not want to put any further questions to Sir Robert as to the detail.

Chairman.] Mr. West, what do you think.

Mr. West.] I am not competent to express an opinion on the matter.

Captain Crookshank: I think it is all right.

Chairman.] Then you authorise me to proceed on those lines? (*Agreed.*)

Sir MALCOLM RAMSAY, K.C.B., Mr. A. P. WATERFIELD, C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

NAVY APPROPRIATION ACCOUNT, 1929.

Sir OSWYN A. R. MURRAY, G.C.B., called in and examined.

ON VOTE 3.

MEDICAL SERVICES, INCLUDING THE COST OF MEDICAL ESTABLISHMENTS AT HOME AND ABROAD.

Chairman.

4014. We will go to page 14 of the Navy Appropriation Account. What is the latest phase as regards correlation and co-operation of Navy and Army Establishments?—(*Sir Oswyn Murray.*) I think we have done as much as we can in the way of pooling Hospital Accommodation. The extent to which we are able to carry it is bounded by geographical considerations. If the two

forces are not in the same neighbourhood we cannot use the same hospital, for instance.

4015. But you are getting on with it?—Yes; at Chatham, for instance and Devonport, the Army have abolished their hospitals and use ours. At Gibraltar we have abolished ours and use theirs.

4016. You do not use Private Hospitals?—No. The Air Ministry use our Hospitals and Army hospitals very considerably.

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[Continued.]

ON VOTE 4.

FLEET AIR ARM.

Chairman.] The only other observation I have to make is on Vote 4, where there is a saving due to policy, "due to the addition of certain new flights to the Fleet Air Arm having been deferred."

Major Salmon.

4017. Are you pooling the purchasing of medical stores?—(Sir *Oswyn Murray.*) In regard to stores generally, in a good many cases we go on the basis of the largest user buying for the rest.

4018. Who happens to be the larger user, you or the Army, in this case?—I should think the Army probably.

4019. Therefore you would purchase most of your stores through the Army?—We have, as you know, a Contracts Co-ordinating Committee and the Directors of Contracts there agree who shall make the purchases, where we are each requiring the same article.

4020. When you speak of the same article, do you mean the same character of articles?—Generally, the same article. We try if we can to bring our specifications into absolute accord, unless there is some good reason for disagreement. When we have got the specifications in accord, then it is obvious that one buyer can buy for all three Services.

4021. The point I had in my mind was the question of being able to purchase generally the medical stores that presumably would be used by the Doctors for the Army, the Navy, or any other Force?—Yes.

4022. That being so, is there any reason why there should be any exception so far as Medical Stores are concerned? I am not dealing with anything else.—I should think in some cases there are reasons why there should be differences, and in any case it does not follow that the Army requirements of the particular drug in a particular year would be the greatest. It might be that in a particular year they might be drawing upon us.

4023. Do I understand by that answer that you would deal with your medical

stores under many heads? You would not take it as one complete unit?—No. The Medical authorities would put up their requirements to the Director of Contracts and he, in association with the other Directors of Contracts at the Co-ordinating Committee, would see what their requirements for different articles were and see if it was desirable to get a joint contract for any article, and, as so, who should place the joint contract.

4024. The Chairman of the Co-ordinating Committee appeared as a witness before another Committee of which I am a member, and that did not seem to be the practice. So I understood that what took place was that, when the tenders came in, if (A) was quoting a lesser figure for the War Office than he did for the Admiralty for a similar article, the Contracts Co-ordinating Committee would say to Contractor (A) "You must supply the Admiralty at the price you have quoted to the War Office"; but they do not seem to have taken into account the idea of looking into this matter before they send the tenders out?—I think you are mistaken there, because they certainly do pool their requirements where the quantities of the three Services would be large enough to make it advisable to do so.

4025. If you will kindly look into it I think you will find that I am not mistaken. I should be surprised to find that I am. I think you will find that the procedure I am informing you on to-day is the procedure that the Chairman of the Contracts Co-ordinating Committee informed the Estimates Committee on at their last meeting?—I speak subject to correction certainly, if you have later information

Mr. Leif Jones.

4026. I see in the Appropriations in Aid there is a deficit under every head here. Is that due to any common cause? Were there fewer persons treated, or are people avoiding your hospitals now, for any reason? Is it that there is less sick-

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[Continued.]

ness, or is there any reason?—I think that is partly chance, and possibly if we looked at the previous year we should

find that there had been a surplus under each head and we were trying to correct that tendency in the following year.

(At this point Mr. Leif Jones took the Chair.)

Mr. Leif Jones.

4027. It is not due to increasing-health?—No, I do not think so. I think things are about average.

4028. Nor is it due to people, for any reason, not caring to come to them?—No, certainly not.

ON VOTE 5.

EDUCATIONAL SERVICES.

Mr. Leif Jones.] We will now pass to Vote 5 on page 17.

Mr. Denman.

4029. I should like to ask something about Dartmouth. You there train a number of boys who do not ultimately go into the Navy, do you not?—(Sir Oswyn Murray.) Very few. A certain number of parents send their boys to Dartmouth, anticipating that they will go into the Navy, and for some reason or other, during the course there, the boy changes his mind and the parent asks for permission to withdraw his boy. He is allowed to do that on paying a certain fine to the Admiralty, according to the number of terms the boy has been there. If the boy changes his mind, very near the end of the course, when perhaps he is too old to get into a Public School, we have sometimes then offered to allow him to complete his course at Dartmouth. That would not be beyond about a year's instruction at Dartmouth. We do not take private pupils as such.

4030. You make a heavy loss, of course, on Dartmouth. Do you think the fines you collect from the children who do not go on are an adequate payment for the education you give?—I think it is a fair amount.

4031. The cost of Dartmouth is about £120,000, and the Appropriations in Aid about £66,000, or a little over half?—The full cost of a boy at Dartmouth is about £300 a year, and the charge that we make on a parent is £150 a year. If a boy wishes to withdraw in the way I have mentioned, our present rule, as shown in the Yellow pages of the Estimates, is to charge him £40 per term in

addition. It does not absolutely reach the full actuarial amount, but it is a very close approximation to it, and it is a case to some extent of tempering the wind to the shorn lamb. We feel that the father is probably disappointed, and may be at heavy expense owing to his son's change of plan.

4032. Where you let them complete do you still charge a fine?—No; in those cases, I think we have only continued to charge them the £150 a year.

4033. You do not think that there is any abuse in fact; that children get cheap education at the expense of the State?—I do not think so.

Mr. Butler.

4034. There is one point about modern languages in the Note E at the bottom of page 17: "Fewer candidates undergoing examination and instruction in modern languages." I think we noticed that tendency on one of the Votes before, and I wanted to ask Sir Oswyn Murray whether he does not consider it rather regrettable that more are not receiving instruction in modern languages. What is the system upon which they receive it?—We have arrangements under which Officers in the Navy can apply to be allowed to specialise in different foreign languages. They have then to take a course to begin with, a Berlitz course or something of that sort, in this country; and if they pass it satisfactorily, they are allowed, subject to public convenience, to go abroad to study for a further period, after which they pass another examination. I think any tendency to a reduction in the number of people applying to specialise in foreign

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[Continued.]

languages is due to the reduction in the number of Officers, and the fact that it has in some cases been inconvenient to allow an officer to specialise when he has applied.

4035. That seems rather a regrettable point; that is to say, that Officers have applied and have then been discouraged?—I think in some cases that is so, but with the reduced number of Officers, it gets more difficult to spare them.

4036. That accounts for the reduction in this sum? It is a very small reduction. I should not like to say, but I could find out the number who specialised.

4037. I am interested in the point on page 79. It says: "A Staff Officer received for services as translator of foreign languages £60." How does that work into the general system of bonuses or rewards for knowing foreign languages. Was that a special case? It comes under the same head of foreign languages on page 79, the second note?—No. That would be a civilian Officer in the Admiralty who got extra pay for doing translation work. Probably he does translations for the Naval Intelligence Department. That has nothing to do with the other subject.

4038. You would not recruit them from your own officers?—No; that is one of our own clerks who does translation work in his spare time.

Captain *Crookshank*.

4039. May I ask a question about the Vocational Training. This Naval Vocational Training, I suppose, is done in Naval Barracks, just before discharge?—Yes, and to a certain extent also by correspondence with men before they come ashore for the last part of their service, but mainly, as you say, at the Naval Barracks.

4040. By correspondence as well, do you say?—Yes; there is a small amount done by correspondence.

4041. A sort of Pelman system?—But the largest part, as you say, is on shore, at the Depots. They go to the Municipal Technical Colleges, and so on.

4042. Not Naval things at all?—There are some lectures given in Naval Schools, but it is mostly done by their attending classes in Municipal Schools.

4043. Classes in what sort of things?—It depends what they are going in for. They can take, for instance, shorthand or

typing or bookkeeping or motor driving. We have a school of motor driving at Portsmouth.

4044. Is there a great demand on the part of the men for this?—There is nothing like what there is in the Army, of course, because the conditions are quite different.

4045. Could you give any percentage?—No, I could not. You see how small the amount is; the total is under £7,000.

4046. You say nothing like what it is in the Army. The Army percentage is very small, anyhow, so if it is nothing like that, it must be infinitesimal?—I was under the impression that the figure allowed in the Army Estimates for Vocational training was very much larger than this.

4047. The figures are larger because they run a farm chiefly. Is it a flat rate of fee or do they vary?—They vary according to the course.

4048. Not according to their rank?—No; I should not think so.

4049. They do in the Army?—That is a new suggestion to me. Might I send the Committee a Memorandum on this?

[Captain *Crookshank*.] If anyone else is interested; if not, perhaps we may just have a note.

[Major *Salmon*.] It would be interesting.

[Mr. *Leif Jones*.] Yes.

[Mr. *Butler*.] I should like more particulars about the modern languages.

[Mr. *Leif Jones*.] Combine the two.

Major *Salmon*.

4050. Under Subhead E, "Miscellaneous Educational Services". What does that mean?—They are shown in a good deal of detail if you take the estimates for the year.

4051. The ordinary schoolmaster for teaching the lower deck?—Fees to Lecturers for Secretaries' Course and Senior Officers' Technical Courses. Expenses of examinations; Lantern Lecture Establishment, Prizes for Foreign Languages and Naval History.

4052. Under "Miscellaneous Educational Services", the money spent under this Vote may be spent in the various colleges or otherwise?—Yes, it can be spent under any of the headings which are shown in the Naval Estimates in detail.

[Mr. *Leif Jones*.] If there is no more on Vote 5, we will go to Vote 6.

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[Continued.]

ON VOTE 6.

SCIENTIFIC SERVICES.

Mr. *Leif Jones*.

4053. I wanted to ask you a question on subhead G on page 19. I see there was an overspending in connection with the production and distribution of charts. What was that overspending due to?—(Sir *Oswyn Murray*.) This was the first year for some years in which Navy Estimates were charged with the expenses of the production and distribution of charts. For several years previously the Stationery Office had been responsible for the printing and manufacture of the charts, but on the recommendation of a Parliamentary Committee it was decided that the Admiralty should take over the production, and they took it over from 1st April in this year. We had to get from the Stationery Office figures as to the probable liability we should incur. Unfortunately there was a misunderstanding between us and the Stationery Office as to the figures which were supplied, and they did not include in the figure which they gave us a sum of roughly £4,000 for engraving work which would be carried out by contract and not in the factory itself, and similarly in the Appropriations-in-Aid they omitted to give us a figure of £2,700 for repayment work. You will see it on page 22 under "Miscellaneous Receipts", No. 6, "Recoveries for work carried out for the Stationery Office which were not allowed for in the Estimate". It was a sheer misunderstanding between us and the Stationery Office, when we were taking over this liability.

4054. That accounts for those discrepancies?—Yes.

4055. In future will the whole of the cost of producing the charts be on your Estimates?—Yes.

4056. Do you do the selling of them?—Yes.

4057. Are you the only people in the country producing charts?—No; we are not. There is at any rate one well-known gentleman who produces charts. I think it would be correct to say that all charts which are produced are really based on our charts.

4058. How far does the gentleman you mention base his charts on yours?—To a very large extent, because we on the advice of the Stationery Office have

pressed him to pay a royalty, and there have been a good many questions in Parliament on that matter. He has considered it a great grievance that we should make him pay a royalty, when, as a matter of international courtesy, we allow foreign Governments to copy our charts without any payment.

4059. Why do you demand a Royalty?—It is a way of getting money for the country.

4060. As you produce these charts, and are, as it were, guardians of the seas, is it not very desirable that they should be as widely used as possible? I suppose a royalty to some extent would discourage the production of the charts?—Our charts are there to be bought by anybody; we do not discourage anyone from buying our charts.

4061. I only wanted to know what the policy of the Admiralty was?—Our policy is to get as many people as possible to buy our charts.

4062. Have you arranged for a royalty, or is it still being contested?—I believe it has been arranged for a royalty to be paid.

4063. Do his charts sell in rivalry to yours?—Not to any serious extent.

4064. I see there is a deficit, which you have explained?—As regards the deficit, I hope it will be understood that we do not produce charts to supply them to the public; our primary purpose is to supply them to our ships for the safety of His Majesty's ships. The selling to the public is quite a side business as far as we are concerned, although it is a fairly large item.

4065. You do sell to the public?—Yes.

4066. The Mercantile Marine use your charts, I take it?—Yes; in the year we realised just on £60,000 by the sale of charts, as shown on page 22.

4067. That is not as many as you expected to sell?—No; it was not quite.

4068. Is that a temporary diminution?—The number of charts that we sell to the Mercantile Marine depends on the activity of the Mercantile Marine, and when they are having a bad time we do not sell so many charts.

4069. This in some degree reflects the depression in shipping?—Yes.

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[Continued.]

Mr. Butler.

4070. On page 21, there is a note at the bottom: "Charts to the value of £386 were issued."—Yes.

4071. To what extent is that done? Is that a known liability?—We exchange charts with other countries and the Dominions. We pool our information to a large extent. They give us charts, and we give them charts.

(At this point *Mr. Arthur Michael Samuel* returned to the Chair.)

Mr. Butler.

4072. That does not appear in the accounts?—No.

Captain Crookshank.

4073. Are the other gentleman's charts much cheaper than yours? Is that what is the trouble?—Yes, they are cheaper. They are probably on a smaller scale and less elaborate.

Major Salmon.

4074. On the scientific research and experimental work, there is a very large sum of money spent under that head. Do not you work in conjunction with the Physical Laboratory or the Research Department?—Yes, we do.

4075. Does it necessarily take this expenditure of a quarter of a million of money in addition?—There is no over-

lapping between the expenditure here and the work done by the Department of Industrial and Scientific Research or the War Office or any other Body.

4076. This is special to yourselves?—This is special to ourselves.

4077. They cannot benefit by what you are doing, and you cannot benefit by what they are doing?—Not so far as this expenditure is concerned, but we do benefit a great deal by what they do in other directions. (*Sir Malcolm Ramsay.*) Some of it is directly done on behalf of the Department of Scientific and Industrial Research, who pay for it, as page 22 shows. These are investigations which are done nowhere else, and the Admiralty is the most convenient means of carrying them out. It does it on repayment terms for the other Services.

4078. Has the advisability of bringing it under one roof been considered so as to try to economise?—(*Sir Oswyn Murray.*) Yes; we had a Committee about three years ago, called the Ormsby-Gore Committee, which sat on that question, and decided that it was not desirable to attempt to do it. I think there was one direction in which the question was reserved for further consideration, and that was in connection with Wireless Telegraphy, as to whether the work could not be combined there to a greater extent.

Chairman.] Are you satisfied that we should pass Vote 6? (*Agreed.*)

On VOTE 7.

ROYAL NAVAL RESERVE, ROYAL FLEET RESERVE and ROYAL NAVAL VOLUNTEER RESERVE, Etc.

Chairman.] We will go to Vote 7. I have nothing to say on Vote 7.

(*On this Vote no questions were asked.*)

Chairman.] We will pass Vote 7 and go to Vote 8.

On VOTE 8.

SHIPBUILDING, REPAIRS, MAINTENANCE, Etc.

Chairman.

4079. On Vote 8 the number of people employed I notice was almost exactly the number estimated. There was less overtime and less piece work, was there not?—(*Sir Oswyn Murray.*) Yes.

4080. That is under Note B. The savings on Subhead C are interesting. I do not think I need draw your attention to that. I see nothing to call for your investigation. On page 27, perhaps Sir Oswyn will tell us what that settlement

was: "and for settlement of a claim for royalties £67,500 under subhead F." That is the only point I see to which to draw the Committee's attention. On page 27, if you look at the bottom, there is the word "Explanation," and then it says: "and for settlement of a claim for royalties £67,500 under subhead F." Perhaps that requires a little explanation. I am not finding fault with it, but the Committee would like to know what it is?—That was the Admiralty share of

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[Continued.]

a very large claim by the Marconi Company against the Government for royalties and for the use of their system during the War. The Post Office were the Government Department primarily concerned, and the settlement was arrived at as the result of arbitration. I think Lord Buckmaster was the Arbitrator.

4081. Are the Treasury satisfied?—(Mr. *Waterfield*.) Yes, I think we negotiated a very favourable settlement.

4082. Are you satisfied, Sir Malcolm?—(Sir *Malcolm Ramsay*.) Yes, the claim put forward was for many times that amount. The Government made a very favourable settlement. (Mr. *Waterfield*.) It was not directly consequent on arbitration. In fact, the proposed reference to arbitration did not take place. It was a settlement by the Treasury Solicitor.

4083. There is nothing on Vote 8, pages 28 or 29. There is nothing I see to draw your attention to on page 30. Will you look at the bottom of page 31: "subhead C includes ex-gratia payments." These ex-gratia payments must be noted. They call for no observation from me, and I think Sir Malcolm will tell you he has nothing to say about them. You are quite satisfied about them, are you not?—(Sir *Malcolm Ramsay*.) Yes, I think they were very reasonable in the circumstances. They are specially noted, because, under general rules all payments of that kind have to be specially brought to your notice in case you wish to have details.

4084. I have nothing to say about them, if you are satisfied. Look at page 32, Subhead H.H. "Payments to Contractors." That relates to paragraph 7 of the Report on which we have said a word. At the bottom you will find: "Subhead G includes a payment of £37,500 in settlement of a claim for loss incurred owing to progress on certain contracts being delayed." Perhaps Sir Oswyn will tell us what the details of those were; I do not find the details. That arose I suppose out of the reduction of programme?—(Sir *Oswyn Murray*.) No; it is an earlier story than that. It is in connection with the contract for the 8-inch gun mountings of the first three of the 10,000 ton cruisers. The order for the design, manufacture and erection of the mountings was placed with a certain firm in June, 1924. It was the first order for

8-inch mountings of a modern type. The design was an entirely new one, and numerous modifications were found to be necessary as the order progressed. Owing to the necessity for embodying these modifications the ship had to get on with steam trials and other trials without waiting for the completion of the gun machinery for trials, and in this way many interruptions in the work of the erection of the gun machinery occurred. If there had not been these delays, the firm would have been able to erect and complete the mountings first for Ship A, then for Ship B, then for Ship C. As it was, it had all the work of the three ships thrown upon it at the same time, which handicapped it enormously in carrying out the work of the erection. They had to work night and day shifts for considerable periods. Then the work had to be stopped while other steam trials and so on were going on, and it had to be picked up again. In fact there was a large amount of disorganisation and lack of co-ordination in the arrangements, due to the fact that the designs had to be altered so much during the period. The firm claimed a sum of £91,000 for the extra expense which they had incurred owing to this interference in the work of erecting the mountings. We did not doubt that they had spent something like that amount extra, but we thought to some extent their own organisation had not been as good as it might have been. At any rate we obtained permission to try to settle for a smaller sum, and they agreed to take £37,500 as against the £91,000 claimed.

Chairman.] Are there any questions upon Vote 8?

Captain Crookshank.] I see that most of the surplus is due to the reduction of the 1928 programme; for example, that terrific surplus on page 31 of £357,000 for armour. That carries right through the Vote with similar figures until you get to page 34, which we are not yet on, but in this connection I will say that there is a very big difference there. It is rather difficult to make the point until we get to page 34; I will leave it at that.

Chairman.] Take them together.

Captain Crookshank.

4085. If no one objects, I would ask how is it that you got such an enormous expenditure on the projectiles and

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[Continued.]

ammunition, when the whole of the programme was so drastically cut down?—All the way through Votes 8 and 9 there were two factors, if I might say so, pulling against each other. In the first place there was the fact that when we framed the estimate we made a very considerable supercut in the expectation that the work on new construction would not proceed at more than a certain pace. That expectation was not realised. On the other hand, when the new Government came in, they cancelled a large part of the programme, and the saving under that head in the case of Vote 8 outbalanced the deficiency that we had to face owing to the supercut being too large.

Mr. *Leif Jones*.

4086. There was no cut on Vote 8, was there?—There was a very large cut on Vote 8 on the contract work. (Sir *Malcolm Ramsay*.) It is not shown, Sir. (Sir *Oswyn Murray*.) When you come to Vote 9, the saving owing to the reduction of the 1928 new construction programme was only £86,000. It would have been very much bigger in the following years, but it was too early in the construction of the ships for it to have much effect on the supply of armaments. On the other hand, the supercut was very much too large and resulted in the deficit of £200,000 and more. If you look at the note at the bottom, F. and G., you will see the fact explained there shortly. There was a deficiency of £467,000 owing to work for other ships than those that were cancelled proceeding faster than we expected, and there was a saving of £86,000 owing to the fact that we were able not to carry on with the projectiles and ammunition for the cancelled ships.

Captain *Crookshank*.

4087. Then what happens to all this material? I am still not quite clear. Surely, it is not that that part of the programme was carried out though the ships themselves were afterwards scrapped, or rather not proceeded with.—No.

4088. You do not mean you bought a lot of guns and shells and torpedoes for non-existent ships?—No; I do not. The expenditure on the projectiles and ammunition on a ship does not start at the same time that the ship is laid down. It chiefly falls on the last year or so

when the ship is building. Therefore in 1929 when we cancelled the ships which had only just begun to be laid down, there was not much cancellation to be done in respect of projectiles and ammunition for them; but we were making a large amount of ammunition and projectiles for the ships of the previous programme, and that we had to carry on with, of course.

Major *Salmon*.

4089. On page 30, with regard to the values of the stocks of Naval Stores and Fuel for the Fleet at the end of the financial years 1928 and 1929, I notice the decrease in the value of the stock of Naval Stores is £219,000. The amount by which the Fleet has been reduced I should have thought would have justified a bigger reduction in stock than that. That is to say, you would not have bought as much, and therefore these stores would have not have been so high. These stores that you show here presumably are a reserve of stores in stock. That is what it means, is it not?—They are partly current stocks, and they are partly surplus stocks resultant from the war.

4090. The point that was rather disappointing to my way of thinking was the fact that you have not decreased the value of your stock by a larger figure. That is really my point?—We provide for the reduction in the size of the fleet in the amount that we spend in the year, very largely. It does not affect stock.

4091. But presumably part of these Naval stores is the purchasing of current stock, is it not?—Yes.

4092. It is not all war stock?—No; but if the Navy was largely reduced where you would expect to find the expenditure reduced would be on Section II.

4093. What would that show?—Section II shows the amount that we purchase for the service of the Fleet, and that would be a smaller amount if we had a smaller Fleet.

4094. In fact is it reduced as much as it might be?—Yes.

4095. Is it cut down as fine as possible?—I think so, considering that it provides also for materials for dockyard ship-building, as well as sea stores for the Fleet.

4096. So it might be up on building material and down on current stores?—It might, according to the size of the programme.

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4097. On page 31, under Sub-head F "Inspection of contract work," the amount of expenditure there is £189,000. Does that mean that the personnel for inspection work cost £189,000?—Yes; that is the salaries of the officers and workmen and others who are superintending the construction or alteration of ships.

4098. Would "contract work" include the inspection of your own manufacture or making?—No, this is for inspection of contract work. These are the officers we have in various districts over England superintending, for instance, the production of armour for ships or other materials, or the ships themselves in contract yards.

4099. But if you have less ships, and less material being required because you have a smaller number of ships, do you want a larger inspection staff?—We had a slight reduction in this year.

4100. It is a very slight reduction in comparison with your big figure. Are these staff permanent or temporary staff?—These are permanent staff, but they are largely drawn from the dockyards, and they can go back to the dockyards when they are no longer required for inspection work.

4101. Is a large proportion of them interchangeable under that Head?—Yes.

4102. In fact if they go back to the dockyard is this particular item in the Estimates credited with that figure?—Yes, this would be reduced.

4103. This would be reduced accordingly?—Yes. You will find in the year

1930, I think, that there was a reduction under this Head owing to the fact that the programme had been reduced.

4104. So the Estimates for 1930 will show a figure smaller than this?—(Mr. *Waterfield*.) £167,000.

Sir *Assheton Pownall*.

4105. Could you say with regard to the war stocks, to what extent you still have available balances of suitable stocks? You mentioned them just now?—(Sir *Oswyn Murray*.) Yes. We still have a large amount of such things as anchors, chain cable gear, mooring materials, wireless gear, range finders, mountings, and things of that sort, resulting from the war.

4106. Could you give me any idea of the extent to which the present Estimates are relieved by drawing upon these 15-year-old stocks?—It is shown each year in the Estimates. You can see the realised figure here, £219,000. It was not as much as was expected. We expected considerably more relief than that.

4107. Have you any idea at all as to the amount that is still available to save the taxpayer for the future?—It is very difficult to tell, because we can only draw on these stocks when we actually have a requirement which can be met from that source.

4108. There is still an appreciable quantity?—Still appreciable. I think the estimate was about £364,000 in relief of the year 1930.

ON VOTE 9.

NAVAL ARMAMENTS.

Chairman.

4109. We will pass to page 34, Vote 9. Subheads F, G, I and K bear on the supercut. At the bottom of the page there is a note "Subhead F includes an ex gratia payment of £5,988 as compensation for loss incurred on contracts for gun forgings." This ex gratia payment was pretty big, and I think the Committee ought to know what it means. Were you satisfied, Sir Malcolm?—(Sir *Malcolm Ramsay*.) The whole case was stated to the Treasury, who agreed to that payment.

4110. Did the Treasury fight over it, or were they satisfied comfortably?—There were technical difficulties of manu-

facture, which arose in connection with the design of 8-inch guns. That was the point. (Mr. *Waterfield*.) I am sorry I have not got the full particulars, Sir. As Sir Malcolm says, it was a technical difficulty relating to the 8-inch gun forgings. It was gone into fully by the Treasury.

4111. To save the Committee's time, were the Treasury and Sir Malcolm satisfied that the taxpayer was properly safeguarded?—(Sir *Malcolm Ramsay*.) Yes. (Mr. *Waterfield*.) Yes.

4112. Then there is nothing more to be said. On page 36, at the bottom, the certificate over Admiral Sir Roger Backhouse's signature has been dealt with

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in paragraph 10 of Sir Malcolm's Report. I have nothing more to say on Vote 9.

Mr. Butler.

4113. I want to know whether the contribution from India was stabilised at a definite yearly contribution?—(Sir *Oswyn Murray*.) Yes; it is £100,000 a year.

Sir *Assheton Pownall*.

4114. £11,000?—No; that is a portion of a total sum of £100,000 shown on page 6. It is divided over the Votes.

Mr. Butler.

4115. Is there any likelihood of that being altered?—Not so far as we know. *Chairman*.] We will pass Vote 9, and go to Vote 10.

ON VOTE 10.

WORKS, BUILDINGS AND REPAIRS.

Chairman.

4116. There is a word here which I do not understand: "The value of returns and arisings"; it is a technical term. What does it mean?—(Sir *Oswyn Murray*.) When you sell something not for its original purpose, because it is no longer useful for that purpose, but for old metal, you describe it as "arisings." (Sir *Malcolm Ramsay*.) It has been used for years in these accounts.

Chairman.

4117. On Vote 10, will you look at the total: £149,780 surplus. That is an overhead cut, because the whole Vote was too large. Is that not so?—(Sir *Malcolm Ramsay*.) There was an overhead cut. (Sir *Oswyn Murray*.) It is shown in the next line: "£300,000." It is shown on the deficit side.

4118. Will you tell us what it means? I could not understand it?—(Sir *Malcolm Ramsay*.) In consequence of your invitation, we had a meeting on Monday at the Treasury to try and simplify the accounts, and I believe Mr. Waterfield will be able to make a statement, if not to-day in a few days, which I hope will be entirely satisfactory to you. In the meantime I do not know whether you want to rake up the past, and discuss this complicated question again?

4119. Except that I am not going to be responsible for saying that I understand that £300,000. I am entirely at sea.—(Mr. *Waterfield*.) May I reserve that matter until the question has been submitted to Ministers? I hope the result will be entirely satisfactory and clear to the Committee.

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Mr. Butler.

4120. With regard to Note L, "Due to holiday concessions to industrial workers," I want to ask for an explanation of that?—(Sir *Oswyn Murray*.) It was decided by the Government to grant a week's holiday with pay annually to industrial workers in all Government establishments, and this deficit represents the cost of applying that to the Departmental Labour Staff of the Works Department. As we got no work out of the men in return for that week's holiday, we could not, of course, charge it against any work, and therefore had to show it under this "Miscellaneous" subhead.

4121. In other years it will be possible to forecast that closely?—In every year we shall have to show it here under the Miscellaneous Head, because we cannot charge it against any particular work, or against repairs and maintenance.

4122. Is the total deficit shown in the right-hand column due to the holiday grant?—Yes. We shall provide for it in the Estimates. I thought you meant, would we be able to charge it against other subheads in future years.

4123. No. It will not appear as a deficit?—No.

Chairman.] Let us go to page 40. I have nothing to say on pages 40 or 41. On page 42, the credit of £33,105 0s. 2d. represents to a large extent, Sir Malcolm tells me, the reduction of stocks in hand. There is nothing further to be said on Vote 10; let us pass Vote 10 and go to Vote 11.

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[Continued.]

ON VOTE 11.

MISCELLANEOUS EFFECTIVE SERVICES.

Chairman.

4124. On page 43, I have to draw the attention of the Committee to sub-head G, "Compensation." This was a settlement of a very old war claim. Did it satisfy you, Mr. Waterfield? "Damage sustained by the vessel while oiling His Majesty's Ships during the War"—(Sir *Oswyn Murray.*) Do you wish to know the circumstances?

4125. No?—(Sir *Malcolm Ramsay.*) It was sanctioned by the Treasury.

Sir Assheton Pownall.

4126. Does this clear up our war liabilities?—(Sir *Oswyn Murray.*) I should hope they are now all settled up. It seems strange that this claim should take so long. It was because the Anglo-American Oil Company had a quarrel with the Ministry of Shipping and their successors, the Board of Trade, as the result of which they suspended all communications with each other for some years.

4127. Had we continued it indefinitely we should have avoided paying this compensation?—Later on, the Board of Trade, looking into the accounts carefully, decided that their claims against the Company were bigger than those of the Company against them, and thought it worth while to re-open negotiations, which they did, and this claim was a result of the negotiations being re-opened.

4128. That re-opening has cost the country £3,000?—No, because the Board of Trade recovered a good deal more from the company, which you will find under their accounts somewhere.

Captain Crookshank.

4129. On Vote 11 under sub-head T, "Grants in Aid of Religious, Charitable and other Institutions", the Estimate shows that that is money for playing fields. Is that a capital sum, or is it a thing that is going to be repeated? It was a grant recoverable. They got the money back under Appropriations-in-Aid from some other Fund?—It was reported in that year that the Naval Savings

Bank had accumulated a very large profit. We considered with the Treasury what should be done with this profit. It was decided that some part of it should go to the State, and that another part should be used for the benefit of the men of the Navy.

4130. I quite see that, but my only point is why should it come into the Estimates at all? If the Savings Bank made a profit and they have donated it to the Navy for playing fields, why does it have to appear? It is an In and Out item?—It was public money. The Naval Savings Banks were created under an Act of Parliament, and we had to regard this profit as public money and therefore bring it into the Estimates. We brought it in on both sides of the account. We brought it in as a receipt under Appropriations-in-Aid and dealt with the disposal of it under sub-head T.

4131. Because it was under some old Act?—Because it was public money which accrued under an Act of Parliament, and we could not dispose of it without getting Parliamentary approval, in this way.

Chairman.

