

SECOND REPORT **41**
FROM
THE COMMITTEE OF
PUBLIC ACCOUNTS

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

Session 1947-48

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Committee of Public Accounts *nominated*: Mr. Benson, Major Bruce, Mr. Cuthbert, Colonel Alan Dower, Mr. Glenvil Hall, Lieutenant-Colonel Hamilton, Mr. Haworth, Mr. Horace Holmes, Mr. Kirby, Mr. McAdam, Sir John Mellor, Mr. Peake, Sir Frank Sanderson, Mr. Ernest Thurtle, and Mr. Wadsworth.—
(*Mr. Robert Taylor.*)

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PUBLIC ACCOUNTSTogether with the Proceedings of the Committee,
Minutes of Evidence and Index

H.C. 199-I. 1947-48

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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

Simplification of Accounts

Para. 3 of
C. & A.G.'s
Army
Report.
Qs. 4203-9.

1. The Appropriation Accounts for 1946-47 were the first to be presented since the ending of the war-time Votes of Credit. Like the Estimates, the Accounts were prepared as far as possible on the same lines as before the war, but they did not always include the same detailed information, mainly because of manpower difficulties and the uncertainties of the immediate post-war period.

2. The Public Accounts Committee of 1946-47 agreed, in paragraph 11 of their Third Report, to the abridgement of the New Works Statements in the Accounts for 1946-47 and 1947-48, on the understanding that the Departments concerned would furnish statements of the estimates for, and expenditure on, new works services of £100,000 or more. Your Committee were duly furnished with these statements. They found them sufficient for their purposes and recommend that these arrangements be continued in future years.

3. Further suggestions were made in evidence for simplifying the Accounts, e.g., by raising the minimum of individual losses requiring notation in the Accounts, the omission of statements of extra remuneration and of some appended accounts, etc. Your Committee recommend that the Treasury should review these suggestions in conjunction with the Comptroller and Auditor General and the Departments concerned.

Classification of Estimates

Para. 2 of
C. & A.G.'s
Civil
Report
1927.
Qs. 1979-86,
2175-78,
4195-98,
4200.

4. In paragraphs 1 to 3 above Your Committee refer to the question of the simplification of the Appropriation Accounts. These accounts follow the form of the Estimates and consideration was therefore given to the classification of the Civil Estimates.

5. The present classification of the Civil Estimates follows the form adopted in 1927-28 in accordance with the recommendations of the Select Committee on Estimates in their First Report for 1926. In 1929-30 a further class (now Class IX), Exchequer Contributions to Local Revenues, was added as a result of the Local Government Acts of 1929.

6. The Treasury stated that they welcomed the suggestion that there should be some simplification and amalgamation of the numerous Votes in Class VII which are accounted for by the Ministry of Works. They were considering the position in regard to the splitting of the Ministry of Health Vote into an administrative Vote and functional Votes and they thought that it would be a great help if Class IX were abolished and the Votes transferred to Class V.

7. Subject to the views of the Estimates Committee, Your Committee recommend that the above-mentioned changes in the Estimates should be favourably considered by the Treasury in consultation with the Comptroller and Auditor General and the interested Departments.

Industrial Staff employed by Government Departments

8. The total industrial force of the Ministry of Works numbers about 30,000. Unlike the remuneration of the professional, technical and clerical staff, which is set out in detail in the Estimates for Class VII, Vote 1 (Subhead A) the wages paid to industrial staff are distributed over numerous subheads of the Votes in Class VII under a system of classification which has regard to the object of the expenditure rather than to its nature. Nowhere do the Estimates of the Ministry of Works indicate the number of their industrial staff. There is a similar absence of information in the Estimates of the Ministry of Supply and of the Ministry of Agriculture and Fisheries, but for other Departments, such as the Mint, the Forestry Commission and the Ministry of Civil Aviation, the numbers are shown.

Qs. 2138-40,
4183.

9. Your Committee are of opinion that all Departments should disclose on the face of their Estimates the total number of staff, industrial and otherwise, which they propose to employ. It may not be practicable to show the exact numbers of directly paid industrial staff employed under each subhead, but it should be possible to indicate the average number provided for under each Vote, or the maximum and minimum numbers. Your Committee were glad to learn that the Treasury were in general agreement that information of this nature should be included in future Estimates.

New appointments at salaries substantially in excess of scales set out in Estimates

10. It has long been the practice for all Departmental Estimates to contain particulars of the salaries payable to each grade of officer and the numbers of staff proposed to be employed in each grade. The highest official salary shown in the Ministry of Supply Estimates for 1946-47 was for the post of Permanent Secretary at £3,500 a year.

Qs. 3749-51.

11. During the course of the year an Iron and Steel Board was created as part of the staff of the Ministry of Supply. The Chairman of the Board was to receive a salary of £8,500 a year. No provision had been made for this appointment in the original Estimates and no Supplementary Estimate was taken. The Treasury stated that it was a matter of judgment whether or no a supplementary estimate was taken in such circumstances. It did not appear to them or to the Ministry to be necessary on this occasion.

12. Your Committee consider that Parliament has the right to expect that the highest salary set out in the Estimates should not be substantially exceeded during the course of the year, and they recommend accordingly that in future any appointment chargeable to public funds at a salary substantially exceeding the highest in the Estimates should be covered by a Supplementary Estimate.

Late rendering of Accounts

13. The Exchequer and Audit Departments Act, 1921, requires Civil Departments to furnish their Appropriation Accounts and Trading Accounts to the Comptroller and Auditor General on or before 30th November. Your Committee observe that a number of Accounts for 1946-47 were rendered long after the statutory date. Certain Trading Accounts, in particular, were not furnished until March and April, 1948. While they appreciate the difficulties which prevailed in regard to some of the 1946-47 Accounts, Your Committee trust that the Treasury will impress on Departments the necessity of making every effort in future to render their Accounts at the earliest possible date.

Qs. 4225-30.

Statutory Authority of Government Departments

Paras. 12-14 & 47-48 of P.A.C. Third Report. Qs. 4215-4222. Appendix 2.

14. The Public Accounts Committee of 1946-47 reviewed the question of the statutory authority for continuing services involving substantial expenditure by Government Departments. This question had previously been considered by the Public Accounts Committees of 1932 and 1933.

15. The Treasury, in their minute of 28th January, 1948, accepted generally the views of the Committee but, in regard to the Votes for:

- (a) the National Savings Committee
- (b) the Department of Scientific and Industrial Research
- (c) Universities and Colleges, etc., Great Britain,

which had been in existence before 1932, they assumed that the Committee of 1946-47, like the earlier Committees, did not press for special legislation to deal with these long-standing cases.

16. In evidence the Treasury explained that, while accepting the general principle of the necessity for statutory authority, they must reserve the right of the executive in certain cases to incur expenditure on the authority of the Appropriation Acts. When expenditure is of an administrative nature, the attempt to define it in a statute might do more harm than good. The estimates for the three above-mentioned Votes show between 1932-33 and 1948-49 an increase in:

- (a) from £100,000 to £1,100,000
- (b) from £500,000 to £3,300,000
- (c) from £1,700,000 to £12,000,000.

In spite of these increases, the Treasury view was that it would be better, for the present at any rate, to leave the arrangements as they were.

17. Your Committee agree with the view of the Committee of 1946-47 that the question of statutory authority may be one of degree. They consider, however, that in the three instances mentioned the annual expenditure has now become so large that it should be covered by statutory authority other than the annual Appropriation Act. Parliament would thus be given the opportunity of reviewing the need for the continuance of this expenditure on the present scale and of determining whether the administrative organisation, which was established in each case at a time when the expenditure was on a limited scale and without any assurance of continuance, is equally well adapted for the control and disbursement of the continuing and very substantial expenditure now involved.

Hostels

Paras. 54-55 of C. & A.G.'s Civil Report. Qs. 954-960, 1444-1445, 2244-2285, 2971-2983, 4030-4042.

18. During 1946-47 there were substantial excesses of expenditure over income both at hostels directly controlled by Government Departments and at those managed on their behalf by the National Service Hostels Corporation, Ltd.

19. Though a substantial excess arose in respect of Women's Land Army hostels, the largest aggregate excess (in the region of £1,300,000) was on the industrial and other hostels managed by the Corporation for the Ministry of Labour and National Service. The greater part of this total is attributable to the industrial hostels opened to meet the needs of workers transferred by the Ministry from one district to man an essential industry in another where lodging accommodation is not available. The rates to be charged to residents are fixed by the Cabinet, and are below the general level of charges for lodgings. The Ministry decide what hostels should be opened,

and whether they should be kept open, by reference to the local requirements for workers and not to the proportion of places occupied. The average percentage of places occupied during the year was between 70 and 75.

20. The Ministry explained that where workers are transferred to a district to meet the needs of a single firm the responsibility for accommodation is left with the employer. Your Committee note that the National Coal Board meet the loss on all miners' hostels.

21. Your Committee find it difficult to understand why, in the same way, when transfers are made to meet the needs of more than one firm or corporation, such employers should not share in the cost of providing accommodation. They recommend that consideration be given to the possibility of introducing a scheme whereby the employers who benefit by governmental measures taken to facilitate the mobility and alleviate the shortages of labour should contribute towards such costs as may in future have to be borne by public funds in respect of this service to industry.

22. So far as Government hostels for civil servants and non-industrial workers and students are concerned, Your Committee were glad to learn that the Treasury had recently decided that, save in exceptional circumstances, such hostels should be run on a basis of being self-supporting, taking into account expenditure by the Ministry of Works on services and supplies rendered without repayment.

23. Your Committee found some difficulty in securing information regarding the outcome of the various hostels directly controlled by Government Departments. They consider it desirable that the surplus or deficiency at each hostel or group of hostels, after allowing for charges borne on other Votes, should be readily available. They do not suggest that accounts should be included in the volume of Trading Accounts but that the information should be included in the Appropriation Accounts of the Departments concerned.

Information Services

24. As from 1st April, 1946, the Ministry of Information was dissolved and Government information services were reorganised on a basis announced to the House of Commons by the Prime Minister on 17th December, 1945, and 7th March, 1946. Departments became responsible for their own policy in the field of information and publicity. In particular, overseas publicity became the responsibility of the Foreign Office, Colonial Office and other Departments with overseas interests. The departmental services were, however, to be supplemented by the services of a newly created Central Office of Information, requiring a highly-qualified rather than a large staff, which would act as a central Government agency in publicity matters and perform common technical, specialist and productive services for other Departments.

Para. 10r
of C. &
A.G.'s Civil
Report.
Qs. 1206-
1227, 1244.

25. Departments avail themselves of the services of the Central Office in varying degrees. The first account for the Central Office, for 1946-47, records a net expenditure of about £2,115,000, some £516,000 less than estimated. The gross expenditure was about £1,010,000 less than estimated. The saving was explained as being due partly to the difficulty of framing reliable estimates for the first year of operations and partly to projected work not being carried out owing to shortage of staff. Staff employed at the end of the year numbered about 1,660. The Estimate for 1947-48 provides for a net expenditure of £3,517,700 and for a staff of 1,940. At April, 1948, some 1,700 were employed.

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26. Since the Ministry of Information was dissolved, expenditure on information services has become more diffused over the accounts of the various Departments and it is difficult to calculate from the accounts any total figure of expenditure on Government information services. The Treasury, however, furnished a statement (Appendix 10) summarising the provision made for such expenditure in the Estimates for 1948-49. This shows an expenditure of about £5 million in respect of home services and about £11½ million for overseas services (including £4½ million for the B.B.C.'s Overseas Service and £3 million for the Foreign Office) and gives a total expenditure of £16,697,050.

27. Your Committee trust that constant attention will be directed towards ensuring that expenditure upon information services is incurred as economically as is possible consistent with the efficient and comprehensive conduct of the service. They also consider it desirable that an appendix should be attached to future Estimates under the Vote for the Central Office of Information, showing the total expenditure provided for information services. Similar appendices, showing total expenditure on (1) Housing and (2) Research and Development, have been attached to the Civil Estimates for 1948-49 as a result of a recommendation made in the Fourth Report of the Select Committee on Estimates in 1946-47. Your Committee believe that expenditure on Information Services is a subject for similar treatment.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS

VOTE I—CUSTOMS AND EXCISE

Supply of duty-free Stores to the Royal Navy

Paras. 9-11
of C. &
A.G.'s
Revenue
Report.
Qs. 238-274,
1296-1351,
4184-4194.

28. In earlier times the Navy was a service wholly afloat and dutiable articles (mainly tobacco and rum) were shipped free of duty. Duty is not collected in respect of articles consumed by people on the high seas as they are outside the Customs jurisdiction. As the strength of the Navy increased, the personnel in home ports were accommodated in older ships, hulks and so on, which, though tied up, were technically in commission and the occupants enjoyed the privilege of duty-free supplies. At a later stage, barracks, which replaced the hulks, attracted the same privileges. During the last 60 years personnel on ships in harbour and home waters and at a large number of naval shore establishments have been supplied with dutiable articles free of duty. This concession is not covered by statutory authority.

29. In 1932 and 1935 the Customs and Excise Department, wishing to strengthen revenue control, took steps, in consultation with the Admiralty, to define the types of ship eligible for duty-free supplies and to record and if possible limit the actual consumption. Renewed efforts were made in 1938 as the result of conferences between the Treasury and the two Departments, but they were interrupted by the outbreak of war. In answer to a recent inquiry which he made, the Comptroller and Auditor General was informed that, as soon as the time appeared opportune, steps would be taken towards placing the naval privileges upon a permanent and satisfactory basis.

30. Your Committee have taken evidence from the Admiralty and the Customs and Excise Department and have also been furnished with a memorandum (Appendix 3) prepared jointly by the two Departments. The duty which would have been chargeable on the total supplies to the Navy was computed at £1,300,000 for 1936-37, and would have been £8,000,000 in 1946-47. For 1948-49 it would be £6,300,000, the considerable reduction

in naval personnel since 1946-47 having been largely offset by the increases in duty under the Budget of April, 1947. A substantial part of the total supplies—estimated at between one-third and one-half—was consumed on the high seas and was therefore not subject to Customs duty. The remainder was issued to personnel on ships in harbour or home waters or at naval shore establishments and there appears to be no statutory authority for duty-free issues in these cases. The Admiralty considered that the extra-statutory concessions were commonsense extensions of very old statutory rights and they stated that the intention before the war had been to regularise the position by statute.

31. It is estimated that in 1948-49 the amount of duty not collected will be some £3,000,000. The Treasury stated that they had considered with the Departments concerned whether the Admiralty might pay the appropriate duty to the Customs and Excise, but they saw no real advantage in charging Navy Votes at this juncture. The right course was to get statutory authority as soon as naval forces are sufficiently stabilised to settle the scope of the concessions and what changes, if any, were needed. They agreed that there were extra-statutory concessions which ought to be included in the statement of remissions of duty furnished to the Comptroller and Auditor General.

32. Your Committee note that these extra-statutory concessions will in future be included in the statement of remissions of duty. While they have due regard to the long period during which the concessions have been in force, they hope that steps will be taken at the earliest possible date to define by statute the conditions under which issues of tobacco, etc. may be made to the Navy without payment of duty. If there is likely to be an appreciable delay in introducing the necessary legislation they trust that the Treasury will reconsider the question whether or no the cost of the concessions should be borne on Navy Votes and the duty statutorily collectible paid to the Exchequer.

33. The increases in duty on spirits and tobacco during and since the recent war have of course greatly enhanced the value of these concessions to the Navy and have given an additional incentive to smuggling and black market activities. Your Committee were glad to learn that the Admiralty and the Customs and Excise Department were examining this aspect of the problem with a view to deciding whether existing safeguards were adequate.

VOTE 2—INLAND REVENUE

Balances of Tax in Assessment

34. In paragraphs 3 and 4 of their Third Report the Public Accounts Committee of 1946-47 referred to the increase during the war in the arrears of Inland Revenue duties as shown in the Balance Accounts and to the fact that shortage of staff for the assessment of Excess Profits Tax gave rise to arrears on both Income and Excess Profits Taxes. The term "arrears" as used by the Committee has, however, led to some misunderstanding. They in fact represented the amount of tax in assessment at the end of the year irrespective of whether or no the tax was due and payable; and they included provisional assessments and assessments under appeal of which large sums might later prove not to be payable. At the close of the 1945 accounting period these balances "outstanding", exclusive of Pay-as-you-earn, totalled nearly £780,000,000. The Inland Revenue estimate that, of this sum, approximately £410,000,000 would not fall to be collected on final determination of the true tax liability of the taxpayers concerned, leaving £370,000,000 payable to the Revenue.

Paras. 12-13 of C. & A.G.'s Revenue Report, Qs. 139-155, 190-196, 4211-4213.

35. During 1946 these balances increased to about £813,000,000. Of this sum the Inland Revenue anticipate that about £423,000,000 will not materialise into actual taxes due and payable after individual investigation and determination of the true liability of the taxpayers concerned; so that about £390,000,000 will, it is anticipated, become due and payable. The Inland Revenue explained that there were many factors holding back the determination of the true profits on which Income Tax and Excess Profits Tax are assessed, and that, in particular, it was estimated that the outstanding balance on the Excess Profits Tax account included over £100,000,000 which would not be payable when repairs deferred during the war years were carried out and became an admissible charge against profits.