4132. If there is nothing further on that, we will pass to page 46. I have to draw your attention to Item 3: "Receipts from Commercial Use of Wireless Telegraph Stations, £40,700." There is a surplus of £33,700. That seems a bit of wide estimating. How did that come about?—This is another phase of the settlement with the Marconi Company. The Government had used their patents, and they had had the use of our stations. The whole thing was settled up at one time, and just as we had to pay under Vote 8 a large sum, which we had not provided for, so we get here a large sum which we had not provided for.

4133. Are you satisfied, Sir *Malcolm*?—(Sir *Malcolm Ramsay.*) Yes, the Company withheld the money for some time, but when the general settlement was effected it was paid.

4134. You can assure us that you are satisfied?—Yes.

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[Continued.]

ON VOTE 12.

ADMIRALTY OFFICE.

Chairman.] I have nothing to say on pages 47 or 48, or 49, 50, 51 or 52. I am going to take pages 47 to 52.

Major Salmon.

4135. On page 47, sub-head A, "Salaries, wages and allowances, £1,134,000." I should like to know what steps, if any, are being taken now that you have a reduced Naval Programme to try to merge some of these departments although it might formerly have been very good to have them widely separated and sub-divided? I am talking of technical departments, more especially at headquarters. What steps are being taken to try to merge them so as to economise?—(Sir *Oswyn Murray.*) I am not sure to which of the particular departments the Hon. Member is referring, but generally speaking, I can say that we have had a Committee under the Parliamentary Secretary of the Admiralty, first under Colonel Headlam and afterwards under Mr. Ammon, which has gone round the whole of the Admiralty seeing what changes in organisation can be made, and what economies can result, and for the last six years we have had an average reduction of over £13,000 a year as a result of the changes we have been making.

4136. You mean £13,000 each year?—Yes; £13,000 each year. The question of the size of the Admiralty and the possibility of reducing it is constantly before the Board and before me, and every opportunity is taken of reducing staff where we can do it, but on several occasions First Lords have explained in the House of Commons the reasons why the work of the Admiralty is very much more complicated and very much more extensive than it was before the war. People are rather too apt to think that they can fix a proportion between the size of the Admiralty and the number of men, or the number of ships, but that is not so. If I might take one simple illustration that may appeal to members, the number of Parliamentary Questions asked of the Admiralty is larger now than it was before the war, although we have a smaller Navy.

Chairman.

4137. Do those questions relate to the Navy as a Fighting Service or as to the

rights or grievances of the personnel?—Every sort of question.

4138. I know that, but in what particular direction do these increased questions tend?—I do not think I should like to commit myself on that point. I do not think I am qualified to say to what they tend. A great many of them seem to me to be totally unnecessary, but that is only my own point of view. I can say this, that not only have we more questions put to us now than before the war, but many more are of a statistical nature, requiring a great deal of work to give the answer.

Major Salmon.

4139. The point I would like to try to direct Sir Oswyn's attention to is, that if you take the Director of Naval Construction and the Department of the Engineer-in-Chief (I just mention them casually), in those Departments or similar departments there are a large number of sub-departments, that is to say sub-heads, and it did occur to one looking at it from outside that it might be possible to tighten them up instead of having them spread out?—I think all that can be done in that connection has been done.

4140. I would like to know this, Sir Oswyn; what number of temporary staff have you on your establishment?—I think I shall have to send you that information. I have not got it available.

4141. Putting it from another angle, is it fair to say that one of the difficulties of reducing your establishment under Vote 12, sub-head A, is due to the fact that the staff is of a permanent character?—No, that is not true to any great extent. There might be isolated cases in which it is true, but, generally speaking, the reason for our staff is that it is necessary to do the work, and the work has not actually reduced in the way in which some honourable Members and other critics seem to think it ought to have reduced. It is true that we have fewer ships, but the ships are very much more complicated, and the designers are hampered by International rules by which they used not to be hampered. We have undertaken, for instance, that we will not have a cruiser larger than a certain tonnage. That

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[Continued.]

means that whereas in the days before the war the designers thought they did well if they brought out a ship somewhere say within 500 tons of the figure that was originally fixed, now they have got to watch every ton. They have got to consider the material out of which every piece of the ship is built in order to try to find some lighter material. An enormous number of questions of that sort arise now. Ships must have protection against aircraft attack which they used not to have, and they must have protection against torpedo attack of a sort which they did not have before the war. Then the amount of work that comes upon the designer is not to be judged entirely by the size of the new construction programme or by the number of ships that are actually in the fleet. When these International Conferences meet and there is a question of limiting the size of ships to a certain tonnage, that probably means that the designers have got to make a large number of sketch designs of ships to see what would be the result of limiting the tonnage of a certain class to a certain figure; the Board must know what they could get into a ship of that size. I might mention as an illustration that our late Director of Naval Construction who retired last year told me that in the last five years of his service in the Admiralty there had been more ships designed in his Department than in any five years he recollected at any time within 40 years, and that was at a time when nominally the Navy was reducing in size.

4142. I can appreciate those difficulties, and I am sure the Committee appreciate them. But I want to put this side of the question to you, that in the old days when they designed the ship at headquarters, did it necessitate a duplication of designers at the dockyards for the purpose of doing working drawings, and do you to-day work on the old system that you did years ago? What I have in my mind is that if you have to be so meticulous in arranging your ship from all angles before you, and make up your mind that it is a desirable ship, do you still keep at the dockyard itself another body of designers or draughtsmen who are doing duplication work?—We certainly have a drawing staff at the dockyards, just as contractors have at their works, to do the detailed drawings.

4143. You do not work the detailed drawings from headquarters?—We do not work the detailed drawings from headquarters.

4144. I misunderstood you. I thought that in considering a ship from its different angles under the new conditions, it would be necessary to work the detailed drawings at headquarters?—No, it is not. By detailed drawings, for instance, I mean the arrangement of the Ward Room or the Ship's Galley or anything of that sort. It is not necessary to do that at headquarters, and that is still dealt with by the Dockyards' drawing staff in the case of an Admiralty ship, and by the contractor's drawing staff in the case of a contract ship.

4145. I did not know whether, although the old-fashioned idea may have been very good years ago, to have a very big staff at the dockyard itself, you have considered the possibility of reducing that staff there, even though you may have to keep a little larger staff at headquarters, so that you would save money if you were to merge the staff at one centre. I only throw that out as a suggestion?—I do not think that would be possible, but I should be glad to pass it on to the right quarter.

Chairman.

4146. Is there any definite step to compress your staff in the Admiralty into the existing buildings, so as to do away with the outlying accommodation as far as you possibly can, as long as health is safeguarded?—Yes.

4147. Do you press that principle well home of suppressing outlying staff and centralising your staff with a reduced expenditure?—That is most important, and we have very largely reduced our outlying staff in London. We are in fewer buildings now in London than we have been for many years past, I am glad to say.

4148. Can you make a definite statement that that principle is now being actively followed, and will be followed still further?—It will be followed still further.

4149. Will you take a note that this Committee would like it followed?—Yes.

Major Salmon.

4150. The other point I wanted to press was this: You were saying just now that you did not think there was a great difficulty, if you could really reduce staff,

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[Continued.]

even though they were permanent staff. Is that so?—Yes.

4151. But you have not had any experience under that head to know what difficulty might arise under it. Is that so?—Yes, that is so.

4152. Therefore it is a mere pious opinion, I suggest, from you at the present moment?—It may be so.

4153. It is in fact. You have not encountered the difficulty of reducing the permanent staff, because you have not yet reached that point?—We have not reached a point at which it is necessary to do it at a more rapid rate than we get vacancies.

4154. Do you have a fair percentage of wastage at headquarters?—A fair amount.

4155. Then you economise by not filling up vacancies?—Yes; if the work admits of it.

Mr. *Leif Jones*.

4156. Your staff is not increasing?—The staff has been diminishing for many years past.

4157. How many years?—Ever since the war it has been reducing. I have a statement here showing the reduction

year by year since 1920. In 1920 we had over 6,600, and in 1931 we have 2,700 roughly.

Mr. *Leif Jones*.] How does that compare with before the war?

Major *Salmon*.

4158. 1914?—Before the war we had somewhere about 2,000, so far as I remember.

Mr. *Leif Jones*.

4159. I think you suggested to-day the explanation of the increased figures. The two things you suggested are increased questions from Members of Parliament and increased work in connection with Naval Conferences and International Agreements, and so forth?—No, I merely instanced those as examples, the first of them being a picturesque example that I thought would appeal to Members of Parliament; but I will, if the Honourable Member wishes, give a list of the reasons as they were given by the First Lord to the House of Commons on the 31st July last.

4160. That reference will do?—You will find he gave a very full answer to a question on the 31st July, 1930.

ON VOTE 13.

NON-EFFECTIVE SERVICE (NAVAL AND MARINE)—OFFICERS.

Chairman.] I have nothing to ask on Vote 13.

Major *Salmon*.

4161. There are two questions I want to ask on Vote 13. Have you taken over, or have you always been responsible for dealing with pensions from the late war?—(Sir *Oswyn Murray*.) No; we are not

responsible for pensions from the late war, but we are responsible for pensions since the war, and from previous wars.

4162. I have in mind under subhead E, "Commutation of Retired Pay and Wounds Pensions"?—These wounds pensions are pensions for wounds in previous wars, not in the Great War.

Chairman.] We will pass Vote 13.

ON VOTE 14.

NON-EFFECTIVE SERVICES (NAVAL AND MARINE)—MEN.

Chairman.] I have nothing to say on Vote 14.

(On this Vote no questions were asked.)

ON VOTE 15.

CIVIL SUPERANNUATION COMPENSATION ALLOWANCES AND GRATUITIES.

Chairman.

4163. I have nothing to say on Vote 15. On page 56: "Overpayment of pension due to Impersonation of a deceased Naval

Pensioner by his brother." Are you satisfied with the machinery for the identification of pensioners?—(Mr. *Waterfield*.) It has been gone into very fully.

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[Continued.]

4164. It is very unfortunate, but, generally speaking, are you satisfied?—Yes.

4165. Gyroscopes and Torpedoes lost. What does a modern torpedo cost?—(Sir *Oswyn Murray*.) From £3,000 to £5,000.

4166. You must be careful you do not lose these things?—You must practice with them, and there is always a danger of loss.

Mr. Leif Jones.

4167. This represents the loss of a good many?—Yes.

4168. Is the number increasing?—No, I do not think so.

4169. Can you say whether there is any increase or diminution in the wastage?—A reduction. This is the smallest figure for many years.

Chairman.

4170. What do you mean by "losing"? What is the physical meaning of the word "losing"?—They run the torpedo, and it goes down to the bottom and they cannot find it.

4171. Is there proper mechanism to prevent that?—In some cases it is due to carelessness and in others to errors of judgment. That means that the man who is running it and is learning to be skilful is not yet proficient.

Mr. Leif Jones.

4172. They ought not to be lost in this way?—No.

4173. You have an Inquiry when one is lost?—Yes.

4174. And you told me the people were growing more skilful?—Yes.

4175. And the Officers know that it is a serious matter to lose one?—Yes.

4176. There is £500 worth of oil lost in Trinidad quite unaccounted for. How did £500 worth of oil disappear?—That was a most curious case. An Admiralty oiler was taking in oil from a Company's pier in Trinidad. There was an Admiralty Inspector on shore watching the delivery of oil at that point. The oil was being supplied through a couple of pipes. The amount of oil certified by the Inspector on shore and by the company to have been supplied was just over 2,000 tons. The master contended that he only received 1,900 tons, and the subsequent out-turn confirmed this figure. The question was, what had become of the other 200 tons? The vessel had on board in her ballast tanks a lot of oily water that had been taken in at Bermuda, and

this was being discharged at the time the oil was being received. The people on shore suggested that owing to some mistake with the valves the oil was going out with the oily water. The people on board said that was impossible. It is true the officers and crew were both new to the ship, but they said the valves were in perfect order and were being carefully watched. The evidence on both sides was very conflicting. On the one hand the rate at which the tanks filled with oil seemed to be unusually slow, but on the other hand it seemed to be proved mathematically that all the oil and the water could not have gone out during the time the ballast tanks were open.

Chairman.

4177. The net result is that we are not £500 better off?—We had to pay.

Mr. Leif Jones.

4178. Nobody was held responsible?—Nobody was held responsible. The Officers on board, I think, were cautioned to be more careful in future, but no one was held pecuniarily responsible.

4179. I do not know if an equally interesting story attaches to the loss of coal at Durban?—Yes. It was a very similar case.

Mr. West.

4180. On Sub-head I of Vote 15 what does this mean: "Contribution to the Police Pension Fund"?—We used to employ the Metropolitan Police to look after our hospitals, victualling yards and Naval ordnance establishments, as well as the Dockyards, and this is our contribution towards their pensions. Of late years we have started recruiting a Police Force of our own.

4181. It seems surprising to pay £90,000 a year, when you might employ your own men and save the greater part of it?—We still have a large number of police; we had a larger number, and we still have to make an annual contribution for those who are on the pension list.

Chairman.

4182. On page 58 there is "Value of Stores lost with H.M. Submarine 'H.47.'" These two cases are noted because they were cases of negligence. You are satisfied about page 58, £8,571 value of stores lost with Submarine "H.47." There is nothing more to say?—(Sir *Malcolm Ramsay*.) That was one

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which went down. The stores have to be accounted for.

Chairman.] It was a disaster.

Captain Crookshank.

4183. The same with the "Dauntless." There was much more than £12,000 there?—Yes.

Chairman.] With regard to the further pages, Sir Malcolm assures me they are in perfect order, and I do not think I need trouble the Committee with them.

Mr. West.

4184. With regard to No. 40, on page 66, "Malta. Installation of new plant in Electric Generating Station—Works £9,161." I understand from you that you generally generate your own electricity, both at home and abroad?—(Sir Oswyn Murray.) For the large dockyards.

4185. Is it economical, in your view, to generate your own electricity?—Decidedly.

4186. Take Devonport or Plymouth: Would not it be cheaper to purchase from the local Municipal station a bulk supply than to generate yourself?—No, decidedly not. We produce electricity very, very cheaply.

4187. It is frankly incredible to me that this could be possible. In a smaller dockyard have you any idea of the cost of your production. What is the cost per unit of generating in a dockyard station?—I could send you some details of that; I have not got them here.

4188. I am sure you are aware that in no case of an ordinary station whether it is a Municipal or Company undertaking, is it possible for an extension of plant to take place, unless the Commissioners themselves approve of it, because the idea is to get fewer and fewer generating stations; yet here we have, in the Navy, probably dozens of cases each year where small additions are made to the plant, which would never be passed if they were not Naval Dockyards. No private business, no private enterprise company, no Municipal Authority could get such authority to extend as you have here, and it is incredible to believe that a small dockyard generating station can compete with a Municipal one, which may produce one hundred times more units in the course of the year?—We are dealing here with Malta, not a Home yard.

4189. I am raising the whole question?—In years previous to this we did instal new plant in our generating stations, in

turn, in each of the large dockyards, Chatham, Portsmouth and Devonport. I do not know how the output compares with the Municipal output, but it is very large.

Mr. West.] I think it is a rather important point. It covers a multitude of cases. If the Honourable Member for Harrow had been here I should have been rather inclined to ask him what price he paid for electricity in Hammersmith. I think he pays probably less than .8d. per unit. If these small plants can compete with that, it is a miracle. It is hard to believe that all the cost of wages and overhead charges are charged to these accounts, and yet you can produce more cheaply than can, either a company, as it may be in some cases, or the local authority. It is hardly possible to believe, and if what I am suggesting is true, all this expense is uneconomical.

Captain Crookshank.] Is not it the fact that the Navy, being a Service, has to do certain things of its own, whatever the cost may be?

Mr. West.] It may be true of foreign stations, but there cannot be any question of policy in Devonport.

Chairman.] I think the point you have raised is an important point. It is no good one side asserting that such a thing is the case, and the other side asserting that such is not the case. Had not you better raise the point as you have done, and then put Sir Oswyn Murray on inquiry as to what the cost of production is?

Mr. West.

4190. Yes?—Or would you like the Estimates Committee to go into it? It is perhaps more their business.

Mr. West.] I would like the Public Accounts Committee to deal with it.

Chairman.

4191. Let us have a Memorandum on it?—Yes.

4192. It is a very proper question to raise, but it is only a question of assertion and contradiction. You were quite right to raise it, Mr. West, and I support you. (To the witness.) Let us have a note on it? *—Yes.

Mr. West.] I want detailed figures of the cost of production, so that we can compare it with the commercial accounts.

Chairman.] Quite right. It is a very proper thing to raise.

* See Appendix 17.

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[Continued.]

Mr. Leif Jones.

4193. One element is, the cost of labour. The Navy has a number of men on the establishment and they may do work in this connection?—There are many cases in which we do draw electric current from municipalities. You will find them, all through the Votes. You

will find under Vote 3, sub-head F, "Gas and Electric Current." There are other cases, such as Greenwich.

Chairman.] This is all talking at large about it. Let us have the details; we will look into it. I am glad Mr. West has assisted the Committee by drawing attention to it. Let us have the details about it.

TRADING ACCOUNTS, 1929 (Admiralty).

Chairman.

4194. We will now pass to the Blue Book No. 32. I want to ask you if you have a statement to make about paragraph 3, the Admiralty Wireless Stations. I do not think there is anything on "casks and cooperage"?—(Sir Malcolm Ramsay.) The account of the Wireless stations as published was meaningless to anybody who knew the way the figures were produced, and, as the stations exist primarily for Naval purposes, to attempt to make up an account on a commercial basis is almost doomed to failure from the start, in my opinion. Therefore the separate account has been discontinued.

Chairman.] Let us pass on, as Sir Malcolm has nothing to put us on caution on, there. Let us pass to page 2.

Mr. Leif Jones.

4195. One question on the charts on page iv. The nett cost of producing charts is £48,000, I understand; the number sold realised nearly £60,000. So that apparently you make a profit on the sale of the charts?—(Sir Oswyn Murray.) This only includes the factory work on the charts. There is a great deal of work done on the charts by the cartographers.

4196. I knew that, but I did not know whether that was more than £12,000?—Yes, and if you go back to the work of the surveying ships, and so on, it is much more than that.

Chairman.] I have nothing to draw attention to on page 2, except to tell you that, on 31st March, 1929, the factory had on hand a large amount of work which was completed in the year covered by this account. Therefore the result is that between the 31st March, 1929, and the 31st March, 1930, there is a very large drop in works in progress and a big rise in completed manufactures. The total output in 1929 is less than in 1928. The other point is the interest, which is on account of the Bank Rate. I can find

nothing further to draw your attention to. On page 4 the Interest at Bank Rate has gone up £8,000. You could not help that. There is a drop in production. On page 7, these are simply statements shewing certain costs of manufacture. On page 8, there is a comparison with the previous year. The factory is now under Admiralty management, but was under the Stationery Office in 1928, and these notes explain the difference. There is nothing abnormal for Sir Malcolm to tell us about nor for me to raise any points about. I see nothing on page 4 or 5; "Cordite," paragraph 3, page iii, is "Casks and Cooperage." If Sir Malcolm is not going to say anything about that, and I do not think he is, we will go to page 6, "Victualling Yards."

Mr. Leif Jones.

4197. What is the object of keeping these yards going. Malta, Bread and Flour and Chocolate at Deptford. Why do you bother with these things?—So far as Malta is concerned that is a strategic question. It is considered important to have a reserve of wheat at Malta for the emergency of war, and as we must keep wheat there, we have to turn it over by converting it into flour.

Chairman.

4198. At Malta?—Yes.

Mr. Leif Jones.

4199. It is a trifling quantity?—It is considered necessary to have a reserve of wheat and flour.

4200. How many days supply?—It is sufficient for the turnover.

4201. I suggest to you it is so trifling that it cannot really affect the strategic position at all.—It enables us to keep a reserve of wheat there, which is considered important.

4202. The change in the speed of the Navy has altered the whole of the strategic and victualling problems. I

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[Continued.]

am not going to enter into them. I am not competent to do so, but I suggest the quantities held here show that this is a sort of surviving curiosity.—You do not see here the quantity of the reserves which we do not publish. All you see here is the quantity we turn over. The changes you have referred to have not altered the fact that Malta is an Island.

4203. That matters so little to a Navy. Take the chocolate at Deptford.—There is no strategic question there. The only reason is, we make chocolate very economically. We make it according to a recipe which produces a very palatable and very popular drink in the Navy, and we manufacture it at a cheaper price than we could buy a similar article

from the trade. Therefore we keep the chocolate mill there.

Mr. *Leif Jones.*] It is not the usual experience of Government production that they can do it so much cheaper?

Mr. *West.*] I think it is.

Chairman.] They can buy it at Accra, where the price has fallen very greatly, but the wholesale price in England is very much greater.

Mr. *West.*] I think I agree with Sir Oswyn that it is extraordinarily economical. It is another example of how, when the State enters into production, they do it very cheaply indeed.

Mr. *Leif Jones.*] Either more or less of this. If you can do it so well in this instance, why not in many others? We will leave it there.

DOCKYARD EXPENSE ACCOUNTS, 1929.

Chairman.

4204. You have done the Admiralty Chart Establishment Account. (*Chairman.*) Now we will go to the Dockyard Expense Accounts, and I will read a little note which Sir Malcolm has given me. "The object of these accounts which were instituted in 1887, is to bring together and exhibit in one volume the total costs incurred in respect of all shipbuilding and dockyard transactions, including manufactures, conducted by the Admiralty. As will be seen from the balancing statements on pages 2 and 3 the opening stock and the total cash and stores expended are brought in on the debit side. On the credit side is shown the closing stock and the distribution of expenditure over new construction, repairs, maintenance and other items, of which, the most important are what are called, Fleet, Port, National and Unappropriated Charges, i.e., charges incurred, not in respect of given ships, but in respect of general National or Fleet Objects (Maintenance of Strategic Bases, etc.). On pages 11 to 17, we have tables to show how the expenditure on the Admiralty programme compares with the original estimate. Then come tables, which occupy the bulk of the volume, showing the costs dissected under individual ships and services. These accounts are not very informative to the lay reader and, indeed, they are used mainly for purposes of domestic control. But the system which was instituted in 1887, and remained in essentials the same until recently, was out of date and did not in some particulars

afford the information required for modern business management. The system of cost recording has been recently overhauled by the "Hilton Committee" and as a result very considerable changes are being introduced, which have not yet been completed. In the year under review the new system has been in partial operation at Portsmouth only, and the figures in this account are a mixture of figures arrived at, partly by the new system, and, to a larger extent, by the old. As the Comptroller and Auditor General says in paragraph 7 of his Report, he has no criticisms to make at this stage of the changes thus inaugurated, and there can be no doubt that the new system does represent a substantial advance in the direction of improved control over the financial working of the dockyards." I will ask you if you want to say anything on the accounts. I want to ask Sir Malcolm whether there is anything to which I should draw attention. Is there?—(*Sir Malcolm Ramsay.*) No. The accounts are in a state of transition, and the system which is being gradually evolved promises to be much better and more up to date than the old one. We cannot tell, but the Treasury will continue to watch it, and I hope, and confidently expect, that it will prove to be a much more valuable instrument of Departmental control than before.

Mr. *Leif Jones.*

4205. I would like to have your opinion on that; it is a very elaborate account. We have been talking to-day of the staff

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[Continued.]

involved in the preparation of accounts. Do you think you get your money's worth out of this account?—(Sir *Oswyn Murray*.) This account has been cut down, not this year but in past years, very much from what it was, and it is practically restricted now to information that we want ourselves for administrative purposes.

4206. It is in process of transition now?—Yes, it will have to be altered to meet the new system of accounts in force in the Dockyards when that is

developed, but not very materially. It is printed in this form for Parliament, but we should have to have the information in some form for our own administrative purposes.

Chairman.

4207. Have you anything more to say, Sir Malcolm?—(Sir *Malcolm Ramsay*). No.

Chairman.] Shall we pass these accounts? (*Agreed.*)

(*The Witnesses withdrew.*)

(*Adjourned to Thursday next at 2.30 p.m.*)

THURSDAY, 14TH MAY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Captain Crookshank.
Mr. Denman.

Mr. Leif Jones.
Sir Assheton Pownall.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

Sir RICHARD V. NIND HOPKINS, K.C.B., called in and examined.

Chairman.

4208. Sir Richard, I want to address three general remarks to you, if my colleagues will permit me. Then perhaps Honourable Members may like to ask a question or two arising out of the questions I shall address to Sir Richard. With regard to the Office of Works a Memorandum has been prepared for me, and these are the points I want to raise. I suggested some time ago that the Treasury and the Office of Works might collaborate for the purpose of in-

cluding or making up a Table in the Works accounts which would collate and analyse the expenditure on all works services under its main headings. I think Sir Richard will remember that I raised that point, and I would like to have his views upon it, and perhaps my colleagues would put a question or two. What do you say about the Treasury and the Office of Works getting together and preparing a Table analysing all the Works expenditure under its main headings. Has it been in your mind?—(Sir *Richard Nind Hopkins*.) It has been

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mentioned to me as a question you might wish to discuss, and I have been giving some consideration, I confess not exclusively as regards the Office of Works but possibly as a more general question, to the amount of information which is given at the time of the publication of the Estimates. I thought the question might arise, not merely in connection with the Office of Works, but also as a question affecting the amount and the nature of the information which is published with the Estimates generally. Of course you know that there is the Financial Secretary's Memorandum, which is designed to be informative, and we shall at all times be willing to consider suggestions that come, either from this Committee or elsewhere, for improving it?

4209. What about a Table?—I would not like to commit myself upon this particular proposal at the moment but if that is the particular matter that is in the Committee's mind I will consider it.

Chairman.] I cannot commit the Committee; that is what is in my mind. I should like to hear what the Committee says. Do you take my view that it would be helpful.

Mr. Leif Jones.

4210. I should have thought that it might be very helpful and desirable?—Yes; we will readily look into it.

Mr. Denman.] I do not understand quite what is meant. I do not know if the other members understand it.

Chairman.

4211. It is rather technical; perhaps you will explain it?—(*Mr. Watson.*) The proposal, as regards the Office of Works Vote, was that we should set out a summary of the various sub-heads of the Votes to show the cost of furniture separately, the cost of maintenance of buildings and such like main heads which would be spread over the various Departments of the Service; to summarise the whole of them, and to show a total for the whole of the Service, and the cost of those items of expenditure. (*Sir Richard Nind Hopkins.*) That is to say, "unit"-ing it in some way which would be convenient to the Honourable Members.

Mr. Denman.

4212. At present these figures are distributed among so many different votes

that one gets no clear idea of the whole. (*Mr. Watson.*) That is so. There are ten or twelve Works Votes, where these Items of expenditure are, so to speak, hidden, when you come to look for the total.

4213. On the other hand, they are all very carefully examined by the Treasury and I presume by the Estimates Committee?—They are fully examined at the time the Estimates are considered, and they are fully examined as regards expenditure by the Comptroller and Auditor General.

4214. I should like to hear the Comptroller and Auditor-General's view about it. It seems to me a matter one can deal with in advance rather than subsequently. The Estimates Committee is in a better position to deal with the matter than the Public Accounts Committee, I think?—(*Sir Malcolm Ramsay.*) Yes, that is my view. It is really an Estimates matter; it is for the members to say what sort of information they would like, and what is going to help them to understand the Votes in Supply, and presumably to criticise the proposals made. The accounts naturally follow the form of the Estimates presented to the House. I am sure, taking that particular case of the Works, that if Members wish to know that the aggregate expenditure on furniture divided amongst 6 Votes, added up amounted to so much, it would be possible to put the total together on furniture, divided among the different offices to which it is supplied. (*Sir Richard Nind Hopkins.*) Yes.

4215. Would you feel a more adequate critic of Public Accounts if it were in that form?—(*Sir Malcolm Ramsay.*) Not in the least.

Chairman.

4216. *Mr. Watson* gave a very good rejoinder about the furniture. That is the point I want to get into *Sir Richard's* mind. That is what I really had in mind?—(*Mr. Watson.*) The point that was made before was that this Committee would like to have information as to the total expenditure on the Office of Works, both in regard to new furniture, and in regard to the maintenance of furniture, particularly in the Government Offices.

4217. That is an example of what I had in mind?—It was pointed out that, for example, the Public Buildings Vote,

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England, contained some of it, the Revenue Buildings Vote contained some of it, and the Labour and Health Buildings Vote contained some of it; and the feeling was rather that the Committee would like to know what was the total of that expenditure spread over the whole of the Government Service. You gave to the Office of Works a Table which you had had prepared, summarising the charges in the various Works Votes. That has been under consideration in the Office of Works, and it has recently been submitted to the Treasury, where it is still under consideration.

Mr. Denman.

4218. May I put the question to the Treasury: Is it thought that this procedure would assist the Treasury?—Sir Richard is answering for the Treasury. (Sir Richard Nind Hopkins.) The answer that I have given was designed to show that we are very anxious to fall in with the views of this Committee. I think the view of the Treasury would be that we have an adequate picture before us in the accounts, and the Estimates as they are actually presented. It has not, so far at any rate, occurred to us that we need a further classification.

Chairman.

4219. The question is whether it would give Members of Parliament a better opportunity of understanding the Accounts. Furniture is only a concrete instance of what we had in mind, and some weeks ago I had a Table prepared as an example. I think that type of Table would be of assistance, not only here, but before the House?—Yes.

Mr. Benson.] Is it the suggestion that we should have a Statement in a given year that so many thousands of pounds have been spent on furniture, and so many thousands of pounds spent on maintenance of furniture?

Chairman.] And where.

Mr. Benson.] And that so many thousands of pounds have been spent on maintenance of buildings and where? Frankly those figures would convey absolutely nothing to me. If the Office of Works has spent £50,000 on furniture, and we have no information as to how and where that furniture goes, it conveys absolutely nothing. I am not a bit interested in knowing the total amount that the Gov-

ernment spend on furniture, because it has to be related to the particular Votes and the particular places where the furniture is used, before it conveys anything. With regard to the maintenance of buildings, whether the Office of Works has spent £5,000 or £500,000 on the maintenance of buildings conveys nothing to me, unless I know the number of buildings that have been maintained and the particular purposes for which they are used. The mere aggregate figures mean nothing.

Chairman.] That is so. We want to get a little further than that. May I put the question as I put it on the 3rd March, at Question 1209, to Sir Lionel Earle: "Before we go back to the detailed consideration of Sir Lionel Earle's accounts, I want to ask you, Sir Lionel, a question which I may not be able to put as well as I should like to put it. I want to ask you and Mr. Phillips whether you are both satisfied that the accounts give a clear picture of the expenses of your Department? I do not want you to answer now"—they do not give a clear picture to you, Mr. Benson—"I want you to think it out. But I want you to consider the possibility of adding a table which will give the expenditure for each vote under certain Main Headings, such as,"—now you get the dissection which will help you, Mr. Benson—"New Works"—that is one heading—"Maintenance," that is another heading—"Fuel, Light and Heat, Rents, etc., Furniture and so on, so that any one on this Committee or elsewhere could see at a glance the expenditure under these headings. I will hand to you the Table, and I will leave it to you to consider what you think is proper." Now we have Sir Richard here, who is the Head of Affairs, we want to know what he is going to do about that suggestion.

Mr. Benson.] I do not feel that I want the Items in a particular heading. In the next ten years the Government will probably spend £2,000,000 on the maintenance of buildings (that is a mere guess); certainly £1,000,000 is likely to be spent on the outside fabric of the House of Commons. What does the total figure convey to us, unless we know definitely on what buildings it is spent and where it is spent. We can get those in the details. The mere addition of details may be interesting, but it certainly conveys nothing and adds nothing to the critical power of this Committee.

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Sir *Assheton Pownall.*] Take another very simple case. If 25 Departments each buy on the average £10,000 worth in the course of the year, I really do not see that it is worth while getting from the 25 Departments these figures amounting a Quarter of a Million. What we see is that each Department spends £10,000. The fact that they together spend a Quarter of a Million, unless you get the details, I personally agree with Mr. Benson, does not advance you very much.

Mr. *Leif Jones.*] I think that how much the Office of Works is spending, and how it is spending it, and where it is spending it, would help us very much. It would help us to compare the different Departments.

Sir *Assheton Pownall.*] You do not compare the Departments. You get the total.

Mr. *Leif Jones.*] We do not know the amount they are handling. We have to study the accounts very carefully to know the total that goes through their hands. I think it would be very helpful.

Sir *Assheton Pownall.*] They are merely acting as Agents. They are not principals when they are buying coal for the War Office?

Mr. *Bird.*

4220. Can you give me any idea at all of what it would cost to get out this summarised statement?—So far as the discussion has gone at present, I am rather in doubt, but it seems to me that the two Departments to which this discussion would most naturally apply would be, the Office of Works and the Stationery Office, and I am almost disposed to think that the amount of additional information which the Chairman and Mr. Leif Jones have in mind could be fairly compendiously stated. If that is so, and there are no difficulties that I do not at the moment see, then I think the wish of the Committee, if it is the wish of the Committee, could be met.

Chairman.] Without much expenditure?

Mr. *Bird.*

4221. That is what I gather is the answer: Without much expenditure. Would there be any information other than the members of this Committee could get by adding those two sets of

figures together for themselves?—No; as the discussion is proceeding, it seems we should assemble certain figures which appear at the present moment in separate categories.

4222. Which the Honourable Members could add up for themselves?—As far as I can see it could be quite simply done, and it would not involve any appreciable cost.

4223. Personally I do not want those figures, but I suggest that if they are given the amount spent on telephones might be given. I think that would be an eye-opener, if that were added up, to show how the Post Office made profits.

Mr. *Denman.*

4224. That is shown in the Post Office.—In the Trading Accounts, but the Trading accounts you do not always refer to.

Mr. *Leif Jones.*] We have not got it for the Office of Works, or for the Stationery Office.

Mr. *Bird.*] That can be added up by Honourable Members.

Mr. *Leif Jones.*] It is a good deal of adding.

Mr. *Bird.*

4225. That is my object in asking what the expense would be of adding them up; I gather from the witness that it would be a very small expense, because it only means adding up two accounts?—Yes, assembling an awful lot of figures out of some very complicated sets of accounts, but I think we can do that. So far as I can see at the moment, if the Chairman wishes it, it could be readily done.

4226. Have you any idea at all as to the time that would be taken by a staff to do it?—No; I do not think it would require many members of a staff. Quite frankly as the discussion has gone so far, I am visualising it as two short Tables, attached probably to the Financial Secretary's Memorandum on the Estimates.

Mr. *Leif Jones.*

4227. Yes.—If we are going into much refining or greater detail, questions of expense would arise.

Captain *Crookshank.*] I do not think there is much point in this thing. I agree with Mr. Benson.

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Mr. *Benson*.] I think what we require much more than totals is the assembled list of expenses under the various headings, so that we can compare on one sheet of paper, or in one account, the individual expenses of the various Departments: a statement that the Office of Works has spent on furniture so much for this Department, so much for that, and so much for the other. You would get a bird's eye view of these accounts. The mere total seems to me to be not very useful.

Mr. *Leif Jones*.] That is part of the idea.

Mr. *Benson*.] The Chairman has suggested totals.

Chairman.] No, analysing. I made use of the words "collating and analysing." I am not putting this forward as a fad, but as a suggestion by which we could keep our thumb on the expenditure much more easily, to see where the money is going and what it is going into.

Major *Salmon*.

4228. I would like to say, Sir Richard, that I hope you have not got in your mind that when these figures are presented they will show, if there are 12 or 15 Departments, the amount of new furniture and the cost of the maintenance of furniture in each Department?—That raises rather a different question, and it might be well for me to point out that something of that kind is already done in the Civil Estimates year by year in connection with the Stationery Office. It is on page 103 of the Civil Estimates of the Current Year, Class VII. It extends to several pages. Probably something of the same kind could be done in connection with the Office of Works, but that is rather a bigger undertaking than the one I was referring to in answering questions a moment ago.

4229. It says here "Offices and Departments supplied from Stationery Office Vote arranged according to Civil Estimates." It gives you the publications, Printing, Paper and Office Supplies, with a total, and shows the expenditure of 1927 and an estimate for 1929, in this particular volume which I have before me. If that was considered necessary under the heading of Stationery Office, surely it is equally necessary when you are considering detailed estimates and

trying to get a bird's eye view of the whole position, to have a detailed document of this kind before you?—Yes, possibly.

4230. One could then say to the Office of Works, if they were responsible for furniture: "How is it that the expenditure of one Department has gone up so much more than that of the other"? I am only taking that as an example?—Yes.

4231. That might be the means of keeping a sort of control?—Yes. This I expect is given in the Estimates because at some time or other it has been asked for. I will readily consider whether we can do something similar with regard to the Office of Works, without undue expenditure.

Chairman.

4232. Do you object, Sir Malcolm?—(Sir *Malcolm Ramsay*.) Not at all. It is for the Committee to decide what will help it. Honestly I do not see much good in it, because when you are considering supplies you have to take each office by itself. Take the case of newspapers. Because the Foreign Office spent £6,000 on newspapers that is no argument for what I ought to spend in mine. The Foreign Office has to have all sorts of newspapers, and the total of what the various offices take in the way of newspapers affords no criterion when considering individual offices.

Mr. *Leif Jones*.

4233. That raises a very interesting question at once: Why does the Foreign Office require more newspapers than any other Department? The answer is obvious in that case; but it becomes useful to the House of Commons to have information of that kind?—It would not enable the House of Commons to have any more control over an item appearing in the Foreign Office Vote.

Chairman.] I propose to leave the matter where it is, and let Sir Richard Nind Hopkins use his own discretion. He knows our views. He can talk with Sir Malcolm. If Sir Malcolm says, "Let the matter drop," he will let the matter drop. I will leave Sir Malcolm to decide. I have unburdened myself of what I thought. I have no vanity in the

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matter whatever. If there is no value in it, let it drop.

Mr. *Leif Jones*.

4234. I think I feel a stronger desire for it than when the conversation began?—All of us are only too anxious to give what will be helpful to the Committee, if you will give us a lead and say what will be helpful.

Chairman.] As I have said before, I had a table drawn up three or four months ago. If you think that will meet the case, with improvements, Mr. Leif Jones and I, will leave the matter in your hands. We take the same view on the matter, do we not?

Mr. *Leif Jones.*] Yes.

Chairman.

4235. We will leave the matter like that.

Some weeks ago I had all the Estimates and Memoranda I could get hold of from every Department, brought up. The purpose of looking through the Memoranda of various Departments is this. I want to draw your attention to the Memorandum which is issued annually to explain the Board of Education estimates. It is an admirable document. It struck me as being very good and it put an idea in my mind. I want particularly to call your attention to the summary of the Estimates on page 4 of Cmd. 3,815, the analysis of expenditure on elementary education, on page 7, and that for higher education on page 12, the figures of cost per pupil on pages 10 and 13, and the figures and percentages relating to expenditure on administration and inspection on page 18. I think this is a splendid memorandum. I do not know who got it out, but whoever got it out deserves infinite credit. I want to ask you if the Treasury could not arrange to use that Memorandum as a model, and to have similar Memoranda published by certain other Departments, such as the Ministries of Pensions, Labour, Health and Agriculture. You have got your precedent here; you have got this Memorandum. It is no good saying "I do not know whether we could do such a thing." You have got it in the Board of Education. You have a basis there of admission, as it were, that the thing can be done. It may be that similar figures

are buried in these very voluminous Reports which are issued annually by the various Departments I have mentioned, that is to say, the Ministries of Pensions, Labour, Health and Agriculture. That may be so, but I have not been able to find them. I think that for the examination of the Estimates by the House of Commons, Members would find Memoranda on the lines of that published by the Board of Education extremely useful?—(Sir *Richard Nind Hopkins.*) On this matter too we are, of course, in the hands of the Committee. We are anxious to do what we can.

4236. I know you will do that, anyhow. I want you to stand right up to me, and if you think I am wrong tell me so. I do not want anything foolish?—We have heard of this suggestion quite recently, and I would like to take counsel with the Departments you have named before expressing an opinion about it. Part of what I was about to say you have already anticipated. Yesterday I turned up the Report of the Ministry of Health and of the Ministry of Labour to see whether the kind of information which is given by the Board of Education upon the Estimates was there conveniently given with regard to the actual outturn of the year, which is perhaps slightly more important from your point of view, as distinct from that of the Estimates Committee. I confess that I myself had reached a rather different conclusion. I thought that certain of the Appendices, particularly of the Ministry of Labour Report, were exceedingly illuminating, and probably would have met many of the views of the Committee. Apparently you do not share that view?

4237. We do not come into the examination with our minds prepared like yours. You are ready to see the thing at a glance. You are prepared for it; we are not. It is difficult for us to take it up?—I started level, inasmuch as I had never read the Report of the Ministry of Labour before. It is a long document of much over 100 pages. The kind of question which seems to arise is whether certain portions of the matter which is included in that Report should be extracted for circulation at the time when the Estimates are published. There is one other aspect I would like to mention in this preliminary discussion, that is, that the Board of Education is quite exceptional among the Departments, I think,

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because the information that it is able to give in the Estimates, without explanation, does not carry very far, for the reason, that a great mass of their expenditure is simply a percentage grant, and is therefore only a portion of the bulk expenditure of the service upon which it is expended. Therefore, there is a special reason, in the case of the Board of Education, for putting forward an explanatory Memorandum; whereas in the case, for example, of the Ministry of Labour, the Government contribution to the Unemployment Fund or the cost of transitional benefit, is a self-contained thing, and more or less explanatory of itself. We are always anxious to fall in with the wishes of Committees in regard to this matter and we will readily take it into consideration, but I think there are distinctions between the Board of Education and the other cases.

4238. The four I particularly mentioned are the Ministries of Pensions, Labour, Health and Agriculture?—Yes.

Major Salmon.

4239. If I may say so, I do feel that it would be a good thing, after Sir Richard has given it consideration, and if he were going to suggest any method of presenting information to us, that, before it was really put in hand in its full detail, we should have an opportunity of seeing a rough idea of what was going to be the sort of report that we should get, to make certain, first of all, that it was going to be of real benefit to the Committee from the Committee's point of view, and, secondly, that it is in the form that we think would be helpful to us?—Yes, and, if I may add to that, it is very likely that the opinion of the Estimates Committee ought to be taken on this matter too.

Chairman.

4240. If there are no other questions, we will leave it with you?—Very well.

4241. Do not have any qualms. I charge you not to hesitate to tell me if I am wrong?—It is not a question of your being wrong. It is a question of whether there is a purpose to be served by the expenditure which would be incurred.

Chairman.] If you think there is nothing in it, do not hesitate to say so.

Mr. Bird.

4242. This sort of Memorandum would be much more expensive to prepare?—Yes.

Mr. Bird.] That would not be done in a day or a half-day.

Chairman.] It is a very splendid Memorandum.

Mr. Bird.] It may be, but it must have cost a lot of money.

Major Salmon.] Where it mentions how much it costs per child to educate, the Local Education authorities supply all that information, and it is only collected from what the Government obtain from the Local Education authorities throughout the country.

Mr. Bird.] It makes it all the more expensive.

Major Salmon.] It is a very expensive matter, but every Education authority throughout the country has to keep those figures in a particular way, so that they can supply the information to the Board of Education.

Chairman.

4243. I am going to put one other question, which you can answer "Yes" or "No". Have you a special department, and is it functioning, for the supply of mechanical devices to the Departments?—The answer is "Yes"; that is to say, there is a sub-division of the Establishments Division of the Treasury which specialises particularly in that matter.

4244. Is this point of supplying mechanical devices being actively watched? Are you getting on well with it?—Yes. Undoubtedly for a number of years in the big Departments we should claim that we have stood ahead of commercial houses. The big Departments are mechanised.

4245. The next lot of questions I have here are merely of a perfunctory nature. I must put them before you. I have not a single word to say about them. We will now turn to the Civil Appropriation Accounts, pages iii and iv, paragraphs 1 to 11. There is not a single item there which would merit our spending an instant upon. There is nothing for you to say on them, is there, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No, but I hoped they might be useful to the Committee in explaining the object of the accounts. They might be useful to the student.

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Chairman.] With regard to paragraphs 12 to 14, there is nothing in them at all that you need criticise. They are, however, useful and informative, and I suppose you have read them quietly in your studies. Paragraphs 16 to 20 are equally so. There is nothing in there of use to you except for the purpose of studying quietly. There is no question arising on them. I advise you not to waste time upon them; they are to study at your leisure.

Sir Assheton Pownall.

4246. On paragraph 18, how does 1.5 per cent., which is the total for surrender, compare with the outturn for recent years?—I have not the figures here, but it has been steadily improving. The Estimates are much closer here. (*Sir Richard Nind Hopkins.*) I have the

figures: 1911, 12.3 per cent.; 1926, 2.2 per cent., and 1929, 1.3 per cent.

4247. It is getting on to contentious ground, but is the super-cut partly responsible for our getting so much closer?—Yes. (*Sir Malcolm Ramsay.*) Also the disappearance of War Services; that upset the estimating for some years.

Mr. Leif Jones.

4248. In paragraph 20, on page vii, it says: "Directions will be issued by the Treasury with the object of securing a greater measure of uniformity." Can you amplify that?—(*Sir Richard Nind Hopkins.*) That is coming in the Treasury minute on the last Report. I think the Chairman will take you to it, later.

Chairman.] Yes, I will take it in a moment.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNT, 1929.

Chairman.

4249. With regard to the Revenue Departments Appropriation Accounts, page iii, paragraphs 1 to 4, they are merely recitative. Have you anything to say

on that, Sir Malcolm?—(*Sir Malcolm Ramsay.*) No, I think they ought to explain themselves.

Chairman.] That is what I think. I take it there are no questions arising out of that.

TRADING ACCOUNTS.

Chairman.

4250. Let us take the Trading Accounts, the Blue Book, No. 32, paragraphs 1 and 2?—(*Sir Malcolm Ramsay.*) There is nothing on that. It is just introductory.

4251. "Scope of the Accounts" and "Accounts not included in this Volume." As there is nothing more than a recital in there, I will go on to the Treasury Minute.

TREASURY MINUTE ON SECOND REPORT OF PUBLIC ACCOUNTS COMMITTEE, 1930.

Chairman.

4252. I want to make a statement upon the Treasury Minute. You have the Treasury Minute in front of you. The Committee has already dealt with a good many of these topics in the Treasury Minute. We have been through a great many of them with other Departments. As regards the remaining points which I mention below, there are three. I think Members will agree that the wishes which we have expressed have been fairly met by the Treasury. The other three points are as follows: Paragraph 3 (this is the point put up by Mr. Leif Jones)—

Token Votes. I think the Committee's wishes have been met and I should like to hear your view. In the Estimates for 1931, the nett grant, in the case of the original Estimates has been fixed at a uniform £100. In the case of the Supplementary Vote it has been uniformly fixed at £10?—(*Sir Malcolm Ramsay.*) There is uniformity.

4253. The other one is paragraph 4, to which Sir Malcolm gave some attention, the payment of pensions. We should like to know whether Sir Richard has made any progress in the matter of delegating to the Banks certain powers

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in regard to the payment of pensions?—(Sir *Richard Nind Hopkins*.) That is going on. We have not made any progress, except that a Committee is examining it in order to find satisfactory safeguards.

4254. It is going on and it will be settled satisfactorily in due course?—Yes.

Major *Salmon*.

4255. "My Lords note the concurrence of the Committee in a system of paying pensions through the agency of banks." This is 12 months ago?—The Treasury Minute was only last January. A committee has been sitting upon the matter for some time and, it is considering the matter now.

Chairman.

4256. Paragraph 7 is the Niger Company?—That we have got noted.

4257. What sort of progress are you making there?—The Committee had two wishes: that it should be annually noted, and never lost sight of; that shall be done. The second was that, at a convenient opportunity, we should come to an arrangement with the Government of Nigeria. We do not propose to butt in in the present state of affairs.

4258. Is it accepted that they are responsible for these loans?—I think it is accepted as a matter for negotiation in course of time.

4259. I put you on investigation. I have drawn your attention to it, and we should like to see that matter cleared up?—That shall be done.

4260. As to the other paragraphs, I can report to my colleagues that I am quite satisfied that our views have been met?—Paragraph 2 of the Minute contains the answer to Mr. Leif Jones's recent question.

Mr. *Leif Jones*: Thank you.

CIVIL APPROPRIATION ACCOUNTS, 1929.

Chairman.

4261. Now we go to the Civil Appropriation Accounts, page xxvii, para-

graph 66?—(Sir *Richard Nind Hopkins*.) That has been handled in the Budget Speech.

CLASS I.

ON VOTE 3.

EXPENSES UNDER THE REPRESENTATION OF THE PEOPLE ACTS.

Chairman.] We pass now to Class I, Vote 3, page 8, on which I have nothing to say.

(On this Vote no Questions were asked.)

ON VOTE 4.

TREASURY AND SUBORDINATE DEPARTMENTS.

Chairman.] We pass now to Class I, Vote 4. I have no observations on that.

Major *Salmon*.

4262. I notice on each of the Sub-heads B.1, B.2, B.3 and B.4, there is more than was granted. The expenditure is greater than was originally anticipated?—(Sir *Richard Nind Hopkins*.) Yes, that was due to the establishment

during the year of the Economic Advisory Council.

4263. Which was not contemplated at the time?—No, it was not contemplated at the time when the Estimates were framed.

Captain *Crookshank*.] This is the main Treasury Vote, is it not?

Chairman.] Yes.

Captain *Crookshank*.] Is this the occasion on which I can at last ask my

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question about the travelling regulations for Civil Servants?

Chairman.

4264. Does it come up under this?—(Sir Malcolm Ramsay.) Yes, it would come up under almost any vote.

Captain Crookshank.

4265. The Departments all said it was under Treasury Regulations. It would cover their own under sub-head A.2?—(Sir Richard Nind Hopkins.) Yes.

4266. The question I want to put is, what are the regulations for travelling allowances to Civil Servants by train?—You are speaking whether the fare allowed is First or Third Class?

4267. What are the Regulations?—The general regulation is that a Civil Servant necessarily travelling in pursuance of his duties is reimbursed his railway fares. As regards the Class, it depends broadly upon his salary, and his status, and the normal rule would be that an Officer of any of the Services of the Crown generally, would be entitled to First Class, if he is on a scale rising to a figure of not less than £500, or if his remuneration is over £400 exclusive of the Bonus. That corresponds broadly, I think, with the Commissioned Ranks of the Army and Navy.

Captain Crookshank.] Any one with over £400 a year flat salary is entitled to travel First Class?

Sir Assheton Pownall.

4268. Or rising to £500. If he is drawing £250 and rises to £500, he would be entitled to travel First class?—Yes, there would not be many of such cases.

4269. An Assistant Principal?—That is about the only one.

Captain Crookshank.

4270. That means a tremendous number are entitled to travel First Class?—Not necessarily. It means a large number would be entitled to travel First Class if they were compelled to travel in pursuance of their duties. What number are compelled to do so, I could not say. It would be a small proportion of the whole.

4271. Has this been in existence for a very long time?—Yes.

4272. Is there any reason why it should not be altered now in view of the natural desire for economy throughout the Public Services?—It is a question which applies equally to all the Services of the Crown. It would be natural to take it into consideration in connection with the Army and Navy and the Civil Service together.

4273. They are not comparable at all. The argument I have always heard with regard to the Army and Navy is based upon disciplinary reasons. It is that it is undesirable to have an Officer in uniform, from a disciplinary point of view, travelling with a private soldier in uniform in a Third Class Carriage. Going down the scale, a Corporal cannot go into a public-house with a private soldier. That cannot apply to a Clerk with a salary of less than £400 a year compared with an Assistant Principal. There is not the same reason of discipline there. It is a false analogy?—I feel hardly competent to argue that, but this will be a matter which will be coming under the purview of the May Committee on National Retrenchment which is sitting now.

4274. If we could be guaranteed that it was going to come under their purview that would be something, but meantime I should have thought it was one of the things which would come under the annual purview of the Treasury, whose function is to curb the expenditure of the Departments, by their own Regulations which are applicable to the whole Civil Service?—Treasury Regulations in the same sense as the ranges of salary of common classes spring from the Treasury.

4275. So that if the Treasury wished to stop it they could, without anybody saying anything more?—I should imagine that would be so.

4276. I commend it to your notice?—I would be glad to give attention to what you say. I have not given any consideration to the details of this matter, but my colleague, Sir Russell Scott, would be better able to give you information upon it.

Sir Assheton Pownall.

4277. Are these stipends basic?—Yes. *Captain Crookshank.]* I can see the justification for it in the case of a

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[Continued.]

Minister travelling on duty, or the Head of a Department, but for people with £400 a year to be entitled to travel first class free seems to be rather anomalous, because there are a great many people with £4,000 a year who do not travel first class.

Mr. *Benson*.] One cannot put the Civil Servant on a lower basis than a Military Officer. If you have a Civil Servant of the corresponding status, he must travel the same class as a Naval or Military Officer of the same status. It seems to me an abominable situation that the Civil Servant of the Crown should be asked to travel in a lower class than the Military Officer.

Captain *Crookshank*.] I happen to be both, and I do not feel that way, because there is a difference about the discipline. You may think it is wrong, but that is the way in which the Services are run.

Mr. *Benson*.] The Corporal cannot enter a public-house with a private soldier, but he is not prevented from entering a public-house. If you are going to cut down your Civil Servant to third class, you could still prohibit an officer from entering a third class compartment with a soldier, but you need not prohibit him from entering a third class compartment where there was not a private soldier?

Sir *Assheton Pownall*.

4278. And you would have to prohibit a private soldier from entering afterwards?—I think I had better confine myself to taking note of the views that have been expressed by way of Question.

Chairman.] I will take pages 10, 11, and 12 together.

Major *Salmon*.

4279. Regarding the War Histories: are there many more volumes yet to be published?—We are getting much nearer to the end than when I was first tackled upon the subject by this Committee. The actual number of volumes which have been published since last time is, I think, only two, or something of that kind. Probably two or three years, or something of that kind, are still to be expected.

Sir *Assheton Pownall*.

4280. Up to what date has the War history gone?—It is in so many parts.

There is the Naval history; there is the military history in France and the military history in Gallipoli and so on. We are getting towards the end. Far more volumes have been published than remain to be published.

Major *Salmon*.

4281. On the question of Suez Canal Company, interest and dividend on qualifying shares, do you put the dividends received by the Directorate of the Suez Canal into one Department's appropriation in aid and the dividends on the shares into another. Our interest from the Suez Canal must be a lot more than £1,358 6s. 6d.?—The ordinary dividends on the Suez Canal shares which are held by the Government come in as "Miscellaneous Revenue."

Chairman.

4282. 1½ millions?—Yes. This £1,500 is a curious little remanet, due to the fact that when the investment was first made the Government bought the qualifying shares of the Government Directors and they transfer them from one to another. It has been always the case that this has been brought in as an Appropriation in Aid, and the practice continues. I do not know why it should, rather than go to the Miscellaneous Revenue, but it does.

Major *Salmon*.

4283. It seems to me so disjointed and most misleading?—(Sir *Malcolm Ramsay*.) Is it not connected with the fact that special arrangements used to be made with the Directors as regards their remuneration. (Sir *Richard Nind Hopkins*.) That is, I think, the reason. (Sir *Malcolm Ramsay*.) One of them, certainly, in the past, surrendered his fees, in consideration of his receiving a fixed salary.

4284. Is that one of the reasons why it is kept under the Treasury Vote?—Yes, because their remuneration, if any, would come on the Treasury Vote. (Sir *Richard Nind Hopkins*.) They are remunerated by fees paid by the Company, which are regulated by the number of attendances at meetings.

Chairman.

4285. Do they live in Paris?—One does, but the others do not.

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Mr. Benson.

4286. How many do we appoint?—Three Government Directors. I think there are eight unofficial British Directors appointed by unofficial interests.

4287. Are they Civil Servants or members of the Government?—No, one is Sir Ian Malcolm, another is Sir J. T. Davies, and the other is Lord Cromer.

Chairman.

4288. Other people, like Sir Thomas Inskip and Sir Robert Horne, represent people interested, such as shipowners. We receive a dividend in the neighbourhood of $1\frac{3}{4}$ millions a year which goes into the Miscellaneous Account. Have you to make tacitly your own sinking fund for the extinction of that concession, or is there a sinking fund made by the Suez Canal Company itself to amortise?—The Suez Canal Company has very considerable reserves, but the

arrangement is that the shares are drawn from time to time and the capital is paid off, but when a share is drawn it is substituted by another carrying a dividend.

Sir Assheton Pownall.

4289. Would you mind telling me where Miscellaneous revenue comes in?—In the Finance Accounts.

4290. It is not here at all?—No; this is the Votes.

Mr. Leif Jones.] My questions upon the Suez Canal have been put.

Mr. Benson.

4291. Are these Directors life appointments or revocable?—They are certainly not life appointments. They are appointments for some considerable period of time, but I could not recall at the moment exactly the terms. It is a considerable term of years, but I do not know more than that at the moment.

ON VOTE 6.

PRIVY SEAL OFFICE.

Chairman.] Let us go to page 15, Vote 6. This is Mr. Thomas's staff. We voted £12,000 and then somehow something happened.

Sir Assheton Pownall.

4292. Was it the increase of staff, by Sir Horace Wilson going there?—Yes; and the increased emoluments of the Lord Privy Seal himself.

Major Salmon.

4293. Why did they require such a large supplementary estimate of £10,000,

on an original estimate of £2,600? That would not have made the whole difference?—In ordinary times the Lord Privy Seal has had nothing more than a Private Secretary, but when Mr. Thomas assumed the duties under the new Government, in the course of 1929, he became, in effect, Minister for Unemployment and a very considerable staff was attached to him.

Sir Assheton Pownall.

4294. You gave him a stipend of £5,000 instead of the normal £2,000?—Yes; that accounts for some of the increase, too.

Chairman.] We will pass that account.

ON VOTE 13.

GOVERNMENT HOSPITALITY.

Chairman.] We will pass to page 22, Vote 13, Government Hospitality. This follows the usual lines. There has been a supplementary.

it would be the London Conference, and the Preliminary Indian Conference.

Major Salmon.

Sir Assheton Pownall.
4295. Was that an unexpected Conference?—(Sir Richard Nind Hopkins.) Yes,

4296. Which Minister of the Crown is responsible for answering questions?—The First Commissioner of Works.

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[Continued.]

ON VOTE 20.

ROYAL COMMISSIONS, ETC.

Chairman.

4297. Will you turn to page viii, paragraph 23. You might tell us how soon this will be wound up, Sir Malcolm?—(Sir *Malcolm Ramsay*.) Sir Richard will tell you. Liquidation has been going on, but some of the payments are scheduled to be made over a term of years, and it will not come to an end in the near future. I do not think you can escape from it. There have been various arrangements made by firms who were assisted by the Ministry of Munitions and who owed money to the Government which has to be liquidated over a number of years. (Sir *Richard Nind Hopkins*.) Yes.

4298. Is the Disposal Board still outstanding?—Yes; it will remain outstanding for a number of years yet. Every year it will diminish in importance. It is not a source of outgoings. It is a source of receipts.

Major Salmon.

4299. Have you a big staff looking after the income?—No, it is dealt with by a few people in the Treasury as part of their duties.

Chairman.

4300. There are no outlying stores or buildings?—No, there are none, or practically none.

4301. We made a recommendation about that?—Yes.

4302. Let us go to page 34, Class 1, Vote 20. The Vote is normal. The only point I have to draw your attention to is Surplus Stores on page 37, sub-head N.3., Estimated £5,750, Applied £531. The Department was not at liberty to apply in reduction of its gross expenditure receipts in excess of that amount?—

(Sir *Richard Nind Hopkins*.) The total expenditure was that amount in the end, £531.

4303. As the expenditure was far less than was estimated, so the applied receipts were reduced to correspond?—Yes, the rest became Miscellaneous Revenue. The total receipts were £601,193, shown at the bottom of the page.

Major Salmon.

4304. How was it so much larger than you estimated?—All we know at the time the estimate is framed is that there are very large sums due to us from people who find it very difficult to meet them. We form the best estimate of what we are likely to get, and on this occasion we got a good deal more.

4305. On page 38, there is £200,000 excess?—Yes.

4306. Was that due to a lump sum?—Yes; nearly half, although not quite, of the total receipts came in from one firm. When the estimate was made it had not been anticipated that that firm would pay us within the limits of the year.

Major Salmon.

4307. Does that go to the ordinary revenue account?—Yes, it goes to Miscellaneous Revenue.

Chairman.

4308. On page 39, there are remanets from War Days: "Claims abandoned"?—Yes.

4309. The next one, is "Royal Commissions"?—It is sometimes alleged that these are very large sums to expend. The £88,000 has been spent over a period of 60 years. That is the point.

ON VOTE 21.

MISCELLANEOUS EXPENSES.

Chairman.

4310. Let us go to page 40, Vote 21, King's Plates, Prizes for Races. We have had that point up year after year. It is no good raising it again. On page 41, sub-head J. "Grants under the Trade Facilities Acts" these are given

in the Estimates and an annual return is prescribed by Parliament?—(Sir *Richard Nind Hopkins*.) Yes.

Chairman.] Let us go to page 42. All those statements showing the amount of stamp duty are common form. We have been into them year after year. We

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[Continued.]

are all old members of the Committee so I do not suppose you will want any explanation of them.

Sir Assheton Pownall.

4311. On page 42, how do you differentiate between those where the State pays when Honours are conferred and those where the individual pays. I see one Baronetcy where the State has paid for an Ex-Speaker of the Northern Ireland Parliament. What is the line of differentiation?—Broadly, the line of differentiation is, the State pays when the dignity is conferred upon a person, either on assuming a Public Office, or on account of Public Services rendered.

Chairman.

4312. If a man is made a Peer, because they want him out of the House of Commons, who would pay then?—I should anticipate that he would not find his name on this list.

4313. How does Sydney Webb come in?—As a Cabinet Minister.

Chairman.] Lower down assumption of a Second Title by the Earl of Inchcape. He is excused an amount of £450. What would account for that.

Sir Assheton Pownall.] And Lord Peel; Lord Peel being Secretary of State for India.

Chairman.

4314. It does not seem to come within the four corners of your definition?—I am sorry I have not a note on that particular case which would enable me to give an answer at the moment.

Sir Assheton Pownall.

4315. It is a little hard to discriminate between the practice in some cases which it would be invidious to particularise?—Some of them are concessions which go back 80 or 100 years.

Chairman.

4316. Are these reliefs of these payments to the recipients of the honours really governed by hard and fast rule, so that there is no question of saying in an arbitrary manner "We will do this or we will not do this for you"?—Yes, they all go upon quite clearly defined lines of precedent.

Chairman.] If that is so, it is all right.

ON VOTE 22.

SECRET SERVICE.

Chairman.] Let us pass to page 43, Secret Service. That is all normal. There is nothing to be said about it.

(On this Vote no questions were asked.)

ON VOTE 24.

REPAYMENTS TO CIVIL CONTINGENCIES FUND.

Chairman.

4317. Let us go to Vote 24, page 47. All the items were set out in the de-

tails submitted to the House?—(Sir Richard Nind Hopkins.) Yes.

CLASS III.

ON VOTE 11.

MISCELLANEOUS LEGAL EXPENSES.

Chairman.

4318. We will pass to page 132, Miscellaneous Legal Expenses. This was mainly the "Vestris" Inquiry?—(Sir Malcolm Ramsay.) The supplementary was.

Chairman.] I have nothing to say about that.

Major Salmon.

4319. How was it we got a recoupment for this Inquiry for the Shorthand Notes, and do not as a rule get it?—(Sir Richard Nind Hopkins.) You do not ordinarily get it. Probably that was a case in which a shorthand note was taken

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on behalf of the Crown and the other side wished to have the use of it, and agreed to share the expenses.

Sir Assheton Pownall.

4320. The shipowners probably?—Yes.

Major Salmon.

4321. Have you any idea of what the costs of this inquiry were. We have had such differing sums mentioned in the House?—So far as the costs fell upon this Vote the amount of the Supplementary indicates the cost; but the Board of Trade would have borne Counsel's fees and the Court fees in addition, that amount I do not know at all.

4322. For the Railway and Canal Commission we have £7,582 expenditure. How is it the Railway and Canal Commission is kept separate from the other Commissions we have just passed?—It is a Judicial Body. The Royal Commissions, like those we have just dealt with are non-Judicial, and this is some-

thing in the nature of a permanent Court.