Arrears of Duties

36. Of the £370,000,000 materialising for collection out of the £780,000,000 originally in assessment in the 1945 Balance Accounts, the arrears of tax then due and payable were estimated at £191,000,000, leaving £180,000,000 to be collected in the subsequent periods when the separate sums comprising it became finally assessed. Of the £390,000,000 materialising for collection out of the £813,000,000 originally in assessment in the 1946 Balance Accounts, the arrears of tax then due and payable were estimated at £175,000,000, leaving £215,000,000 to be collected later.

37. The Treasury stated that steps were being taken to strengthen the staff engaged in assessment but, owing to the length of time required for training, accessions of staff did not become immediately effective.

38. Your Committee recognise the difficulties in the way of reducing the arrears of tax outstanding, but they trust that every effort will be made to reduce these arrears as rapidly as possible.

CIVIL APPROPRIATION ACCOUNTS

CLASS V, VOTE I—MINISTRY OF HEALTH

Failure to make use of Requisitioned Properties

Para. 47 of
C. & A.G.'s
Civil
Report.
Qs. 1843-
1889.

39. The Ministry of Health's power to requisition houses for the accommodation of persons inadequately housed was delegated to local authorities and the Ministry undertook to repay local authorities the whole of their approved net expenditure on this service. At 31st August, 1947, 325 of the properties requisitioned by one metropolitan borough for rehousing had not been adapted and made available for occupation. Many of these properties had been requisitioned in 1945 and 1946, and the amount of compensation payable was estimated at over £19,000 plus a substantial charge for rates. By October, 1947, over 100 properties had been derequisitioned.

40. The Ministry stated in evidence that in view of the difficult housing position local authorities had been encouraged to requisition empty properties which could be re-conditioned and made habitable. In the interests of flexibility and speed the prior consent of the Ministry's officers was dispensed with in July, 1945; regular returns of the properties requisitioned were received by the Ministry but there was no system of inspection to ensure that local authorities were not requisitioning unsuitable properties.

41. Your Committee have been furnished with a memorandum (Appendix 4) which gives information regarding the position in the areas of 22 local authorities in the London Region. These are the only authorities which have

any significant amount of empty accommodation; the total number of houses under requisition by them is a little over 29,000. This is nearly one-half of the total number of houses under requisition in the London Region and 30 per cent. of the total in England and Wales. 776 of the houses requisitioned by these 22 authorities up to 30th September, 1947, had not been occupied or released by the middle of April, 1948. In 408 of these, work was in progress or had been completed; the authorities were reviewing the position, including the possibility of derequisition, of 51.

42. Your Committee have examined the system under which rates were generally paid at the Ministry's expense in respect of houses which had been requisitioned but were not occupied. The rates levied in 1947-48 on such houses in the area of the 22 local authorities mentioned above amounted to £48,000 but no estimate could be given of the total amount of rates levied on all empty requisitioned property in London since requisitioning began. Six authorities in the London area had not in fact levied rates on empty houses. Payment of rates depends generally on beneficial occupation and normally houses which are completely unoccupied are not deemed to be in beneficial occupation. The Ministry were, however, anxious to encourage local authorities to make the greatest use of their requisitioning powers in order to house as many people as possible and they thought that properties were more likely to be acquired if the authorities received rates on them from the earliest possible moment. They propose, however, to inform authorities that they will not re-imburse any rates levied on unoccupied houses for the year 1947-48 and later.

43. Your Committee were glad to learn of this proposal and hope that the Ministry will make every effort to ensure that requisitioned houses will be released as soon as possible, if it appears that no use is likely to be made of them.

CLASS V, VOTE I—MINISTRY OF HEALTH

CLASS V, VOTE 14—DEPARTMENT OF HEALTH FOR SCOTLAND

Permanent Houses constructed by Non-traditional Methods

44. Under the Housing (Financial and Miscellaneous Provisions) Act, 1946, and the corresponding Act for Scotland, grants are payable to local authorities to meet the excess cost under a scheme for providing permanent houses by non-traditional but approved methods of construction. The grants, which are payable over and above the normal Exchequer contribution under Section 1 of the Act, are limited to proposals submitted before the end of 1947.

Paras.
48-50 of
C. & A.G.'s
Civil
Report.
Qs. 1890-
1935,
2080-2084.

45. About 118,000 houses of normal size have been approved, of various types and at prices ranging from £1,170 to £1,330. The excess cost, which varies considerably from type to type, was expected to average about £170, and the total cost to the Exchequer was expected to be about £20,000,000.

46. In addition approval had been given to the erection under the scheme of about 15,000 aluminium bungalows; these were about two-thirds the size of a normal house and cost more than £1,500 each. In size and construction they were similar to the 54,500 bungalows separately approved under the Housing (Temporary Accommodation) Act, 1944. The amount of grant on each of the 15,000 bungalows to be erected under the 1946 Act was likely to be about £750 and the total cost to the Exchequer of the additional grants some £10,000,000. The Departments stated that this house could be built in the

factory and erected very quickly without the use of much ordinary building labour in areas, such as the mining areas, where the urgent demand for houses could not be met by ordinary and other non-traditional methods of construction; and that these reasons, in their view, justified the erection of a house attracting such a high subsidy.

47. Your Committee, while fully appreciating the urgency of the demand in vital industrial areas, are glad to note, in view of the heavy financial commitment involved, that the Departments do not propose to ask for any more aluminium bungalows.

CLASS V, VOTE 4—MINISTRY OF LABOUR AND NATIONAL SERVICE

Government Training Centres

Paras. 57-
59 of
C. & A.G.'s
Civil
Report.
Qs. 2289-
2320,
2323-2342.
Appendix
9.

48. Considerable expenditure has been incurred by the Ministry of Labour and National Service on training at Government Centres and by the Ministry of Works on providing buildings for the scheme. The expenditure by the two Departments on training for the building industry in the period of two years which ended on 31st March, 1948, amounted to £15,400,000, including sums estimated at £5,900,000 for maintenance allowances to persons in training. This represents about 85 to 90 per cent. of the total expenditure on training in this period.

49. The first conception underlying the scheme in 1943 was to assist the resettlement of ex-Service men who had either suffered interruption of training by being called up for military service or received no training before being called up. A second consideration was that training would be an essential part of a full employment policy, to provide for retraining workers transferred from declining to expanding industries. In particular, plans were prepared in the light of the 1943 White Paper on Training for the Building Industry (Cmd. 6428) which proposed a short-term scheme of intensive courses for some 200,000 persons during the first three or four years after the war to meet the expected deficiency of skilled workers in that industry. A third consideration was the expectation, then entertained, of there being large-scale unemployment amongst unskilled and semi-skilled labour, which would require relief by absorption, after a period of training, into more skilled vocations.

50. The Ministry thought that they might have in training at one and the same time some 60,000 building workers and from 5,000 to 10,000 in other trades. With these numbers in view 30 new centres were planned, each to provide about 600 training places, and to cost between £150,000 and £200,000 each or about £300 per place. In addition 11 existing centres were substantially extended and adapted, and emergency centres were opened. In all 78 centres were in operation in April, 1947. The construction and adaptation of training centres occupied the time of a labour force equivalent to the continuous employment of 3,750 men for two years from March, 1945, to March, 1947.

51. Some 24,900 persons completed a building training course at a Government Centre in 1946-47, and some 26,200 in 1947-48. The maximum number in training at one time was about 26,000 in February, 1947; of these, 23,400 were being trained for the building industry. It then became apparent that the war-time assumptions on which the original programme was based were not going to materialise. Capital investment cuts became necessary within the balance of the national economy as a whole which involved a projected decline in the total building labour force. Moreover the anticipated post-war

unemployment amongst unskilled and semi-skilled labour did not occur. During the year 1947 the number in training declined rapidly and it stood at about 4,300 in April, 1948. The reduction in staffs did not proceed at the same pace, as will be seen from the following figures:—

<i>Date</i>	<i>Number of persons in training in proportion to each member of (a) Total Staff (b) Instructional Staff</i>	
1st July, 1945 ...	2.7	6.1
1st January, 1947	4.1	9.3
1st April, 1948 ...	1.7	5.9

52. The Ministry consider that normally the proportion of instructional staff to persons under training should be about one to ten, but they point out that the proportion is always high during a period of change, whether of expansion or contraction, and that classes which are being built up or allowed to run down are expensive in staff. The Treasury stated that they were consulted at the outset about the number of staff and instructors required but they were not in touch with the situation throughout.

53. The 1948-49 Estimates indicate £6,449,000 as the probable total capital expenditure by the Ministry of Works (excluding the cost of furniture, tools and equipment). The Ministry of Labour and National Service explained that they considered it desirable to provide permanent structures, and that cheaper forms of building would have been more wasteful in the long run. They thought that after the centres had served the purposes of training for the building industry a number of them would be required permanently for training in other trades and that those not required would be available for industry as factories. In June, 1948, 20 of the 30 new centres were still being used for training, either alone or in conjunction with some other activity, mainly the provision of sheltered employment for severely disabled people.

54. Your Committee note that the training scheme for the building industry was started in 1945 on the basis of plans prepared in 1943, and they appreciate the reasons for the provision of training facilities on a large scale at the end of the war. When, however, it was found that substantial unemployment did not follow demobilisation, and it became apparent that owing to shortages of material and cuts in capital investment the building programme would have to be seriously curtailed, the Ministry of Labour do not appear to have cut down their training programme as quickly as might have been expected. Construction of centres continued, thus employing labour and material which could have been used for more urgently needed building work. Your Committee consider either that the building programme for training centres should have been brought into line with the training requirements as they were then known or that some at least of the training centres should have been converted to other uses of national importance. In any event they consider that earlier steps should have been taken to reduce their instructional and administrative staffs.

55. They note that as recently as April, 1948, the centres were employing on an average about six staff for only ten persons under training. They feel doubtful whether adequate steps have yet been taken to reduce the expenditure on training to present needs and they recommend that the Ministry, in conjunction with the Treasury, should review the matter in order to ensure that no unnecessary expenditure of either money or manpower is incurred on training.

CLASS VI, VOTE 6—MINISTRY OF FUEL AND POWER

Expenses in connection with the Nationalisation of the Coal Industry

Para. 79 of
C. & A.G.'s
Civil
Report.
Qs. 3224-
30, 3245-49,
3257-65,
3269-70.

56. Under Section 55 of the Coal Industry Nationalisation Act, 1946, voted moneys bear the costs of the proceedings incidental to the transfer of the coal industry from private to public ownership; these proceedings involve the ascertainment, verification and recording of the coal interests, and the valuation and assessment of compensation. The Ministry of Fuel and Power were unable to provide any close estimate of the total liabilities of the Exchequer under this Section but thought they would be between £5 million and £10 million.

57. The costs include the legal and other costs on both sides in the valuation and arbitration proceedings but the Ministry did not accept the view that inordinate costs incurred by the private interests concerned would necessarily be paid out of public funds. They quoted as an example the Greene Tribunal, in connection with which the costs of the Mining Association were very much in excess of those of the Crown; the Ministry in this case had offered to reimburse the Association to the extent of a sum equal to the costs which the Crown incurred. The Association thought this was unreasonable, and the matter has not yet been settled. In general the Ministry said that they would take appropriate advice before agreeing costs, and they considered that the final decision rested with them.

58. Your Committee trust that steps will be taken to ensure that public funds are not called upon to bear more than the fair and reasonable costs incidental to the transfer of the coal industry to public ownership.

Financial Transactions with the National Coal Board

Qs. 3349-
50.

59. Your Committee examined the first Account (H.C. 88 of Session 1947-48), rendered under Section 35 of the Coal Industry Nationalisation Act, 1946, of (a) the sums received by the Minister of Fuel and Power from the Consolidated Fund and from the National Coal Board and (b) the sums paid by him to the Board, to the owners of transferred interests and to the Exchequer. This Account covered the period to 31st March, 1947, and showed net advances of £19,135,000 to the Board for working capital and new capital expenditure. The greater part of this sum was required as the initial working capital of the Board in order to finance wages and other current expenditure until the proceeds from the sale of coal were received. The amount of working capital required varies, and that part of the amount advanced at any time which is regarded as the varying margin bears interest at the rate of one half per cent. per annum. The hard core of the working capital and the advances for capital expenditure are to bear interest at the prevailing long-term rate. This has been fixed at 2½ per cent. for advances in 1947 and 3 per cent. for 1948.

60. Under initial directions by the Minister, the Board is to liquidate its liability to the Crown in respect of the principal of these and other capital liabilities, and the interest thereon, by payment of annuities for 50 years; interim income payments made by the Minister are to be refunded by the Board at half-yearly intervals, and the expenses of issue and management of stock and debt as soon as possible after the end of each year.

Accounts of the National Coal Board

61. Your Committee enquired when the Accounts of the National Coal Board for the year ending on 31st December, 1947, were likely to be available; these were due to be laid before Parliament under Section 31 of the Coal Industry Nationalisation Act, 1946. They were informed early in June that the form of the accounts, which has to be approved by the Minister, was then being considered by him. They would be very full accounts and printing might cause some delay. The Accounts were eventually published on 13th July, 1948. Qs. 3351-3.

62. Your Committee realises that the preparation of the first Accounts of the Board has necessarily entailed much work and that delay has been inevitable. They hope, however, that in future years it may be found possible to present the accounts of the previous calendar year in May, so that future Public Accounts Committees may be able to examine them before presenting their report to Parliament.

CLASS X, VOTE 4—MINISTRY OF FUEL AND POWER (WAR SERVICES)

Opencast Coal

63. By the Coal Industry Nationalisation Act, 1946, Parliament vested in the National Coal Board the ownership of all unworked coal and mines of coal (including opencast workings) in Great Britain and charged the Board with the duty of working and getting the coal. The vesting date was appointed by order to be 1st January, 1947. The Ministry of Fuel and Power have, however, continued to retain direct responsibility for the production and sale of opencast coal. They sell the coal at the prevailing market rates for deep mined coal and any loss is borne on the Ministry's Vote. Losses of approximately £7,000,000, £4,250,000 and £2,350,000 were incurred in the years 1945-46, 1946-47 and 1947-48 respectively. Paras. 50-52 of C. & A.G.'s Class X Report. Qs. 3296-3333.

64. The Ministry stated that there was no immediate prospect of the operations being transferred to the National Coal Board. The question had been considered and discussed but, at the moment, it was felt that they should remain with the Ministry. They presumed that the Board would not be ready to take on the work without a subsidy equivalent to the loss under present working arrangements. The Ministry also suggested that, as the Board's mining engineering experts were nearly all deep mine engineers, maximum production, during the shortages of the next year or two, was more likely if production continued with the Ministry. Moreover, the Ministry would have to continue requisitioning the sites, as the Board had no powers of requisition.

65. Your Committee note that, with the increase in production of opencast coal, the losses incurred in respect of it have progressively decreased. They recognise that there are administrative difficulties in the Board undertaking opencast operations at the present time. Nevertheless, they hope that the possibility of the Board assuming financial responsibility will continue to be borne in mind by the Ministry, especially in view of the fact that opencast coal now provides a substantial and continuing contribution towards consumers' needs.

TRADING ACCOUNTS AND BALANCE SHEETS

MINISTRY OF FOOD

Trading Accounts

Paras. 9 &
10 of C. &
A.G.'s Trading
Accounts
Report.
Qs. 4121-
4135, 4169-
4172.

66. The amount of £300.3 million shown as the cost in 1946-47 of food subsidies administered by the Ministry of Food is the net outcome of (a) deficits on basic foods subsidised as a matter of policy, (b) surpluses on certain non-essential or less essential foods sold at a profit which has been taken in relief of the general cost of the subsidy policy, and (c) deficits and surpluses arising on transactions in foods sold at prices estimated to cover actual cost. The accounts thus differ from those of the Ministry of Supply and Board of Trade, in which a distinction is made between losses deliberately incurred as a matter of subsidy policy and those arising on normal trading in commodities sold at prices estimated to cover full cost. In the accounts of these two Departments losses deliberately incurred are written off, but those arising on normal trading are carried forward to be recouped by subsequent price adjustments.

67. The Ministry of Food do not consider it practicable to make any such distinction in their accounts. The subsidy policy of the Ministry is determined by the amount allotted by the Chancellor of the Exchequer in his Budget statement, and the selling prices of the very large number of individual commodities may have to be adjusted from time to time on account of changes in cost or rationing. The Accounts, which record purchases in 1946-47 amounting to over £1,100 millions, have therefore to be considered as a whole in the light of declared subsidy policy.

68. Your Committee note the difficulty of distinguishing between subsidies and losses in the Accounts of the Ministry of Food, but these Accounts are audited by the Comptroller and Auditor General and he will be able to draw attention to any transactions which call for special comment.

Calculation of Food Subsidies

Qs. 2997-
3013, 3163.