4323. Do we get any appropriation in aid from this?—Yes, we do get certain appropriations in aid, but those arise from fees paid, for instance, by people who appear before the Commission in connection with their functions under the Mines Working and Facilities Act, a recent Act. The work of the Commission under the original Act in regard to Railways is, in fact, not by any means fully recouped by fees.

Mr. Benson.

4324. Sub-head B, Expenses incurred under Fugitive Offenders Act is that extradition?—Yes, that is the actual conveyance of a man when he has been arrested.

Chairman.

4325. Is there anything more to say, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No, thank you, Sir.

CLASS IV.

ON VOTE 8.

SCIENTIFIC INVESTIGATION, ETC.

Chairman.

4326. We will go to page 178, Class IV, Vote 8. Everything is normal till you get to Notes on sub-head G. The estimate did not contemplate this, but it was an extra precaution. There is nothing in it. I merely draw your attention to it? Have you anything to say on that, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No.

Sir Assheton Pownall.

4327. Where is Sub-head I, Solar

Physics Observatory?—(Sir *Richard Nind Hopkins.*) The estimates show this perhaps almost better than I can myself indicate.

4328. One knows of most of these Institutions. That I have never heard of?—It is a grant to the University of Cambridge in aid of the expenses of the Solar Physics Observatory, which, I think, is situated there.

ON VOTE 9.

UNIVERSITIES AND COLLEGES, GREAT BRITAIN AND INTER-MEDIATE EDUCATION, WALES.

Chairman.

4329. Let us go to page 182, Class IV, Vote 9. Everything is quite normal. Have you anything to say, Sir Malcolm?—(Sir *Malcolm Ramsay.*) No. The money is distributed in accordance with a recommendation of a Committee especially appointed.

Major Salmon.

4330. Why does Cambridge receive more than Oxford?—I gave an answer to that last year, and I think the Committee regarded it as not quite complete, I suppose the real answer I ought to give is that these figures are fixed by the Committee, who do not pro-

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vide us with any very definite indications. However, prior to the Report of the Royal Commission on the Universities, the grants to Oxford and Cambridge were small. The grant to Cambridge happened at that time to be £8,000 in excess of the Oxford one. They were devoted to particular researches going on in the separate Universities.

Mr. *Leif Jones*.

4331. These are dealt with altogether by a Committee?—They are dealt with entirely by the University Grants Committee, of whom the Chairman is Sir Walter Buchanan Riddell.

4332. Do they send in their estimates every year?—They come and confer with the Government and say how much the Government ought to provide, and after hearing that, the Government tells them how much can be provided.

4333. Always less?—Yes, certainly.

Sir *Ashton Pownall*.

4334. Are these divided up pro rata?—They are divided up by the Committee according to the merits of the individual applicant's case.

4335. Although the total sum may remain the same, it may vary as between University and University from year to year?—Yes, the practice of the Committee is to make a pilgrimage round all the Universities once in five years and to fix a standard, subject to minor alterations, over a quinquennium.

Mr. *Leif Jones*.

4336. Are most of the sums fixed for years ahead?—Yes, for a quinquennium, subject to minor variations.

4337. The London School of Economics gets £29,500. Has that been going for a period of time, or has it been increased or diminished?—Since 1920, when this system was introduced, the grant has been increased because all the grants have been increased.

4338. The University of Wales gets a larger sum than Oxford or Cambridge?—That will be probably by reference to two considerations, the poverty of the institution and the nature of the teaching. Applied sciences are very expensive to maintain, and carry, I understand, higher grants.

CLASS V.

ON VOTE 8.

WIDOWS' ORPHANS AND OLD AGE CONTRIBUTORY PENSIONS.

Chairman.] Let us go to page 214, Class V, Vote 8. We have nothing to say on that. We have already considered the detailed accounts given in a separate paper; that is the Widows' and Old Age Orphans' Contributory Pensions.

Major *Salmon*.

4339. Why does this come under the Treasury more than any other pensions?—(Sir *Richard Nind Hopkins*.) This is not the whole pension scheme. This is merely the Exchequer Grant.

4340. Has the grant cost us more under the new scheme. What is the object of having this again before us?—(Sir *Malcolm Ramsay*.) This is the subsidy from Parliament to the Pension Fund. Parliament undertook originally to make a grant of £4,000,000 a year to the fund for ten years.

Mr. *Benson*.

4341. Does not it go up?—(Mr. *Watson*.) Yes, it has been increased. (Sir *Richard Nind Hopkins*.) It is costing ten million pounds now.

CLASS VI.

ON VOTE 13.

DEVELOPMENT FUND AND DEVELOPMENT FUND ACCOUNTS.

Chairman.

4342. Let us go to page 293, Class VI, Vote 13. We now deal with that through

the little book "Development Fund Accounts," page 12, House of Commons Paper No. 19. There is no outstanding feature beyond the "Remissions of

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[Continued.]

Capital Grants for Harbours" which were mentioned by Sir Malcolm in his Report on page 12, about which we know. I think it came out in the Public Works Loans Bill?—(Sir *Richard Nind Hopkins*.) No, the ones for the Public Works Loans Bill were separate, fewer and less important than these.

4343. If anyone wants details, they are given on the Report separately presented—243. The accounts are on page 2 to page 11. There is nothing for me to say at all. I can find nothing to

draw your attention to. Shall I ask Sir Malcolm if he has anything to say beyond Berwick £5,000, Brixham £5,000, and Buckie £48,000?—(Sir *Malcolm Ramsay*.) Those were originally advanced as loans towards these harbours, and now they have been turned into grants.

4344. Do you advise me to pursue this with the Committee?—No, I think not. The harbours are all in straitened circumstances, and they have to be kept open on grounds of policy.

ON CLASS VII.

VOTE 13.

RATES ON GOVERNMENT PROPERTY.

Chairman.

4345. Let us go to page 399, Class VII, Vote 13. Do you want to develop the "less than granted £60,000" under subhead C, Sir Richard?—(Sir *Richard Nind Hopkins*.) You have an explanation. It was that the re-valuation of Crown property did not proceed as rapidly as was anticipated. Therefore we paid on the old values.

Major Salmon.

4346. You say you have paid on the old values. What holds it up?—There was a mass of work for our limited staff to do. It is done by the Crown Officials.

4347. One question on paying the rates of Foreign Embassies over here. Do

we get the same privileges in other countries?—Yes, this is all done on a reciprocal basis only.

Mr. Leif Jones.

4348. Do you get any relief under the Rating Act?—Yes, the Government gets relief on its industrial premises.

4349. Have they got much out of it?—I have never traced up the figure, but there are a substantial number of industrial premises, the Stationery Office premises, and the Army and Navy ones. (Sir *Malcolm Ramsay*.) Woolwich.

Mr. Leif Jones.] It would be rather interesting to know what the Government has saved?

CIVIL CONTINGENCIES FUND ACCOUNT, 1929.

Chairman.] Let us go to the Civil Contingencies Fund Account, 1929, Paper No. 58. £1,500,000 issued to make advances Repayable from Votes of Parliament. No money is eventually charged on it. I need not explain that.

Mr. Leif Jones.

4350. Is this a growing sum?—(Sir *Richard Nind Hopkins*.) No, it is fixed at £1,500,000.

4351. When was it fixed?—(Sir *Malcolm Ramsay*.) The amount was raised by the Finance Act of 1921, to a capital of £1,500,000. In the old days it was £120,000. The Treasury got into difficulties because the sum was so inadequate

and had to fall back on the Treasury Chest Fund. (Sir *Richard Nind Hopkins*.) That is so. (Mr. *Watson*.) In 1861 it was £120,000.

Mr. Leif Jones.

4352. £1,500,000; is that all you required?—(Sir *Richard Nind Hopkins*.) I think we have managed. I do not remember any year in which we have been badly pinched.

4353. Do you still observe the distinction between the Civil Contingencies Fund and the Treasury Chest Fund?—Yes; there was only one occasion when we sinned and we were asked not to sin again.

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[Continued.]

CONSOLIDATED FUND, ABSTRACT ACCOUNT, 1929.

Chairman.

4354. We will go to pages 10 and 11 of the Abstract Account. Have you anything to tell us on this?—(Sir Malcolm

Ramsay.) I think the figures are matters of common knowledge.

4355. I think this is all embodied in the Financial Statement?—(Sir Richard Nind Hopkins.) Yes.

TREASURY CHEST FUND ACCOUNT, 1929.

Chairman.

4356. We will pass to the Treasury Chest Fund Account, 1929. This is simply a banking account with £700,000 in it. It is distributed between the Pay Offices in various Stations, China,

Bermuda, Gibraltar and Malta. It gives you exchange if you want various currencies?—(Sir Malcolm Ramsay.) That is so.

Chairman.] Everyone knows what it means. If everyone is satisfied, I propose to pass it.

*(The Witnesses withdrew.)**(Adjourned to Tuesday next, 2.30 p.m.)*

TUESDAY, 19TH MAY, 1931.

Members Present:

Captain Crookshank.
Mr. Denman.
Sir Robert Hamilton.
Sir Assheton Pownall.

Major Salmon.
Mr. Arthur Michael Samuel.
Mr. West.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Sir MALCOLM RAMSAY, K.C.B., and Mr. A. E. WATSON, C.B.E., called in and examined.

NAVY APPROPRIATION ACCOUNT.

Mr. West.] May I ask you what is going to be the procedure as to this question of electricity? I have received a Memorandum from the Admiralty upon it.

Chairman.] I wish to give you the fullest opportunity. If you think it is desirable, write us a report and talk to Sir Malcolm about it, and bring it up here for discussion amongst our colleagues.

Mr. West.] I should like each Member to have a copy of this Memorandum, especially the Member for Harrow.

Chairman.] Give us a lead and tell us what you think should be done.

Mr. West.] I want to get the Member for Harrow's support, in this sense: He has great knowledge of this question, as he must have, as it applies to his business affairs, and he can verify points that I wish to raise on this statement which I have, if we have information before we meet here.

Chairman.] I want you to tell us exactly what is in your mind. I want your criticisms. Major Salmon and I will take those criticisms and put them to-

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[Continued.]

gether, and talk it over. I will talk with Sir Malcolm and put the subject on the Agenda after I have had a discussion with him. Then, if necessary, we will have a full discussion on it. Will that be agreeable to you?

Mr. West.] Yes.

Sir Malcolm Ramsay.] Do the Admiralty give comparative figures of what is the cost outside?

Mr. West.] No.

Chairman.] We want it threshed out. We do not want to be groping about in the dark.

Mr. West.] We do not want figures given to us here comparing 5½d. for electricity in Portsmouth with three-farthings for bulk supply in Devonport. We do not want that kind of comparison.

Chairman.] You get the thing straightened out, and get it in tabloid form, and then we will deal with it.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS X.

ON VOTE 2a.

GRANT TO RATING AUTHORITIES, SCOTLAND.

Sir JOHN LAMB, K.C.B., called in and examined.

Chairman.

4357. We want to go to page 452, Class X, Vote 2a. That is the Rating Grant. Sir Malcolm will perhaps say a word about it, so that we are clear in our minds about it?—(Sir Malcolm Ramsay.) I say, at the end of paragraph 63, that a certain question has been addressed to the Scottish Office. The point is the basis on which the amounts payable to the local authorities for the year 1929, the transitory year under the Scottish and English Acts have been calculated. The point I raised was that in Scotland they have calculated grants ignoring so far as I can make out, the question of whether or not any rates were irrecoverable. In England the opposite process has been adopted. That is to say, the amount of compensation has been fixed with reference to the amount of rates actually recovered. In Scotland the amount has been fixed by the amount of rates actually levied.

Chairman.

4358. The agricultural relief does not come into this, does it?—It is the whole relief under the Local Government Act of 1929. The local authorities had to be compensated. First of all, there was the transitory year, and then there was the permanent arrangement to be made afterwards. As regards the transitory year, figures have been worked out, and I noticed the difference of principle on which the two countries have been treated. In regard to that the Act

directs, in both cases, that the sum to be paid to the local authorities must be "equal to the amount estimated and certified as being the difference between the sum receivable by the authority as the proceeds of rates" in respect of the year in question under the new system, and "the sum which would have been so receivable" had the Act never passed. This expression "the sum receivable" is ambiguous. It may mean the sum of the rates levied, or, in the alternative, the sum of the rates actually recovered. I asked the Scottish Office why they had ignored the irrecoverable rates, which makes a calculation more favourable to the local authorities, and in reply I was given the Order of the Secretary of State, which simply showed that the basis I queried had been adopted, but gave no explanations. Then the Scottish Office was good enough to allow me to see the legal opinions given to them, which suggested that the question was a very moot one, and finally, I put the whole matter before the Treasury, asking them what their view was. I have not yet had any official reply. I should perhaps add that I have no data on which I could form an opinion whether the amount involved is considerable or not. If it is inconsiderable, there is no point in pursuing it. I have seen a letter from the Scottish Office giving some calculations, but it leaves the matter quite undecided so far as I am concerned, because it does not show what were the questions that the letter answers.

4359. Before we go any further, is the amount inconsiderable, Sir John?—(Sir

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[Continued.]

John Lamb.) So far as we can make out, it will be negligible.

4360. What do you mean by "negligible"?—So far as I can make out, hundreds of pounds.

4361. Does that mean thousands of pounds?—No, nothing like that, so far as we can make out.

4362. What do you think, without committing yourself?—I would say, at the outside, off-hand, £200. (*Sir Malcolm Ramsay.*) I have no figures. *Sir A. W. Hurst* was good enough to send me a copy of a letter which did not answer the question at all. It merely said that the arrears, without giving any date, were negligible. The point was: What were the total arrears for the year in question, and how much, if any, was written off, and how much remained to be recovered; but I have no detailed information at all.

4363. Would you be satisfied on our behalf if *Sir John Lamb* made a limiting statement, saying that not more than £500 or £300 was involved?—Would that satisfy your requirements?—That is for the Committee or the Treasury. I do not know what view they take of it. If it is only £500, and the total grant is £2,600,000, £500 is not worth taking into account? (*Sir John Lamb.*) I would like to point out, first of all, that this is really a question of the interpretation of the statute. The question is whether "the sum receivable by the authority" means the sum which the local authority is legally entitled to receive, or whether it means the sum which would have been received by the authority, writing off arrears which they could not recover. We took legal advice on the matter, and were advised it means the sum which the local authority is legally entitled to receive, and we proceeded on that basis; but we have made inquiries of five of the large County and Burgh Rating Authorities in Scotland, and they all assure us that the differences would be negligible, and one can quite understand that when you consider the type of property you are dealing with. It is the de-rated property.

4364. We cannot pass that by unless you satisfy our adviser, *Sir Malcolm*. If he is satisfied, we will say: "Very well, we will let it go," but unless you satisfy him, we cannot?—On a question of construing the statute, I would very respectfully submit that the Minister is respon-

sible for that, and he must construe the Statute according to the advice he gets from his legal advisers.

4365. Then it lies in your power, *Sir Malcolm*, to say: "I do not recommend you to accept that."?—(*Sir Malcolm Ramsay.*) I only point out, with great respect, to the Committee, that as the wording of the Statute is exactly the same in Scotland as in England, either the Scottish Office or the Ministry of Health must be wrong because they have adopted opposite interpretations. I should have thought that in a matter of that kind there could not be a diversity of interpretation between the two countries. I have never presumed to challenge the legal advice given to the Secretary for Scotland. I should have been more satisfied if they had had an independent opinion, such as of the Law Officers of the Crown. I do not know if the Committee would wish to know who advised the Scottish Office, but it is, obviously, a debatable point.

4366. As it is a matter of practice, and we do not want to put the State to an expenditure on further legal definitions, I should be inclined to say that, as the senior partner (England) has taken a certain line, it would be quite reasonable that the Scottish Office would be content to take the same line also, and that would satisfy *Sir Malcolm*?—(*Sir John Lamb.*) I am not prepared to do that. (*Sir Malcolm Ramsay.*) I do not want to labour it if there is no money in it. (*Sir John Lamb.*) The best information I have is that there is no money in it. It is a matter of hundreds, at the outside. (*Sir Malcolm Ramsay.*) If it is something more substantial, it becomes a different thing.

4367. We do not know whether it is more than a few hundreds?—I have only seen one letter on the subject, and that shows that, at dates unspecified, the amounts of arrears were insignificant. This letter was written in May, 1931, and the pertinent year is 1929, two years ago, and the letter says nothing as to what has happened in the interval. It seems inconceivable to me that the amounts of arrears in Midlothian should only have been £22 for agricultural subjects and £11 for industrial subjects as that letter states.

4368. I do not think we need bother *Sir John Lamb* with any further cross-examination. I would suggest that he looks into the matter again, and if he can, between now and a few days' time,

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[Continued.]

give us, on his own authority or the authority of his Minister, a statement that the amount in question is within a certain sum, and if that sum seems to you to be not so large so as to prevent you from advising us to accept that, I should advise my colleagues to take that line, I think?—I should be quite content to accept the decision of the Treasury in this matter. Unfortunately, Sir Alfred Hurst has been detained and is not here. I hoped he would be. (Sir John Lamb.) I think I am quite right in saying that the Treasury have agreed to what we are doing. (Mr. Watson.) Sir Alfred Hurst is coming, or he was coming.

4369. I think we ought to hear him?—He has been dealing with the matter for the Treasury. (Sir John Lamb.) We kept in touch with him all the way through, and I think I am justified in saying that he quite agrees with the course we have taken.

Major Salmon.

4370. Before the year 1929, what was the amount of arrears in Scotland, for the year 1927-8?—I could not give you the figure, but this particular type of property is not a type of property on which arrears occur.

4371. That is not my point. My point is that you had experience, before the new Rating Act came into operation, in the year 1927-8, of a certain amount of money in arrear?—Yes.

4372. The point I understand the Comptroller and Auditor-General is anxious to know is this: because the State find the difference, have those arrears of the particular year in question, 1929, been allowed to be a higher figure and not challenged by the Scottish Office to the same extent as if they were going to receive money from the local authorities?—I do not think that would arise at all. The grant is fixed on the hypothetical year, that is, what the amount of rates would have been if the new Act had not operated, and that fixes the thing once and for all. It is not a question of what may happen in future years. The grant is not fixed on that basis.

4373. The year previous would show?—It would show what the arrears on this particular type of property had been for that year, undoubtedly.

4374. Could you tell us that?—I could not tell you that. I would have to get a return from all the local authorities to show what the arrears were.

4375. How did you satisfy yourself, in 1929, of the figure of arrears which you are mentioning being only negligible?—We made inquiries of five of the large rating authorities in Scotland.

4376. Out of how many?—It would cover half the rated property in Scotland. I believe it would be in the region of £200 to £300, but I would not like to commit myself on that.

4377. On that do I understand you to say the Treasury are quite satisfied?—I understand that is so. (Mr. Watson.) I think that is broadly the position, that the Treasury, in view of the difficulties of getting strict legal definition of the rights of the case, were prepared, in the circumstances that the Scottish Office has represented, to let this interpretation go.

4378. What strikes one as strange, as a layman, is that the interpretation should be diametrically opposite in Scotland to that in England?—(Sir John Lamb.) The phraseology is by no means clear, and I will go so far as to say that at one time I took a different view. As Sir Malcolm knows, I started on the other side, but I came to be of opinion that the strict interpretation of the words of the Act, "the sum which would have been so receivable," meant the sum which they were legally entitled to recover, not the sum which they might have recovered after writing off arrears. I admit there is a fair question to argue, and the fact that the two Departments have taken different views, I think, supports that, but I am not prepared to accept the view of the English Department as being a bit better than our view, any more than I would put our view as being a bit better than theirs. (Sir Malcolm Ramsay.) The point is not the arrears but the amounts irrecoverable. Every year there is a certain amount the local authorities do not recover; whether it is in arrear at a particular date does not matter. Did Parliament intend to compensate the local authorities only for the rates they got into their pocket, or did it go further and say "We will compensate you for them, whether you ever got them or not"? (Sir John Lamb.) My view is that Parliament intended that the local authorities should be recouped for the amount of rates which they were legally entitled to levy and to recover. That is the whole point. (Sir Malcolm Ramsay.) I cannot tell you what Parliament intended.

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[Continued.]

Chairman.

4379. Is that the Scottish view?—(Sir John Lamb.) That is my view. (Sir Malcolm Ramsay.) Either view is tenable. I draw your attention to the fact that my learned friends up in Scotland and my learned friends in England have taken diametrically opposite views of the meaning of identical words.

Captain Crookshank.

4380. I want to know what the Treasury say, because they have to pay out public funds to the Scottish and English Ministries. I should have thought they would not do it except on the same basis, arising out of the same Act of Parliament?—(Mr. Watson.) Certainly in ordinary circumstances, that would be the case, but the administration of these Acts is left, in one case to the Ministry of Health, and in the other case to the Scottish Office, and it was at rather a late point in the administration of these Acts that the matter came under the review of the Treasury. It was only when Sir Malcolm raised this question, which is undoubtedly a very important point in the administration of the Acts, that it came before the Treasury, and I think the position was (although I am not very conversant with the discussion which took place) that the view taken then was, that inasmuch as there was not a great deal of money in it, we could let the divergent views pass.

Sir A. W. HURST, K.B.E., C.B., called in and examined.

Chairman

4386. Sir Alfred Hurst, would you be good enough to give us your views? Are you seized of what we are talking about?—(Sir Alfred Hurst.) Yes, I think I know.

4387. Why did you allow the Scottish Office to take a course which is diametric-

*(At this point Major Salmon took the Chair.)**Major Salmon.*

4388. Do you consider it to be a small matter?—If the amount involved were trifling that certainly would count with us. If one took the view that one ought to ascertain exactly how much money is involved, and to make allowance for it, the point would arise as to the administrative expense involved in making an adjustment, which, on the face of it, looks trifling.

73899

Captain Crookshank.] I do not agree, as a matter of principle, that you can allow the divergent views to pass, even though it was only twopence halfpenny.

Chairman.

4381. I think it must all hang together?—It has occurred before in cases where there have been Acts applicable to the two countries.

Captain Crookshank.

4382. If the advisers differ—?—The legal advisers in the two Departments differ sometimes.

4383. I should have thought in a matter like this, if there was a different interpretation in the two Departments, that is just the kind of proposition that would be put up for a final opinion by the Law Officers of the Crown. Was that done?—(Sir John Lamb.) It has been done, in my experience.

4384. In this case?—No, but it has been done, on occasions.

4385. Would not this just be the kind of case where it ought to have been done?—It is a matter of how much, to a very large extent.

Captain Crookshank.] I do not think I agree there, with all respect, that it is a matter of how much. If the wording is the same, as it applies to both countries, I should have thought you would want to have a definite ruling.

ally opposed to that pursued by the English Department?—Our general policy is to be guided on legal points by the legal advisers to the Department. In the case of the Ministry of Health it is the advice given by the legal adviser of the Ministry of Health. In Scotland, it would be by the advice given by the Lord Advocate.

4389. Does not it look strange to you that, on the interpretation of an Act of Parliament, you have two Departments whose views are diametrically opposed to each other?—It did indeed, and we put the point to the Scottish Office at the time. The matter is not free from doubt in either country. (Sir Malcolm Ramsay.) I do not want to bother about pin pricks, and provided substantial justice is done to the one side and the other,

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[Continued.]

I do not want to fiddle with little things. Would you be content if Sir Alfred Hurst looks into it a little further, and if the Treasury decide that it is trifling (not in the neighbourhood of over £500) to let the matter drop? I have brought the matter to the notice of the Treasury and asked them to express an opinion. I have not had an official answer, although the matter has been pursued very actively unofficially.

Sir Robert Hamilton.

4390. Will the Treasury give us their opinion on paper, so that we can have on record what is the amount involved, and what has led the Treasury to take the two different lines on the interpretation of the Act?—We cannot tell for certain without a great deal of expense. I do not suggest it is really worth it. If the Committee think that there is a strong *prima facie* indication that the amount is not serious, I suggest it might go.

Major Salmon.

4391. We will let it stand at that, and we will have a paper on it from the Treasury?—(Sir Alfred Hurst.) Yes.

Captain Crookshank.

4392. It would be satisfactory if we could be assured that, in similar cases, one could have a uniform interpretation of an Act of Parliament, so far as it concerns Government Departments?—Unfortunately, that is very difficult. A

somewhat similar position arises over Widows' Pensions. You have the same Act of Parliament, yet a number of persons have been given pensions in Scotland who would be ineligible in England and vice versa. (Sir John Lamb.) That question was decided by the Courts. The Department is powerless. They have to obey the Courts.

Major Salmon.

4393. Captain Crookshank's point is that when an Act is passed and applies to both countries, it should be treated as one?—(Sir Alfred Hurst.) It may be that administrative considerations in one country make it desirable to allow a variation which has no financial importance. That appeared to us to be the case here.

4394. I think the Committee agree that, it is desirable, so far as possible, that we should have the same interpretation, if it is the same originating Act of Parliament. Surely there cannot be any injustice to either country if they both interpret it in the same way?—(Sir John Lamb.) I think, in a case in which there was any important principle or sum of money involved, we would get a joint opinion of all the Law Officers, but it may be that in this case the Treasury are afraid that our opinion is right, in which case England would have to fall into line with us.

Major Salmon.] If there are no further questions, we will go to page 44, the Scottish Office.

CLASS I.

ON VOTE 23.

SCOTTISH OFFICE.

Sir Robert Hamilton.

4395. On sub-head H, with regard to the Western Highlands and Islands Transport Services, the payments made to Messrs. David MacBrayne (1928), is the office satisfied with the way the arrangement is working out?—(Sir John Lamb.) Yes, I think I can say I am.

4396. It had not been going very long at this date?—No, but we have singularly few complaints. I think on the whole, it is quite satisfactory.

4397. As regards the payments that are made under the agreement, are they less than was expected?—The reason why the payment here was less than was expected is, that, as you probably remember, the payment to the Company depends upon

the amount of capital in the business at the moment, and the fourth steamer was rather longer in being built than was anticipated. I think that probably accounted for the fact that we took more money than proved to be necessary.

4398. That is on account of the capital expenditure?—Yes.

4399. Not of the current expenditure?—The subsidy depends on the amount of capital in the business, up to a limit of £250,000.

4400. It is not because the business was making more money than was expected, but because it did not spend so much capital?—I think it is probably due to the fact that the fourth steamer was not completed as quickly as was anticipated.

4401. Have you reason to think that

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[Continued.]

the arrangement will be a satisfactory one, from the Government point of view, after the experience you have had?—It appears to be likely to work all right. I think the services are giving satisfaction in the district, and that, after all, is the best test.

4402. The rates have been reduced in accordance with the agreement?—Yes, but there are complaints about the height of the rates, and that will always be so, until the subsidy is very much increased.

4403. Or the Company make big profits?—I do not think there is any sign of the company making large profits out of it.

Mr. Denman.

4404. On page 46, all the repayments due were met in respect of those outstanding loans?—Yes, I think so.

Major Salmon.

4405. I would like to ask, with reference to the unemployment schemes under Sub-head J, Does the drop in the grants for unemployment schemes mean that there is less unemployment for the year under discussion, or what does it mean?—No, it depends of course on the pace at which the local authorities go. We have to estimate how fast they will go on.

4406. Your first figure is an estimate, and this is the actual work done?—Yes, you have to keep on the safe side.

Major Salmon.] May we pass the Scottish Office Vote, pages 44, 45 and 46? (Agreed.)

CLASS III.

ON VOTE 12.

POLICE, SCOTLAND.

Major Salmon.

4407. We will pass to Class III, Vote 12, Police, Scotland. Is there only one Inspector of Constabulary for the whole

of Scotland?—(Sir John Lamb.) Yes, one.

Major Salmon.] Do we agree to pass "Police, Scotland" on page 134?— (Agreed.)

ON VOTE 13.

PRISONS, SCOTLAND.

Major Salmon.] Prisons, Scotland, on page 135, is next.

Sir Robert Hamilton.

4408. With regard to subhead D, the Victualling of Prisons, has the fall in prices had any material effect in reducing the cost?—(Sir John Lamb.) Yes, it would have, but I see that the explanation they give is: "Fewer prisoners than estimated." So probably that is more the cause.

4409. This is 1929, and the big fall has been since then?—Yes.

Captain Crookshank.

4410. Does sub-head E mean that they are making more use of Borstal, it says: "more liberty, clothing for Borstal inmates"?—No; that would depend on the number who happened to go out in the course of the year.

4411. What is "liberty clothing"?—I imagine that would be clothes provided for them when they go out on licence.

73899

Major Salmon.

4412. With regard to subhead F, what is the nature of the manufactures for private customers?—I think the Prison Commissioners' Report gives that.

4413. You have, under subhead F: "Materials and tools for manufactures and farms; and instruction of prisoners."—The note I have here is: "The Prison industries are divided into three classes, first, those in which the prisoners are engaged in making uniforms for the Warder Staffs, bread for their own consumption and clothing, bedding, furniture, &c., for their own wear or for use in the prison, or in manufacturing articles for other Government Departments, e.g., mailbags for the Post Office; second: the following industries carried on for outside customers, viz.: carpentry, smithwork, sack-making and repairing, manufacture of ship fenders, mat-making, net-making, brushmaking, knitting, sewing and tailoring, rope-teasing, stonebreaking, laundry work, &c.; and, third, farming operations,

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[Continued.]

the produce of which is principally used in the prisons, &c., and the surplus sold to outside customers.”

4414. On subhead P., you say, as to criminal lunatics boarded out, “fewer inmates boarded out than anticipated.” What class of criminal lunatics would you board out?—In a rare case you may have a type of criminal lunatic whom you can safely board out in private custody, instead of either keeping him in the criminal lunatic department, or sending

him to an ordinary asylum, but it is evident that there are very few.

4415. Because of the small amount of money involved?—Yes; sometimes a relative is prepared to take the criminal lunatic on payment of a small weekly sum, and if our medical advisers advise that it is perfectly safe to dispose of the lunatic in that way, we may do that.

Major *Salmon*.] If there is no other point on “Prisons, Scotland,” we will pass that. (Agreed.)

ON VOTE 15.

SCOTTISH LAND COURT.

Major *Salmon*.] We will now pass to Vote 15, Scottish Land Court, page 140.

Sir *Robert Hamilton*.

4416. What was the remuneration to the Sheriffs Clerks?—(Sir *John Lamb*.) The decrees of the Land Court are recorded in the books of the Sheriff Court. The Land Court has no power to enforce its own decrees. That has to be done

through the Sheriffs, and prior to the reorganisation of the Sheriff's staffs they got fees. Now they are on the basis of salaries without fees, and so fees are dropping down.

4417. So that will disappear?—When the last of the old regime drops out.

Major *Salmon*.] Is it your pleasure that we pass that account? (Agreed.)

ON VOTE 16.

LAW CHARGES AND COURTS OF LAW, SCOTLAND.

Major *Salmon*.

4418. We will pass to page 141: “Law Charges and Courts of Law, Scotland.” Is it not possible to estimate a little more closely here under subhead D?—(Sir *John Lamb*.) I should think it is very difficult to estimate what the costs of criminal prosecutions may be. One heavy prosecution may mean a very large expenditure.

4419. With regard to subhead F, “Agents for the Crown,” is that recoverable?—No. The large increase over the estimate is due to the fact that there happened to be a peerage case involving a Scottish Peerage, and in such cases the Crown is always represented. The great bulk of this is fees to the Attorney-General and the English Counsel, because the Scottish Law Officers do not get fees.

Major *Salmon*.] Are there any other questions on that?

Captain *Crookshank*.

4420. In subhead E. there is rather a large variation compared to most of them. That is salaries and allowances. Does that move up according to the

amount of litigation?—You notice the explanation they give is that owing to vacancies, promotions, etc., there is a saving of £1,300, and salary of deceased officer still unpaid £101, non-pensionable allowances £103, insurance £14, and so on. It is evidently simply a question of temporary fluctuations of staff.

Major *Salmon*.] Are there any questions on pages 142 or 143?

Sir *Robert Hamilton*.

4421. Under subhead U. on page 143, “Salaries, etc., Pensions Appeals Tribunals,” is that increase owing to the fees of people who were not salaried attending?—The amount there depends upon the number of appeals. The members of the Court are paid fees per sitting, so the amount will fluctuate according to the number of pension appeals.

Major *Salmon*.

4422. With regard to the last note on page 143, “The sum of £25 received by the Interim Procurator Fiscal, Dunfermline, from the County Council of Fife, which would normally have fallen to be

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[Continued.]

surrendered to the Exchequer, was written off as a loss." Why was that?—I am afraid I cannot tell you about that.

4423. I did not know whether there was any special reason why it was written off as a loss?—(Sir *Malcolm Ramsay*.) Yes, there was a misunderstanding. The Interim Procurator Fiscal of Dunfermline retained fees which should have been surrendered to the Exchequer, but

he was under a genuine misapprehension and he thought that, under the provisions of the re-organisation scheme, he was entitled to retain them. Had he asked the advice of the Scottish Office at the outset they would have held that he had no claim to the fees; but as there was a genuine doubt on the subject he was allowed to keep the fees instead of surrendering them to the Exchequer.

Major *Salmon*.] Shall we pass that account? (Agreed).

(At this point Mr. Arthur Michael Samuel returned to the Chair.)

ON VOTE 17.

REGISTER HOUSE, EDINBURGH.

Chairman.] May I take you to page 145, Register House, Edinburgh. I have no observations to make on that.

register, and that is the main part of the work.

Major *Salmon*.

Sir *Robert Hamilton*.

4424. On subhead A, the savings due to vacancies, one does not understand why there was a saving?—(Sir *John Lamb*.) I should think they may merely result from the time between when one man goes and another man takes office.

4425. It just so happened that there were a considerable amount of vacancies during that year?—I should think so. There are no special reasons. I imagine it has simply been delay in filling the posts. Of course it is a large staff.

4428. On Subhead A, as regards the amount of expenditure under the heading of "Salaries, wages, and allowances," how does this work out compared with a similar organisation in England?—I do not think you have anything quite the same in England, because our Land Registry in Scotland has been going on since the 17th Century, and every Deed affecting heritable property, that is real property in Scotland, is on that register since that date. When you are investigating the title of a property, you do that by searching in this register. In England they are only beginning to have a Land Register.

Chairman.

4426. What does the Register House do? Is it a record office?—The Land Register is kept there, the Register of Deeds, and all the records of titles.

4427. Manorial rolls, historical things?—In Scotland every Deed affecting heritable property must be placed on the

4429. It is self-contained, inasmuch as everything it costs you is really recouped in the way of fees?—To a large extent. The fees meet what one might call the ordinary expenditure; that is the expenditure, not including the provision of buildings and such services.

CLASS IV.

ON VOTE 11.

NATIONAL GALLERIES, SCOTLAND.

Chairman.] We will pass to Vote 11 on page 189, National Galleries, Scotland.

(On this Vote no Questions were asked.)

ON VOTE 12.

NATIONAL LIBRARY, SCOTLAND.

Chairman.] We will pass to Vote 12 on page 191. That is the National

Library, Scotland. I have no observations or objections to make on that.

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[Continued.]

Major Salmon.

4430. Is that National Library largely attended by the public?—(Sir John Lamb.) The attendances are growing, but we are very much hampered by lack of

accommodation. We are waiting to get a Library building. At the present moment there is not a public entrance; you have to go down some private stairs to get into it.

CLASS V.

ON VOTE 11.

GENERAL BOARD OF CONTROL FOR SCOTLAND.

Chairman.

4431. We will pass to Class V, Vote 11, "General Board of Control for Scotland." On page 227 under subhead E. "Contributions towards expenses of local

authorities," that disappears under the 1929 Act?—(Sir John Lamb.) That is now included in the Block Grant.

Chairman.] I have no observations on that. If there are no questions, we will go to page 228.

ON VOTE 12.

REGISTRAR GENERAL'S OFFICE, SCOTLAND.

Chairman.] I have no observations to make on the Registrar General's Office.

(On this Vote no questions were asked.)

CLASS IX.

ON VOTE 5.

RELIEF IN DISTRESSED MINING AREAS IN SCOTLAND.

Chairman.

4432. We will now pass to page 445, Vote 5, Class IX. That is the Lord Mayor's Fund?—(Sir John Lamb.) That is equivalent to the Lord Mayor's Fund, to this extent that we got as a grant from

the Treasury, our equivalent of the amount of the grant they gave to England.

Chairman.

4433. Are you satisfied about that, Sir Alfred Hurst?—(Sir Alfred Hurst.) Yes.

CLASS X.

ON VOTE 2.

GRANT TO RATING AUTHORITIES, SCOTLAND.

Chairman.

4434. I have nothing to say on page 451?—(Sir Malcolm Ramsay.) The Vote

on page 451 was withdrawn and the Vote on 452 was substituted.

Chairman.] We have nothing to say.

(The Witnesses withdrew.)

(Adjourned to Thursday next at 2.30 p.m.)

THURSDAY, 21st MAY, 1931.

Members Present:

Mr. Benson.
Mr. Bird.
Mr. Butler.
Captain Crookshank.
Mr. Denman.

Mr. Gill.
Mr. Lathan.
Major Salmon.
Mr. Arthur Michael Samuel.

Mr. ARTHUR MICHAEL SAMUEL in the Chair.

Chairman.] Let me remind you that this is the last day upon which we shall hear witnesses. We have been right through the whole of the National Disbursements. The only thing that now remains is the report, as you know. In accordance with custom, I shall, with the help of Sir Malcolm, draft a Report as I did last year, and circulate it to you. I expect I shall be able to circulate that about the 9th June. I propose to leave that in your hands for a whole week to let you think it over and let me have your amendments and corrections. Pray do not have any scruples about making amendments and additions. I want them. They are helpful. We shall not meet till the 16th June. We shall want a week to think it over. Will that suit you, because I want to fit in with your convenience?

Major *Salmon.*] May I suggest the 23rd June?

Chairman.] Other Members may wish to insert paragraphs. Please do this to oblige me: send in the paragraphs so that I can have them circulated at the same time as the draft report.

Mr. *Lathan.*] You are suggesting a meeting to consider the draft report, are you not?

Chairman.] Yes. I will circulate the draft report by the 9th June. Between the 9th and the 23rd June you will have an opportunity of going over it and helping me with additions and corrections. I want you to let me have the paragraphs, so that I can embody them, if possible by the 5th June, so that I can use them if I find I have not already put them in the Report. I can take out what I have in my Report and substitute what you may say, if I find, as I hope I shall, that it is better material for my purpose. Let me have your paragraphs by 5th June. That is all I have to say.

Mr. *Benson.*] You say we have finished all accounts with witnesses. Has the Nauru Phosphate account been dealt with? As far as I know it has not been circulated.

Chairman.] The Commissioner was killed in a railway accident, and we passed a resolution of condolence with his relatives. We shall probably have to deal with the Accounts for 2 years next year.

Mr. *Denman.*] I think we might just say a word of thanks to the Chairman.

Chairman.] I think we have to thank Mr. Fellowes, who has been most helpful to us.

Sir MALCOLM RAMSAY, K.C.B., Mr. J. B. BERESFORD, M.B.E., and Mr. F. J. H. PALMER, O.B.E., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1929.

CLASS VI.

ON VOTE 15.

STATE MANAGEMENT DISTRICTS TRADING ACCOUNTS: 1929.

(STATE MANAGEMENT DISTRICTS.)

Sir JOHN SYKES, K.C.B., called in and examined.

Chairman.

4435. We will turn to page 301, Class VI, Vote 15; I do not propose to say anything about this matter. We have been through it. There are no special

questions to ask. This State Management District Account gives general Parliamentary authority for the expenditure involved. I do not see anything in this account or on the trading account which

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[Continued.]

is at all fresh. Do you see anything, Sir Malcolm?—(Sir *Malcolm Ramsay*.) It is the result of the year's trading, which varies from year to year.

4436. Under Sub-head E trade did not materialise; we did not sell more beer?—No; the turnover was smaller than last year.

Chairman.] Every question we put last year applies this year.

Major Salmon.

4437. Your turnover for 1930 is down on the previous two years. The proportion of liquor that you sold to your turnover in 1930 is 84 per cent. I notice that your food for 1930 is exactly the same percentage on your turnover as it was in 1929, namely, eight per cent.; but your other receipts have gone up one per cent. Could you explain how it is that the food figure shows an increase?—(Sir *John Sykes*.) An increase?

4438. Yes. It is a small increase, but it is an increase?—We have had a small progressive increase in our food year by year for many years.

Major Salmon.] The total figure is only eight per cent. of your total turnover.

Mr. Lathan.] Are those figures included anywhere?

Major Salmon.] I have worked them out.

Mr. Lathan.] Are they your own calculations?

Major Salmon.

4439. There is no doubt the percentage is right. The figure I am giving is instead of mentioning all the different figures in this account?—Are you taking Carlisle or all districts combined?

4440. All districts combined?—9.54 per cent. for food and minerals is my figure for all districts combined.

4441. What I have tried to do is rather to deal with each figure, because if you take mineral waters, it is quite true your mineral water figure is exactly the same percentage on your turnover as it was in 1929, that is, £5,081 in 1930?—I have had these percentages worked out for Carlisle and all the districts separately and respectively over a long period of years back, on what I believe to be, from my memory and from looking up last year's Report, the basis on which you were taking percentages last year. On that basis, so far as I was able to get at it, and to get figures correspond-

ing with the figures you used last year, my figure for food and minerals is 9.54 per cent. for all districts, and 8.91 per cent. for Carlisle. Those figures compare with 9.26 per cent. and 8.51 per cent. respectively for the previous year, showing in both cases, that is to say, both for Carlisle and for all the districts, a small increase.

4442. When you take the figure for all the food and non-alcoholic drink together, the percentage increase is not more than 1 per cent. this year, as against 1929?—That is so. If I may read the figures for seven or eight years back, on the basis which I have taken, for Carlisle—

4443. Are you taking Carlisle only?—For the moment, going back for about 10 years. Would you care to have them?

4444. Would you mind taking it for 1928, 1929, and 1930?—The last three years?

4445. Yes?—Carlisle 7.87 per cent.; Carlisle 8.51 per cent., and Carlisle 8.91 per cent.

4446. Is that on food?—Food and minerals. The first heading on the paper I am reading from is "Alcoholic liquor." Under this heading the percentages are all big, Carlisle 86.8 per cent., Carlisle 85.52 per cent., and Carlisle 84.61 per cent., but they show a steady small diminution, which corresponds with the same movement over several years further back. The second heading is "Food and Minerals," the figures I have just given you. The third heading is "Other receipts (tobacco, apartments, garage and stables, billiards, bowls and sundries)." Carlisle for the last three years, 5.33 per cent., 5.97 per cent., and 6.48 per cent. Under those three separate headings the progressiveness of the figures dates back about 10 years.

4447. It is interesting to observe that your figure for tobacco has been more. You have sold more tobacco in 1930 than you have ever done. It is extraordinary the way it has grown?—It is "tobacco, etc." I am not at all sure about how much the "etc." amounts to. It is "Tobacco, apartments, garage and stables, billiards, bowls, and sundries." It would be hardly fair, without investigation, to call that column the tobacco column.

4448. If you take the figures for the last three years, which you have submitted to the Committee, you have taken tobacco alone, and you have sold £1,100

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[Continued.]

worth more tobacco in 1930 than you sold in 1929. I did not know if there was any special reason for it?—I could not say off-hand, I am afraid. It might be in general conformity with the trend in the country as a whole. Our figures very often are.

4449. Although your turnover is down your gross profit is up?—That is so.

4450. What benefit have you given the public of that increased gross profit?—We have tried to give the public the same amount of benefits that we have given them in the past, namely, improvements in the public-houses and in the service.

4451. Although your raw materials have cost you less, and obviously certain expenses are slightly down, you have made a bigger gross profit, but the public, so far as value for money is concerned, are not getting any more, because your gross profit is higher. You have not given the benefit to the public?—I would not say that.

4452. Where is it shown?—I have no evidence that we are not gradually improving the public-houses and the services.

4453. You are speaking of the buildings themselves?—And the services.

4454. The price you are charging for the commodities has not been reduced?—For the beer, certainly not.

4455. Have the prices for non-alcoholic liquors and foodstuffs been reduced?—No, but the price is not the only thing.

4456. No, there is a third thing; the amenities of the buildings themselves?—Yes.

4457. If you have made extra profits, may the Committee assume that you have earmarked those extra profits you make from trading, for the purpose of bringing certain premises more up to date?—Yes, broadly, I think that is so.

Chairman.

4458. Does the increased profit go back to the public in the increased comforts in service and amenities of buildings?—We would not admit that if we made £5,000 extra profit we would spend £5,000 more in improving the buildings, any more than we would admit that when our profits were £5,000 less we would spend £5,000 less in improving the buildings.

4459. Major Salmon has put a question which interests us. If you have given the benefit to the public of the extra profits,

tell us where, and when, and how, you have given the benefits to the public of that money, specifically?—We are trying to maintain a steady standard of gradual improvement.

4460. You are improving gradually; not maintaining a standard; you are increasing the standard?—We hope so, year by year. We try to be progressive. That would be, to some extent, irrespective of a comparative trifle like £5,000 up or £5,000 down on a particular year.

Major Salmon.

4461. You would not suggest that the cost of raw materials is a trifling figure; the difference between your costs to-day and what they were 12 months previously? There is no doubt that the raw material that you use for the manufacture, even of your beer or for making your mineral waters is costing you less than it cost you previously. The price of sugar is so much cheaper; other commodities are cheaper; that is not reflected in your prices. You say you do not reduce your prices but with whatever profits you have you try to accelerate (I want to be fair about this) the improvement of the buildings and the amenities of the buildings themselves?—I would not say that in no respect does it influence our prices. I would say it does not influence our prices for ordinary beer, which of course bulks far largest in the total of all we sell.

4462. If I may take that as the next point, when you speak about your beer I would like to be clear on this: You have an off-licence business, as well as a business where you supply it on the premises?—Yes.

4463. Do you, in all your places, sell drink for people to take away; bottled beer for them to take away?—Speaking from memory, I think we do, roughly; most public houses do. We have limited the number of off-licence departments in Carlisle. I would not like to say off-hand to what extent; but we do a large off-licence business very much like the usual off-licence business in any town, but the number of places is comparatively limited, I mean, compared with other towns.

4464. You have certain premises that are entirely off-licence premises; a few?—Yes; some entirely off-licence.

Major Salmon.] I would like to be clear that on those premises where you have

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[Continued.]

not strictly an off-licence section, do you still sell drink to take away; that is to say, bottled beer or whiskey or anything of that sort.

Mr. Bird.

4465. The jug and bottle department?—Yes; in some at least.

Major Salmon.

4466. If anybody asked for half-a-dozen bottles of stout, you would not refuse them?—My recollection is that a number of public houses have an off-licence sale, as well as the off-licence shops.

4467. I suppose a fair amount of your turnover would be from off-licence sale in your public houses?—About as much as in any ordinary town, yes.

4468. Have you any idea what it is, as compared to your turnover?—No, I do not know what proportion of the total percentage is due to off-licence sales.

4469. Would it be possible, on the next account, to show us that?—I think I could get it, probably.

4470. It would be very interesting if we could see what the off-licence sales are to the ordinary sales, of liquor consumed on the premises?—I am not sure that I could get it. I think I could.

Major Salmon.] Thank you. May I ask you a point in connection with your property account? You have down in your statement "Balance from property account." What is the exact nature of this income. It is not clear to me. You will observe it says "From property account."

Mr. Denman.] Which account is that in?

Major Salmon.] In the detailed figures that have been submitted. Carlisle would be the easiest to take, if you would not mind taking that. "Rents payable in respect of property held on lease."

Chairman.] That is the retail trading account.

Mr. Denman.] I do not see "Balance from property account" anywhere.

Major Salmon.] If you turn to the State Management Trading Account, on page 101 of the Blue Book, on the right-hand side you will see "Balance from Property Account." I did not know where that figure came from.

Chairman.

4471. £11,000 Carlisle, £745, Gretna?—£11,904 in the Carlisle account.

Major Salmon.

4472. Where does that income come from?—That balance is a balance brought to the credit of profit and loss account in respect of properties, and it represents the surplus of rents, actual or assumed, after providing for rates, taxes, repairs, etc.

4473. Surplus from rents?—Surplus of rents, actual or assumed. We have a certain amount of unlicensed property, and, as you know, a large amount of licensed property. In the case of the licensed property we debit our trading account with the assumed rent of the licensed property which we own, and pass the corresponding credit into the property account. In the case of the unlicensed property which we own, we credit the property account with the actual rents which we get from that property. The first item, including the £14,000 which you see in the trading account as a debit, amounts to approximately £17,000, and the second item, viz., the actual rents for unlicensed property which we own, amounts to some £7,000. Against that the property account is charged with expenditure on repairs, rates and taxes, amounting to about £12,000, resulting in a balance of £12,000.

4474. On the credit side?—On the credit side of the property account, which is the balance brought into the Trading Account on page 101.

4475. Supposing you have leasehold property (you have a certain amount of leasehold property), where you pay a rent and the lease runs over a period of years?—I have been speaking of rents which we receive, or assume ourselves to receive.

4476. Let us take another side of the account altogether, your leasehold property account. You have a certain amount of leases, have you not, of premises which are held on a lease?—Only to a small extent.

4477. How do you write off those leases? Take Carlisle as an example. You have in your account a very small figure of £55 19s., for instance?—Yes. That indicates, I think, what a tiny proportion of the properties which we hold we hold on leasehold as distinct from freehold. Nearly all our property is freehold property.

4478. You have, probably, 12 places leasehold?—Very few.

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[Continued.]

4479. With that leasehold property, I suppose you carry a certain responsibility, and when you give up the lease you have to pay for dilapidations and things of that kind. Where do you provide for that?—In the depreciation of leasehold properties on page 100.

4480. Is that £50 sufficient to meet it, at the end of your leases?—Yes; when the Control Board took possession of the public houses and hotels and breweries in Carlisle it acquired the freehold in almost every single case. The amount of properties we hold on leasehold is very small indeed.

4481. Take the case of the depreciation of your plant. This year I notice it is £600 less than last year. Is there any reason for that?—I do not know that there is any special reason. The depreciation of plant and the other items mentioned under that heading has been explained in detail in this Committee for several years. It goes on absolutely fixed principles from year to year, on standard rules.

4482. Have you a percentage?—Yes; I have given full details of the percentages more than once to this Committee.

4483. You write that off every year?—Yes.

4484. Presumably it is on the turnover, and, presumably, if your turnover is less your depreciation would be less?—No. I do not think it would depend on turnover at all; it depends on the item which is being depreciated, and its assumed life. The details are complicated, but I have given them several times here.

4485. It is on a definite plan?—Yes.

4486. I will look them up. It will be rather interesting to refresh one's memory on that. On the question of alterations and additions to buildings, have you any particular method of dealing with them, because in addition there has been charged £2,800 in profit and loss account for Carlisle under the heading of decorations and of repairs to property. What does that mean? I do not know if you have any system which you work on?—Might I ask where the figure is you are referring to?

4487. In the State Management accounts you will see it, I think?—In the Blue Book?

4488. Yes. The figure of alterations to buildings?—I only ask because I do not recollect the word "Decora-

tions" being used in any published document.

4489. "Alterations and improvements to properties—proportion of costs written off and addition to reserve"?—Yes.

4490. You will see it a little more clearly in the detailed figures you submitted, £2,800. If you turn to the White Paper and look there under "Charges" it says, "Decorations and repairs to property £2,800", amongst the charges. That is on page 2. Is there any particular method by which you arrive at that, or is it just an arbitrary method? It is rather a curious figure. That is what made me ask you about it?—The figure in the Blue Book to which you called my attention is not alterations and improvements to properties. It is the proportion of costs written off the alterations and improvements to properties that we have made. It is the write-off from the alterations, not the cost of the alterations.

4491. It is how much you depreciated by. What is it in the White Paper?—In the more detailed paper, those are actual expenses incurred under each one of those headings. (Sir Malcolm Ramsay.) They are all charges against revenue.

4492. Have you any percentage method of dealing with that, or do you just do what is necessary?—(Sir John Sykes.) I think the two things are quite different. Those on page 2 of the typewritten paper are the actual expenses incurred in running the trading and charged to revenue of course during the year. The figures in the Blue Book which you were referring to refer to the writing-offs, to the rather large extent shown there, from the total capital cost of improving the premises during the year.

4493. I quite follow your second explanation, but let us take the figure of £2,800. Would you tell me in a word, if you could, have you any particular system of doing it, or do you simply do what you find necessary to certain premises and charge it to current account?—We do what we find necessary on the various premises, and charge it to current account, but I should not like to say we had no system of looking round our property to see which we should improve. We have a staff engaged in attending to that kind of thing.

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[Continued.]

4494. Therefore, you have a particular system laid down that you will spend only so much money a year?—No; we do not say we will spend only so much money a year. We try to spend what we think ought to be spent to keep the properties in proper decorative and other repair according to the condition in which we find them.

4495. You do not spread your programme of expenditure over a period of years?—Not in such matters as decorations and repairs.

4496. It would only be structural alterations?—Large schemes for the improvement of public houses, in Carlisle as a whole, we might spread over a period of years; although when we do that we may find before the period has elapsed that it is necessary to make considerable changes in it.

4497. You retard or accelerate it, as the case may be?—Yes.

Captain *Crookshank*.

4498. Has the witness any figures with regard to the increase or decrease of drunkenness in Carlisle?—Which figure does that arise out of?

4499. I do not know that it arises out of anything except the amount of beer which you sell?—I keep closely in touch with the drunkenness figures in Carlisle. I do not quite remember how far the figures in this particular year corresponded with the figures in the account. I do not think there was any direct connection between them.

4500. Is not it part of the idea of the policy, that, by the improved public houses, and so on, you are going to reduce drunkenness?—Certainly.

4501. I was only asking whether the figures bore that out, because my impression was that the figures for Carlisle were comparatively high, compared with many towns in the country; and, compared with some towns, extremely high. If you are not prepared to give us the figures, I respect your reticence?—I was examined on this very point at great length a year ago, and I took the general line that comparative figures as between different towns were not worth anything.

4502. That is your view; I did not know?—Yes, but I know the whole thing is a matter of opinion, to some extent.

Mr. *Bird*.

4503. Are all your licences full licences, or have you got beer licences where you

have no spirit licence?—We have many houses where we sell beer only.

4504. Are any of the properties still so constructed that they have sawdust floors?—I do not think any of them have sawdust floors.

4505. Are you quite sure?—No, I am not quite sure. I have been round Carlisle a good many times in the last few years. I do not remember a single case of a sawdust floor.

4506. Perhaps you did not go to the beerhouse department. When you are considering the spending of money on improvements, would you bear that in mind, that if there are any houses where sawdust floors still exist you will eradicate them?—Certainly. I quite agree with the spirit of your question, and I should be inclined to say that the practice in Carlisle is entirely in accord with the spirit of your question. It is only that I did not want to give an unqualified answer without being sure of my facts.

4507. I should like to think that all your houses at Carlisle were places to which a man would be pleased to take his wife; whereas a great many of the public houses throughout the country, where there are sawdust floors, are hardly fit for pigs, let alone for a man to take his wife there.

Mr. *Lathan*.] Does the sawdust floor make any difference? It is only sawdust on a wooden floor.

Mr. *Bird*.] It is sawdust put down on which people can spit.

Mr. *Lathan*.] I give way to your better knowledge and closer acquaintance.

Mr. *Bird*.

4508. Is not the idea of a sawdust floor that it may be swept up with all the debris that is put on it during the time the public is entertained there?—To facilitate cleaning.

4509. Yes?—I should say so.

4510. People are much more likely to spit on a floor where there is sawdust than where there is a carpet. You cannot imagine a man spitting on his own carpet at home, but they do spit on a sawdust floor, and I think if you can get rid of them it is a move in the right direction?—I believe in Carlisle, as elsewhere, where public houses have been substantially improved, the practice of spitting is very greatly on the decrease.

Mr. *Bird*.] That is the whole of my point. Apparently my friend does not agree with me.

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[Continued.]

Mr. *Lathan.*] Is it not a fact that one of the great show places in London, in Fleet Street, is considered to have, as one of its special attractions, a sawdust floor, and that we bring our American and Colonial friends there? The "Cheshire Cheese" has a sawdust floor, I believe.

Mr. *Bird.*] That is an exception that proves the rule.

Mr. *Butler.*

4511. I wanted to ask a little more about this cinema on page 3. Can the witness tell us anything about it? There is an item marked "Cinema" and also an item marked "Bowling Green." I dare say you could tell us something about that?—When the Control Board went to the Gretna District they did start a Cinema in connection with Gracie's Banking, and a Bowling Green. Gracie's Banking consisted of spacious premises laid out with a large bowling green and verandahs, where drink and recreation could be enjoyed under good conditions. A Cinema was part of the original scheme.

4512. It no longer is?—The Cinema is there but we have made an arrangement with a local man to run it for us. It is run in close connection with Gracie's Banking.

4513. It was discovered not to be a success?—I would not say that. I do not remember exactly why it was transferred from our direct control and management.

4514. This figure is "Receipts for rent, heating and lighting from lessee £212 19s. 6d."?—Yes.

4515. You have breweries, have you not?—Yes.

4516. Is it in order for me to ask how you buy your barley for those breweries?—That sort of thing is in the hands of the General Manager at Carlisle. He is, as you perhaps know, supervised, or controlled, by a Council acting for the Secretary of State in London, and, on that Council, are two very distinguished and well known brewers, as I have explained here before. The General Manager, in the general conduct of such matters as buying barley, would act in close consultation with those members of the Council. We have in the past, I believe, bought barley in various ways, either direct, or with the help of an expert adviser. As you probably know, one can buy barley in all sorts of ways; but all that side of the business is left

to the General Manager, reporting to the Council, and being advised or supervised by the Council as a whole, or by expert members of it.

4517. I think there is a question which arises directly in connection with accounts and money spent. Is it the policy to buy barley in the best market, that is at the cheapest price possible, or is there any policy that in buying barley preference should be given to British barley in particular, or is it just bought in the market at the cheapest prices possible? Is there a definite policy?—We do make it a principle to include a substantial percentage of British barley in our purchases, but exactly what percentage, or how far that is done without regard to other considerations, I should not like to say off-hand.

4518. Could you let us know if you can find whether there is any policy of buying British barley?—I think I can say off-hand that our policy is to buy in the cheapest market, consistently with quality, but it is also our policy to bear in mind the desirability of including a certain amount of British barley in our total purchases. One has to reconcile those two policies as far as possible.

4519. It would be a very important matter if you were to buy British barley which you could use in making British beer?—I think that question confronts all brewers and I think we are in a position to know and to follow the best practice of the better English breweries.

4520. I personally, do not agree that the better English breweries are right?—There are different meanings of the word "better."

Mr. *Butler.*] I do not know if I am out of order in raising this, but it is an important point, from the point of view of British barley, although it may be expensive.

Chairman.] Sir John Sykes can consider it.

Mr. *Benson.*

4521. I hope he will not take that as the opinion of the Committee. I hope that he will realise that his business is to brew the best beer he can, irrespective of where his materials come from?—Entirely irrespective?

Mr. *Benson.*] Entirely irrespective. His job is that of a brewer, not to subsidise British agriculture.

Chairman.] I hope Sir John will not take that as the opinion of the Committee.

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[Continued.]

Mr. Butler.

4522. I raise it because I think it is an important point. May I take it that the answer is that the policy is to buy in the cheapest market?—Not entirely. We try to take these conflicting considerations into account.

4523. You do give definite consideration to British barley on its technical merits and not on its merits as British barley and its proximity?—As far as I remember we do buy, and have always bought, a certain percentage of British barley, and I think I might also say that we try to do that, but we do not try to do it irrespective of questions of cost, of course.

Mr. Lathan.

4524. Sub-head E on page 301 was referred to earlier as indicating a reduction in trade?

Chairman.] There is a note below.

Mr. Lathan.] I have looked at the note; that is the reason I am asking the question. The note would indicate that it is due to a falling off in trade, but the item itself is shown not only as "purchase of stores and supplies" but "maintenance of premises." It may mean therefore a reduction in expenditure on matters other than stores and supplies?—(Sir John Sykes.) I do not think so. I think the whole matter is that we sell to the public stuff which we previously have to buy or manufacture, and we buy materials in accordance with the current and estimated trade. We have to provide in the Estimates a sum big enough to enable us to buy what we may have to sell, in the event of an improvement in trade.

4525. I will put the question more plainly. Does the £63,586 9s. 9d. represent a falling off in trade?—No; certainly not; only a part of that is due to the fact that the improvement of trade that we expected did not materialise; but we always estimate a little in excess of probable requirements, for one simple reason, that if we did not we should have to come to Parliament with a supplementary estimate, a thing which is always to be avoided, if possible.

4526. Since only part of it is due to the falling off in trade, part of it must be allocated, as the note shows, to maintenance of premises?—Savings were effected, not merely on account of the non-materialisation of an improvement of trade, but in replacement of stocks, and

less duties owing to stocks being kept at a lower figure.

4527. I am afraid I am still not making the question clear to you. The figures shown here do not really mean that you did £63,586 less trade than was expected?—No. In a sense they do, of course, because that heading is practically speaking what we buy and what we sell. The maintenance of premises covers such things as the china and bar furnishings, utensils, renewals of plant, and various things which depend fairly closely on the extent of the trade.

4528. I agree, but you do not sell "maintenance of premises" to your customers?—No, of course not, but we have smaller expenses on maintenance if the trade is smaller.

4529. My desire was to obtain from you a statement as to whether these figures could be regarded fairly as showing a falling off in the turnover of the business?—To the extent of £63,000?

4530. Yes?—Certainly not. What we are comparing it with, is not the previous year's expenditure, but the estimate taken for the year.

4531. Therefore, if you are to be judged by these figures, it would be unfair to assume that there has been an actual falling off in trade of £63,000?—It would be nonsense, if I may say so. The figures are in relation only to an estimate, and not to a previous year's figure.

4532. May we take the retail trading account, on page 2, in respect of goods used, at cost price? The total this year apparently is £340,141 as against £346,045 last year?—Yes.

4533. That represents a smaller quantity purchased, I understand?—Yes, a smaller quantity. The figure is for goods supplied to the retail houses.

4534. The quantity handled this year is smaller than last year?—Yes.

4535. And would account for the diminution in the figure?—Yes; this is the retail trading account we are looking at. Take the beer, for instance. It is, in a sense, not purchased beer at all, but invoiced to the retail trading account from the wholesale.

4536. It is not due to any decrease in cost of food purchased and supplies secured from outside?—The cost of materials used was lower to some extent, but that would be reflected in the wholesale account.

4537. I see. This is the retail trading account?—Yes.

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[Continued.]

4538. There is no difference then in the retail price at which the goods are transferred this year, as against last year?—Probably not, I should say.

4539. As regards donations and subscriptions, could we have a little information about them? Are they donations to charitable institutions, and that kind of thing? There is £277 lower down on the page?—Yes; I have some particulars about that. They are the sort of donations or charitable subscriptions which trading concerns on our scale, if they were private trading concerns, would wish to make to local charities.

4540. As regards depreciation on premises, I rather gathered, from the answers previously given, that there is a substantial increase this year in the amount charged to the account which is £14,469, on page 100, of the trading account?—From the capital improvements which we carried out during the year we have written off a bigger sum than we did in the previous year.

4541. So, despite a reduction in trade, you have, in fact, written off a substantial sum in respect of the property alterations, and so on?—Yes.

4542. And the net result for the year is as shown on page 100; a profit of £77,341?—Yes; that is rather up, compared with the previous year.

4543. That profit ultimately goes to the public, I assume?—It is entirely for the benefit of the public.

Mr. Gill.

4544. On the statement of liabilities and assets on page 100 of the Trading Accounts, the capital account is shown as £732,000. Could you tell me just what that represents?—I could not do better on that than read the short statement which was made in the Annual Report last year which I read to the Committee a year ago, and which is given in full, in the Annual Report. It was discussed here last year.

Mr. Gill.] If that is on record I can read that without taking up your time.

Chairman.

4545. I can perhaps help you a little, if I ask Sir Malcolm to explain that he has for years raised this question?—(Sir Malcolm Ramsay.) The method of preparing this balance sheet, and what figure, if any, should be shown against capital, has been raised in my Reports in the last two years, and there was a

very full discussion last year, which was fully reported. It is all in the evidence. Quite shortly, the figure represents, according to the best calculation that anybody can make, what you might call the capital put into the business by the public. That is a very popular description. The method of arriving at this figure, which might indeed have been calculated in several alternative ways, was a very difficult problem.

Chairman.] If you are interested at all, Mr. Gill, you will find we had a very long discussion last year. Mr. Fellowes will give you the reference, and you will find the whole thing set out, and that will explain it to you.