69. The Public Accounts Committee of 1946-47 suggested in their Third Report that there should be an alteration in the basis of calculating the total expenditure on Food Subsidies. They considered that certain schemes, for example the National Milk Scheme and Milk in Schools Scheme, which are limited to particular classes of the community, should be regarded as a specific social service and not as part of the general food subsidies. On the other hand they were inclined to the view that the expenditure on the Food Production Votes of the Agricultural Departments should be treated as a subsidy. The result of such changes in 1946-47 would have been to exclude expenditure of £27.9 millions and include £21.7 millions, thereby reducing the total amount treated as subsidies by £6.2 millions. Your Committee have given careful consideration to the arguments against such a change advanced in the Treasury Minute (Appendix 2) and by witnesses, and in view of these arguments, and particularly of the obvious advantage of maintaining the figure on a comparable basis from year to year, they do not wish to press for the change to be made.

Cold Storage

Paras. 15-
16 of
C. & A.G.'s
Trading
Accounts
Report.
Q. 4977.

70. Public Accounts Committees have on several occasions reviewed the arrangements made by the Ministry of Food to control the revenue of cold storage undertakings. After the Committee of 1944 had commented on the high return on capital earned by these undertakings under the agreements

then in force, the Ministry negotiated revised terms towards the end of 1944. The revision was not however successful, since the return on capital was still about 13 per cent. A new agreement has now been concluded, with effect from 29th May, 1948, which is calculated to reduce this return.

Government-owned Cold Stores

71. Although privately-owned cold stores have been earning a substantial return on capital, 48 modern Government-owned stores, erected at a cost of £7,000,000 and providing 15 million cubic feet of storage (as compared with the 37 million cubic feet of privately-owned storage), showed an operating deficit of some £90,000 in 1946-47. This was the first year in which the Government stores did not cover their operating costs, and the Ministry stated that the deficit was due to a fall in stocks and to the need to fulfil an undertaking given during the war that the Government stores would not be operated in competition with the privately-owned stores. Also, the Government stores are sited in what were known as safe areas and they are less convenient for transport and distribution. About 33 per cent. of the capacity of the Government stores was in use in 1946-47, as compared with 57.5 per cent. of the capacity of the privately-owned stores.

Paras. 15,
17-18 of
C. & A.G.'s
Trading
Accounts
Report.
Qs. 4079-
4108, 4150.

72. While Your Committee recognise that due weight must be given to convenience of transport and distribution in the allocation of cold storage, it appears to them to be open to serious objection that the use of modern Government stores with up-to-date equipment should be restricted in favour of possibly less efficient storage paid for at remunerative rates by the Ministry of Food. They note that a review of cold storage policy is in progress, and they recommend that special consideration should be given in this review to ensuring that the fullest possible use is made of those Government stores which it may be decided to keep in operation.

Purchases of Whale Oil

73. Since the war the Ministry of Food have made large purchases of whale oil. In the 1945-46 season whaling operations were carried out for the Ministry by three companies on a cost plus profit basis and the cost was about £56 a ton.

Para. 12 of
C. & A.G.'s
Trading
Accounts
Report.
Qs. 4045A-
4062.

74. In 1946-47 the entire output of the United Kingdom whaling concerns was bought at negotiated fixed prices, some 30,800 tons being acquired from one company in July, 1946, at £67 10s. a ton. In January, 1947, the Ministry agreed to buy the 1946-47 output of another United Kingdom company at the same price as was settled for purchases from Norwegian companies. Negotiation with the latter took place in the light of reported higher offers elsewhere, though it should be remarked that the whalers had been notified that for 35,000 tons allocated to Norway for internal consumption they would receive only £40 a ton. As a result of the negotiations the price for purchases from the Norwegians was finally fixed at £100 a ton. The United Kingdom company was accordingly paid £100 a ton for its output of 53,800 tons.

75. The Ministry explained that the United Kingdom companies were unwilling to operate in 1946-47 on a cost plus profit basis as they thought they had been paid too little for the 1945-46 output. The Ministry might have requisitioned the ships but the crews are mostly Norwegian, and if they had requisitioned the produce they would have had to pay the market price.

76. The Ministry did not know what profit resulted to the company out of the price of £100 a ton, but in the light of world prices they considered that it was a fair and reasonable price. Other countries were offering to pay £110 a ton and the price of comparable oils and fats had risen steeply; for example, the price of Argentine technical tallow had risen from £94 a ton in April, 1946, to £192 a ton in March, 1947.

77. Your Committee consider that, in such circumstances, the United Kingdom companies should have been willing to operate on a basis which would have ensured that the profits were not more than fair and reasonable. They are not clear as to the reasons why the ships were not requisitioned and have no evidence that, had this course been legally practicable, it would not have been possible to have provided them with crews. Your Committee do not accept the view that world prices necessarily provide a sound basis of payment by the Ministry for the products of British firms in a time of world scarcity.

NAVY

Arrangements for Securing Economy in Manufacture

Qs. 1352-5. 78. In paragraph 43 of their Third Report the Public Accounts Committee of 1946-47 welcomed the appointment by the Admiralty of a departmental committee which would examine the methods at present used for securing economy over the whole field of Admiralty production and recommend any improvements that might seem desirable and possible.

79. Your Committee were informed that the departmental committee's report was expected shortly. They trust that this expectation will be realised so that the matter can be considered by the Public Accounts Committee of next year.

Production of Civilian Goods in Admiralty Establishments

Qs. 1361-78. 80. The Treasury endorsed the recommendation in paragraph 54 of the Third Report of the Public Accounts Committee of 1946-47, that any labour retained as war potential in Admiralty establishments should be the subject of continual and rigorous review, so as to preclude any possibility of this labour being in excess of current minimum requirements.

81. In evidence the Admiralty stated that the maintenance of war potential, whilst an important factor, was not necessarily the only one that influenced them in determining the level at which the staff of an establishment should be maintained. In the particular case of the torpedo factory, for example, discharges to the level of the minimum war potential would involve something in the nature of an unemployment problem in Greenock, where facilities for alternative work were poor. Quite apart from the social effects (a matter for the Government rather than the Admiralty) it was not in the Admiralty's best interests to take measures which would lead to severe unemployment; and they accordingly considered that, so long as they could secure repayment work sufficient with naval work to ensure that there was no loss to the Exchequer, the right policy was to take repayment work even if it involved retention of labour in excess of war potential requirements. The Admiralty were satisfied that their existing controls were sufficient to ensure that all the labour so retained was at all times usefully employed either on naval or on repayment work.

82. Your Committee endorse the Admiralty policy of accepting some responsibility for maintaining a constant level of employment in places where the economy of the area as a whole is greatly dependent for its stability on Admiralty establishments and/or its ancillary industries. They note that, where men become surplus to immediate Admiralty requirements for naval work as a consequence either of programme reductions or of financial limitations imposed by the Estimates, it is possible to employ them on "repayment" work for outside civilian firms without any charge falling on the taxpayer. They would, however, observe that the efficient distribution of labour is a problem of both national and local importance. They accordingly consider that the Admiralty should maintain the closest liaison with the Ministry of Labour and National Service and the Board of Trade, to ensure that men are not unnecessarily retained on repayment work in circumstances where they are required by, and can be readily absorbed into, other suitable industries and vocations.

Financial Control at the Admiralty

83. As a result of criticisms by the Public Accounts Committee of 1938, the Admiralty set up a departmental committee to review their system of financial control. This committee's general conclusion, to which the Treasury assented, was that considered as a whole the Admiralty machinery for the control both of requirements and of expenditure was well adapted to its purpose, but certain improvements were suggested.

Paras. 9-15
of
C. & A.G.'s
Navy
Report.
Qs. 1395-
1417.

84. In commenting on these conclusions, however, the Public Accounts Committee of 1940 noted in paragraph 25 of their Report that in the Admiralty the finance branch had always been less closely associated with the executive and technical departments than in the War Office, and they recommended that this aspect should be considered by a future Public Accounts Committee as soon as circumstances permitted.

85. Your Committee, in paragraphs 6 and 7 of their First Report, reviewed the circumstances in which an Excess Vote was necessary to cover the large excesses of expenditure over Supply Grants for Navy Votes in 1946-47, but left the Admiralty system of general financial control open for further consideration when the accounts came before them later in the Session.

86. In the course of this further examination the Admiralty stated that the defects in estimating which were largely responsible for the excesses in 1946-47 were attributable wholly to abnormal conditions resulting from the war; none of the excesses in the year arose from unauthorised commitments. During the war they had been forced to abandon many of the financial checks on which detailed and exact control depends and, except for the notoriously difficult but limited field of conversions of ships, they were satisfied that there was no real weakness in their financial control machinery.

87. The Treasury stated that they were unaware of anything during the war which suggested a lack of financial control in the Admiralty. The lesson to be drawn from the difficulties of 1946-47, which affected all three Service Departments, was that they should get back as fast as possible to their pre-war procedure, which they understood; an inquiry now would impede the course of that return. While the Treasury considered that an inquiry into the systems of financial control in the three Service Departments would be extremely interesting and they did not know what the results would be, they felt that there was no urgent call for it and that this would be an extraordinarily inconvenient time to undertake it.

88. Your Committee recognise the difficulties which such an inquiry would entail in present circumstances, and they agree that it should be postponed until there is definite evidence of some weakness in the system of financial control under normal conditions in one of the Service Departments.

ARMY

Irregularities in Assessment of Piece-work Earnings

Paras. 9 &
10 of
C. & A.G.'s
Army
Report.
Qs. 1670-
1723.

89. For over twenty years piece-work rates have been paid in one Army workshop engaged in repair work which the War Office now consider unsuited to piece rates. In other Army workshops time rates are paid for repairs. During the war the piece-work earnings at that particular workshop ranged up to about four times the time rates, but the men were working long hours, production being of primary importance, and the War Office had no reason to believe that in general the earnings were out of relation to output. After the war earnings continued high and the War Office arranged for an investigation by the Principal Technical Costs Officer of the Ministry of Supply.

90. This investigation established that earnings were then not properly related to output because the piece rates were excessive, the rates being fixed on a basis which permitted the average worker to earn without special effort a minimum bonus of 85 per cent., instead of the 27½ per cent. which is normal in the engineering industry. There was an unauthorised bonus arrangement which gave a direct interest in the piece-workers' earnings to the staff who certified the amount of work done and to those who examined it. Control and inspection were lax, the directing staff had not laid out the work well, and production had suffered.

91. Piece rates once fixed can only be altered by agreement with the men, and the War Office have not been able to secure agreement to a reduction of the excessive rates. The work has been changing, and rates for new jobs are being fixed on the normal basis under the general supervision of the Principal Technical Costs Officer. At the end of 1947, 58 per cent. of the work was still being paid for at excessive rates, but the War Office hope that the programme of work to which these rates apply will have come to an end within a few months.

92. With the co-operation of the Trade Unions the procedure for control and inspection has been reformed; but there are no statistics or other direct evidence to show whether production is now more economical than it would be on time rates.

93. The workshop was under military charge, and the War Office consider that the real failing was that no civilian with skilled management experience was at or near the head of the business; they propose to remedy that failing at this workshop.

94. Your Committee welcome this proposal as it seems to them to be desirable that, in establishments where payment is made at piece rates, there should be someone who has had experience in the control of industrial undertakings and particular knowledge of the piece rate system. High piece-work earnings resulting from increased output may be economical and reduce unit costs, but Your Committee consider that Departments should maintain such records of costs and output as are necessary to enable the management to judge whether production by piece-work is economical in any particular instance.

ROAD FUND

Proportion of Expenditure on Roads

95. The Grant in Aid of the Road Fund for 1946-47, originally £14,420,000, was increased by Supplementary Estimate (H.C. 30 of 1946-47) to £17,030,000 to meet additional grants to highway authorities and additional payments for the maintenance of classified and trunk roads. The Estimate for 1947-48 provides for a Grant in Aid of £27,170,000.

Paras. 1-3
of
C. & A.G.'s
Report on
Road Fund.
Qs. 2476-
2483,
Appendix 7.

Trunk Roads

96. Under the Trunk Roads Act, 1936, the Road Fund became liable for the full cost of maintenance, repair and improvement of roads, some 4,500 miles in length, classified as trunk roads, for which the Minister of Transport became the highway authority. By the Trunk Roads Act, 1946, considerable additions were made to the schedule of roads so classified, which on 31st March, 1947, comprised about 8,160 miles.

Other Classified Roads

97. The cost of maintenance, improvement, etc., of classified roads other than trunk roads has been shared by the local highway authorities and the Road Fund, the Fund's contribution taking the form of grants to the local authorities at percentages of the approved expenditure. From 1st April, 1946, the rates of grant were simplified and standardised, according to the class of road concerned, and at the same time they were generally increased. Rates of grant of 75 per cent. for Class I roads and 60 per cent. for Class II roads replaced previous rates, normally of 60 per cent. and 50 per cent. In addition a new category of road, Class III, was introduced, which became eligible for grant at a rate of 50 per cent.

98. At 31st March, 1947, Class I roads (after the new transfers to the trunk road category) totalled about 19,500 miles and Class II roads 17,770 miles, and at that date about 48,200 miles of roads had been included in the newly constituted Class III.

99. The effect of these arrangements is substantially to increase the contribution of the Exchequer to the cost of road maintenance and improvement, and correspondingly to relieve the charges on local rates. This effect will no doubt be increasingly reflected in the expenditure on the Road Fund and the amount of the Grant in Aid thereof, as it becomes possible to overtake arrears of maintenance and undertake normal programmes of development. Figures furnished to Your Committee indicate that, whereas in 1945-46 (the latest year for which the total expenditure on highways is available) the Road Fund contributed £8,826,000 to the total expenditure of £29,955,000 on highways, trunk, classified and unclassified, the contribution would, had the changes referred to operated in that year, have been £12,950,000, an increase from 29 per cent. to 43 per cent. of the total. The view of the Ministry was that the roads concerned were of much more than local significance: they rendered much more service to the community as a whole than to the particular local areas through which they passed, and the transfer of part of the cost of their upkeep was the result of increased recognition that the roads were a national responsibility.

100. Your Committee appreciate the need for adequate Road Fund grants towards the cost of roads which serve other than local needs, but the substantial decrease in the proportion of cost borne by local authorities may lessen the authorities' direct incentive to economy. They trust therefore that the Ministry will maintain a strict control over road expenditure by local authorities in order to ensure that the increased rates of grant from the Road Fund do not lead to unnecessary charges on public funds.

PROCEEDINGS OF THE COMMITTEE

THURSDAY, 4TH DECEMBER, 1947.

Members present:

Major Bruce.
Mr. Cuthbert.
Mr. McAdam.
Sir John Mellor.

Mr. Peake.
Sir Frank Sanderson.
Mr. Ernest Thurtle.

Mr. Peake was called to the Chair.

The Committee deliberated.

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

[Adjourned till Tuesday, 24th February, at a quarter to Four o'clock.]

TUESDAY, 24TH FEBRUARY, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Colonel Alan Dower.
Lieut.-Colonel Hamilton.
Mr. Haworth.

Mr. Horace Holmes.
Mr. McAdam.
Sir John Mellor.
Sir Frank Sanderson.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Comptroller and Auditor General and Mr. C. E. I. Jones, Treasury Officer of Accounts, called in and examined on all the Accounts considered this day.

Sir Eric Bamford, K.B.E., C.B., C.M.G., Treasury Officer of Accounts, called in and examined on the Accounts for the Civil Departments.

Statement of Excesses, 1946-47 (Civil Appropriation Accounts, 1946-47: Class II, Vote 5, United Nations), considered.

Sir Orme Sargent, K.C.B., K.C.M.G., Permanent Under-Secretary of State, and Mr. L. R. Sherwood, O.B.E., Head of Finance Department, Foreign Office, called in and examined

Statement of Excesses, 1946-47 (Civil Appropriation Accounts, 1946-47: Class VI, Vote 5, Export Credits (Special Guarantees)), considered.

Mr. E. C. Adams, C.B.E., Comptroller-General, Export Credits Guarantee Department, called in and examined.

Statement of Excesses, 1946-47 (Civil Appropriation Accounts, 1946-47: Class VIII, Vote 4, Superannuation and Retired Allowances), considered.

Mr. R. C. S. Taylor, O.B.E., Assistant Paymaster-General, and Mr. H. R. Camp, Principal Assistant Secretary, Ministry of Supply, called in and examined.

Mr. D. F. C. Blunt, C.B., Under-Secretary, Treasury, called in and examined on the Accounts for the Service Departments.

Statement of Excess, 1946-47 (Air Services Appropriation Account, 1946-47), considered.

Sir James Barnes, K.C.B., K.B.E., Permanent Under-Secretary of State, Air Ministry, called in and examined.

Statement of Excess, 1946-47 (Navy Appropriation Accounts, 1946-47), considered.

Sir John Lang, K.C.B., Permanent Secretary, Admiralty, called in and examined.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 2ND MARCH, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Mr. McAdam.

Sir Frank Sanderson.
Mr. Ernest Thurtle.

The Committee deliberated.

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

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

Paragraphs 1 to 3 agreed to.

Paragraphs 4 and 5 amended and agreed to.

Paragraphs 6 and 7 agreed to.

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

Ordered, That the Minutes of the Evidence taken before the Committee on Tuesday, 24th February, be reported to the House.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 9TH MARCH, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Colonel Alan Dower.

Mr. McAdam.
Sir John Mellor.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Exchange Equalisation Account, considered.

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

Revenue Departments Appropriation Accounts, 1946-47: Vote 2, Inland Revenue, considered.

Sir Cornelius Gregg, K.C.B., K.B.E., Chairman, Board of Inland Revenue, called in and examined.

Revenue Departments Appropriation Accounts, 1946-47: Vote 1, Customs and Excise, considered.

Sir William Dawson Croft, K.B.E., C.I.E., C.V.O., Chairman, Board of Customs and Excise, called in and examined.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 16TH MARCH, 1948.

Members present:

Mr. Benson.	Mr. McAdam.
Major Bruce.	Sir John Mellor.
Mr. Cuthbert.	Sir Frank Sanderson.
Lieut.-Colonel Hamilton.	Mr. Wadsworth.

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

Sir Frank Tribe, K.C.B., K.B.E., Mr. F. N. Harby, Secretary, Exchequer and Audit Department, Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class I, Vote 2, House of Commons, considered.

Sir Gilbert Campion, K.C.B., Clerk of the House, Mr. A. J. Moyes, O.B.E., Accountant, and Mr. H. A. St. G. Saunders, M.C., Librarian, House of Commons, called in and examined.

Civil Appropriation Accounts, 1946-47: Class I, Vote 8, Civil Service Commission, considered.

Sir Percival Waterfield, C.B., First Commissioner, Civil Service Commission, called in and examined.

Civil Appropriation Accounts, 1946-47: Class I, Vote 9, Exchequer and Audit Department, considered.

Civil Appropriation Accounts, 1946-47: Class I, Vote 15, National Savings Committee, considered.

Mr. E. C. H. Jones, C.B.E., Secretary, National Savings Committee, called in and examined.

Civil Appropriation Accounts, 1946-47: Class IV, Vote 1, Ministry of Education, considered.

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

House of Commons Members' Fund Accounts, 1946-47; Civil Appropriation Accounts, 1946-47: Class I, Vote 1, House of Lords Offices, Vote 1A, House of Lords, Vote 4A, Ministry of Defence, Vote 5, Privy Council Office; Cinematograph Fund Account, 1946-47; Civil Appropriation Accounts, 1946-47: Class I, Vote 7, Charity Commission, Vote 10, Government Actuary, Vote 11, Government Chemist, Vote 13, The Mint, Vote 14, National Debt Office; Local Loans Fund Accounts, 1946-47; Sinking Funds, 1946-47; Civil Appropriation Accounts, 1946-47: Class I, Vote 16, Overlapping Income Tax Payments, Vote 17, Public Record Office, Vote 18, Public Works Loan Commission, Vote 22, Tithe Redemption Commission, Vote 25, Scottish Home Department, considered.

[Adjourned till Thursday at a quarter to Four o'clock.

THURSDAY, 18TH MARCH, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Colonel Alan Dower.

Lieut.-Colonel Hamilton.
Mr. McAdam.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class II, Vote 15, Imperial War Graves Commission, considered.

Mr. F. C. Sillar, C.B.E., Assistant Secretary (Finance), Imperial War Graves Commission, called in and examined.

Civil Appropriation Accounts, 1946-47: Class IV, Vote 12, Broadcasting; Revenue Departments Appropriation Accounts, 1946-47: Vote 3, Post Office; Post Office Savings Banks Account, 1946; Savings Banks and Friendly Societies Accounts, 1946; Post Office Commercial Accounts, 1946, considered.

Sir Raymond Birchall, K.C.B., K.B.E., Director General, Post Office, and Sir William Haley, K.C.M.G., Director General, British Broadcasting Corporation, called in and examined.

Civil Appropriation Accounts, 1946-47: Class IV, Vote 10, Scientific Investigation, &c., considered.

Sir Eric Bamford, K.B.E., C.B., C.M.G., Third Secretary, Treasury, Miss M. C. Glasgow, M.B.E., Secretary, and Mr. Eric Horn, Accounting Officer, Arts Council of Great Britain, called in and examined.

Civil Appropriation Accounts, 1946-47: Class II, Vote 6, Dominions Office, Vote 7, Dominion Services, Vote 8, Oversea Settlement, Vote 13, Development and Welfare (South African High Commission Territories), considered.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 23RD MARCH, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Colonel Alan Dower.
Lieut.-Colonel Hamilton.

Mr. McAdam.
Sir John Mellor.
Mr. Ernest Thurtle.
Mr. Wadsworth.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class II, Vote 1, Foreign Office, Vote 2, Diplomatic and Consular Establishments, &c., Vote 3, British Council, Vote 4, League of Nations, Vote 5, United Nations, Vote 16, Assistance to Greece, considered.

Sir Orme Sargent, K.C.B., K.C.M.G., Permanent Under-Secretary of State, and Mr. L. R. Sherwood, O.B.E., Head of Finance Department, Foreign Office; and Mr. R. Davies, Assistant Director-General and Sir Cameron Badenoch, K.C.I.E., C.S.I., Controller of the Finance Division, British Council, called in and examined.

[Adjourned till Thursday, 8th April, at a quarter to Four o'clock.

THURSDAY, 8TH APRIL, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Cuthbert.

Lieut.-Colonel Hamilton.

Mr. McAdam.

Sir John Mellor.

Mr. Ernest Thurtle.

Mr. Wadsworth.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class II, Vote 9, Colonial Office, Vote 10, Colonial and Middle Eastern Services; Bureau of Hygiene and Tropical Diseases Account; Class II, Vote 11, West African Produce Control Board, Vote 12, Development and Welfare (Colonies, &c.), considered.

Sir Thomas Lloyd, K.C.M.G., Permanent Under-Secretary, Colonial Office, and Mr. W. L. Bloomfield, Acting Director of Marketing, West African Produce Control Board, called in and examined.

Civil Appropriation Accounts, 1946-47: Class IV, Vote 6, National Gallery, considered.

Mr. Philip Hendy, Director, National Gallery, called in and examined.

Civil Appropriation Accounts, 1946-47: Class IV, Vote 2, British Museum, Vote 3, British Museum (Natural History), Vote 4, Imperial War Museum, Vote 5, London Museum, Vote 7, National Maritime Museum, Vote 8, National Portrait Gallery, Vote 9, Wallace Collection, Vote 13, Public Education Scotland, Education (Scotland) Fund, Vote 14, National Galleries, Scotland, Vote 15, National Library, Scotland; Class V, Vote 2, Board of Control, Vote 3, Registrar-General's Office, Vote 7, Assistance Board, Vote 8, National Insurance Audit Department, Vote 9, Friendly Societies Registry, Vote 10, Old Age Pensions, Vote 12, Supplementary Pensions, Vote 15, Board of Control for Scotland, Vote 16, Registrar-General's Office, Scotland, considered.

[Adjourned till Thursday next at a quarter to Four o'clock.]

THURSDAY, 15TH APRIL, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.

Lieut.-Colonel Hamilton.

Sir Frank Sanderson.

Mr. Ernest Thurtle.

Mr. Wadsworth.

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

Mr. D. F. C. Blunt, C.B., called in and examined on the Accounts for the Service Departments.

Air Services Appropriation Account, 1946-47, considered.

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

Sir Eric Bamford, K.B.E., C.B., C.M.G., called in and examined on the Accounts for the Civil Departments.

Civil Appropriation Accounts, 1946-47: Class VII, Vote 13, Central Office of Information, considered.

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

Metropolitan Police Fund Accounts, 1946-47; Supreme Court of Judicature Account, 1946-47; Supreme Court Prize &c., Deposit Account, 1939-47; Civil Appropriation Accounts, 1946-47 Class III, Vote 7, County Courts &c.; County Courts Fund Accounts, 1946-47; Civil Appropriation Accounts, 1946-47; Class III, Vote 8, Land Registry, Vote 9, Public Trustee, Vote 10, Law Charges, Vote 12, Police, Scotland, Vote 13, Prisons, Scotland, Vote 14, Approved Schools, &c., Scotland, Vote 15, Scottish Land Court, Vote 16, Law Charges and Courts of Law, Scotland, Vote 17, Register House, Edinburgh, Vote 18, Northern Ireland Services, Vote 19, Supreme Court of Judicature, &c., Northern Ireland, Vote 20, Irish Land Purchase Service; Land Purchase Account, 1946-47 of the Supreme Court of Judicature, Northern Ireland; Irish Land Purchase Fund Accounts, 1946-47, considered.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 20TH APRIL, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.
Mr. Haworth.

Mr. McAdam.
Sir John Mellor.
Sir Frank Sanderson.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Mr. D. F. C. Blunt, C.B., and Mr. C. E. I. Jones called in and examined on all the Accounts considered this day.

Memorandum on Duty Free Stores for the Royal Navy; Revenue Departments Appropriation Accounts, 1946-47; Vote 1, Customs and Excise; Navy Appropriation Accounts, 1946-47, considered.

Sir John Lang, K.C.B., Permanent Secretary, Mr. C. B. Coxwell, C.B., O.B.E., Principal Under-Secretary and Sir Arthur Whitaker, K.C.B., M.Eng., M.I.C.E., Civil Engineer-in-Chief, Admiralty, called in and examined.

[Adjourned till Thursday at a quarter to Four o'clock.

THURSDAY, 22ND APRIL, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Sir Frank Sanderson.
Mr. Ernest Thurtle.

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

Sir Eric Bamford, K.B.E., C.B., C.M.G., called in and examined on the Accounts for the Civil Departments.

Civil Appropriation Accounts, 1946-47: Class II, Vote 14, India and Burma Services, considered.

Sir Archibald Carter, K.C.B., K.C.I.E., Permanent Under-Secretary, and Sir Gilbert Laithwaite, K.C.M.G., K.C.I.E., C.S.I., Deputy Under-Secretary, Commonwealth Relations Office (Division B), called in and examined.

Mr. D. F. C. Blunt, C.B., called in and examined on the Accounts for the Service Departments.

Civil Appropriation Accounts, 1946-47: Class VI, Vote 16, Ministry of Civil Aviation, considered.

Sir Arnold Overton, K.C.B., K.C.M.G., M.C., Permanent Secretary, Ministry of Civil Aviation, Mr. G. T. Meller, Administrative Director of the British Overseas Airways Corporation, Mr. J. V. Wood, Managing Director of the British European Airways Corporation and Mr. J. W. Booth, Chairman of the British South American Airways Corporation, called in and examined.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 27TH APRIL, 1948.

Members present:

Mr. Benson.	Mr. McAdam.
Major Bruce.	Sir John Mellor.
Mr. Cuthbert.	Mr. Ernest Thurtle.
Lt.-Col. Hamilton.	Mr. Wadsworth.
Mr. Haworth.	

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

Sir Frank Tribe, K.C.B., K.B.E., Mr. D. F. C. Blunt, C.B., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Army Appropriation Account, 1946-47, considered.

Sir Eric Speed, K.C.B., K.B.E., M.C., J.P., Permanent Under-Secretary of State, War Office, called in and examined.

[Adjourned till Thursday at a quarter to Four o'clock.

THURSDAY, 29TH APRIL, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.	Mr. McAdam.
Mr. Cuthbert.	Sir Frank Sanderson.
Lt.-Col. Hamilton.	Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class V, Vote 1, Ministry of Health; Class IX, Vote 1, Exchequer Contributions to Local Revenues, England and Wales; Class V, Vote 14, Department of Health, Scotland; Highlands and Islands (Medical Service) Fund, considered.

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

Civil Appropriation Accounts, 1946-47: Class V, Vote 13, Ministry of Town and Country Planning; New Town Act, 1946, Account, considered.

Sir Thomas Sheepshanks, K.C.B., K.B.E., Permanent Secretary, Ministry of Town and Country Planning, called in and examined.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 4TH MAY, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.

Mr. Haworth.
Sir John Mellor.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Housing (Temporary Accommodation) Act, 1944, Account, 1946-47; Civil Appropriation Accounts, 1946-47: Class VII, Vote 1, Ministry of Works, Vote 2, Art and Science Buildings, Great Britain, Vote 3, Houses of Parliament Buildings, Vote 4, Miscellaneous Legal Buildings, Great Britain, Vote 5, Osborne, Vote 6, Public Buildings, Great Britain, Vote 7, Public Buildings Overseas, Vote 8. Royal Palaces, Vote 9, Royal Parks and Pleasure Gardens, Vote 10, Miscellaneous Works Services, Vote 10A, Victory Celebrations, Vote 15, Works and Buildings in Ireland, considered.

Sir Harold Emmerson, K.C.B., Secretary, Ministry of Works, and Mr. F. C. Musgrave, C.B., Under-Secretary (Air), Ministry of Supply, called in and examined.

[Adjourned till Thursday at a quarter to Four o'clock.

THURSDAY, 6TH MAY, 1948.

Members present:

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Mr. McAdam.

Sir John Mellor.
Sir Frank Sanderson.
Mr. Ernest Thurtle.

In the absence of the Chairman, Sir Frank Sanderson was called to the Chair.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class V, Vote 4, Ministry of Labour and National Service, Vote 5, Grants in respect of Employment Schemes, considered.

Sir Godfrey Ince, K.C.B., K.B.E., Secretary and Mr. T. W. F. Dalton, C.B., Under-Secretary and Accountant General, Ministry of Labour and National Service, called in and examined.

Civil Appropriation Accounts, 1946-47: Class V, Vote 6, Ministry of National Insurance, National Health Insurance Fund Accounts, 1946; Widows', Orphans', and Old Age Contributory Pensions Acts Accounts, 1946-47; Unemployment Fund Accounts, 1946-47, considered.

Sir Thomas Phillips, G.B.E., K.C.B., Secretary, and Mr. O. M. Smith, Under-Secretary for Finance and Accountant General, Ministry of National Insurance, called in and examined.

[Adjourned till Tuesday next at a quarter to Four o'clock.

TUESDAY, 11TH MAY, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Lt.-Col. Hamilton.

Mr. Haworth.
Mr. McAdam.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class VI, Vote 13, Ministry of Transport, Holyhead Harbour Account, Caledonian Canal Account, Crinan Canal Account, Mersey Conservancy Account, Vote 14, Roads, &c.; Road Fund Accounts, 1946-47; Civil Appropriation Accounts, 1946-47: Class VI, Vote 15, Mercantile Marine Services; Class VIII, Vote 1, Merchant Seamen's War Pensions; Class X, Vote 3, Ministry of Transport (War Services), War Risks (Marine) Insurance Fund; British Shipping (Assistance) Act, 1935, Account, 1946-47; Cunard Insurance Fund Accounts, 1946-47, considered.

Sir Gilmour Jenkins, K.C.B., K.B.E., M.C., Permanent Secretary, Ministry of Transport and Mr. T. W. F. Dalton, C.B., Under-Secretary and Accountant General, Ministry of Labour and National Service, called in and examined.

Royal Hospital Chelsea Account, 1946-47, considered.

[Adjourned till Thursday at a quarter to Four o'clock.

THURSDAY, 13TH MAY, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Mr. McAdam.
Sir Frank Sanderson.
Mr. Ernest Thurtle.

The Committee deliberated.

Mr. J. O. Teare, Deputy Secretary and Establishment Officer, Exchequer & Audit Department and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class VIII, Vote 2, Ministry of Pensions; The King's Fund, the King's Fund (1940); Civil Appropriation Accounts, 1946-47: Class X, Vote 10, War Service Grants, considered.

Mr. A. Wilson, C.B., Permanent Secretary, and Mr. W. C. Letts, O.B.E., Accountant General, Ministry of Pensions, called in and examined.

Civil Appropriation Accounts, 1946-47: Class III, Vote 1, Home Office, Vote 5, Approved Schools, &c., England and Wales; Civil Appropriation Accounts, 1946-47: Class X, Vote 5, Home Office (War Services), considered.

Sir Alexander Maxwell, G.C.B., K.B.E., Permanent Under-Secretary of State, Mr. A. Whitley, O.B.E., Assistant Secretary (Finance Officer) and Mr. A. S. Hutchinson, C.B., C.V.O., Assistant Under-Secretary of State, Home Office, called in and examined.

Civil Appropriation Accounts, 1946-47: Class X, Vote 11, Scottish Home Department (War Services), considered.

[Adjourned till Thursday, 27th May, 1948, at half-past Two o'clock.

THURSDAY, 27TH MAY, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.
Mr. Horace Holmes.

Mr. McAdam.
Mr. Ernest Thurtle.
Mr. Wadsworth.

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

Civil Appropriation Accounts, 1946-47: Class VI, Vote 11, Forestry Commission; Trading Accounts and Balance Sheets, 1946-47 (Forestry Commission), considered.

Lord Robinson, O.B.E., Chairman, Forestry Commission, a Member of the House of Lords, attending by leave of that House, called in and examined.