Mr. Gill.] That is what I thought, if it was on record. Where can I find the actual cash that has been put into this concern by the State?

Chairman.

4546. On page 100?—(Sir Malcolm Ramsay.) That £732,000 represents, according to our calculations, what would correspond roughly to the capital put into the business by a public company, though I do not admit that the two are at all comparable. That was the best effort we could make to produce a balance sheet which might resemble, directly or indirectly, a commercial balance sheet.

Mr. Gill.

4547. Where can I find the costs that have been incurred on the undertaking; that is property, machinery and everything in connection with it?—That again has been stated in evidence. The Honourable Member means the total capital outlay in connection with Carlisle?

4548. That is so?—Including alterations and improvements up to date?

4549. Yes?—I do not think there is anywhere where you will find that figure, if you put in the reconstruction of premises that has been going on all along, in addition to the initial cost.

4550. That has been paid out of revenue?—Yes, in the main. Since the State bought the property there has been very little fresh capital put into it? Is that not so?—(Sir John Sykes.) Perfectly. (Sir Malcolm Ramsay.) It cost something between £900,000 and possibly £1,000,000 to acquire, but it is very difficult to give you a figure, because the payment was not made all at once. (Sir John Sykes.) I think it cannot be put

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Sir JOHN SYKES, K.C.B.

[Continued.]

plainly and shortly better than in the statement which was published last year. It is only about a page and a half which I could read now, or the Honourable Member can refer to it.

Mr. Gill.] I will read it.

Chairman.] I am afraid Mr. Gill was not here then.

Mr. Gill.

4551. No, I was not, and I was rather interested to make a comparison between this concern and an ordinary public concern. May I be told if there are any figures available as to the present valuation of the property as a going concern?—The property has not been revalued. The value stated in the so-called balance sheet which we publish is the cost value.

Chairman.

4552. Less writings down?—The main assets are taken at cost, less only depreciation of leaseholds and fixed plant. The land, breweries, maltings, spirit stores and freehold properties are taken at cost.

4553. Have you not been going through the whole thing with the Estimates Committee?—Not with the Estimates Committee; with the Royal Commissions on Licensing.

4554. How lately?—Twice within the last year. First, before the Royal Commission in Scotland, and later before the Royal Commission in England.

Chairman.] This witness has been before the Royal Commission and there is page after page of his evidence on all these things. If I may say so, although I do not want to stop you, you are only giving yourself trouble to dig out what is already in his evidence and you can get it there.

Mr. Gill.

4555. If I can dig out the facts, I am satisfied. What I want to get at is this: This is a State undertaking. I want to follow its history and look at it from the standpoint of whether it has been a financial success or otherwise. So far as the year's trading is concerned, that is easily ascertainable, but so far as the property is concerned, I have not been able to find those figures?—As the Chairman said, the whole question of Carlisle and of the corresponding Scottish properties has been examined and has had voluminous evidence taken upon it, both by the English Royal Commission on

Licensing and by the Scottish Royal Commission on Licensing in the last 12 months. I had to give evidence for the Home Office in England and for the Scottish Office in Edinburgh. I was followed, in each case, by the General Manager of the District, Mr. Mitchell for Carlisle, and Mr. Paterson for the Scottish Districts. We, in our turn, were followed by an army of witnesses who wanted, or whom the Commission wanted, to give evidence to them about their views as to the success of the undertakings or otherwise, and beginning, if I may say so, with the official evidence, you will find all these questions dealt with; the official figures and facts given, and short summaries of the history; and then long examinations as to the deductions to be drawn from the facts and figures and the experience. That is in the minutes of evidence taken both before the English Royal Commission and the Scottish Royal Commission.

4556. Thank you. So far as the figures shown as being the value of the assets of just over £1,000,000 are concerned, may I take it that the actual value is considerably in excess of the £1,183,000 shown here?—The assets have not been valued for the purpose of a balance sheet since the cost figure was first inserted. The present value would be, no doubt, a matter of opinion depending on what inference you draw from the profits which have been taken, and from the prospects of the undertakings.

Mr. Benson.

4557. I am not quite sure that I follow this account on page 2 of the White Sheet: "Balance transferred to profit and loss account," £8,000?—The final item on the right hand side, £15,000, is the figure for this year; £8,000 is for the previous year.

4558. £15,000. Does that represent the profit on the retail trading?—Yes.

4559. You made £15,000 on £480,000 turnover?—That balance of profit, together with the balance of profit from the Wholesale Department, is brought into the Trading Account in a total, on page 101.

4560. I know that. What I wanted to get at was, you make a fairly heavy profit on your wholesale business, on your brewing. Am I to connect the retail turnover of £480,000 with a retail

21 MAY, 1931.]

SIR JOHN SYKES, K.C.B.

[Continued.]

profit of £15,000?—Yes, the take is the turnover, and what we regard as the retail profit is the £15,000 odd.

4561. That is an extraordinarily small profit on the turnover surely?—I do not think so. It depends largely on the figure at which the beer is invoiced from the breweries into the public-houses.

4562. Exactly, but I assume you invoice the beer, for trading purposes at the trade price?—Yes; that is so.

4563. If you are invoicing the beer at the price at which you could buy a similar quality of beer from the brewer, the profit on the wholesale is enormous (or shall I say satisfactory); but the profit on the retail is certainly not a profit that any commercial undertaking would be very satisfied with?—I think if you compared it with the corresponding accounts of a brewery, which went on the system on which we go, of having its houses occupied and run by salaried managers, and not by tenants, you would find these accounts fairly comparable in scale with the accounts of a commercial company. Our houses are exclusively run by salaried paid managers, not by tied tenants. I mean that the houses that we run as part of the State scheme are run as managed houses, with managers in them receiving salaries, and they are not run, as the great majority of public-houses are, by tenants on their own.

4564. You mean you cannot separate the wholesale from the retail?—Yes, we do.

4565. I mean you cannot separate it, from the point of view of criticising the profit on turnover?—Hardly, because in our case it is only a book separation.

4566. Assuming you were buying your beer and not brewing it yourselves?—I would not like to say how far these accounts could be properly compared with the retail accounts of tenants in tied houses. I should think probably they are not properly comparable.

4567. It appears you are either invoicing your beer at too high a price (a higher price than is the ordinary trade price) or it practically means that you are putting a very large percentage of your normal profits into service?—I would not like to criticise or defend the precise price at which the beer is invoiced, but that is exactly the kind of point which the expert members of our Council would

keep an eye on, to see that it was in accordance with the best practice.

4568. One can assume that the price of the beer is the correct price. 3 per cent. on turnover is an extraordinarily small profit. It is either an indication that there is some lack of economy somewhere in your management, or else you are giving a very much higher form of service than an ordinary trader, and that service is costing you a percentage of profits. Is that a point you can deal with?—I do not think that I can accept that as a fair conclusion.

4569. There are only two alternatives. Either you are extravagant or generous; extravagant if your costs are too high, and generous if your service is better than the ordinary service?—We are speaking of the retail profits against which the salaries of the retail managers have already been charged. In the ordinary public house, of course, the man gets his own living there, and would not have to charge himself his own wages, so to say.

Chairman.

4570. That is the defect in the profit result. You have to pay for that management. If a man lived in it and looked after it, and lived with the work, you would probably save the whole of that management. It would go into the profits?—You must have either a tenant or a manager.

4571. A tenant would probably be cheaper for the purpose, living on the spot and managing his own business?—I do not know that I should admit that, either. Many good brewery companies have managers of their houses and not tenants.

4572. I do not want to pursue it. Arthur Young said "Possession will turn sand into gold and beer into wine"?—In the north of England the managed-house system is common with brewery companies.

Mr. Denman.

4573. Could you tell us whether your residential hotels are run at a profit?—I think so. I would not like to generalise too much. I would not like to say that this or that one, in relation to the capital sum we paid for it, is showing a profit on the original figure, but, as current concerns to-day, I should say they were running at a profit, speaking generally.

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[Continued.]

4574. You would have the detailed accounts of each hotel, of course?—Yes.

4575. Does each of them make a current profit; does the income exceed the expenditure?—I think all of them, or nearly all of them, do. I would not like to speak too positively as to all of them, without exception.

4576. I suppose you keep that in mind, and if a hotel were run consistently at a loss you would close it?—Yes; I suppose we should, in time. There are places where a concern which is really responsible for the hotel and public house accommodation of the whole area might have to face the possibility of keeping a particular place open, whether hotel or public house, even if it showed a loss which showed no signs of diminishing. It is something like rural telephones, which do not in all cases show a profit, but any organisation which is in charge of the country, or of a district as a whole, must continue to keep a certain number of its separate undertakings on, even though there may be no immediate prospect of a profitable return from one or more of them.

4577. I suppose you can shut the residential part of a hotel and maintain the food and liquor supply portion. You do go into that kind of question?—We take all that kind of thing into account and one case differs very greatly from another case, according to the conditions of the localities.

4578. Have you any regular system of examining these detailed problems with a view to economy, in order to see whether any portion of your undertaking is being worked at a loss?—Our General Managers at Carlisle and in Scotland respectively, are constantly looking into that very kind of point. The accounts are very carefully scrutinised by the members of the Council, including the expert members, from year to year and from half year to half year, and even oftener, and visits are paid to the districts, and that kind of point is discussed.

4579. Do you go into that kind of thing, Sir Malcolm?—(Sir *Malcolm Ramsay*.) Yes, my auditors who visit the area have from time to time called attention to this sort of point, and I have to judge whether it is worth taking up with Sir John Sykes. In two or three cases this year, I did raise questions as to whether houses were kept on which obviously were run at a loss.

4580. The object of my question was to be sure that the organisation exists?—I have seen Minutes of the Council where this matter was discussed very fully, and my people have picked up cases on their tours.

4581. You say your hotels and premises are managed by salaried managers. Does all the profit or loss of their work accrue to the State Management Fund, or have they any personal interest?—(Sir *John Sykes*.) In a good many cases they have a small interest in the sale of food.

4582. What sort of case would that be?—The interest is so small in some of the places, that perhaps it is hardly worth making much of a point of, but broadly, I think one may say that, except in the restaurants, all the managers have some interest or commission on the sale of food.

4583. Commission, yes, but if they sell food, except in these few places, it is at the expense of and for the benefit of your fund?—The short statement I made to the Royal Commission which summarised briefly the exact position is: "Under the system of disinterested management the premises are in charge of managers who receive a fixed salary, and, except in the case of hotels or restaurants, a commission on the sale of food." Hotels and restaurants are excepted because, of course, their object, which is to provide food, is so much a part of the accepted work of the manager that it is not thought proper to put a commission on his doing his job properly. When you come to public-houses and the like, where it is desirable to encourage the sale of food, in those cases we put a commission on the sale to give it a fillip.

4584. I am not talking of the cases of commission, but of the cases where the managers themselves provide, and make a profit on the sale of food?—(Sir *Malcolm Ramsay*.) It is only a casual bit of bread and cheese or beef for a passing visitor. It is obviously uneconomical for the State to supply food in these places where the demand for food is only casual. (Sir *John Sykes*.) There are one or two cases where the manager is interested in it himself, and the State does not get a profit, but in those cases it has been done to get it going and to get the manager to take an interest in it and to increase the sale of food.

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[Continued.]

Chairman.

4585. I want to put on record that we note, on page 100 of the Trading Accounts, that you have, apparently for the first time (or at any rate it was not done in the year before), put a reserve for contingencies, £2,000, for Carlisle?—Yes; I think I might make a short statement on that.

4586. I do not need any explanation. We have taken note of it, and we are glad to see it put there?—It is to start a provision, or possible provision, for the future payment of gratuities or the like to persons who retire from our ser-

vice from age or incapacity. It is a kind of nucleus.

4587. We notice it is there; that is all. That is all I need say. Interest on claims outstanding is £38. There is nothing very much to draw attention to, but as they are claims, I daresay Sir Malcolm has satisfied himself they are all right?—(Sir *Malcolm Ramsay*.) They are quite proper.

4588. Have you anything to say generally on the account?—No; I call your attention to the nucleus of the Superannuation Fund. Otherwise there is nothing more the Committee need spend time upon.

(*The Witnesses withdrew.*)

(*Adjourned to Tuesday, 23rd June.*)

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APPENDIX No. 1.

PAPER handed in by Mr. *F. Phillips*, C.B., on 5th February, 1931.

1928.

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,
January, 1931.

COMPARISON of AUDITED EXPENDITURE in 1928 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.
CONSOLIDATED FUND SERVICES.	413,240,525 9 4	413,240,525 9 4	—	—
NAVY	56,920,000 0 0	57,139,145 10 6	—	219,145 10 6
ARMY	40,499,900 0 0	40,796,661 4 9	—	296,761 4 9
ARMY (ORDNANCE FACTORIES).	100 0 0	12,912 1 0	—	12,812 1 0
AIR SERVICES	16,050,000 0 0	16,091,935 8 3	—	41,935 8 3
	113,470,000 0 0	114,040,654 4 6	—	570,654 4 6
CIVIL SERVICES	222,493,000 0 0	223,333,059 3 6	—	840,059 3 6
REVENUE DEPARTMENTS ...	68,837,000 0 0	69,226,883 12 7	—	389,883 12 7
TOTAL	818,040,525 9 4	819,841,122 9 11	—	1,800,597 0 7

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, 1928.						Expenditure, 1928.						Differences between Exchequer Grants and Net Expenditure. (Columns 3 and 6.)											
	Estimated Gross Expenditure.		Authorised Receipts in Aid of Grants.		Exchequer Grants.		Gross Expenditure.		Actual Receipts in Aid.		Net Expenditure.		Surpluses.	Deficits.										
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)																
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.						
Navy	61,674,715	0	0	4,374,615	0	0	57,300,100	0	0	61,554,142	2	5	4,424,996	11	11	57,139,145	10	6	160,954	9	6	—	—	
Army	49,526,000	0	0	8,361,000	0	0	41,165,000	0	0	48,897,741	15	3	8,101,080	10	6	40,796,661	4	9	368,338	15	3	—	—	
Army (Ordnance Factories) ...	2,378,800	0	0	2,378,700	0	0	100	0	0	2,641,463	1	11	2,628,551	0	11	12,912	1	0	—	—	—	12,812	1	0
Air Services	19,135,100	0	0	2,885,100	0	0	16,250,000	0	0	18,923,422	16	8	2,831,487	8	5	16,091,935	8	3	158,064	11	9	—	—	
TOTAL, NAVAL, MILITARY AND AIR SERVICES.	133,214,615	0	0	18,499,415	0	0	114,715,200	0	0	132,026,769	16	3	17,986,115	11	9	114,040,654	4	6	687,357	16	6	12,812	1	0
Civil Services:																								
Class I.	8,623,411	0	0	6,377,759	0	0	2,245,652	0	0	8,402,992	6	3	6,367,899	9	10	2,035,092	16	5	210,559	3	7	—	—	
" II.	6,976,018	0	0	939,107	0	0	6,036,911	0	0	6,636,445	18	2	916,656	4	8	5,719,789	13	6	317,121	6	6	—	—	
" III.	14,663,675	0	0	2,354,010	0	0	12,309,665	0	0	14,447,051	5	0	2,275,649	11	1	12,171,401	13	11	138,263	6	1	—	—	
" IV.	55,257,163	0	0	5,764,714	0	0	49,492,449	0	0	55,178,868	7	10	5,764,458	14	7	49,414,409	13	3	78,039	6	9	—	—	
" V.	82,903,247	0	0	6,264,197	0	0	76,639,050	0	0	82,295,490	5	4	6,267,371	9	9	76,028,118	15	7	610,931	4	5	—	—	
" VI.	13,377,577	0	0	2,662,448	0	0	10,715,129	0	0	11,552,218	12	5	2,524,544	0	6	9,027,274	11	11	1,687,854	8	1	—	—	
" VII.	9,784,802	0	0	1,300,470	0	0	8,484,332	0	0	9,523,125	11	1	1,273,230	16	6	8,254,894	14	7	229,437	5	5	—	—	
" VIII.	61,166,233	0	0	1,299,822	0	0	59,866,411	0	0	60,593,538	10	4	1,299,404	14	10	59,294,133	15	6	575,458	11	2	3,181	6	8
" IX.	3,568,904	0	0	2,175,341	0	0	1,393,563	0	0	3,014,870	1	3	1,626,926	12	5	1,387,943	8	10	5,619	11	2	—	—	
TOTAL, CIVIL SERVICES	256,321,030	0	0	29,137,868	0	0	227,183,162	0	0	251,649,600	17	8	28,316,541	14	2	223,333,059	3	6	3,853,284	3	2	* 3,181	6	8
Revenue Departments:																								
Customs and Excise	5,149,600	0	0	228,200	0	0	4,921,400	0	0	5,077,317	16	1	228,200	0	0	4,849,117	16	1	72,282	3	11	—	—	
Inland Revenue	7,016,425	0	0	160,775	0	0	6,855,650	0	0	7,415,099	7	1	160,775	0	0	7,254,324	7	1	—	—	—	398,674	7	1
Post Office	59,743,191	0	0	2,429,191	0	0	57,314,000	0	0	59,552,632	9	5	2,429,191	0	0	57,123,441	9	5	190,558	10	7	—	—	
TOTAL, REVENUE DEPARTMENTS.	71,909,216	0	0	2,818,166	0	0	69,991,050	0	0	72,045,049	12	7	2,818,166	0	0	69,226,883	12	7	262,940	14	6	398,674	7	1
TOTAL FOR VOTED SERVICES.	461,444,861	0	0	50,455,449	0	0	410,989,412	0	0	455,721,420	6	6	49,120,823	5	11	406,600,597	0	7	4,803,482	14	2	414,667	14	1

CIVIL SERVICES.

1928

ABSTRACT STATEMENT showing the APPROPRIATION of GRANTS and RECEIPTS in AID of GRANTS, for the undermentioned CIVIL SERVICES after Audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee of the House of Commons for the Year ended 31st March, 1929, and the Amounts of the UNEXPENDED BALANCES or DEFICIENCIES arising upon the same. (For details see H.C. 40 of 1930.)

Service.	Grants and Estimated Receipts, 1928.			Expenditure, 1928.			Differences between Exchequer Grants and Net Expenditure.								
	Estimated Gross Expenditure.	Authorised Receipts in Aid of Grants.	Exchequer Grants.	Gross Expenditure.	Actual Receipts in Aid.	Net Expenditure.	Surpluses.	Deficits.							
							(7.)	(8.)							
(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)								
CLASS I.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.					
CENTRAL GOVERNMENT AND FINANCE.															
1 House of Lords Offices	60,356	0 0	5,500	0 0	54,856	0 0	58,896	13 7	5,500	0 0	53,396	13 7	1,459	6 5	—
2 House of Commons	371,270	0 0	16,000	0 0	355,270	0 0	366,120	11 8	16,000	0 0	350,120	11 8	5,149	8 4	—
3 Expenses under the Representation of the People Act.	210,000	0 0	—		210,000	0 0	208,746	15 11	—		208,746	15 11	1,253	4 1	—
4 Treasury and Subordinate Departments	336,007	0 0	28,553	0 0	307,454	0 0	328,457	11 11	23,553	0 0	299,904	11 11	7,549	8 1	—
5 Privy Council Office	15,023	0 0	6,000	0 0	9,023	0 0	14,283	15 8	6,000	0 0	8,283	15 8	739	4 4	—
6 Privy Seal Office	2,620	0 0	—		2,620	0 0	2,604	19 10	—		2,604	19 10	15	— 2	—
7 Charity Commission	44,812	0 0	3,000	0 0	41,812	0 0	43,699	10 4	3,000	0 0	40,699	10 4	1,112	9 8	—
8 Civil Service Commission	63,085	0 0	21,600	0 0	41,485	0 0	57,395	14 10	21,600	0 0	36,395	14 10	5,089	5 2	—
9 Exchequer and Audit Department	157,357	0 0	7,797	0 0	149,560	0 0	152,241	4 10	7,797	0 0	144,444	4 10	5,115	15 2	—
10 Friendly Societies' Deficiency ...	5,975	0 0	—		5,975	0 0	5,974	1 3	—		5,974	1 3	—	18 9	—
11 Government Actuary	36,841	0 0	2,125	0 0	34,716	0 0	35,934	5 6	2,125	0 0	33,809	5 6	906	14 6	—
12 Government Chemist	66,915	0 0	465	0 0	66,450	0 0	66,529	18 8	465	0 0	66,064	18 8	385	1 4	—
13 Government Hospitality	12,000	0 0	—		12,000	0 0	12,000	0 0	—		12,000	0 0	—	—	—

14	Mint	6,373,200	0 0	6,223,100	0 0	150,100	0 0	6,221,964	12 6	6,221,964	12 6	—	150,100	0 0	—
15	National Debt Office	29,439	0 0	13,670	0 0	15,769	0 0	27,670	1 8	13,670	0 0	14,000	1 8	1,768	18 4
16	National Savings Committee	81,795	0 0	—	—	81,795	0 0	79,409	4 4	—	—	79,409	4 4	2,385	15 8
17	Public Record Office	37,836	0 0	700	0 0	37,136	0 0	36,553	3 3	700	0 0	35,853	3 3	1,342	16 9
18	Public Works Loan Commission	28,069	0 0	28,069	0 0	10	0 0	23,950	13 10	23,950	13 10	—	—	10	0 0
19	Repayments to the Local Loans Fund	86,200	0 0	—	—	86,200	0 0	82,500	0 0	—	—	82,500	0 0	3,700	0 0
20	Royal Commissions, &c.	44,190	0 0	6,190	0 0	38,000	0 0	36,022	17 4	1,781	15 2	84,291	2 2	3,708	17 10
21	Miscellaneous Expenses	83,068	0 0	13,500	0 0	69,568	0 0	82,864	0 10	13,500	0 0	69,364	0 10	203	19 2
22	Secret Service	180,000	0 0	—	—	180,000	0 0	162,453	5 9	—	—	162,453	5 9	17,546	14 3
23	Scottish Office	286,654	0 0	1,500	0 0	285,154	0 0	285,481	1 7	1,342	8 4	284,138	13 3	1,015	6 9
24	Repayments to the Civil Contingencies Fund.	10,639	0 0	—	—	10,639	0 0	10,638	1 2	—	—	10,638	1 2	—	18 10
TOTAL		8,623,411	0 0	6,377,759	0 0	2,245,652	0 0	8,402,992	6 3	6,367,899	9 10	2,035,092	16 5	210,559	3 7
CLASS II.															
FOREIGN AND IMPERIAL.															
1	Foreign Office	309,607	0 0	102,907	0 0	206,700	0 0	300,672	13 1	102,907	0 0	197,765	13 1	8,934	6 11
2	Diplomatic and Consular Services	1,649,300	0 0	604,307	0 0	1,044,993	0 0	1,617,808	14 9	604,307	0 0	1,013,501	14 9	31,491	5 3
3	League of Nations	76,300	0 0	—	—	76,300	0 0	74,338	0 0	—	—	74,338	0 0	1,962	0 0
4	Dominions Office... ..	84,565	0 0	35,442	0 0	49,123	0 0	82,021	13 9	33,999	11 1	48,022	2 8	1,100	17 4
5	Dominion Services	842,377	0 0	50,028	0 0	792,349	0 0	834,882	9 7	50,027	17 0	784,854	12 7	7,494	7 5
6	Empire Marketing	500,000	0 0	—	—	500,000	0 0	500,000	0 0	—	—	500,000	0 0	—	—
7	Over-sea Settlement	1,418,000	0 0	88,000	0 0	1,330,000	0 0	1,168,778	18 0	71,320	5 8	1,097,458	12 4	232,541	7 8
8	Colonial Office	151,072	0 0	4,723	0 0	146,349	0 0	149,791	18 9	4,723	0 0	145,068	18 9	1,280	1 3
9	Colonial and Middle Eastern Services	1,125,625	0 0	41,500	0 0	1,083,525	0 0	1,096,520	16 8	40,972	11 4	1,055,548	5 4	27,976	14 8
10	India Office	132,334	0 0	—	—	132,334	0 0	132,207	5 9	—	—	132,207	5 9	126	14 3
11	Imperial War Graves Commission	673,038	0 0	—	—	673,038	0 0	670,552	11 8	—	—	670,552	11 8	2,485	8 4
12	West Indian Islands Cable	14,400	0 0	12,200	0 0	2,200	0 0	8,870	16 2	8,398	19 7	471	16 7	1,728	3 5
TOTAL		6,976,018	0 0	939,107	0 0	6,036,911	0 0	6,636,445	18 2	916,656	4 8	6,719,789	13 6	317,121	6 6

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March, 1929—continued.

Service.	Grants and Estimated Receipts, 1928.			Expenditure, 1928.			Differences between Exchequer Grants and Net Expenditure.															
	Estimated Gross Expenditure.	Authorised Receipts in Aid of Grants	Exchequer Grants.	Gross Expenditure.	Actual Receipts in Aid.	Net Expenditure.	Surpluses.	Deficits.														
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)														
CLASS III.																						
HOME DEPARTMENT, LAW AND JUSTICE.																						
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.										
1 Home Office	487,241	0	0	53,653	0	0	433,588	0	0	457,035	16	10	43,811	2	5	413,224	14	5	20,363	5	7	—
2 Broadmoor Criminal Lunatic Asylum...	76,506	0	0	4,825	0	0	71,680	0	0	74,278	10	9	4,750	0	8	69,548	10	1	2,131	9	11	—
3 Police, England and Wales	7,132,470	0	0	210	0	0	7,132,260	0	0	7,130,710	9	9	210	0	0	7,130,600	9	9	1,759	10	3	—
4 Prisons, England and Wales	1,187,719	0	0	213,750	0	0	973,969	0	0	1,171,287	0	1	213,750	0	0	957,537	0	1	16,131	19	11	—
5 Reformatory and Industrial Schools, England and Wales.	259,621	0	0	19,550	0	0	240,071	0	0	235,686	18	5	18,862	8	9	216,724	9	8	23,346	10	4	—
6 Supreme Court of Judicature, &c. ...	509,153	0	0	509,053	0	0	100	0	0	494,591	3	11	494,591	3	11	—	—	—	100	0	0	—
7 County Courts	727,661	0	0	727,651	0	0	10	0	0	697,835	0	8	697,835	0	8	—	—	—	10	0	0	—
8 Land Registry	155,341	0	0	155,331	0	0	10	0	0	144,506	12	0	144,506	12	0	—	—	—	10	0	0	—
9 Public Trustee	222,107	0	0	222,097	0	0	10	0	0	214,162	16	6	214,162	16	6	—	—	—	10	0	0	—
10 Law Charges	196,529	0	0	35,000	0	0	161,529	0	0	186,582	6	4	35,000	0	0	151,582	6	4	9,946	13	8	—
11 Miscellaneous Legal Expenses	43,017	0	0	4,125	0	0	38,892	0	0	40,688	19	3	4,125	0	0	36,563	19	3	2,328	0	9	—
12 Police, Scotland	855,000	0	0	—	—	—	855,000	0	0	842,786	5	8	—	—	—	842,786	5	8	12,213	14	4	—
13 Prisons, Scotland... ..	165,602	0	0	21,845	0	0	143,757	0	0	158,124	8	1	21,845	0	0	136,279	8	1	7,477	11	11	—
14 Reformatory and Industrial Schools, Scotland.	68,400	0	0	4,500	0	0	63,900	0	0	68,144	12	9	4,500	0	0	63,644	12	9	255	7	3	—
15 Scottish Land Court	9,957	0	0	300	0	0	9,657	0	0	9,054	8	3	300	0	0	8,754	8	3	902	11	9	—
16 Law Charges and Courts of Law, Scotland.	242,987	0	0	136,000	0	0	106,987	0	0	227,532	6	1	136,000	0	0	91,532	6	1	15,454	13	11	—
17 Register House, Edinburgh	73,598	0	0	73,588	0	0	10	0	0	69,354	19	7	69,354	19	7	—	—	—	10	0	0	—
18 Northern Ireland Services	18,898	0	0	6,242	0	0	12,656	0	0	17,785	6	5	5,715	6	7	12,009	19	10	646	0	2	—
19 Supreme Court of Judicature, Northern Ireland.	48,930	0	0	31,400	0	0	17,530	0	0	47,162	17	1	31,400	0	0	16,062	17	1	1,467	2	11	—
20 Land Purchase Commission, Northern Ireland.	2,182,939	0	0	134,890	0	0	2,048,049	0	0	2,159,540	6	7	134,890	0	0	2,024,650	6	7	23,398	13	5	—
TOTAL	14,663,675	0	0	2,354,010	0	0	12,309,665	0	0	14,447,051	5	0	2,275,649	11	1	12,171,401	13	11	138,263	6	1	—

CLASS IV.																
EDUCATION.																
1	Board of Education	46,245,610	0 0	5,029,782	0 0	41,215,828	0 0	46,180,796	9 10	5,029,782	0 0	41,151,014	9 10	61,813	10 2	—
2	British Museum	300,151	0 0	19,264	0 0	280,887	0 0	299,665	5 10	19,264	0 0	280,401	5 10	485	14 2	—
3	Imperial War Museum	13,824	0 0	785	0 0	13,039	0 0	13,503	19 8	785	0 0	12,718	19 8	320	0 4	—
4	London Museum	6,060	0 0	1,250	0 0	4,810	0 0	6,048	0 11	1,250	0 0	4,798	0 11	11	19 7	—
5	National Gallery	43,582	0 0	4,300	0 0	39,282	0 0	36,275	16 8	4,064	1 6	32,211	15 2	7,070	4 10	—
6	National Portrait Gallery	9,073	0 0	920	0 0	8,153	0 0	8,627	18 8	920	0 0	7,707	18 8	445	1 4	—
7	Wallace Collection	13,556	0 0	2,430	0 0	11,126	0 0	12,480	10 3	2,410	13 1	10,069	17 2	1,066	2 10	—
8	Scientific Investigation, &c.	225,085	0 0	—	—	225,085	0 0	224,778	14 2	—	—	224,778	14 2	306	5 10	—
9	Universities and Colleges, Great Britain, and Intermediate Education, Wales.	1,579,400	0 0	—	—	1,579,400	0 0	1,579,008	13 4	—	—	1,579,008	13 4	391	1 8	—
10	Public Education, Scotland	6,804,291	0 0	700,675	0 0	6,103,616	0 0	6,801,567	18 6	700,675	0 0	6,100,892	18 6	2,723	1 6	—
11	National Galleries, Scotland	10,936	0 0	198	0 0	10,738	0 0	10,678	5 7	198	0 0	10,480	5 7	257	14 5	—
12	National Library, Scotland	5,585	0 0	5,110	0 0	475	0 0	5,436	9 5	5,110	0 0	326	9 5	148	10 7	—
	TOTAL	55,257,163	0 0	5,764,714	0 0	49,492,449	0 0	55,178,868	7 10	5,764,458	14 7	49,414,409	13 3	78,039	6 9	—
CLASS V.																
HEALTH, LABOUR, AND INSURANCE.																
1	Ministry of Health	21,692,670	0 0	918,645	0 0	20,774,025	0 0	21,561,369	7 1	918,645	0 0	20,642,718	7 1	181,806	12 11	—
2	Board of Control	762,117	0 0	16,023	0 0	746,094	0 0	752,769	18 11	15,778	10 2	736,981	8 9	9,162	11 3	—
3	Registrar-General's Office	117,367	0 0	24,500	0 0	92,867	0 0	113,456	6 10	24,500	0 0	88,956	6 10	3,910	13 2	—
4	National Insurance Audit Department	170,380	0 0	5,070	0 0	165,310	0 0	167,828	8 10	5,070	0 0	162,758	8 10	2,551	11 2	—
5	Grants in respect of Unemployment Schemes.	1,525,000	0 0	—	—	1,525,000	0 0	1,523,151	9 6	—	—	1,523,151	9 6	1,848	10 6	—
6	Friendly Societies' Registry	48,806	0 0	4,900	0 0	43,906	0 0	47,990	5 7	4,900	0 0	43,090	5 7	815	14 5	—
7	Old Age Pensions	34,243,000	0 0	3,000	0 0	34,240,000	0 0	34,094,070	5 11	2,456	2 10	34,091,615	3 1	148,384	16 11	—
8	Widows', Orphans' and Old Age Contributory Pensions.	4,000,000	0 0	—	—	4,000,000	0 0	4,000,000	0 0	—	—	4,000,000	0 0	—	—	—
9	Ministry of Labour	17,248,101	0 0	5,159,592	0 0	12,088,509	0 0	16,941,223	16 11	5,163,604	7 8	11,777,619	9 3	305,889	10 9	—
10	Department of Health for Scotland	2,997,367	0 0	129,852	0 0	2,867,515	0 0	2,991,277	13 4	129,852	0 0	2,861,425	13 4	6,089	6 8	—
11	General Board of Control, Scotland	85,659	0 0	515	0 0	85,144	0 0	85,279	17 4	515	0 0	84,764	17 4	379	2 8	—
12	Registrar-General's Office, Scotland	17,780	0 0	2,100	0 0	15,680	0 0	17,138	16 1	2,051	9 1	15,087	6 0	592	14 0	—
	TOTAL	82,903,247	0 0	6,264,197	0 0	76,639,050	0 0	82,295,490	5 4	6,267,371	9 9	76,028,118	15 7	610,931	4 6	—

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ended 31st March, 1929—continued.