Civil Appropriation Accounts, 1946-47: Class VI, Vote 8, Ministry of Agriculture and Fisheries, Development Fund Accounts, Diseases of Animals Account, Small Holdings and Allotments Account; Trading Accounts and Balance Sheets, 1946-47 (National Stud, Gillingham, Dorset); Sugar Industry Research Fund Account, 1946-47; Land Fertility Research Fund Account, 1946-47; Civil Appropriation Accounts, 1946-47: Class VI, Vote 9, Ministry of Agriculture and Fisheries (Food Production Services), Vote 21, Department of Agriculture for Scotland, Development Fund Accounts, Agriculture (Scotland) Fund Account, Land Settlement (Scotland) Act, 1919, Account, Vote 22, Department of Agriculture for Scotland (Food Production Services), considered.

Sir Donald Vandeeper, K.C.B., K.B.E., Permanent Secretary, Ministry of Agriculture and Fisheries, and Sir Patrick Laird, C.B., F.R.S.E., Secretary, Department of Agriculture for Scotland, called in and examined.

Civil Appropriation Accounts, 1946-47: Class III, Vote 2, Broadmoor Criminal Lunatic Asylum, Vote 3, Police, England and Wales, Vote 4, Prisons, England and Wales, Vote 6, Supreme Court of Judicature, &c., considered.

Civil Appropriation Accounts, 1946-47: Class III, Vote 10, Law Charges, Vote 13, Prisons, Scotland, Vote 15, Scottish Land Court, Vote 18, Northern Ireland Services, further considered.

Civil Appropriation Accounts, 1946-47: Class VII, Vote 14, Peterhead Harbour, Class VI, Vote 7, Office of Commissioners of Crown Lands, Vote 18, Department of Scientific and Industrial Research, Vote 23, Fisheries, Scotland, Vote 24, Herring Industry; Greenwich Hospital and Travers Foundation Accounts 1946-47; Crown Lands Abstract Accounts, 1946-47; Civil Appropriation Accounts, 1946-47: Class VII, Vote 10, Surveys of Great Britain, &c., Vote 20, Clearing Offices; Debts Clearing Offices and Import Restrictions Act, 1934, Accounts, 1946-47; Civil Appropriation Accounts, 1946-47: Class VI, Vote 23, Fisheries, Scotland; Herring Industry Acts, 1935-1944, Account, 1946-47; Civil Appropriation Accounts, 1946-47: Class VII, Vote 12, Stationery and Printing; Class VIII, Vote 3, Royal Irish Constabulary Pensions, &c., Vote 4, Superannuation and Retired Allowances; Class IX, Vote 2, Exchequer Contributions to Local Revenues, Scotland; Wheat Fund Accounts, 1946-47, considered.

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

TUESDAY, 1ST JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.
Mr. Horace Holmes.

Mr. McAdam.
Sir John Mellor.
Mr. Ernest Thurtle.

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

Civil Appropriation Accounts, 1946-47: Class X, Vote 2, Ministry of Food, considered.

Sir Percivale Liesching, K.C.B., K.C.M.G., Permanent Secretary, and Mr. E. E. Bailey, C.B.E., Principal Finance Officer, Ministry of Food, called in and examined.

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

THURSDAY, 3RD JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Mr. Horace Holmes.
Mr. McAdam.
Sir Frank Sanderson.
Mr. Ernest Thurtle.

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

Civil Appropriation Accounts, 1946-47: Class VI, Vote 6, Ministry of Fuel and Power; Civil Appropriation Accounts, 1946-47: Class X, Vote 4, Ministry of Fuel and Power (War Services), Coal Charges Account, Miners' Welfare Fund Account, Miners' Welfare General Endowment Fund Account; Coal Industry Nationalisation Act, 1946, Account, 1946-47, considered.

Sir Donald Fergusson, G.C.B., Permanent Secretary, Ministry of Fuel and Power, called in and examined.

Coal Commission Accounts, 1946-47, considered.

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

TUESDAY, 8TH JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Mr. Horace Holmes.
Mr. McAdam.
Sir John Mellor.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered.

Civil Appropriation Accounts, 1946-47: Class VI, Vote 1, Board of Trade, War Risks (Commodities) Insurance Fund; War Damage (Business and Private Chattels Schemes), Account, 1946-47; Civil Appropriation Accounts, 1946-47: Class VI, Vote 2, Services in Development Areas, Vote 3, Financial Assistance in Development Areas; Trading Accounts and Balance Sheets, 1946-47 (Board of Trade—Raw Materials Department), considered.

Sir John Woods, K.C.B., M.V.O., Permanent Secretary, Mr. R. F. Bretherton, Under-Secretary, Board of Trade, and Mr. G. W. Lacey, C.B.E., F.R.I.C., Chairman of the Finance and Administrative Committee of the Council of Industrial Design, called in and examined.

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

THURSDAY, 10TH JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Mr. Cuthbert.

Lt.-Col. Hamilton.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class X, Vote 6, Control Office for Germany and Austria, considered.

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

Civil Appropriation Accounts, 1946-47: Class VI, Vote 4, Export Credits, Vote 5, Export Credits (Special Guarantees); Trading Accounts and Balance Sheets, 1946-47 (Export Credits Guarantee Department Credit Insurance Scheme); Civil Appropriation Accounts, 1946-47: Class VI, Vote 19, State Management Districts; Civil Appropriation Accounts, 1946-47: Class X, Vote 9, War Damage Commission; War Damage (Land and Buildings) Account, 1946-47; Trading Accounts and Balance Sheets, 1946-47 (Commonwealth Relations Office—British Phosphate Commission), considered.

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

TUESDAY, 15TH JUNE, 1948.

Members present:

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Mr. McAdam.
Sir John Mellor.
Mr. Ernest Thurtle.
Mr. Wadsworth.

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

Sir Frank Tribe, K.C.B., K.B.E., Mr. D. F. C. Blunt, C.B., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class X, Vote 1, Ministry of Supply, Vote 1A, British Supply Office in the U.S.A.; Trading Accounts and Balance Sheets, 1946-47 (Ministry of Supply—Royal Ordnance Factories and Raw Materials Accounts), considered.

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

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

TUESDAY, 22ND JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Mr. Haworth.
Mr. Horace Holmes.
Sir John Mellor.
Mr. Ernest Thurtle.

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

Building Materials and Housing Act, 1945, Account, 1946-47, considered.

Civil Appropriation Accounts, 1946-47: Class VII, Vote 6, Ministry of Fuel and Power, further considered.

Sir Harold Emmerson, K.C.B., recalled and further examined.

Trading Accounts and Balance Sheets, 1946-47 (Ministry of Food), considered.

Sir Percivale Liesching, K.C.B., K.C.M.G., and Mr. E. E. Bailey, C.B.E., recalled and further examined.

The Committee deliberated.

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

THURSDAY, 24TH JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Mr. Haworth.
Mr. Kirby.
Mr. Ernest Thurtle.

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

Civil Appropriation Accounts, 1946-47: Class X, Vote 7, United Nations Relief and Rehabilitation Administration, considered.

Mr. L. R. Sherwood, C.M.G., O.B.E., recalled and further examined.

Civil Appropriation Accounts, 1946-47: Class I, Vote 3, Registration of Electors, Vote 6, Privy Seal Office, Vote 12, Government Hospitality, Vote 19, Repayments to Local Loans Fund, Vote 20, Royal Commission, &c., Vote 21, Secret Service, Vote 23, Treasury Chest Fund; Treasury Chest Fund Account, 1946-47; Civil Appropriation Accounts, 1946-47: Class I, Vote 24A, Repayments to Civil Contingencies Fund; Civil Contingencies Fund Accounts, 1946-47; Civil Appropriation Accounts, 1946-47: Class III, Vote 11, Miscellaneous Legal Expenses; Class IV, Vote 11, Universities and Colleges, &c., Great Britain; Class V, Vote 11, Widows', Orphans' and Old Age Contributory Pensions; Class VI;

Vote 12, Development Fund; Development Fund Accounts, 1946-47; Civil Appropriation Accounts, 1946-47: Class VI, Vote 17, Development Grants; Class VII Vote 11, Rates on Government Property; Tithe Act, 1936, Accounts, 1946-47; Accounts of Funds left in Trust for the Reduction of the National Debt, 1946-47; Trading Accounts and Balance Sheets, 1946-47, considered.

Sir Eric Bamford, K.B.E., C.B., C.M.G., called in and examined.

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

TUESDAY, 29TH JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Cuthbert.
Lt.-Col. Hamilton.
Mr. Haworth.

Mr. McAdam.
Mr. Ernest Thurtle.

Sir Frank Tribe, K.C.B., K.B.E., Sir Eric Bamford, K.B.E., C.B., C.M.G., and Mr. C. E. I. Jones, called in and examined on all the Accounts considered this day.

Civil Appropriation Accounts, 1946-47: Class X, Vote 8, Advances to Allies, &c.; Class I, Vote 4, Treasury and Subordinate Departments, Statement of Loans under Colonial Development Act, 1929, Vote 24, Miscellaneous Expenses; Public Income and Expenditure Account, 1946-47; Consolidated Fund Abstract Account, 1946-47; National Land Fund Account, 1946-47; Czecho-Slovak Financial Claims Fund and Refugee Fund Account, 1946-47, considered.

Sir Wilfrid Eady, G.C.M.G., K.C.B., K.B.E., Second Secretary, Treasury, and Mr. E. W. Jones, O.B.E., A.S.A.A., Principal, Export Credits Guarantee Department, called in and examined.

[Adjourned till Tuesday, 27th July at half-past Two o'clock.

TUESDAY, 27TH JULY, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lt.-Col. Hamilton.

Mr. Horace Holmes.
Mr. McAdam.
Mr. Wadsworth.

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

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

Paragraphs 1 to 6 agreed to.

Paragraph 7 amended, and agreed to.

Paragraphs 8 to 10 agreed to.

Paragraphs 11 to 13 amended, and agreed to.

Paragraphs 14 to 18 agreed to.

Paragraph 19 amended, and agreed to.

Paragraph 20 agreed to.

Paragraph 21 amended, and agreed to.

Paragraph 22 agreed to.

Paragraph 23 amended, and agreed to.

Paragraphs 24 and 25 agreed to.

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Paragraphs 26 and 27 amended, and agreed to.

Paragraphs 28 to 33 agreed to.

Paragraphs 34 and 35 amended, and agreed to.

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

Paragraph 36 agreed to.

Paragraph 37 amended, and agreed to.

Paragraphs 38 to 44 agreed to.

Paragraphs 45 and 46 amended, and agreed to.

Paragraph 47 agreed to.

Paragraph 48 amended, and agreed to.

Paragraph 49 agreed to.

Paragraph 50 amended, and agreed to.

Paragraphs 51 and 52 agreed to.

Paragraph 53 amended, and agreed to.

Paragraphs 54 to 57 agreed to.

Paragraph 58 amended, and agreed to.

Paragraphs 59 and 60 agreed to.

Paragraph 61 amended, and agreed to.

Paragraphs 62 and 63 agreed to.

Paragraph 64 disagreed to.

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

Paragraphs 65 to 75 agreed to.

Paragraph 76 amended, and agreed to.

Paragraphs 77 to 80 agreed to.

Paragraph 81 disagreed to.

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

Paragraphs 82 to 99 agreed to.

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

Ordered, That papers forwarded on the 19th February and 24th June by H.M. Treasury, on the 3rd June by the Air Ministry, on the 15th April by the Board of Customs and Excise, on the 7th June by the Forestry Commission, on the 5th July by the Ministry of Labour and National Service, on the 3rd June by the Ministry of Transport, and on the 21st June by the Ministry of Works; and correspondence with the Ministry of Health dated 15th May and 7th June, be printed as Appendices to the Minutes of Evidence taken before the Committee.

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

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TUESDAY, 9TH MARCH, 1948.

Members present:

MR. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Colonel Alan Dower.

Mr. McAdam.
Sir John Mellor.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Comptroller and Auditor General; Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES, Treasury Officers of Accounts, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 1-9 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1946-47.

VOTE 2.

INLAND REVENUE.

Sir CORNELIUS GREGG, K.C.B., K.B.E., Chairman, Board of Inland Revenue, called in and examined.

Chairman.

135. Will Members have before them the Treasury Minute on the Third Report of the Committee of Public Accounts, 1946-47, and also the Revenue Departments Appropriation Accounts, 1946-47? We turn to the Report of the Comptroller and Auditor General, to paragraph 12, on page vi. In that paragraph the Comptroller and Auditor General points out that in paragraph 3 of our Third Report last year we drew attention to the growing figures of arrears of Inland Revenue duties?—(Sir *Cornelius Gregg.*) Yes.

136. In paragraph 3 of our Report we stated: "The total arrears, excluding Pay-as-you-earn, were thus nearly £780 million, the increase during 1945 being £120,136,000." The Treasury, in the last sentence of paragraph 4 of their Minute, state: "It is estimated that of the total arrears of £780 million for income tax (excluding P.A.Y.E.) surtax, National Defence Contribution and excess profits tax, only £190 million was due and payable at the end of the accounting year, 1945-46." That is to say that the difference between £780 million and £191 million consisted, I suppose, of assessments which had not been finally settled. Is that right?—It was money not collectible and assessments not finally settled. That describes them generally. The causes differ. May I add one point? As regards the current assessments, that is roughly true; but that total of £780 million represents the total outstanding under all the taxes, and it includes, in particular, income tax, and you have, in the income tax total, a lot of assessments for

ancient years. Many of these assessments are settled, but the money is uncollectible. So "assessments not settled" is not a sufficient description. There will be a lot of old assessments to income tax very much settled, but no money to come out of them, for various reasons.

137. If the assessment has been finally settled, then the sum would appear in this total of £191 million, mentioned in the Treasury Minute, would it not?—Yes, in theory it would.

138. I understood last year that one of the difficulties is that, as excess profits tax is a deduction in settling income tax liability, the income tax assessment has got to await the settlement of the excess profits tax assessment?—That is true over the whole field of Schedule D, the trading profits. Your income tax is always open until the excess profits tax assessment is finally settled. There we agree with the taxpayer a certain amount to be due, and we collect that, and the balance of the assessment holds over until the final facts show what it ought to be.

139. If you will turn now to paragraph 12 of the Report of the Comptroller and Auditor General on the Revenue Departments Appropriation Accounts, 1946-47, that shows that the balances outstanding have increased by about £33 million between the end of the year 1945 and the end of the year 1946, does it not?—Yes.

140. Would you like to say a word to the Committee as to the causes for the growth of that figure during the year?—I should have to take each one of the taxes

9 March, 1948.]

Sir CORNELIUS GREGG, K.C.B., K.B.E.

[Continued.]

separately. We are dealing now with the charge, not with the tax collectible. We are dealing with the growth in the amounts of assessments outstanding at the end of the year, irrespective of whether the money is then payable or not.

141. But there was a reduction in the standard rate of income tax between 1945 and 1946, was there not?—No, 1946-47.

142. There was no change in those two years?—No, there was no change in the rate in those two accounting years. You would have a growth in the charge to income tax with rises of income and so on. That will give a bigger assessment which, in turn, will give a bigger yield and a bigger balance left over.

143. The Committee are aware that these arrears are not entirely, or perhaps even to the extent of 50 per cent., the fault of the Inland Revenue Department. They may be due to accountancy difficulties, which the taxpayer himself encounters, really?—Yes, but I would like to say a word about arrears in that respect. You would have to distinguish between excess profits tax and the other taxes, for this reason: to take the excess profits tax, the trader is entitled to an allowance for deferred repairs. During the war years repairs were not carried out, but the trader is to be allowed ultimately, when he executes the repairs, to set the cost of those repairs against profits. They were part of the cost of earning the profits. We assess the total profit. We take a figure representing an average estimate of what the cost of the repairs would be per annum. We do not allow it as a deduction, but the part of the assessment corresponding to that is left not to be paid. I hope I have made myself clear? Supposing there was £100 profit and 100 per cent. tax, so that the tax would be £100, and supposing the deferred repairs are £5. We assess at £100. We call for payment of £95 and we leave £5 in the assessment which will be discharged ultimately when the trader carries out the repairs. That is a very important point and I should have mentioned it to you last year when you were on excess profits tax. There is over £100 million at least (we do not know what the exact figure is) of excess profits tax which is in that balance that is hanging on the repairs, and as soon as the repairs are carried out the tax will be written off. So you have in excess profits tax a large figure there which is not due to delay in accounting. It is due simply to delay in carrying out the repairs. Then you have for excess profits tax and for income tax, too (I can give you the details later on; I will state it generally now), a whole lot of factors holding back the determination of the true profit. You have therefore frequently to make an assessment without knowing what the actual profit is that you are going to assess, and, to put it simply (and this holds

true for either excess profits tax or income tax), supposing for one reason or another (the accounts are abroad, for example) the actual profit cannot be determined in time: it is known to be more than, say, £85,000: it might be up to £95,000. We do not assess on the lower figure of £85,000 and wait to find out what the actual profit is and make a further assessment. We rather assess at the top, at the ceiling, probably at a round figure of £100,000, and then, when the actual profit is found out, we write the figure down. Having assessed at £100,000 you agree with the accountant for the taxpayer that tax on £80,000 is certainly payable, and we claim payment on the £80,000. The other £20,000 would be left lying here under what we call a stand-over order. The inspector of taxes would tell the collector: "Of this assessment of so much you are to collect so much now and leave the balance under the stand-over order as not now payable." Consequently you have a large amount of tax in assessment there which is certainly greater than will ultimately be paid.

144. A year ago I think you told us (we certainly reported to this effect) that you were suffering from shortage of staff?—Yes.

145. We expressed the hope that every effort would be made to expedite the improvement and training of the staff necessary to reduce the arrears of tax due to be collected. Has your staff in fact increased?—I particularly mentioned last year that the staff we wanted were Inspectors of Taxes in particular. We have recruited some hundreds from the various reconstruction examinations after the war, and also by selection and promotion of the clerical staff.

146. What proportionate increase in the numbers does that make?—We have about 1,650 Inspectors and we should have over 2,000. We have got 300 to 400 in this way, but they are not yet fit to do the job. Before you can "let loose" an Inspector of Taxes he has to be trained not merely in income tax law but in accountancy and there is a period of training up to two years before he can efficiently carry out the duties of an Inspector, particularly in a sphere like this where it is a question of analysing accounts and determining what is allowable, and so on.

147. These new recruits have not entered the lists yet?—They are not an effective force at the moment.

148. But they will become so in a year or so?—Yes, in a year or two. I want to emphasise this. When they become efficient they will deal with what used to be called the "arrears" but, more strictly, is the balance outstanding, because the word "arrear" connotes that the tax is due and payable, whereas a good deal of the amount is not payable. A quickening

9 March, 1948.]

Sir CORNELIUS GREGG, K.C.B., K.B.E.

[Continued.]

up of the determination of the true liability depends on two things. First, it depends on whether the taxpayer has the information available. If it happens to be a company with a branch in Malaya the company may not have available information as to how they stand there. It may be a company with branches or subsidiaries abroad. Secondly, it depends, assuming they have the information available, upon how quickly their accountants will be able to deal with it, because they are suffering through lack of staff, too.

149. Will you turn to paragraph 13 of the report of the Comptroller and Auditor General? This sets out in tabular form the arrears of three Inland Revenue duties due for collection. It gives the figure for 1945, of £165 million approximately, and for 1946, of £143 million?—Yes.

150. That figure of £143 million is related to the figure of £190 million in the Treasury Minute, is it not?—No, the £164 million is.

151. I beg your pardon. The £164 million is related to the £191 million in the Treasury Minute?—Yes. Of the £780 million in the Treasury Minute £191 million was then collectible.

152. That is stated to be an estimate?—Yes.

153. The Comptroller and Auditor General gives the financial figures here for three forms of Inland Revenue duty, but he has not added in the various odds and ends which appear in the last sub-paragraph. Is that not right?—Yes. That is the surtax and the Income Tax of other classes?

154. Yes?—They bring the total up to £191 million. Surtax is about £13 million and the other classes are about £13 million.

155. If the true figure for 1945 was £191 million what would be the true figure for 1946?—£175 million out of a total of £813 million. The figure in paragraph 12 of balances outstanding is £813 million. Of that the amount collectible is £175 million, which is £32 million more than the £143 million mentioned in paragraph 13, and that £32 million consists of £15 million surtax and £17 million of what we call "Income Tax, other classes." The point is that the three taxes specially mentioned in paragraph 13 are taxes in the collection of which there is issued the stand-over order to the collector not to collect, so that in that field, by reason of the assessing authority handing on the stand-over order we had the material for building up these three figures; but when you come to surtax you do not get the assessing authority and the collecting authority standing apart; there is no such passing of stand-over orders. And we have had to estimate the surtax, taking a number of cases and looking at them and using them as a sample for the aggregate. With the Income Tax of other classes, we had to do something similar.

156. I think it will be convenient to take all the Inland Revenue paragraphs together because they are all mixed up with one another. I want to ask you one question, Sir Cornelius, on the Balance Accounts which are appended to paragraph 18 of the report of the Comptroller and Auditor General. If you will look at "Income Tax of other classes," which is the second item in the table, the amount carried forward is about £46 million?—Yes.

157. This is under Schedule E—?—No, it covers railways and income tax on National Debt interest deducted under Schedule C. It is an amalgam of these things.

158. It is about the liability of the railway companies that I wanted to ask you. A considerable proportion of this £46 million of tax is in dispute with the railway companies, is it not?—Yes. There are certain railway assessments under appeal. We have had that for the last year or so. The railways were assessed quarterly; the tax is payable quarterly, and at the end of the year part of the tax outstanding here was tax not then due; it was the quarterly tax not yet due though assessed. There were assessments of something of the order of £15 million, I think, which were under appeal, on a dispute as to the liability of the railways.

159. They were under appeal?—Yes.

160. The only point I wanted to be informed about was as to whether, now that the Transport Commission has taken over the railways, you are pursuing your quarrel with the railways as to this £15 million?—Yes. The Transport Commission is responsible for all the liabilities.

161. They are?—Yes. They take the liabilities as well as the assets.

Chairman.] I will stop questioning you at that point on the tables, I think, and invite members of the Committee to put any points they wish to put up to page 12, up to the Balance Account tables.

Colonel Alan Dower.

162. I have one or two questions to put to you with regard to the income tax and surtax arrears. You will agree that just to increase the staff would not at all solve the problem?—It is a question of training the staff so that they really know this highly complicated accountancy and income tax law?—Yes.

163. I would like to put forward two points which I think (I do not know whether you would agree with me) might hasten the collection of tax. The first point is that I have had brought to my notice on numerous occasions the fact that delay in the payment of tax is due to delay on agreeing expense returns. I have had several instances brought to my notice of expense returns, where really they have

9 March, 1948.]

Sir CORNELIUS GREGG, K.C.B., K.B.E.

[Continued.]

gone on for years and years and years! One can get no answer at all from the income tax authorities. They are not prepared to have an interview and to decide and settle what is the agreed figure?—I do not understand what you mean by an "expense return."

164. One form of income tax is property tax. Is not that so?—Yes, that is Schedule A.

Colonel *Alan Dower*.] The payment of property tax is held up in many cases because the expense returns have not been agreed with the Inland Revenue.

Chairman.] What do you mean by "expense returns"?

Colonel *Alan Dower*.] You can call it a maintenance claim.

Chairman.] Maintenance expenditure?

Colonel *Dower*.

165. It is called an expense return, but you can call it a maintenance claim, if you like. You cannot arrive at what is the actual amount due because you have not settled the maintenance claim?—The amount due is known anyway. The amount due is the tax charged on the Schedule A assessment.

166. It is not collected if there is an expense claim outstanding?—We call it a maintenance claim. That is where you show that over a period of five years your expenses exceeded the amount allowed on the Schedule A assessment. Then you repay it, but the Schedule A assessment remains standing.

167. In practice the Inland Revenue do not collect property tax if they have not settled the maintenance claim. The one is set off against the other?—I do not think that is true. In general it is true that if we knew that we owed the taxpayer more than he owed us we would not proceed to collect what he owed us. The common case of that would be if you had a business assessment on the previous year's profits and there was a loss in the current year, and you knew there was a Section 34 claim and everything was to be repaid.

168. It would be most unfair to collect more tax than the amount due?—It does not arise with Schedule A. I think this was raised a year or two ago, and I furnished the Committee with statistics of our Schedule A assessments, showing the rate of collection; and the rate of collection of Schedule A is higher than the rate of collection of Schedule D. I do not think there is any evidence in our rates of collection to suggest—

169. I should be very pleased to supply you with quite a number of cases where several years' income tax has not been paid, awaiting settlement of a maintenance claim. It is not a question of an argument as to what is a maintenance claim. It is merely

that until that maintenance claim is settled the collection of income tax is held up?—It is not necessarily held up unless, as I say, we saw that the maintenance claim was so great as to wipe out the tax altogether.

170. I think you would agree it would be most unfair to collect more tax than was due?—That is the case I am submitting.

171. The British subject would have a very great grievance if that were so?—If there was £100 Schedule A tax payable and the maintenance claim did not go more than to repay £30 we should never hold back the £100 because of the £30.

172. I would humbly suggest that many cases are only a question of a few shillings or a few pounds, and if income tax officers were given the latitude of being able to come to an agreement they would collect the property tax much more quickly?—That may be; but, mind you, it has little to do with the heavy balances outstanding here which are not in the Schedule A account at all. They are on Schedule D mainly. The Schedule A assessment may contribute its own losses and bad debts, and all that kind of thing, but there is no problem there as there is with Schedule D, of assessments of amounts higher than will ultimately prove to be collectible.

173. Schedule A arrears do appear in these figures?—Yes, they are in here, but they are not contributing to this growth in the balance, and the heavy balances outstanding of assessments which will not prove to be collectible.

174. You are saying that this may occur in a certain number of instances but they are not of very great importance?—I should not think that in the aggregate they are.

175. I think you would agree that it would be advisable to collect the tax, if it was payable, at an earlier date?—I agree.

176. The second point is one I have also met before and further instances have been brought to my mind. It is where an agreement between a taxpayer and an Inland Revenue officer has reached its final stages and the Inland Revenue officer is transferred to another Department and the whole thing is started all over again. I would like to ask you this question: Could the previous officer who has come to an agreement with the taxpayer be brought along to smooth out the various points and problems with the new officer and the taxpayer so as to expedite the collection of tax?—During war-time, and since the war, we have moved staff as little as we could possibly help, but in the case you have put, of an Inspector of Taxes moved, from a district, who has agreed with the taxpayer, his successor would take that over unless there was something which had

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[Continued.]

gone wrong, as occasionally occurs. Normally, if the matter is agreed, the newcomer does not start *ab initio* to work it out irrespective of what has been done by his predecessor.

177. The taxpayer is asked the original questions all over again?—On the same year?

178. Yes, and the books which have already been examined by the previous officer are examined all over again. That does lead to a considerable amount of delay?—I do not think that is anything like a general experience. It is very particular, I should say. I should like to see the circumstances in which it happened.

179. It would be advisable, anyhow, if the change of an officer (may I put it like this?) did not in any way delay the agreement with the taxpayer and the collection of the tax?—Normally it does not.

180. And if any steps can be taken to prevent a delay being caused by change of an officer, it would be desirable to take them?—I do not believe, normally, the change of an officer should have that effect generally. There may be exceptional circumstances in the case you have in mind, but normally I cannot conceive the newcomer going over the work already done by his predecessor, especially if he has worked it up to the point of having more or less settled the liability of the person he is dealing with. I cannot see him going over that again, normally. He has not so much time available.

Colonel Sir Alan Dower.] I would be very pleased to give you several instances of it.

Chairman.] I hope you will do that privately, Colonel Dower. We have a good deal of ground to cover and we ought to be getting on.

Mr. McAdam.

181. Last year I raised the question, when attention was drawn to the point of shortage of staff, of the extent to which mechanisation has been introduced in the Department to make up for the shortage of staff. Could you let me know if there has been any improvement since we considered this question last year?—I do not think mechanisation helps in this particular sphere at all. We have mechanisation; and we have expanded it to a much greater extent than ever we had before the war for certain work, like the collection of statistics, for example.

182. You have adopted the Burroughs Adding Machine?—Yes; we have machine centres in the Provinces. But the shortage of staff rather arises with the trained mind capable of analysing accounts and settling with accountants what the liabilities are. It does not arise in the routine field. It is in the routine field that you can often get the saving through machines. As regards

the staff in that field we are pegged by the Government order. There is a ceiling on all our staff. You cannot increase staff.

183. When it comes to the question of getting out assessment notices, and things like that, the Burroughs Adding Machine should play a useful part. Can you say that steps have been taken to increase the number in that particular field?—We have this machine, and by the interleaving of a carbon when making an assessment, one produces automatically the first demand. We are doing our best to ease the burden of the work by introducing mechanisation, or this carbon. Three operations are done in that way in one. They are not duplicates, different operations; but the pages are so adapted that on doing one you can do the whole thing. You do the assessment and you do the demand.

184. When the Schedule A assessment notice is sent out, the amount that you are allowed on repairs is indicated on the assessment notice?—It is a statutory fraction of the gross assessment.

185. If the statutory fraction is increased, it automatically follows that the assessor revalues the property under Schedule A?—No. The gross assessment under Schedule A is only dealt with in a year of new valuation. It used to be quinquennial. You could alter the fraction for any year on the basis of the existing annual value. The alteration of the fraction *per se* does not involve a new valuation. It means a new arithmetical calculation to arrive at that new assessment.

186. My point is that if you increase the value of the house, the assessment under Schedule A is liable to be increased?—Yes.

187. Re-assessment along those lines in itself causes a great deal of delay; or is responsible for a great deal of delay—I will put it that way?—You do not increase the Schedule A assessment except in a year of new valuation, and you take statutory power in the Finance Act to do it. Until the next valuation takes place we carry on with the existing Schedule A valuations in our books, even though the house may be worth twice as much now as it was then, except where there is an excess rent payable, and even there it stays as it is, but we collect on the excess rent.

188. The position in Scotland is that a valuation does take place every year. I do not know what the position is this side of the Border?—I am sorry. I was thinking of England and Wales, I must confess. I must confess I do not know whether our Schedule A values in Scotland follow the rating value. I did not think they did. I cannot say offhand whether we follow the rating value and revise our Schedule A every year.

189. My impression is that they do in Scotland. I was raising that point to see

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[Continued.]

if it was one of the main causes of delay?—I am sorry. I was addressing my mind to nearer home.

Major Bruce.

190. I want to refer to this figure of £780 million which was described last year as "arrears" and which I believe obtained wide public currency as such. The general impression was that there was £780 million arrears of income tax which, but for either the over-work or negligence of the Inland Revenue, would have been, in fact, collected. The fact of the matter is that insofar as the Inland Revenue are concerned there are less real arrears outstanding this year than there were last year. The real arrears were £191 million at the end of 1945 and, I understand, £175 million at the end of this year?—The £191 million is the amount that was payable and collectible then.

191. Yes, the real arrears?—Yes; that has fallen to £175 million. May I add to it a figure which I intended to include in answer to the Chairman, when he raised this point originally? We estimate that ultimately (I will take first the £780 million) of that £780 million we will collect no more than £370 million. That will be the £191 million which was payable at the end of the 1945 Account, plus £180 million to be collected later on. So that of the £780 million, over £400 million we believe will never be collected at all. It will be discharged or remitted through one cause or another. That may seem big, but as I mentioned to you in connection with excess profits tax, there is well over £100 million to be written off there alone. If I may couple with that the figures for the current year, I gave you £813 million and £175 million now collectible. Our estimate is that the total amount ultimately collectible, including that £175 million is £390 million. That is £175 million payable at the end of 1946, plus £215 million that will be collected at some time or other in the future. That leaves you, again, with over £400 million of the £813 million that will simply be written off, discharged, remitted, prove bad debts, or whatever else it may be.

192. The £780 million in 1945 (apart, that is, from the £191 million itself which was, of course, equally collectible) it would have been correct to describe as a sort of tax subject to determination or, rather, a sort of aggregate assessment subject to determination?—It is the balance of tax still in assessment. It is very difficult to describe it. This cropped up many years ago on the Public Accounts Committee, and there was a formula then put in to emphasise that it did not represent tax due and payable.

193. I am sure the Committee would like it to be cleared up as lucidly as possible, because the impression was created that

there was this terrific amount of tax outstanding, whereas in fact we find it is nothing of the kind?—You have it in paragraph 13. The Comptroller and Auditor has drawn specific attention there to the fact that it does not represent hard cash. It represents tax in assessment which may ultimately prove not to be hard cash.

194. To what would you attribute the amount of time that is now taken in determining these figures as between the taxpayer on the one hand and the Inland Revenue on the other? Would you say it was due to shortage of accounting staff in accountants' offices, or difficulties of that kind, or is the delay due to shortage of staff at your end?—It is due, primarily, to the nature of the thing. The nature of the thing is not such as to make it readily ascertainable.

195. One would normally expect, if your aggregate Schedule D assessments went up (these are the items, surely, which always require accounts to be produced) that ultimately the amount of tax subject to determination, if I may use the term, would be rather greater. If, on the other hand, the increase in the total assessments is in Schedule E, one would not normally expect that to be subject to so much dispute?—No, it is in Schedule D and excess profits tax. I have mentioned the deferred repairs for excess profits tax, but in both excess profits tax and income tax, Schedule D, you also have allowances for exceptional depreciation. During the war the law provided that anyone who embarked on extending his factory, whatever the loss was on the factory or plant and machinery, he would be allowed it. The depreciation due to the war would be allowed. That has got to be determined. It is not yet determined. We have made provision for it. There are all sorts of expenses with excess profits tax—the removal of air-raid shelters and what-not. Then there are concerns with branches abroad. There are British concerns that had an interest in the Occupied Countries, in France, for example, which were still carried on there, even while the enemy was in occupation. We have to get the figures there. There are cases, for example, where there were contracts with Government Departments, and the final price for the contract is not yet settled. There may be something arising under costing, or something like that. Take long-term contracts, for example, where you have a long-term contract for construction and it carries with it a maintenance clause, the company constructing undertaking the maintenance for a year afterwards: you cannot ascertain the profit under that contract until you have found out what was the cost of this maintenance clause. In other words, in the very nature of industry under war conditions, you have a position which is such that the figures vital to determining what

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the profit is cannot be readily ascertained. That is the first difficulty. I did say last year, in my evidence, that there was nothing inherent in excess profits tax to delay determination. I meant that in the tax itself there was nothing inherent, but in the very nature of the conditions you are dealing with it is inherent that you cannot determine the liability quickly. The trouble with staff arises like this, that when the information is being obtained the trader is held back by shortage of staff on his side, and when it comes back to us we are lagging behind because of shortage of staff.