Service.	Grants and Estimated Receipts, 1928.						Expenditure, 1928.			Differences between Exchequer Grants and Net Expenditure.	
	Estimated Gross Expenditure.	Authorised Receipts in Aid of Grants.	Exchequer Grants.	Gross Expenditure.	Actual Receipts in Aid.	Net Expenditure.	Surpluses.	Deficits.			
	(1.)	(2.)	(3.)	(4.)	(5.)	(6.)	(7.)	(8.)			
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
CLASS VI.											
TRADE AND INDUSTRY.											
1	Board of Trade	548,068 0 0	332,293 0 0	215,775 0 0	546,632 18 9	332,293 0 0	214,339 18 9	1,435 1 3	—	—	
2	Bankruptcy Department of the Board of Trade.	153,882 0 0	163,882 0 0	10 0 0	158,939 9 3	158,939 9 3	—	10 0 0	—	—	
3	Mercantile Marine Services	665,402 0 0	276,893 0 0	388,509 0 0	653,227 8 9	276,326 12 9	382,900 16 0	5,608 4 0	—	—	
4	Department of Overseas Trade	478,465 0 0	157,482 0 0	320,983 0 0	467,285 6 9	148,031 4 10	319,254 1 11	1,728 18 1	—	—	
5	Export Credits	97,500 0 0	7,500 0 0	90,000 0 0	26,375 1 5	7,500 0 0	18,875 1 5	71,124 18 7	—	—	
6	Mines Department of the Board of Trade.	183,320 0 0	6,801 0 0	176,419 0 0	173,459 9 9	6,103 14 4	173,355 15 5	3,063 4 7	—	—	
6a	Private Mineral Railways Local Rates Grants.	20,000 0 0	—	20,000 0 0	3,763 0 2	—	3,763 0 2	16,236 19 10	—	—	
7	Office of Commissioners of Crown Lands.	28,563 0 0	—	28,563 0 0	28,044 1 10	—	28,044 1 10	518 18 2	—	—	
8	Ministry of Agriculture and Fisheries.	2,591,415 0 0	463,896 0 0	2,127,519 0 0	2,545,529 12 4	463,896 0 0	2,081,633 12 4	45,885 7 8	—	—	
9	Beet Sugar Subsidy, Great Britain ...	4,250,000 0 0	—	4,250,000 0 0	2,854,239 4 6	—	2,854,239 4 6	1,395,760 15 6	—	—	
10	Surveys of Great Britain	236,580 0 0	93,485 0 0	143,095 0 0	236,436 18 7	93,485 0 0	142,951 18 7	143 1 5	—	—	
11	Forestry Commission	485,600 0 0	—	485,600 0 0	485,600 0 0	—	485,600 0 0	—	—	—	
12	Ministry of Transport	265,302 0 0	159,600 0 0	105,302 0 0	255,329 17 11	159,600 0 0	95,729 17 11	10,572 2 1	—	—	
12a	Railway Freight Rebates	1,000,000 0 0	—	1,000,000 0 0	900,000 0 0	—	900,000 0 0	100,000 0 0	—	—	
13	Development Fund	400,000 0 0	—	400,000 0 0	400,000 0 0	—	400,000 0 0	—	—	—	
14	Department of Scientific and Industrial Research.	630,174 0 0	183,954 0 0	446,220 0 0	600,170 10 2	175,915 3 10	424,255 6 4	21,964 13 8	—	—	
15	State Management Districts	663,720 0 0	663,620 0 0	100 0 0	601,764 11 6	601,764 11 6	—	100 0 0	—	—	
16	Department of Agriculture Scotland	574,873 0 0	124,694 0 0	450,179 0 0	522,535 14 7	84,961 15 0	437,573 19 7	12,605 0 5	—	—	
17	Fishery Board, Scotland	88,103 0 0	22,248 0 0	65,855 0 0	86,885 6 2	22,127 9 0	64,757 17 2	1,097 2 10	—	—	
	TOTAL	13,377,577 0 0	2,662,448 0 0	10,715,129 0 0	11,552,218 12 5	2,524,944 0 6	9,027,274 11 11	1,687,854 8 1	—	—	
CLASS VII.											
COMMON SERVICES (WORKS, STATIONERY, ETC.).											
1	Art and Science Buildings, Great Britain.	253,900 0 0	7,700 0 0	251,200 0 0	234,233 12 3	7,700 0 0	226,533 12 3	24,666 7 9	—	—	
2	Diplomatic and Consular Buildings ...	298,950 0 0	20,700 0 0	278,250 0 0	283,247 3 6	20,700 0 0	262,647 3 6	15,602 16 6	—	—	
3	Houses of Parliament Buildings ...	74,990 0 0	500 0 0	74,490 0 0	74,070 7 3	500 0 0	75,570 7 3	919 12 9	—	—	

4	Housing Estates	107,820	0 0	105,900	0 0	1,930	0 0	87,244	5 5	87,244	5 5	—	1,930	0 0	—
5	Labour and Health Buildings, Great Britain.	545,910	0 0	10,480	0 0	533,430	0 0	520,025	5 10	10,480	0 0	503,545	5 10	23,884	14 2
6	Mall Approach Improvement	10	0 0	—	—	10	0 0	—	—	—	—	—	10	0 0	—
7	Miscellaneous Legal Buildings, Great Britain.	109,770	0 0	1,050	0 0	108,720	0 0	102,627	7 9	1,050	0 0	101,577	7 9	7,142	12 3
8	Osborne	21,430	0 0	5,070	0 0	16,360	0 0	20,735	15 2	5,070	0 0	15,665	15 2	694	4 10
9	Office of Works and Public Buildings ..	722,350	0 0	112,000	0 0	610,350	0 0	720,096	15 5	112,000	0 0	608,096	15 5	2,253	4 7
10	Public Buildings, Great Britain	1,504,690	0 0	192,000	0 0	1,312,690	0 0	1,492,481	11 7	192,000	0 0	1,300,481	11 7	12,208	8 5
11	Royal Palaces	91,350	0 0	10,750	0 0	80,600	0 0	87,041	11 11	10,750	0 0	76,291	11 11	4,508	8 1
12	Revenue Buildings	1,362,780	0 0	29,000	0 0	1,333,780	0 0	1,299,566	10 10	29,000	0 0	1,270,566	10 10	63,213	9 2
13	Royal Parks and Pleasure Gardens ...	262,080	0 0	43,080	0 0	219,000	0 0	258,485	8 3	43,080	0 0	215,405	8 3	3,594	11 9
14	Rates on Government Property ...	1,987,409	0 0	72,500	0 0	1,914,909	0 0	1,949,828	3 7	71,180	7 1	1,878,647	16 6	36,261	3 6
15	Stationery and Printing	2,253,863	0 0	658,500	0 0	1,595,363	0 0	2,252,228	14 8	658,500	0 0	1,593,728	14 8	1,634	5 4
16	Peterhead Harbour	32,000	0 0	—	—	32,000	0 0	28,137	12 8	—	—	28,137	12 8	3,862	7 4
17	Works and Buildings in Ireland ...	152,490	0 0	31,240	0 0	121,250	0 0	117,975	5 0	23,976	4 0	93,999	1 0	27,250	19 0
TOTAL		9,784,802	0 0	1,300,470	0 0	8,484,332	0 0	9,528,125	11 1	1,273,230	16 6	8,254,894	14 7	229,437	5 5
CLASS VIII.															
NON-EFFECTIVE CHARGES (PENSIONS).															
1	Merchant Seamen's War Pensions ...	410,876	0 0	—	—	410,876	0 0	409,129	8 7	—	—	409,129	8 7	1,746	11 5
2	Ministry of Pensions	57,540,800	0 0	25,000	0 0	57,215,800	0 0	56,732,700	0 7	25,000	0 0	56,707,700	0 7	508,099	19 5
3	Royal Irish Constabulary Pensions, &c.	1,889,924	0 0	1,193,622	0 0	696,302	0 0	1,893,105	6 8	1,193,622	0 0	699,483	6 8	—	*3,181 6 8
4	Superannuation and Retired Allowances	1,624,633	0 0	81,200	0 0	1,543,433	0 0	1,558,603	14 6	80,782	14 10	1,477,820	19 8	65,612	0 4
TOTAL		61,166,233	0 0	1,299,822	0 0	59,866,411	0 0	60,593,538	10 4	1,299,404	14 10	59,294,133	15 6	576,458	11 2
CLASS IX.															
MISCELLANEOUS (EXPIRING SERVICES).															
1	Clearing Office (Enemy Debts), Shipping Liquidation, &c.	673,541	0 0	673,141	0 0	200	0 0	556,638	3 11	556,438	3 11	200	0 0	—	—
2	Australian Zinc Concentrate	2,037,409	0 0	1,502,200	0 0	535,200	0 0	1,600,168	17 4	1,070,488	8 6	529,680	8 10	5,519	11 2
3	Railway (War) Agreement Liquidation.	100	0 0	—	—	100	0 0	—	—	—	—	—	100	0 0	—
4	Grant in Aid of the Lord Mayor's Fund.	755,000	0 0	—	—	755,000	0 0	755,000	0 0	—	—	755,000	0 0	—	—
5	Relief in distressed Mining Areas in Scotland.	103,063	0 0	—	—	103,063	0 0	103,063	0 0	—	—	103,063	0 0	—	—
TOTAL		3,568,904	0 0	2,175,341	0 0	1,393,563	0 0	3,014,870	1 3	1,626,926	12 5	1,387,943	8 10	5,619	11 2

*An Excess Vote for this amount was agreed to by the House of Commons on 21st February, 1930 (see H.C. No. 79 of 1929-30).

SELECT COMMITTEE OF PUBLIC ACCOUNTS.

APPENDIX No. 2.

PAPER handed in by Mr. *F. Philipps*, C.B., on 5th February, 1931.

TREASURY MINUTE DATED 12TH JANUARY, 1931, ON THE SECOND REPORT OF THE
SELECT COMMITTEE OF PUBLIC ACCOUNTS, 1930.

My Lords read the Second Report of the Select Committee of Public Accounts 1930, dealing with the Appropriation Accounts for the financial year, 1928, on which They make the following comments:—

Paragraph 1.—Use of Appropriation Act to override existing statutory provisions.

Write to the Secretary,
The Ministry of Labour.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to ask that you will be good enough to invite the attention of the Minister of Labour to the first paragraph of the Second Report of the Committee of Public Accounts 1930, on the subject of the use of an Appropriation Act to override existing statutory provisions.

This comment arises out of the decision to proceed with various emergency measures—enumerated in the Committee's report—which formed the subject of Treasury Letter of the 2nd July, 1929. My Lords stated in that letter that the schemes constitute a very considerable extension of the assistance contemplated by the Labour Exchanges Act 1909; and that, while it is competent for Parliament by means of the Annual Votes embodied in the Appropriation Acts in effect to extend specifically limited powers of this kind, the Treasury has for many years taken the view, repeatedly endorsed by the Committee of Public Accounts, that such extensions should be regularised at the earliest possible date by amending legislation unless they are of a purely emergency and non-continuing character.

My Lords added that this latter description cannot be applied to the services in question, and asked that amending legislation should be sought at the earliest convenient opportunity; in the meantime steps were taken to show clearly on the face of the Estimates for 1930 that provision was being made for services which were beyond those authorised by existing statutes.

The Committee has now endorsed the opinion expressed in the letter above referred to and My Lords understand that the Minister of Labour will cause the matter to be dealt with in the Bill relating to the transitional period which will be introduced early in 1931.

I am, Sir,

Your obedient Servant,

Paragraph 2.—*Appropriations in Aid.*

My Lords note the comments of the Committee.

In addition the Committee discussed the manner of showing, in the Appropriation Accounts, the receipts which come into the hands of Departments, and, though the matter is not mentioned specifically in the Report, attention was drawn to inconsistencies which might be removed.

My Lords desire that, in future, statements explaining receipts, shall be appended to the Appropriation Account of each Civil or Revenue Vote in the following form:—

(A) *Immediately following the Account.*

Receipts payable to the Exchequer.

	<i>Estimated.</i>	<i>Realised.</i>
(i) Receipts authorised to be used as Appropriations in Aid	—	—
(ii) Receipts not authorised to be used as Appropriations in Aid	—	—
Total receipts
Appropriated-in-Aid (Subhead—above)
Paid separately to the Exchequer

(B) *At an appropriate place among detailed explanations.*

Details of the above receipts.

(i) Receipts authorised to be used as Appropriations in Aid:—	<i>Estimated.</i>	<i>Realised.</i>
.....	—	—
.....	—	—
.....	—	—
.....	—	—
(ii) Receipts not authorised to be used as Appropriations in Aid:—	<i>Estimated.</i>	<i>Realised.</i>
.....	—	—
.....	—	—
.....	—	—
Total receipts ... ..	...	...
Appropriated-in-Aid (Subhead—above) ... ..	...	...
Paid separately to the Exchequer .. ..	...	...

The total sums appropriated in aid may not exceed the total included in estimates (i.e., authorised by the Appropriation Act) nor the total realised under head (i) above, whichever is less, nor may they exceed, in the case of a token vote, the amount of gross expenditure. The following classes of receipts should not, without Their Lordships' special authority, be regarded as available to be appropriated in aid:—

- (a) interest on, and repayments of, loans
- (b) proceeds of important sales of property

(c) proceeds of fee stamps where no Treasury authority exists for Appropriation in Aid

(d) receipts of large amount not provided for in Estimates

(e) payments for preservation of pension rights.

Minor receipts of any type may be regarded as available to be appropriated in aid.

Paragraph 3.—Token Votes.

My Lords concur in the recommendation of the Committee. They have already issued instructions in accordance with it.

Paragraph 4.—Payment of pensions.

My Lords note the concurrence of the Committee in a system of paying pensions through the agency of banks, provided satisfactory safeguards can be devised: the matter is now under consideration.

Paragraph 5.—Post Office Commercial Accounts.

Paragraph 6.—Postal Losses.

Write to the Postmaster-General.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to invite your attention to the 5th and 6th paragraphs of the Second Report of the Committee of Public Accounts, which deal with matters affecting the Post Office.

In paragraph 5 of the Report the Committee emphasises the fact that the Post Office Commercial Accounts are designed to exhibit the true trading outturn of the Department, and that the surplus or deficit on this basis does not coincide with the difference between Exchequer receipts and Exchequer payments as shown in the Budget Statements or the Finance Accounts. The Committee suggests that a brief note explaining the position should be appended to the Summary of Surpluses and Deficits appearing in the Commercial Accounts (page 9 in 1928 accounts). My Lords concur in this suggestion and will be glad if a suitable note can be added—in consultation with Their officers if necessary.

With regard to the incidence of losses sustained in the course of postal business My Lords have nothing to add to the observations of the Committee.

I am, Sir,

Your obedient Servant,

Paragraph 7.—Niger Company.

My Lords note the comments of the Committee in regard to the repayment by the Colony of Nigeria of loans made to the Royal Niger Company. They will endeavour at a suitable time to reach an agreement on this point with the Secretary of State and the Colony, and in the meantime will arrange for notation in the Finance Accounts.

Paragraph 8.—Police Equipment.

Write to the Under Secretary of State,

Home Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to ask you that you will be good enough to invite the attention of the Secretary of State for Home Affairs to paragraph 8 of the Second Report of the

Committee of Public Accounts, relative to the standardisation of qualities and patterns for Police Force equipment.

My Lords need hardly say that They would welcome any progress in the direction of standardisation and bulk purchase, and They would be glad to be favoured with the observations of Mr. Secretary Clynes as to the best means of securing it.

I am, Sir,

Your obedient Servant,

Paragraph 9.—Loss by defalcation (Metropolitan Police Fund).

My Lords note the comments of the Committee.

Paragraph 10.—Prison dietaries.

Write to the Under Secretary of State,
Home Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to ask that you will be good enough to invite the attention of the Secretary of State for Home Affairs to paragraph 10 of the Second Report of the Committee of Public Accounts 1930 relative to Prison Dietaries.

The Committee suggests that dietaries might be examined with the view of providing greater variety of diet, and possibly effecting economies within the limits of the authorised ration scale. My Lords would be glad to receive the comments of the Prison Commissioners on this subject.

I am, Sir,

Your obedient Servant,

Paragraph 11.—Land Settlement Scotland.

Write to the Under Secretary of State,
Scottish Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to ask you to be good enough to invite the attention of the Secretary of State for Scotland to paragraph 11 of the Second Report of the Committee of Public Accounts 1930, relative to the loss arising on schemes for Land Settlement in Scotland.

The Committee, in drawing attention to the loss, invite consideration of the question whether economies can be effected, and My Lords would be glad to be furnished with a report as to the possibility of reducing the average amount lost per scheme.

I am, Sir,

Your obedient Servant,

Paragraph 12.—Police in Naval Establishments.

Write to the Secretary to
The Admiralty.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to ask you to be good enough to invite the attention of the Lords Commissioners of the Admiralty to paragraph 12 of the Second Report of the Committee of Public Accounts 1930 relative to the replacement of Metropolitan Police by Marine Police in Naval Establishments.

My Lords asked in Treasury Letter of the 17th February last No. E.17675/01/2 to be furnished in due course with a report of the experience gained of the employment of Royal Marine Police at Sheerness Dockyard, with reference to the possibility of extending their employment to the three large dockyards, and They will be glad if the report can now be furnished.

I am, Sir,

Your obedient Servant,

Paragraph 13.—Destruction of horses in Egypt.

My Lords note the comments of the Committee. They had already informed the Army Council that, while there may have been some doubt whether the value of horses destroyed should be regarded as a formal loss, the circumstances of the case were so unusual that the matter should have been reported to them. My Lords understand that the Army Council accept this view, and will in future report the facts to Them in all cases, whether of "formal" or of "constructive" loss, which involve important questions of principle or which are otherwise of exceptional interest.

Paragraph 14.—Sale by private treaty—Iraq.

My Lords understand that Air Officers Commanding have been instructed to give proper consideration to views expressed by the Chief Auditor and Adviser on Expenditure, and, where it is necessary to refer to the Air Council for financial authority in a matter on which the Chief Auditor has expressed an opinion differing from that of the Air Officer Commanding, to state fully for the information of the Air Council the views of the Chief Auditor.

They think that this instruction meets the desire of the Committee.

APPENDIX No. 3.

PAPER put in by *Mr. A. E. Watson*, C.B.E., on 3rd March, 1931.

H.M. TREASURY.

CONTRACTS CO-ORDINATING COMMITTEE.

(Qs. 473-481.)

This Committee was set up in December, 1920, to give effect to a Cabinet decision of March, 1920—"that in order to secure economy and eliminate the forcing up of prices by competition, the three Service Departments should set up a Joint Committee to regulate and co-ordinate their purchases and supply".

The membership of the Committee was originally confined to the Directors of Contracts of the three Fighting Services; but in March, 1927, as a result of a recommendation of the Select Committee on Estimates, 1926, the membership was extended to include representatives of the Treasury, Post Office and Office of Works.

Matters affecting the Service Departments only are remitted to a panel composed of the Admiralty, War Office and Air Ministry.

Representatives of the demanding and technical branches of the above Government Purchasing Departments attend the Committee when the nature of the questions under discussion render their presence desirable, and, when necessary, with a view to common action, representatives of other Government buying Departments may be brought into consultation with the Committee.

The Committee meet on an average about 5 times a year, and its last meeting (the 58th) took place on the 24th February, 1931. In addition to these formal meetings, constant touch is maintained, both in writing and by telephone, between the corresponding sections of the various Departments.

The Committee acts only as an *advisory* body.

Its main functions are:—

- (a) To obviate undue Departmental competition and overlapping, and to secure economy by co-ordination of purchase.
- (b) To co-ordinate contract policy and procedure, i.e., consideration of such questions as standard conditions of contract, blacklisting of unsatisfactory firms, technical cost investigation, etc.
- (c) To take a comprehensive view of all available markets and sources of supply.
- (d) To initiate suggestions for modifying service patterns in order to secure the greatest possible standardisation of articles in common use.

As examples of action taken on these lines there may be quoted the following:—

- (i) Co-ordination of all Government purchases of petrol and Fuel Oil, coal and coke, etc.;
- (ii) Placing by one Department of joint or agency contracts for stores of identical pattern on behalf of other Government users;
- (iii) Aggregation of Departmental demands on gas, water and electric light companies;
- (iv) Arrangement for utilisation by other Contracting Departments of the services of the Technical Costing Section of the Admiralty, and of investigations carried out by the Accountants of any one Department;
- (v) Pooling of Inspectors' Reports on Manufacturers' Works, Plant, etc.;
- (vi) Advice to the Treasury on policy in regard to Empire Preference, use of British manufactures or materials, etc.;
- (vii) Uniformity of policy in regard to employment of ex-service men, King's Roll, Ministry of Labour Transfer of Unemployed persons, etc.

The above list is of course intended to be illustrative only; it is far from being an exhaustive record of the Committee's activities.

It is impossible to estimate the actual saving in cash due to the work of the Committee, though there is no doubt that this has been very considerable, e.g., the saving due to co-ordination or aggregation of Government purchases of Petrol, coal and coke, gas, water and electric light supplies, is expected to amount to approximately £30,000 per annum. But apart from this, all Departments have benefited to an incalculable extent from the pooling of information, co-ordination of practice and procedure, and elimination of competition, which has resulted from the operations of the Committee.

APPENDIX No. 4.

STATEMENT forwarded by *Sir Henry Bunbury*, K.C.B., on 4th March, 1931.

GENERAL POST OFFICE.

AIR MAIL SERVICES.

Financial statement for the year ended 31 March, 1930.

(Q. 499.)

Note.—Separate accounts have not been kept in respect of the year 1929–30, but the following statement gives the approximate result of the working of the services for that year.

Expenditure.		Income.	
	£		£
Administration, accounting, etc.	7,000	British mails: Receipts from Air Fees:—	
Payments for air conveyance:—		(1) European services:—	
(1) European services:—		(a) Letter mails	3,900
(a) Letter mails	2,000	(b) Parcel mails	4,100
(b) Parcel mails	2,930	(2) Extra-European services:—	£
(2) Extra-European services:—		(a) Letter mails	42,000
(a) Letter mails	60,000	(b) Parcel mails (Colombia)	40
(b) Parcel mails (Colombia)	35	Imperial and foreign mails:	
Special ground services (London & Croydon motor services)	1,100	Receipts from other Administrations in respect of letter mails carried by the British air service between London and India	27,400
Printing and distribution of Air Mail Leaflets and Labels	500		
			69,440
Total expenditure	73,565	Other credits to Air Mail services	2,500
Surplus	6,375		
			£79,940
	£79,940		

For the last 3 years the gross Income of the Air Mail services has been as follows:—

	£
1927–8	18,799
1928–9	24,238
1929–30	79,940

H. N. BUNBURY,
Comptroller and Accountant General.

General Post Office,
March, 1931.

APPENDIX No. 5.

PAPER forwarded by Sir *E. Strohmenger* K.B.E., C.B. on
13th March, 1931.

MINISTRY OF HEALTH.

HUTMENTS AT CAMBRIDGE.

(Qns. 1265 to 1268.)

The hutments at Cambridge (which were erected during the war as part of the Eastern Military Hospital) were purchased by the Ministry from the Disposals Board in 1919, at a price of £9,000, for the provision of temporary housing accommodation which was then urgently required. The hutments were leased by the Ministry to the Cambridge Borough Council at a rent of £600 per annum. They were converted by the Borough Council at a cost of £16,130 into 204 separate working class dwellings. The land on which the hutments stood belonged to the University authorities and was leased by them to the Borough Council, in the first instance for two years to December 1921 and subsequently from year to year, on the understanding that as permanent housing accommodation became available the temporary buildings would be removed and the land released. The temporary buildings were disposed of to contractors for demolition and removal gradually from 1924 to 1929, the full disposal price being paid over by the Borough Council to the Ministry. The last building was disposed of in 1929, and the total sum realised amounts to £1,582 13s. 11d., of which £591 1s. 5d. appears in the accounts of 1929-30, the balance having been paid and brought to account in previous years. The total rent paid by the Council to the Ministry amounts to £4,907 10s. 0d., the original rent of £600 per annum having been reduced proportionately as buildings were sold.

APPENDIX No. 6.

PAPER forwarded by Brigadier *H. St. J. L. Winterbotham*, C.M.G.,
D.S.O., A.D.C., on 16th March, 1931.

ORDNANCE SURVEY.

NEW SYSTEM OF COST ACCOUNTING AND DISCOUNT ON ORDNANCE
SURVEY MAPS.

(Qn. 1974.)

A.—*New System of Cost Accounting.*

The personnel lent by the War Office for the purpose of undertaking the institution of the system reported for duty in March 1930.

For the small staff available the work of framing a new and completely comprehensive costing routine for the Ordnance Survey Department, and

the re-organisation of certain existing procedure, proved a bigger and heavier task than anticipated.

Considerable progress has been made, but of this first year's working six months were devoted to the study of the inter-play of the many technical methods and processes, and to the accumulation of price lists and of capital, as opposed to running, costs.

Time docketts, and such other tabulated statements as are necessary to the assessment of direct working costs, have been brought into use. The arrangement and design of these docketts fell within the six months' investigation period.

The remaining six months have produced some interesting figures, but they are only just available and must, even so, be treated with caution. They have given complete information since the 1st of August last. They make it possible to come to a fairly good idea of hourly rates and costs, but they may still be misleading because the period is too short a one on which to judge a routine subject to normal seasonal variation and to the peculiar claims of military training.

Again, during the last six months statements have been prepared dealing with indirect and overhead costs and their incidence upon this or that type of survey or map.

Here, too, six months is all too brief a period. Much of our work is affected by the constant research and experiment proper to any applied science. A particular type of map may run for twenty years and during all but three months or so of that period show none of the overhead charges of the initial research.

Owing indeed to the transitory nature of most of the indirect costs it is felt that until a full year's complete figures are available it is impossible to formulate definite ideas as to the average costs of the various branches of the Department. In that opinion the officer under whose general supervision the cost accounting is being introduced concurs.

I would point out, however, that cost accounting has already called attention to quite unnecessary variations in the proportion between executive and operative and that I have no doubt whatever of its great ultimate value.

These first figures are however just out. I have no time to digest them, to argue from them, or to further enlighten the Committee on the weaker spots of our existing organisation.

B.—Discount on Ordnance Survey Maps given to traders.

The sale of the Ordnance Survey maps is conducted by Agents appointed by the Minister of Agriculture and Fisheries for that purpose. They hold stocks of maps of their respective districts and are allowed quarterly accounts with a commission of 25 per cent. on sales of the 6-inch and larger scales, and 33½ per cent. on the 1-inch and smaller scales.

Sales are also effected from the Ordnance Survey Office, Southampton, and through booksellers, other than Agents. These booksellers also receive commission at the above-mentioned rates.

Arrangements for the Railway Bookstall Trade exist with Messrs. W. H. Smith & Son in England, and Messrs. Menzies & Co. in Scotland. Special rates of discount of 45 per cent. and 42½ per cent. are allowed in respect of this trade as the firms undertake the distribution of supplies.

In the case of special (or uncatalogued) maps, sold in small number, necessitating extra work to the Department, but calling for no storage or distribution, traders are allowed 10 per cent. on orders they secure.

APPENDIX No. 7.

PAPER forwarded by Sir *Cyril Hurcomb*, K.B.E., C.B., on 19th March, 1931.

MINISTRY OF TRANSPORT.

HARMONDSWORTH EXPERIMENTAL STATION.

(Qns. 1477 to 1495.)

The construction of the station buildings and their initial equipment was undertaken by the Office of Works who handed them over on 1st December, 1929. The initial equipment of the station was substantially completed in April, 1930, when the Technical Staff took up duty. The Ministry of Transport constructed the embankment and road which are 550 yards in length. The road was first used for public traffic on 11th December, 1929. Special precautions were taken in the construction of the embankment and road and provision made in and below the concrete surface for measuring variations of temperature, expansion and contraction, and changes of level.

	1928/29	1929/30	Total.
	£	£	£
The following charges were incurred up to the 31st March, 1930:—			
Land	1,575	2	1,577
Station Buildings	2,759	11,124	13,883
Equipment	—	365	365
Road	5,764	8,086	13,850
Total payments on Capital Account to 31st March, 1930.	10,098	19,577	29,675
Running costs, (salaries, wages, stores, telephone, travelling etc.).	—	835	835
Total	10,098	20,412	30,510

Further expenditure on capital account has been, or will be, met in the current financial year, including £3,978 in respect of the Station Buildings, the total cost of which amounts to £17,861, and £940 in respect of equipment in the nature of plant and scientific apparatus. Additions to the plant and apparatus will be required from time to time.

The salaries and wages of the staff employed at the station are shewn in the Estimate for the Ministry of Transport Vote.

APPENDIX No. 8.

PAPER forwarded by Sir *Lionel Earle*, K.C.B. K.C.V.O., C.B., C.M.G., J.P., on 23rd March, 1931.

OFFICE OF WORKS.

FURNITURE SUBHEADS—CLASS VII VOTES.

(Qn. 980.)

1. The total expenditure on Furniture during the year 1929 was approximately £318,000, which may be divided between the following categories:—

	£
(A) Supply of new Furniture, including Tables, Chairs, Cupboards, Card Index Cabinets, Racking, Safes, Trolleys, Baskets, etc.	184,000
(B) Supply and repair of Showcases and similar Museum Fittings	20,000
(C) Repair of existing Furniture	47,000
(D) Supply of Carpets, Rugs, Linoleum	24,000
(E) Laying, Repairing and beating Carpets and Rugs, and laying and repairing Linoleum	7,000
(F) Supply of new bedding and remaking and repairing existing bedding	4,000
(G) Supply of Linen, Crockery, Glass and Plate	12,000
(H) Supply of Kitchen Utensils, Fenders, Fire Irons, etc.	
(I) Supply of Blinds, Curtains, Awnings, etc.	10,000
(J) Repairs and overhauling of existing Blinds, etc. ...	5,500
(K) Supply of Clocks	1,500
(L) Repairs and regular winding of Clocks	3,000
	£318,000

2. It will be seen from this statement that the Furniture Subheads embrace the supply of articles which are not covered by the ordinary definition of the word Furniture. Showcases for the exhibition of Museum exhibits, Window and Skylight Blinds, special Office Equipment for services which, by their nature, are specialist, e.g., for Labour Exchanges and Post Offices, have to be supplied out of monies provided under these Subheads. Similarly, all expenditure incurred in equipping Conferences, Commissions and Enquiries, so far as it relates to the preparation and furnishing of rooms or buildings, is also chargeable to the Furniture Subhead of the appropriate Vote. Further, Racking either in metal or wood to accommodate Government records in all Civil Departments is also regarded as furniture, the expenditure per annum on this Service amounting to a considerable sum.