196. Have you formed any estimate of when you are likely to be back to your pre-war position of £77 million? The rates are higher, so obviously you cannot get right back to that figure, but have you formed any estimate of when you are going to get back substantially to the pre-war position as regards the amount of assessments under determination?—I do not think so. You are operating with much heavier taxation.

197. On this item of remissions on grounds of equity, £432,054 (that is in paragraph 14, on page vii) are those extra-statutory concessions which were set out in the White Paper during the war?—No. There might be some, but these are remissions mainly of a kind we did before the war which are not covered by statute. The extra-statutory remissions in the White Paper are added on to them. So far as they operated, they will be included under one or other of these headings, more likely under "On grounds of Equity".

198. I observe, from paragraph 16, that you succeeded in getting a fair amount of money back which was being held due to fraud and evasion. The Comptroller and Auditor General states: "Of these settlements, 206, totalling £1,818,868, were dealt with by the Special Branch engaged on the investigation of important cases involving fraud." Do you have specialist personnel in that Branch?—Yes, we have specialist personnel. That is a special Branch at Head Office. We had also a special Accountancy Section of professional accountants. We have not got them now. Most of the accountants were handed over to the other Departments, and the Head Office section is nothing like up to the pre-war strength. Our shortage of staff hits immediately what you might call special sections like that because you must, at all costs, provide staff for the work in the field.

199. Would you say the work of that Branch is suffering at all by reason of shortage of staff?—It applies to the districts as well, because the Head Office only deals with special cases of fraud. Under-assessment generally is dealt with in the districts. Only the special cases come up to Head

Office. Undoubtedly, if we had more staff we should have more attention to the examination of profits to make sure there is no under-assessment, and in the course of that examination, to the extent that there was fraud, it would come up to the Head Office Branch for them to deal with.

200. There is, of course, a good deal of tax evasion at the present time, and I wondered how far the machinery you now have in your possession was adequate, at any rate, to give some reasonable check to it?—Despite shortage of staff we have had a number of prosecutions, which you may have seen reported in the Press.

201. In the course of your reply to Mr. McAdam you mentioned some new machinery you had, and you were describing a new short cut whereby you made out the assessment and at the same time as you made out the assessment you made out the demand note. I should like to know how, in a good many cases, that is going to increase efficiency, because a good number of your assessments are open to objection in 21 days, and I should have thought it would have evoked a good deal of administrative difficulties?—The old method of assessment was that you had a Schedule D assessment book. You entered the name of the person, his place of business and various details. You put in his profits and the amount of tax. Having done that and having got it signed by the Commissioners, you then proceeded to enter it into another similar long sheet to hand over to the Collector. He proceeded to type out his demand notes from that. We have now unit assessing. Each case, instead of being listed in this large book, is on a separate sheet, and in making the assessment or typing it out you type out the notice from the assessment and, I think, one of the demand notes as well—certainly the notice of assessment, and you do save clerical operations. You save this operation of writing in and then copying into another sheet.

Chairman.

202. I have just a few more questions to put to you on the remaining paragraphs. I want to take them as shortly as possible because we have another witness waiting to come in. Would you kindly turn to paragraph 21 of the Report of the Comptroller and Auditor General, on page x. In the second sub-paragraph he states: "As regards the years prior to the introduction of the Pay-as-you-earn system, the proposal referred to in my last Report, for checking the sums remitted by Public Departments to the Inland Revenue, has not been carried out." Could you tell me why that proposal has been abandoned?—The idea, at first, was to go to the Department and get, for each officer, their record of the tax deducted, and then we would check that up to see that it was the right

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[Continued.]

tax and, having gathered them all together, check then the total money received against the total amount in this record. We found that impracticable, because the Departments had not the records individually. We have abandoned it, and we are resting on what we think is satisfactory. We are trusting the accountancy arrangements of other Departments to function correctly to the extent of certifying to us the total amount of tax which in fact has been deducted, and paying that sum over to us. The only other check would be to go back and check each case individually, not merely for the deduction but for the correctness of the deduction, and under Pay-as-you-earn that is not so important now, because the amount of tax to be deducted is settled automatically by the Pay-as-you-earn tables.

203. Would you turn to paragraph 24, which deals with the repayment of post-war credits to the elderly, under Section 26 of the Finance Act, 1946? That tells us that the Chancellor of the Exchequer estimated that the payments outgoing in the year would be a total of £26 million and that the total amount issued from the Consolidated Fund was just on £58 million?—Yes.

204. Can you explain that discrepancy?—Somerset House underestimated the true cost. We had no notion as to the numbers of people over the age limit, but, still more important, as to what was the average amount of their post-war credits. There were no age group statistics that could tell us how many people there were in the income tax field over the age limit. Secondly, we did not know how much was to their credit in each case. We seriously underestimated it.

205. Had you effective means for testing the age of the taxpayer when he made his claim?—Originally an old-age pensioner gave the number of his old-age pension papers and generally we took the identity card number. We have checked a number of cases. We cannot check them when they come in. It is a kind of audit check where we go back on a sample of cases and check up.

206. In paragraph 25 the Comptroller and Auditor General tells us that the Chancellor of the Exchequer announced in the House on 28th May, 1946, that "As one of the measures to reduce the pressure of work in tax offices, payment of credits would be made to all who had been in employment without proof being first demanded that the recipient owed no income tax for the years in question." Then it sets out the reasons why you think the position is safeguarded. Has experience proved that there has been any loss of revenue through repaying postwar credits without ascertaining the liability of the individual?—That only applies to the people who are in employment, and there you are depending on

Pay-as-you-earn, and the tax deduction scheme before it, to have functioned. It does not apply to other people. A business man, for example, under Schedule D, would not get his post-war credit repaid without proof that he had paid his Schedule D tax for that year.

207. The Comptroller and Auditor General makes some observations in the last subparagraph of paragraph 25. Have you any comments upon the observations he makes there? He says: "I observe that the automatic clearance of arrears under the Pay-as-you-earn system has to some extent been affected by the waiver of assessments and the postponements of recovery of underpayments of tax referred to in paragraphs 10 and 11 of my last Report"—Yes. The decision was not to check up the assessment where the tax payable was less than, first, £175 and, now, £150. That is a complete abandonment of the tax that should have been carried forward from one year to be collected in the next; and similarly, where the tax is under £1 we do not carry it forward. That is inevitable under the abandonment of the assessment. It is under consideration at the moment as to whether something of that kind may not be necessary permanently.

208. There are just two other points. Paragraph 26 deals with the exemption of officials of International organisations. In the last part of the paragraph the Comptroller and Auditor General refers to an Order in Council made on the 8th August, 1947, which he says "appears to have the effect of granting exemption from United Kingdom income tax to all officers or servants of the United Nations in respect of any emoluments received by them as such, irrespective of their nationality or place of residence." Does this result in a number of British subjects resident in this country evading or escaping (say escaping) income tax?—Not escaping; being absolved by Parliament from payment of it. The British subjects engaged in U.N.O. within this Order are not liable to tax on their official emoluments. There is the distinction between secretaries and higher officials of U.N.O. who enjoy diplomatic privileges with exemption from all taxes—

209. Would that apply to a commissionaire or a porter at the U.N.O. offices in London? Would he be in the fortunate position of escaping income tax?—I think he would, but only in respect of his pay from U.N.O., not in respect of anything else. It applies to all staff payable out of U.N.O. funds.

210. These jobs will be very much sought after, will they not? I thought, perhaps, it was confined to people above a certain status in the same way as, I think, it applies to diplomatic staff?—There is a distinction in status. The Secretary-General and Assistant Secretaries-General of the United Nations are to be accorded the same

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exemption or relief from tax as is given to the envoy of a foreign Sovereign Power, and they are also to enjoy exemption from income tax on their emoluments as officers of the United Nations. That is the higher class. Then you come to the others. All other officials, except those who are engaged locally and remunerated by payment calculated by the number of hours worked (that might cut your commissionaire out; I do not know, really) are to enjoy exemption from tax in respect of the emoluments received as officers or servants of the United Nations.

211. Generally speaking, you would say this was on a par with what was done with regard to diplomatic staffs. Is that right?—In the case of the diplomatic staffs, the British employees would be liable to our tax. They would be liable as British subjects resident here. This Order would exempt a British subject who is an official of the United Nations and resident in this country from tax on his salary from the United Nations. I think the commissionaire probably is not within the exemption. I think it applies more or less to the regular staff on a salary basis.

212. One point on paragraph 27, dealing with profits tax and excess profits tax. The second sub-paragraph states: "Included in the 'Payment in cash' column of the above table are amounts of excess profits tax which have been cleared by set-off against post-war refunds of Excess Profits Tax under the provision of Section 47 of the Finance (No. 2) Act, 1945. The total amount of the duties set off against post-war refunds of Excess Profits Tax during the year was £19,094,000 but this figure includes a small proportion of duties other than Excess Profits Tax." There are limitations, I believe, on the expenditure of refunds of Excess Profits Tax. That is to say, the 20 per cent. which the taxpayer gets back can only be spent on, broadly speaking, capital expenditure. Is that right?—Precisely, yes.

213. Where a taxpayer gets back a sum by way of set off, can the same safeguard be placed upon the way in which it is spent?—Yes, and we do that. We get an undertaking from him. We hold over tax which is due from him. There is tax due and we hold it over. We collect 89 per cent. on what is due from him. The post-war refund is subject to deduction of tax at 9s. in the £ so that for every 20s., 11s. goes out. We get an undertaking from him that he will use the money in the way provided by statute for the use of the post-war credit, and we collect from him on that basis of giving him a note.

214. You say there are exactly the same limitations upon the expenditure where the payment is made by way of set off as in the case of a refund?—We get the same undertaking as if we are actually handing the money across.

215. You have just as good a check upon the way in which the money is expended in both cases?—Yes.

Chairman.] Are there any questions on those paragraphs?

Colonel Alan Dower

216. In paragraph 28 the Comptroller and Auditor General is dealing with the War Damage Contribution. Have you established an effective channel of communication with the War Damage Commission so as to collect this £12 million as soon as possible?—Yes, we are in touch with them.

217. Because in nearly all cases it is due to the delay in payment of cost of works or of value payments and if only the War Damage Commission were able efficiently to settle up their liabilities then you would collect that £12 million much more quickly?—We should collect it by its being deducted from the last payment made by the War Damage Commission. There is liaison between us and the Commission.

Mr. McAdam.

218. On paragraph 24, with regard to the post-war credits, is it not the practice, when a claimant puts in a claim for the payment of post-war credits, for him to be supplied with an application form and on that application form he is requested to give either the number of his old age pension book or, if he does not happen to be insured and entitled to an old age pension, then he or she is required to send either a birth certificate or a copy of the birth certificate, so that there is no possible chance of anyone claiming payment of post-war credit who is not entitled to receive it?—We do not ask for the birth certificate in the case of the non-insured person. We take the National Identity Card number.

219. I have seen the forms they have sent out. I know that in the form you are requested to give your Identity Card number. You can give your old age pension book number or you can send a copy of your birth certificate?—If anybody wishes to bring in the evidence that is all right, but we do not make it a condition. The old age pensioner gives the number of his book and a man who is not an old age pensioner gives his Identity Card number and we accept it. If he does not give either we look to him to produce the evidence, a birth certificate; but we do not insist on the birth certificate if either of the first two things are given.

220. Does not the position arise from that that if you do not insist on the birth certificate it is possible for somebody to give a wrong age on the Identity Card and you have no check on whether the information on the Identity Card is accurate. No one was asked to produce a

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birth certificate when the Identity Cards were issued?—I have seen one, if not two, cases where the Identity Card check has thrown up cases where the age was not over the qualifying limit. Your point is that the Identity Card may be false. So may the birth certificate.

221. It cannot be, because the name of the issuing office of the birth certificate is on it. If you depend for your evidence upon the Identity Card, it is possible, when the card was filled up that a person put his age in as older than he actually was?—The question would be what was his incentive at the time he gave particulars for his Identity Card? There was no post-war credit in the offing then.

222. He might have given his age at that particular time as two years older than it was, and when he claimed payment of his post-war credit he might actually be 63 instead of 65?—When he gave particulars during the war for his Identity Card, why should he?

223. He may have done it in a hurry?—It is possible, I grant you. We do not insist on the production of the birth certificate if we get the other evidence.

224. It is possible for somebody to slip something out under the present system?—It is possible. We have had one prosecution, I believe, in this field, of people not stating the age wrongly but stealing a post-war credit. B stole one belonging to A.

225. Would it not be better to insist upon the birth certificate, because if the party

claiming does not happen to have a birth certificate himself, it is easy enough for the party to get it, so long as they insert in the notice "If not in possession of a birth certificate, give the name of the district in which you were born" and then it can be obtained?—I think it would put the people to a lot of trouble. If they gave their birth-place we could do nothing about it. We could not undertake the job of going to the Registrar and getting a copy of the birth certificate.

226. But you could put the responsibility on the person claiming. They could get a copy for a shilling?—We thought if we had the old age pension book number or the Identity Card number we had a means which enabled us to check the thing up.

Mr. *McAdam*.] So far as the old age pension book is concerned, that is all right, because the old age pension people insist on a birth certificate. It is those who do not come under the old age pension scheme and who would produce an Identity Card that I am thinking of.

Chairman.] Are you satisfied, Mr. *McAdam*?

Mr. *McAdam*.] Yes, so long as Sir *Cornelius* looks into that point.

Chairman.] The Account is at page 8. I have no questions on the Account. Has any Member of the Committee any questions to ask on the Account? May I take it that the Account is approved? (*Agreed.*) Thank you Sir *Cornelius*.

(*Sir Cornelius Gregg withdrew.*)

VOTE I.

CUSTOMS AND EXCISE.

Sir WILLIAM DAWSON CROFT, K.B.E., C.I.E., C.V.O., Chairman, Board of Customs and Excise, called in and examined.

Chairman.

227. Sir William Croft, you have only recently, I think, become Chairman of the Board of Customs and Excise?—(*Sir William Dawson Croft.*) Last September.

228. Therefore you were not the Accounting Officer for the year under review, but I understand that you have signed the Accounts and therefore I take it you accept responsibility for them?—Yes, I take responsibility for them.

229. Will you turn to the Report of the Comptroller and Auditor-General, on the Revenue Departments Appropriation Accounts, 1946-47?—I ought, perhaps, to say that in regard to the old age pension accounts, that was all finished and done with six months before I went to the Board of Customs and Excise and I am

afraid I have no background in regard to that work.

230. Thank you. I wanted to ask you one or two questions on the Report of the Comptroller and Auditor-General. His Report on this Vote begins at paragraph 5 on page iv. Will you just look at paragraph 6, in which he says: "Under the authority of the Ministry of Fuel and Power some 18 million gallons of hydrocarbon oil were imported during 1946 from sterling sources to supplement the stocks of kerosene in this country. The oil was to be used as burning oil but was within the statutory specification of light oils and therefore legally liable to duty at 9d. a gallon, although for all practical purposes it was akin to kerosene which, unless used as road vehicle fuel, is liable to duty at

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rd. a gallon. When applying to the Treasury for authority to charge duty at the rd. rate the Customs and Excise Department stated that they were in a position to protect the revenue against any risk of abuse. Could you explain this point to the Committee and tell us how you were able to give that assurance to the Treasury?—This was oil which was obtained by the Ministry of Fuel from Haifa. They found at the beginning of 1946 that there was a shortage of kerosene and that it could only be met by importing oil from Haifa.

231. Kerosene being dutiable at only a rd. Is that right?—That is right. These supplies, which came from Haifa, did not strictly conform to our specification for kerosene. They were slightly above our specification for kerosene and came within our specification for light oil, which can be used for traffic purposes and therefore, strictly speaking, were liable for duty as light oil at 9d. a gallon. Of course, the Ministry of Fuel could not have disposed of it in this country as kerosene if it had been chargeable with duty at 9d. a gallon, because it would come into competition with kerosene on which only rd. a gallon was being paid. It was for that reason that the Treasury authorised its importation at the duty for heavy oil, that is to say, rd. a gallon, and it was, I understand, mixed with stuff which, according to our definition, was heavy oil—kerosene and nothing else—and was disposed of for the purposes for which kerosene is used. There was a certain quantity of it in 1946 and there was a lesser quantity in 1947, and we are satisfied, no doubt out of consideration for the arrangements made by the Ministry of Fuel, that it has been used as kerosene and therefore used as stuff for which Parliament intended a rd. duty only should be chargeable.