3. The figure under (A) in paragraph 1 may be sub-divided as follows:—

	£
(a) Embassies, Legations and other Official Residences ...	22,000
(b) Hospitals, Prisons, Coastguard Stations and Institutions	15,000
(c) Royal Palaces, Houses of Parliament, Osborne, Royal Parks	4,500
(d) Furniture for newly-erected Post Offices and Telephone Exchanges, after utilisation of all suitable existing furniture	25,000
(e) Furniture for other newly-erected Government Offices and new premises taken on lease, after utilisation of all suitable existing furniture	19,000
(f) Replacement of obsolete or unrepairable existing articles by standard pattern equipment	35,000
(g) Replacement of existing uneconomical furniture by new equipment specially designed to meet particular needs	17,000
(h) Furniture for Conferences, Royal Commissions, Official Receptions, etc.	3,500
(i) Additional furniture, racking, presses, filing cabinets, etc., required in connection with growth of records and increases in staff due to new legislation, etc. (e.g., Widows Pensions Act)	43,000
	£184,000

4. The scope of the Subheads in question will be appreciated from the following sub-division of Services:—

(1) Residential Furniture, and in the case of 3 Official Residences for Cabinet Ministers complete household equipment, is supplied to 19 Embassies, 37 Legations, 3 Residences for High Commissioners, 107 Consular Residences and a few Residences for Officers at the Houses of Parliament and Chelsea Hospital.

(2) Institutional furniture, Bedsteads, Bedding, Bed Linen, Blankets, Carpets, Linoleum, China, Glass, Crockery, Cutlery, Kitchen Equipment, Curtains, Blinds, Recreational and Educational Equipment to:—

15 Ministry of Pensions' Hospitals containing	2,658 Beds.
2 State Institutions containing	975 „
Royal Hospital, Chelsea, containing	550 „
Duke of York's School, Dover, containing	500 „
	4,683

and similar supplies to 39 Prisons and 377 Coastguard Stations.

(3) Supply to about 10,000 different offices of new articles of office furniture of standard pattern in replacement of obsolete articles or articles which cannot economically be repaired.

(4) Supply of new office furniture and equipment of modern design, with special reference to the requirements of the work, in place of the existing equipment which may be uneconomical.

(5) Supply of furniture for special Services. During the year the following services were carried out, the expenditure falling upon the appropriate Furniture Subhead:—

(a) The opening of the Naval Conference in the Royal Gallery of the House of Lords by H.M. The King.

(b) The preparation of St. James's Palace for the meetings of the Five Power Naval Conference.

(c) The equipping of the Royal Commission on the Civil Service.

(d) The preparation of the offices of the Civil Service Commission for the purpose of the Postal Congress.

(e) The preparation of the rooms for the Licensing Commission.

(f) The preparation of rooms at the Foreign Office and Lancaster House for Government Receptions and Dinners.

As far as possible furniture for these Services is issued from the London Furniture Stores belonging to the Department and is returned to those Stores after use.

(6) Furniture for the storage of records in Government Departments. In spite of the continuous "weeding out" which goes on each year, large numbers of presses, vertical filing cabinets, card index cabinets and lengths of racking, either in metal or wood, have to be supplied.

(7) Provision of Safes, Deed Boxes and Cash Boxes.

(8) Miscellaneous articles, including Trolleys, Wastepaper Baskets and Baskets for various purposes.

Stores.

The main accommodation for the reception and issue of furniture and general stores is provided in London, and there are small depots holding nucleus stocks of certain articles at Manchester and Edinburgh. These depots, as is the case in London, receive and recondition surplus furniture as indicated below.

5. Re-issue of Furniture surplus to Departments and returned to Store.

There is a continuous flow of furniture which, having been declared redundant from time to time by the various Departments of State, has to be dealt with by this Department. If it is in good condition it is used in order to meet fresh demands elsewhere or is returned to store for incorporation with general stocks.

Upon re-issue a charge of one third of the value of equivalent new articles is raised to cover the cost of repairs and renovation. During the year in question second-hand furniture was issued which at new values would have cost £12,500.

If the redundant furniture is unsuitable, because of its type or condition, for re-issue for Government use it is sold either by competitive tender or through the medium of an Auction Room and the amount so realised in 1929 was £14,000.

6. Purchase of Second-hand Furniture by the Office of Works.

With the exception of requirements under the Public Buildings (Overseas) Furniture Subhead, and Window Blinds and Floor coverings occasionally offered by lessors with hired premises, it is not the practice of the Department to purchase second-hand furniture for Government use.

It has been found that only by standardising, with due regard to the work to be performed, the articles in greatest demand, viz.:—Tables, Cabinets, Presses and Chairs, can the utmost use be made of the space available in premises occupied by Government staffs. Bulk contracts for such standardised items are made which provide for direct delivery from factory to user after inspection of the furniture by the Board's travelling Inspectors. Nucleus stocks are kept in the Department's Stores in order to provide (a) for requirements in the immediate neighbourhood of the Stores, e.g., in the London Area, and (b) for any emergency supply which could not be met in time by Contractors holding the bulk contracts. The contracts are based upon definite specifications and drawings and are keenly competed for. Even assuming, which is very doubtful, that suitable second-hand

Office Equipment in large quantities is available for purchase, any attempt to meet Government demands for articles now standardised by purchasing second-hand articles of varying types in varying conditions would carry with it the following grave objections:—

(1) It would be necessary to increase substantially our present warehouse accommodation, inasmuch as second-hand furniture would have to be purchased when it was offered for sale and stored against future requirements. No facilities similar to that of direct delivery under present procedure would be practicable.

(2) Transport charges from the place of purchase to the various Office of Works' Stores, and the expenditure which would in most cases be necessary for re-conditioning and/or repair would, in view of the keenness of the competition under present arrangements make the purchase of second-hand furniture an uneconomical proposition.

(3) Orderliness in the lay-out of offices which is possible under the present arrangements would give place to the disorder inseparable from the introduction of various types and sizes of furniture to be used for similar purposes.

(4) Staff Associations which have been agitating for years for up-to-date equipment would have good cause for accusing the Department of retrogression in this regard.

(5) A considerable addition of qualified buyers would have to be made to the staff, upon whose valuations, unchecked by competition, public money would have to be disbursed. This would, undoubtedly, give rise to criticism from those firms offering goods which were not considered to be acceptable.

As regards the Public Buildings (Overseas) Subhead, purchases of second-hand furniture are made from time to time, chiefly at auction sales, but occasionally by private treaty. The purchases covered by the above Subhead are not of standardised items—they vary according to the nature of the residence for which they are intended. The proposed maximum bidding prices at auctions are always fixed by a responsible officer, who himself inspects the goods on one of the view days. Purchases are made in advance of actual requirements, but generally with a definite requirement in view. The system is, on the whole, economical, although it will be appreciated that much staff time is spent in attendance at Auction Rooms with the possibility of not being able to obtain within the limits of our prices the articles in which we are interested. The Department has, however, in the year in question been able to obtain approximately £1,000 worth of well-made articles of suitable design at reasonable prices by the method indicated.

APPENDIX No. 9.

PAPER forwarded by Lieut.-Colonel *N. G. Scorgie*, C.B.E., M.V.O., on
23rd March, 1931.

STATIONERY OFFICE.

ANALYSIS OF ITEM "RENT, RATES ETC." ON THE HARROW TRADING
ACCOUNT.

(Qns. 1714 and 1715).

	1928-9	1929-30
	£	£
Rent at 6% on capital value	6,590	6,641
Water rate	200	168
Local rates	2,125	1,229
	8,915	8,038
Less proportion of space occupied by other departments of the Stationery Office.	310	308
	8,605	7,730

The reduction in rates from £2,125 to £1,229 is made up partly from reduction in assessment due to derating and partly from decrease in the poundage of the rate, as follows:—

	Assessment.	Poundage.	Amount of Rates.
	£		£
1928-29	4,250	10s.	2,125
1929-30—			
First half-year	4,260	4s. 10d. less 2½%	1,004
Second half-year	1,065	4s. 4d. „ „	225
			1,229

For 1930/31 the poundage has been 8s. 5d., less 2½%, so that the total rates will be £437 only.

APPENDIX No. 10.

PAPER put in by Mr. A. E. Watson, C.B.E., on 24th March, 1931.

H.M. TREASURY.

LAND REGISTRY.

(Qn. No. 818.)

MEMORANDUM ON SPEED IN THE WORK OF H.M. LAND^s REGISTRY BY THE CHIEF LAND REGISTRAR.

1. There is not at present, nor has there been for many years, any delay in dealing with cases in any Department of H.M. Land Registry.

2. Immediately after the War when the Registry, completely disorganised by the War, was suddenly faced with a land boom of wholly unprecedented dimensions there was delay.

3. Steps were, however, taken to recruit and train staff and to re-organise the Registry in every Department.

4. As a result delay, in any way due to the fault of the Registry, has been eliminated. Each year sees a gradual improvement.

In support of this, I give from my report to the Lord Chancellor the average time for completion of cases in London for the years 1920 and 1930 to show the progress made.

Year.	First Registrations.	Dealings with land already registered.
1920	24·8 days	10·9 days
1930	6·3 days	4·2 days

5. Up to about 1921 there were many strongly worded complaints as to delay in the Registry, in letters to the Department, in questions in Parliament and in criticisms in the legal press.

6. The tone of the legal press has now changed. Several of the legal papers have been good enough to describe the Registry as being among the most efficient of the Government Departments. Such suggestion of adverse criticism as I have seen of late years in the legal press is that our speed is now such that we could not possibly examine the cases properly.

My Report to the Lord Chancellor for 1929-30 shows that there is nothing in this point. The fact that under £400 has been paid out of our Insurance Fund in 30 years is perhaps the most effective proof that in considering the interests of individual applicants for registration, the Registry has not overlooked the need for adequately protecting the State.

7. While the services rendered by the Registry have been expanded and improved, the cost per case to the Department has been progressively reduced. The figures for the last decade are as follows:—

Year.	Cost per case.	Annual Total saving over previous year.	Annual Total saving over 1921-22.
	£ s. d.	£	£
1921-22	2 1 9	—	—
1922-23	1 9 5	41,646	41,646
1923-24	1 6 6	10,036	55,656
1924-25	1 6 6	—	60,598
1925-26	1 4 8	7,987	74,425
1926-27	1 3 7	5,292	88,751
1927-28	1 3 8	—	97,440
1928-29	1 4 6	—	86,625
1929-30	1 3 6	6,063	110,665
1930-31 (Estimated.)	1 2 0	11,000	146,000
		Total ...	761,806

Owing to the economies which have been effected in the past 10 years, amounting to over three quarters of a million pounds, the Land Registry Buildings in Lincoln's Inn Fields have been purchased, an Insurance Fund of about £320,000 has been built up out of Income, while the fees payable by the public have been twice reduced since 1925, and are now at all values materially below the pre-war scale of fees.

8. On the 16th March, 1931, Mr. Turton asked Mr. Attorney General in how many cases as at 10th March, 1931, the final documents had not been issued by H.M. Land Registry within 21 days from the date of lodging the application with the Chief Land Registrar. The full reply is that "At 5 p.m. on the 10th instant the number of uncompleted cases in the Registry was as follows:—

First Registrations	413
Dealings with registered land	1,975
Total	2,388

Out of these 2,388 cases the following had been in the Registry over 21 days:—

First Registrations	92
Dealings with registered land	211
Total	303

These 304 cases had not been completed for the following reasons:—

	Awaiting Solicitors' replies to requisitions. (S.O.)	Awaiting Surveyors' Report from the ground.	Awaiting expiration of notices (22 days.)	Awaiting expiration of Adverts. (advertised after exam. of title.)	Awaiting reports of Conveyancing Counsel to the Court.	Totals.
First Registrations	70	19	—	2	2	93
Dealings	168	26	16	—	1	211
	238	45	16	2	3	304

Out of the 304 delayed cases, 238 were awaiting action by solicitors outside the Department. In no case was there delay from causes over which the Department has control."

9. Authoritative evidence is fortunately available as to the satisfactory working of the Registry in the "Report of the Land Registration Committee," appointed by the Lord Chancellor and presided over by Lord Tomlin, which was issued in May, 1930.

Paragraph 20 of that Report states:—

"The evidence which we have heard establishes to our satisfaction that the system as at present organised is working smoothly and efficiently and to the satisfaction of those whom it affects. There is no delay in effecting either new registrations or transfers. The organisation is such that the necessity for personal attendance at the Registry is eliminated. The fees are moderate. They have been from time to time reduced. The most recent reduction has taken place since our investigation opened. An insurance fund has been established and the claims against it have been practically nil. Special arrangements have been made with the Ordnance Survey Department to secure the necessary revision of the maps of any area brought within the operations of the system."

J. S. STEWART-WALLACE,

Chief Land Registrar.

H.M. Land Registry,
20th March, 1931.

APPENDIX No. 11.

PAPER forwarded by Mr. *R. L. Robinson*, O.B.E., on 7th April, 1931.

FORESTRY COMMISSION.

(Qn. No. 2257.)

VALUATION OF AREAS TRANSFERRED FROM THE CROWN TO THE FORESTRY
COMMISSIONERS.

The Valuation, dated 25th February 1931, was made by the Chief Valuer Inland Revenue on behalf of the Commissioners of Crown Lands. The ascertained value as at the date of transfer (1 April 1924) of the estates, interest, rights, powers and liabilities of the Crown and/or the Commissioners of Crown Lands in the properties defined in the relative Orders in Council, having regard to the provisions, exceptions and reservations prescribed in the orders, was found to be the sum of One million six hundred and seventy nine

thousand pounds (£1,679,000). A schedule showing the values of the several estates was attached to the Valuation. A summary of the Valuation is given below.

	£
New Forest (Hants)	584,770
Bere (Hants)	86,500
Parkhurst (Isle of Wight)	35,870
Alice Holt (Hants)	83,400
Woolmer (Hants)... ..	14,000
Dean Forest } St. Briavels } (Glos.)	554,300
Symonds Yat }	
Highmeadow (Glos., Hereford & Monmouth)	64,380
Dymock (Glos.)	14,720
Hope Wood (Glos.)	3,550
Hazelborough (Northants.)	11,700
Inverliever (Argyll)	29,000
Salcey (Bucks & Northants.)	26,100
Delamere (Cheshire)	31,400
Bedgebury (Kent & Sussex)	15,200
Chopwell (Durham)	24,230
Clearwell (Glos.)	6,200
Tintern (Monmouth)	85,100
Hafod Fawr (Merioneth)	8,580
Total	£1,679,000

APPENDIX No. 12.

PAPER handed in by Mr. A. E. Watson, C.B.E., on 14th April, 1931.

TREASURY.

(ENGAGEMENT OF TEMPORARY STAFFS (ENQUIRY AS TO CHARACTER). (Q. 174.)

Temporary staffs for Government employment are engaged by Departments either (a) for the Joint Substitution Board of the Ministry of Labour, or (b) through the machinery of the Employment Exchanges, or (c) directly.

The main function of the Joint Substitution Board at the present time is to act as a Clearing House for the re-employment of certain redundant ex-Service temporary staff of types common to the Public Service as a whole, e.g., messengers and clerks. Before being accepted on the register of the Board enquiries as to the character of candidates were made in every case. In applying for employment a candidate was required to furnish the names of his last employer and of three referees for character, who were then requested to complete a form giving full particulars of the applicant. If the referees did not reply, or appeared to be insufficiently acquainted with the applicant, the names of further referees were required. Any question of doubt arising from replies was taken up, and if it appeared that the applicant was in any way undesirable in respect of character, the application was refused.

Individuals who, even after satisfactory service in a Government Department, have been out of Government employment for a number of years are required to furnish further references before being readmitted to the register unless the intervening period since discharge can be satisfactorily explained.

It follows, therefore, that the character of individuals whose names are on the register of the Board has been fully investigated at one stage or another. If a substantial period passes between the time a candidate is placed on the register and the occurrence of a vacancy for his employment further reference is required regarding the intervening period.

In the case of temporary staffs engaged directly or through Employment Exchanges, the procedure for investigating record and character varies slightly as between Departments or according to the nature of the work for which the staff is needed. In all ordinary cases, however, applicants for employment are required to furnish the names of last or present employer and of three referees. These references are taken up either by Departments themselves or by the Employment Exchanges acting on their behalf, and care is exercised to ensure that replies to enquiries are genuine and that the referees are persons worthy of credence. Applicants whose records are not considered to be wholly satisfactory are rejected. In the case of the War Office, a considerable number of temporary employees are engaged directly after discharge from the Army, and in such cases full information as to character is available from Service records. This is also true of the Navy, various posts such as Messenger and Pensioner Clerks being the preserve of time expired naval ratings.

The investigation of past records is, of course, not of the same importance in the case of persons of the general labourer class who are normally engaged for short term jobs. In these cases the engaging officer is given a certain amount of discretion in the matter of references as to character, etc.

APPENDIX No. 13.

PAPER forwarded by Sir *Robert Greig*, M.C., LL.D., D.Sc., on
22nd April, 1931.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND.

LAND SETTLEMENT (SCOTLAND)—COSTS. (Qn. 2904.)

A reduction in the "cost of schemes" of land settlement can only be effected (1) by a reduction in expenditure; and/or (2) by an increase in the receipts.

I. The principal items of expenditure are

- (1) Purchase Price of Properties.
- (2) Erection of Buildings.
- (3) Cost of Adaptation and Equipment.
- (4) Compensation.

(1) *Purchase Price of Properties*.—The Department invariably buy at market price, and before concluding a bargain to purchase, seek the advice of the Land Valuation Department. The Department obtain the sanction

of the Treasury to the purchase and the Treasury have before them the valuation put upon the property by the Land Valuation Department as well as by the Department of Agriculture &c.

(2) *Erection of Buildings.*—These are contracted for in the usual way, the lowest satisfactory tender being accepted in every case. The plans and specifications provide the minimum of accommodation consistent with the working of the holding and with the requirements of local authorities.

(3) *Cost of Adaptation and Equipment.*—Works are put out to tender, and the lowest offers from satisfactory firms are accepted. In the matter of equipment the policy invariably adopted has been to provide only such measure of assistance as will enable a new holder to make a fair start, anything additional to this minimum, however desirable, being left to the holder to supply out of his own resources when he is in a position to do so. The charge is frequently made against the Department that the equipment supplied to a holder at entry is insufficient.

(4) *Compensation.*—Failing agreement, compensation to dispossessed tenants is assessed either by the Scottish Land Court after hearing parties, or by arbiters under the Agricultural Holdings (Scotland) Act, 1923. Settlement by agreement is adopted only when the Department are satisfied that no economy would accrue by submission to either Land Court or Arbitrer.

II. Receipts accrue principally from

- (a) Rents .
- (b) Building Loan Annuities.

Rents.—Fair rents—as compared with competitive rents—for the land only are fixed by the Department for the first septennial period. Thereafter they are subject to revision by the Scottish Land Court. Admittedly these rents do not give a commercial return on the capital involved, yet criticism has been made on the ground that the rents so fixed by the Department have been too high. These fair rents, together with the annuities payable by the holders in respect of the loans advanced for buildings, make the annual burden on the holdings.

Building Loan Annuities.—Loans for buildings advanced by the Department are repayable with interest, by means of an annuity of £2 for every £100 borrowed, during a period of 80 years. Obviously, these terms of repayment involve a subsidy, when compared with the annuity rate of £4 per £100 over 50 years charged previous to the war. This however can be defended on the ground that direct subsidies for buildings in rural and county areas are still in operation in terms of the various Housing Acts and in this connection it is interesting to note that the recommendation of the Committee on National Expenditure (First Interim Report Cmd. 1581 p. 131) regarding the sale of houses by the Ministry of Health at 50 per cent. of cost has a bearing on the policy of the Department. Any change in the direction of increasing the rate of interest and/or decreasing the period could only be made in existing circumstances if a system of direct subsidies was made available for prospective landholders. Grants for buildings are not competent in terms of the Small Landholders Acts, but legislation which is at present before Parliament has in contemplation the making of such grants.

The Department are fully satisfied that the annual burden now placed upon smallholders by way of fair rents and building loan annuities is as great as the holdings can reasonably be expected to bear, and this opinion has been borne out in a considerable number of cases by subsequent Land Court revaluations which have generally lowered the burdens as fixed by the Department.

Apart from the initial outlay in the purchase of the properties it may be said that the share borne by the State in land settlement operations can be ascribed mainly to two factors, viz. :—(1) the provision of free equipment in respect of roads, fences, water-supplies, drainage, &c.; and (2) the grant of building loans repayable by annuity of £2 per £100 for 80 years. Grants for equipment are, as already stated, restricted to a minimum and the Department find it difficult in present circumstances to suggest any saving in this direction. Similarly until the costs of wages and materials involved in building operations are appreciably lowered the Department are of opinion that any attempt to make the terms of repayment more onerous would tend to defeat its object by setting up arrears and in many cases causing the bankruptcy of holders.

In the Report of the Nairne Committee on Land Settlement in Scotland, referred to by the Select Committee of Public Accounts, it is stated (page 19) that the actual average net cost to the State of each of the 4,696 holdings or enlargements formed by the Department between 1912 and 1927 was estimated actuarially to amount in the crofting counties to £263, in the other counties to £841, and for the whole country to £399.

The Report continues (p. 19)

“In the absence of any important modification of the existing economic situation it would appear . . . that a continuance of land settlement on the present lines will cost the State about £285 per holder settled during the next few years in the crofting counties, £596 per holder in other parts of the country, or an average of £360 per holder for the whole of Scotland.”

These figures confirm the view already expressed that until a radical fall in prices occurs, enabling houses and other equipment to be provided more cheaply, no material reduction can be looked for in the cost of land settlement.

APPENDIX No. 14.

PAPER forwarded by Sir *Malcolm Delevingne*, K.C.B., on 11th May, 1931.

HOME OFFICE.

REFORMATORY AND INDUSTRIAL SCHOOLS—DUPLICATION OF INSPECTION.

(Qn. 3145.)

The question is asked whether there is any duplication of inspection of reformatory and industrial schools by the Home Office and local authorities? The short answer is that there is a small amount of duplication but not such as to cause any serious inconvenience or embarrassment or to involve much, if any, additional expenditure.

Regular inspection of reformatory and industrial schools by the Home Office has been a statutory requirement since these schools were established about the middle of last century and this requirement is maintained in the existing law (Children Act, 1908). Experience has certainly shown the value and necessity of government inspection. This inspection is very thorough and covers every aspect of the work. The condition of the buildings, proposals for improvements, staffing, school routine, schemes of training, syllabus of work and dietary are, of course, the main problems. Further,

there are many such questions as fitness of the child for licence, conditions for recall to the school, Court proceedings in the case of absconders and further instances of delinquency on the part of inmates. The after-care of the children for the three years after leaving the school and complaints made by parents of unsuitable training or lack of care or harsh treatment are all matters which demand a somewhat wide experience.

The schools are mainly voluntary in origin and in management, but ten schools (about one-seventh of the whole number) are provided and maintained by local authorities. A few local authorities inspect their own schools. For instance the London County Council inspects its three schools, Leeds its two schools and Leicester its one school. The London County Council also send one of its Inspectors occasionally to visit other Home Office Schools (Reformatory and Industrial) than its own, where the Council has boys and girls for whose maintenance they are responsible.

Experience has shown that it would not be possible to exempt the local authority schools from Government Inspection. The local authority schools as well as the voluntary schools form part of a scheme for the training (where residential treatment is required) of neglected and delinquent children throughout the country, which presents special problems of its own requiring expert supervision and guidance. As the tendency is towards more detailed classification of the pupils and to greater freedom of transfer from one school to another the need for such inspection is not likely to lessen.

Where the system of inspection by the Home Office is so thorough as it is to-day it can hardly be said that additional inspection by the local authorities in respect of their own schools is required, but although in theory dual inspection may give rise to difficulties, it is only fair to say that co-operation between the Home Office and the local authorities is so close that no serious difficulties have actually arisen in practice. As some local authorities like to have reports from their own Inspectors and as the additional cost is slight, as it is only a small part of their general educational work, the Home Office does not see any reason for suggesting any change.

APPENDIX No. 15.

PAPER forwarded by Mr. *C. Ll. Bullock*, C.B., C.B.E., on 4th May, 1931.

AIR MINISTRY.

REDUCTION IN COST OF FOOD AND CLOTHING FOR THE ROYAL AIR FORCE.

(Qn. 3684.)

I was asked at the meeting of the Public Accounts Committee on 30th April whether I could give figures as to the reductions of food and clothing costs in the last three years and their effect on current Air Estimates. The question being somewhat indirectly related to the 1929 accounts, I was not in a position to give any definite figures or say more than that Air Estimates had benefited by the fall in prices, but I undertook to submit a paper on the subject. I hope the information given below is what the Committee desires.

Food.—The cost of food for the Royal Air Force has diminished from £583,911 in 1928 to an estimated figure of £565,000 in 1931. At the same time the average numbers of the personnel to be fed have risen from 28,749 to 30,190. The *per capita* cost has thus been reduced from £20.31 to £18.71 in this period. The daily cost of the ration at home during 1928 was 11.97d.; the estimated cost for 1931 is 10.98d.

Clothing.—Expenditure upon clothing for the Royal Air Force was £163,500 in 1928 and £151,000 (estimated) in 1930. The numbers to be clothed rose from 25,271 to 26,637 in the same period; the *per capita* cost thus fell from £6.47 to £5.67, but in reading these figures, which are useful for the purpose of comparison, it must be borne in mind that this expenditure (1) covers flying clothing, which is used also by officers, but (2) does not cover the airmen's quarterly clothing allowance. The latter, which is issued to airmen to enable them to maintain their uniform and necessaries and for various other services (such as haircutting, etc.), was the same, £2 a quarter at home, in 1928 and in 1930, but has since been reduced to 37s. 9d.

APPENDIX No. 16.

PAPER forwarded by Mr. A. P. Waterfield, C.B., on 16th May, 1931.

TREASURY.

“OVERHEAD CUTS” OR “SUPER CUTS.”

(Qn. 3763.)

1. At the meeting of the Public Accounts Committee on the 5th May, 1931, discussion took place respecting the practice of applying a super-cut to certain Votes in the Estimates of the Service Departments; and the Treasury undertook to examine the question, in consultation with the Service Departments and the Comptroller and Auditor General, and to report their conclusions to the Committee.

2. The Treasury have now re-examined the question as desired, and have decided in future to adopt the following principles in the case of the Navy and Air Estimates:

(i) that the practice of applying a super-cut to those Votes of the aforesaid Estimates to which it is appropriate shall be continued;

(ii) that no reference to the super-cut shall be made on the face of the Estimate, even in the case of the Works Votes (Navy Vote 10 and Air Vote 4);

(iii) that the Memorandum by the First Lord of the Admiralty or the Secretary of State for Air accompanying the Estimates shall contain a statement to the effect that “suitable provision has been made for anticipated underspending in contract work, etc.,” but without mention of any figure;

(iv) that the amounts of such provision shall be discussed and agreed beforehand between the Department and the Treasury;

(v) that the practice which has prevailed hitherto of an understanding between the Minister in charge of the Department and the Chancellor of the Exchequer that the Department shall be allowed, if the anticipated underspending fails to materialise, to ask for a

Supplementary Estimate to make good the deficit, shall be abandoned. It is recognised that circumstances may be such as to justify a Supplementary Estimate, but the Departments undertake to do their best in such a case to keep within the limits of the original Estimate, if the Treasury represent that the financial situation requires it.

3. It is not intended to apply these principles to the War Office, who have been accustomed to make the necessary allowance for underspending by the application of internal cuts to individual items in Army Estimates.

4. Nor is it intended to apply them to the Civil Works Votes, which present a separate problem. As explained by the Treasury witness at the meeting of the Committee on 26th February, 1931, the super-cut on those Votes will continue to be shown on the face of the Estimate; the practice of showing a single overhead deduction from the Vote as a whole has already been abandoned and the super-cut is shown in 1931 estimates (and will continue to be shown) distributed over the subheads to which it is applicable.

5. It is believed that the foregoing procedure will satisfy the criticisms which have been directed against the existing arrangement. The effect will be that, although Parliament will be duly informed whenever a super-cut has been made by the Department, with the approval of the Treasury, the amount which Parliament will be asked to vote will in all cases be the net amount, under each Subhead, which the Department expects to be able to spend in the year.

6. A copy of this Memorandum is being circulated to the Estimates Committee.

APPENDIX No. 17.

PAPER forwarded by Sir *Oswyn Murray*, G.C.B., on 15th May, 1931.

ADMIRALTY.

DOCKYARD ELECTRIC GENERATING STATIONS.

(Qns. 4184-4193.)

In accordance with the request of the Committee for information as to the cost of electric energy supplied from these Stations, I attach a statement giving particulars of the production and supply of electric energy at the various Dockyards at home and abroad which have their own Generating Stations, for the 11 months 1st April, 1930-28th February, 1931. (The figures for March are not yet available in all cases.)

It should be pointed out that the plant at the various Dockyards is not all of the same standard of efficiency. Whereas at Portsmouth, Devonport and Chatham we have large, fully efficient, steam installations of the most modern type, at Sheerness and Gibraltar the plant is older and less efficient, as owing to the small scale to which these establishments have been reduced and the uncertainty as to their Naval future it has not been considered justifiable to go to the expense of modernising the stations. At Portland, the Cape and Bermuda, oil plant (Diesel) has been installed, this being the most economical and suitable arrangement for these small Yards. Similarly, at Malta and Hong Kong old fashioned steam plant is being gradually replaced by oil plant. The item of expenditure at Malta in the 1929 account to which attention was drawn was in connection with this scheme of replacement.

[To face page 440.]

Particulars of the Production and Supply of Electric Energy at the Electric Generating Stations During the Period 1st April, 1930, to 28th February, 1931.

ESTABLISHMENT.	BOARD OF TRADE UNITS.					LOADS.*			Thermal Efficiency of Station.	Total Working Costs.	Total Costs.	ANALYSIS OF COSTS IN PENCE PER B.T.U.													
	Generated.	Used in Generating Station.	Supplied from Generating Station.	Lost in Transmission and Distribution.	Sold.	Total Connections.	Maximum Demand on Station Feeders. K.Ws.	Load Factor.				WORKING COSTS PER B.T.U. SUPPLIED.										Total working Costs per B.T.U. supplied.	Proportion of Annual Depreciation on Costs, Building Repairs, etc., per B.T.U. supplied.	Total Cost per B.T.U. supplied.	Total Cost per B.T.U. sold.
												Salaries and Wages.	Labour issuing fuel to Station.	Fuel.	Water used in Generating Station.	Lubricating Oil, Waste and other Consumable Stores.	Minor Tools.	Shop working plant (repairs).	Repairs to Machinery.						
																			Dock-yard work.	Contract work.					
Portsmouth	34,107,200	963,440	33,143,760	5,406,239	27,737,521	39·191	10·706	·4226	16·04	56,343	91,048	·063	·011	·232	—	·013	—	·001	·088	—	·408	·261	·659	·787	
Devonport	25,620,390	888,690	24,731,700	3,709,755	21,021,945	30·943	8·850	·39	13·40	42,716	67,434	·083	·005	·225	—	·010	—	—	·086	·006	·415	·239	·654	·769	
Chatham	18,652,000	973,782	17,678,218	2,651,732	15,026,486	18·480	6·500	·431	12·1	33,192	49,209	·081	·015	·249	·001	·010	·001	—	·082	·011	·450	·218	·668	·786	
Sheerness	1,379,000	60,912	1,318,088	65,904	1,252,184	3·686	·773	·3049	9·47	6,097	10,534	·491	·333	·371	·004	·033	·008	—	·170	—	1·110	·808	1·912	2·019	
Portland	1,013,900	35,542	978,358	48,918	929,440	1·523	·332	·446	26·9	4,167	6,670	·575	·011	·288	·006	·044	·001	·001	·096	—	1·022	·614	1·636	1·722	
Malta	7,996,483	345,260	7,651,223	321,351	7,329,872	10·956	2·752	·3487	13·35	17,814	29,432	·116	·027	·304	·003	·022	—	—	·084	·002	·558	·365	·923	·964	
Gibraltar	2,351,360	225,509	2,125,851	263,605	1,862,246	5·221	·768	·463	7·89	9,837	14,742	·297	·075	·490	—	·007	·001	—	·240	—	1·110	·554	1·664	1·900	
Hong Kong	2,964,310	94,814	2,869,496	129,127	2,740,369	3·755	1·244	·394	11·9	8,876	14,363	·184	·008	·314	—	·092	·001	—	·142	—	·741	·459	1·200	1·258	
Cape	1,304,750	47,375	1,257,375	59,097	1,198,278	2·774	·322	·5376	24·72	4,834	9,057	·472	·005	·186	—	·045	·001	—	·198	·016	·923	·805	1·728	1·814	
Bermuda	806,885	41,407	765,478	43,632	721,846	1·307	·257	·488	26·6	4,030	6,309	·674	·002	·214	—	·079	·008	—	·286	—	1·263	·715	1·978	2·097	

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