232. This was all an extra-statutory concession, was it?—Yes.

233. We read that "In December, 1946, the Treasury expressed some concern as to the prolongation of the remission on an extra-statutory basis, but it was found that further imports were likely to be small".—Well, I am not sure I can guarantee that they will be small. They were much smaller in 1947 than they were in 1946. If you would like the figures, they were 67,000 tons in 1946, the duty on which would have been £616,000. The figures for 1947, a large part of which falls outside these Accounts, were 17,500 tons, on which the duty would have amounted to £170,000, and at the time when the Comptroller and Auditor General wrote his Report the expectation was that they would be less, but I believe there is reason to think they may be increased in 1948. In that case we are not committed to this treatment of them for 1948 in the event of the amounts being increased, and we

should go to the Treasury and ask them what they thought.

234. Will you turn to paragraph 8, dealing with fines and penalties for offences in regard to Purchase Tax? In the last sentence but one of the paragraph we are told that there were 191 cases of Purchase Tax offences. With the increased range, scope and rate of Purchase Tax, are you getting concerned about the amount of evasion?—These are Purchase Tax offences. The previous figure is a figure of attempted evasion of duty and Purchase Tax. These are offences, not I understand evasions of tax, but failures to register, and that sort of thing. The attempts to evade the tax as I understand it (Mr. Lloyd will correct me if I am wrong) come into the earlier figure of 1,336. But your question remains: are we concerned about attempts to evade Purchase Tax? We are, in varying degrees. We do not claim to be able to collect Purchase Tax at the same high percentage that we collect the tax on the old-fashioned Revenue articles. I think you might say, in regard to tobacco, beer, spirits, wines, and so on, that we get as near as hardly matters to 100 per cent. of what is due. I should not venture to claim anything of that sort with regard to Purchase Tax because we have there a different system and we have not been able to apply the same rigour to collection of Purchase Tax as we have in regard to the old exciseable and dutiable commodities for which we have built up a system over a period of years; in fact, hundreds of years.

235. Tell me this: are businesses with a turnover of, I think, less than £500 still exempt from payment of Purchase Tax altogether?—Yes, that is right.

236. Is there evidence that businesses have been subdivided deliberately in order to come within the scope of the exemption?—I do not know of evidence of businesses being subdivided. We have a certain amount of trouble arising out of that *de minimis* rule. For example, I think of Shetland wool. Those crofters in the Shetlands who make socks, jumpers and what-not: a great many of them operate on a very small scale and whereas in the old days they used to sell their products to wholesalers (who, of course, are registerable because they have a much bigger business) now I believe they supply their commodities direct, otherwise than through wholesalers, and come under our concession in regard to people whose turnover is less than £500 a year. That is one of the problems we are dealing with at the moment. But there are other traders of that kind.

237. Now in regard to the main matter about which I should like to ask questions, and that is, this supply of duty-free stores to the Royal Navy. This is mainly concerned with tobacco, is it not?—Mainly tobacco.

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238. In paragraph 11 the Comptroller and Auditor General tells us: "The cost to the Revenue of the concessions relating to duty-free stores was estimated at some £1,300,000 in respect of the year 1936-37 and substantial increases in duties have been imposed since that date. For instance, the full rate of customs duty on a pound of unmanufactured tobacco was 9s. 6d. in 1936-37 and is now 54s. 10d." Can you give the Committee an idea of what these concessions cost the Revenue at the present time?—When I said it was mainly tobacco, that is the most debatable part of the thing. But of course, as you know, the Navy gives its men, both afloat and ashore, a daily free ration of rum; and that comes into it, too. There are what we call Victualling Yard Stores which consist of groceries, tobacco and rum which are given to men afloat and ashore as free rations. There are also the mess and canteen stores which are sold to the men without duty being charged, not in the shore establishments but only on the ships in commission. Now, if you take the whole lot of the concessions, the present-day figure, corresponding to the figure given by Sir Frank Tribe for before the war is, of course, very much higher. I suppose it might be anything up to £8 million or perhaps more; but, when I say that, I think I ought to point out that a certain amount of this concession is not really debatable. These duty-free supplies of spirits and tobacco are consumed by people on the high seas, and we could not expect to collect duty from them (they are outside our jurisdiction) any more than we collect duty from passengers on merchant ships who are travelling abroad. So one has to get the thing in its perspective and when I gave a figure of £8 million as being the total I am bound to point out that at least half of it would not be debatable.

239. You say "at least half of it," but we were told yesterday, when the Navy Estimates were introduced, that something like 60 per cent. of the personnel are now in shore establishments?—They may be now in shore establishments, but there is an abnormally large number in shore establishments just now. I am told that in normal times one could take the amount of this £8 million which is not really in dispute, because we do not regard duty as leviable in the case of people consuming dutiable commodities on the high seas—

240. But does not it seem to you a little absurd, on the face of it, that the Navy can make an area into a camp and put up a flag and then call it by the name of "H.M.S." Something-or-other, and sell tobacco to the sailors there as if they were out on the high seas, free of duty?—It is a thing which causes us a great deal of trouble and in the case of some of these shore establishments we have imposed conditions, but they have not been very easy to enforce.

241. What sort of conditions are imposed? I take it there is a limit to the amount of tobacco a sailor can buy duty-free, is there not?—There is a limit to the amount with which he is supplied.

242. Are we speaking of the individual, or are we speaking of the ship's company as a whole?—I think we are talking about the individual, but in regard to these shore establishments it is only the duty-free ration that is in issue. The shore establishments do not get the duty-free supplies in the messes and canteens.

243. When you speak of the ration, that is so much tobacco, or so many cigarettes per sailor, is it?—It is 1 lb. a month, and one-eighth of a pint of rum.

244. 1 lb. a month of tobacco is approximately 100 cigarettes a week?—It is 54s. 10d. duty.

245. I am turning it into the number of cigarettes for the moment?—I cannot do that.

246. It would be about 100 a week, would it?—It is issued only in tobacco.

247. It is not issued in the form of cigarettes, at all?—No. The ration is issued in the form of tobacco and it is 54s. 10d. a month.

248. And in the shore establishment they get nothing beyond?—No. They get tobacco and rum as free rations, fixed amounts.* But there is an interim class and it is that class which has given us a good deal of difficulty. We have got the shore establishments on one hand. We have the ships which are on the high seas on the other hand. But, of course, a great many naval craft which are craft in commission and are sea-going ships are in fact in harbours and in Home waters, and there is a great deal of doubt on which side of the line they should fall. Those are the people with regard to whom there is difficulty. Those ships are ships in commission and they are sea-going ships although they may not always be at sea. Those people get the benefit of the duty-free mess and canteen stores.

249. What do you think happens to the non-smoker in the shore establishment? Does he draw his ration of tobacco—because he can make a tremendous profit on selling it outside the camp?—I do not know whether the naval authorities give him his tobacco or not, but that brings us on to rather different ground. We were talking about the value of the concession. Now it is a question of the abuse of it. As regards the abuse of it, I am bound to acknowledge that the naval authorities give us every possible help. They are very tenacious of the concession, naturally, but they do admit that it is a concession and a privilege, and they recognise the obligation

* *Note by witness* : The tobacco is charged for at a price which excludes duty, but the rum is free.

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which corresponds to the privilege. They give us every possible help in the way of examining people at the exits from these barracks and taking a severe view of offences and imposing penalties.

250. Have you ever made any calculation of what the concession is worth in terms of pay to the naval personnel?—If you take £4 million, and the naval personnel at the present time are somewhere under 200,000—but supposing they are 200,000—you divide 200,000 into £4 million and I think you get about £20 a year, do you not?

251. You do, and actually, I think, the number of personnel is rather less than the number you mentioned.—It is rather less. The numbers are going down to 145,000 in the course of this year, are they not?

252. So that it is worth something over £20 a year—probably something in the neighbourhood of £25 to £30 a year?—Yes.

253. And that is only half of the total cost, because you tell us that if the privileges were withdrawn from shore establishments the sea-going personnel would be entitled, under the law, to obtain duty-free tobacco?—Yes. I regard people who are on the high seas as outside our jurisdiction.

254. I think we shall have to put some questions, if we can, to the Accounting Officer for the Navy, when he appears here, and I was going to suggest it might be a good plan if you would collaborate with the Admiralty in preparing a joint memorandum on this subject for us. Would you be prepared to undertake that?—On what sort of lines?

255. I have made a list of the sort of information I think we ought to have. I should like the estimated value of the concessions now current and outside the strict interpretation of the Customs Consolidation Act, 1876. Those are the figures we have been discussing. I should like to know how many naval personnel are serving in privileged shore establishments and how many such establishments there are. I should like to know to how many of these establishments civilians or men of other Services have access. I think there are establishments to which civilians are admitted?—There are the Naval Air establishments.

256. I should like to know what steps are taken by either Department to ensure that naval personnel do not take ashore or outside the privileged establishments more than the authorised amounts. I should like to know how non-smokers and teetotallers are treated.—Teetotallers get a money allowance; that is only 3d. a day.

257. They get a cash allowance?—They get a cash allowance, but not including the value of the duty. They get 3d. a day for their one-eighth of a pint.

258. They get 3d. a day for their abstinence?—The duty is worth about 2s. 11d. on the one-eighth of a pint. The

rum is worth 3d. and the duty is worth 2s. 11d. There is more than half a crown of temptation in every packet of cigarettes.

Chairman.] It is getting rather late to pursue this matter to-day with the Board of Customs. If any Member wants to ask any question will he do so. I should like to have a memorandum.* Has any Member any questions?

Mr. Thurtle.

259. I want to put one question about the tobacco and cigarettes. In the shore establishments the officers and men are entitled to buy both tobacco and cigarettes free of duty?—No.

260. I think you used the phrase “duty-free in mess canteen stores”?—On the ships.

261. But there is a mess canteen in these shore establishments, is there not?—Yes, but they do not get the concession.

262. They do not get the privilege?—No, not the shore establishments.

263. They have merely their ration?—Yes, of tobacco; not cigarettes.

264. You are quite certain that these shore canteens do not sell to personnel duty-free cigarettes and tobacco?—Not the shore canteens. The ones in the harbour may do so.

265. And there is no limit to the amount which they can buy?—Yes there is. There should be. In the arrangements that were made before the war there was supposed to be a limit of 18 ounces a month, which included the 1 lb. of tobacco; but I do not think that limitation was successfully and uniformly operated.

266. You do not know what the limit is today?—That is what it is supposed to be; but it was never a satisfactory limitation. You can understand how difficult it is to check up what people buy in a canteen over a month or more. Our view was that that 18 ounces limitation which was supposed to be in operation before the war was never very satisfactorily observed.

267. In practice it may be that there is no limitation at all to the amount that they can buy?—On the ships?

268. In harbour?—In harbour I would not like to say that there was no limitation at all, but there is no very strict limitation, I fancy, in many cases.

269. I dare say ingenious people could get round that rather loose limitation, probably. Could you tell me what the difference is between a packet of cigarettes which costs 3s. 4d. to the ordinary public and a packet bought in these conditions?—There is somewhere between half-a-crown's worth and three-shillings' worth, as I was saying just now, of temptation;

* Appendix 3.

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between half-a-crown and three-shillings' worth of duty in a 3s. 4d. packet of cigarettes.

270. With very loose supervision that is a very big temptation?—I should have thought from the point of view of morale it was distinctly undesirable.

271. You would assume, in those circumstances, that there is a great deal of evasion going on?—I do not think there is a great deal of evasion because the naval authorities do their utmost to prevent it. I believe to a very great extent they are successful. We are certainly anxious about some of these shore establishments which are not effectively cut off, especially the Naval Air establishments which are spread over a good deal of land with a good many buildings with various non-naval people, civilians and outside R.A.F. people coming in. But we do feel that we have the full assistance of the naval authorities in preventing evasion from these ships that are in harbour, and I have seen it myself and I have heard it from others. I think it is pretty effective. Of course, on these land establishments, as I have said before, it is not a question of buying duty-free tobacco in the canteen stores.

272. You say you feel sure you have the full assistance of the naval authorities in preventing this kind of evasion, yet you admit there is only a very loose control, if there is a control at all?—No. When I say "evasion" I mean taking the stuff away from the ships on to the land. We were talking about a limit: I am not sure that that is satisfactory. I think people

may be able to buy 20 or 25 ounces a month instead of 18 ounces, but I do not believe that they are successful to any great extent in getting their 20 ounces or 25 ounces, or whatever it may be, ashore with them.

273. Across the gangway in the harbour?—Yes.

274. That may be, of course. That is all I wanted to ask.—(Sir Frank Tribe.) May I say I brought this to the notice of the Committee primarily on the accounting point. It seemed to me that insofar as the Customs and Excise Department are not collecting in full the duty which Parliament has prescribed there is a failure to bring the proper figure of duty to Revenue Account of the Exchequer. This does not appear openly on the face of the Public Accounts, but so far as the duty is not paid in, the Exchequer is that much worse off; and there is no expenditure carried on the Admiralty Vote in respect of this concession.

Mr. Thurtle.] Am I right in saying that the Navy is the only service which enjoys this privilege? Neither the Army nor the Air Force does?

Chairman.] That is so. I think it would be helpful to the Committee if we could have a joint memorandum on the lines I have suggested. Now we pass to the Account, which is at page 5. I have no questions on the Account. Has any Member of the Committee any questions to ask on the Account? May I take it that the Account is approved? (Agreed.) Thank you, Sir William.

(The witnesses withdrew.)

(Adjourned till Tuesday next, at 3.45 p.m.)

TUESDAY, 16TH MARCH, 1948.

Members Present:

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.

Mr. McAdam.
Sir John Mellor.
Sir Frank Sanderson.
Mr. Wadsworth.

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

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS I.

VOTE 2.

HOUSE OF COMMONS.

Mr. A. J. MOYES, O.B.E., Accountant, House of Commons, and Mr. H. A. ST. GEORGE SAUNDERS, M.C., Librarian, House of Commons, called in and examined.

Mr. Benson.

275. Will Members turn to the Civil Appropriation Accounts, 1946-47, Class I, Vote 2, House of Commons. Mr. Moyes, I

believe you are deputising for Sir Gilbert Campion?—(Mr. Moyes.) Yes. Sir Gilbert is unfortunately detained in the House, and cannot get away.

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Mr. A. J. MOYES, O.B.E., and
Mr. H. A. ST. GEORGE SAUNDERS, M.C.

[Continued.]

276. Will Members turn to the Report of the Comptroller and Auditor General? Paragraph 10 is "Late Night Transport Service." I believe the original proposal for Members' transport has been dropped. It does not come into this year, but could you tell us what the financial out-turn of that proposal was during the short time it was running?—Yes. The gross cost of the scheme was £1,111, of which the cost attributable to Members was £522 and to the Staff £589. There were various Appropriations in Aid received, Members contributing £58, which left a loss on the whole scheme of £464.

277. I believe there is a present scheme which applies to the Staff of the House?—Yes.

278. That is running at the present time?—Yes; that started at the end of July and is still running.

279. It has been running for some nine months now?—Yes.

280. What is the financial result of that?—Up till the end of February it had cost £106. That was the gross cost. The actual cost to the State was only about £31, less the receipts for bus fares, which amounted to about £6.

281. You say it cost £106?—Yes; it cost £106. We pay the Ministry of Supply at the rate of 1s. 5d. a mile for each car used, but the additional cost to the State is only about 5d. a mile.

282. In the nine months the net cost to the State was £36?—The gross cost to the House was £106, but the net cost was about £25.

283. That is for the nine months?—That is for the nine months. There were actually 14 occasions on which it was used during those nine months.

284. For the convenience of the staff of the House it is really a very small cost on public funds?—It is very small.

Sir GILBERT CAMPION, G.C.B., Clerk of the House, called in and examined.

Mr. Benson.

285. Paragraph 11 relates to the Library. This is the first time we have had a special Subhead for the Library?—(Sir *Gilbert Campion*.) I apologise to the Committee, Mr. Chairman, for being late. I was detained by the business of the House.

286. Yes, Mr. Moyes has conveyed your apologies. There are one or two questions I should like to ask in regard to the Library. I see the Librarian is here, and no doubt he will be able to help you. Could you give us the cost of books bought during the financial year 1946-47?—I think on these questions of detail, the Librarian would be in a better position than myself to answer.

287. Perhaps the Librarian would answer, then? Could you give us the cost of the books bought during the financial year 1946-1947?—(Mr. *St. George Saunders*.) Yes. We expended £2,613 on books during that year out of a Vote of £4,250, and during that year we bought 1,750 new books and about 1,400 second-hand, a total of 3,150.

288. That is a very considerable increase on previous years, is it not?—Yes, it is; but you will remember that that was the first year in which the Library was granted a substantial increase in its Vote. I can split that figure up, if you like. £770 was spent on second-hand books; the remainder was on new books.

289. Did the Library dispose of any books during the year?—Yes; we disposed of about 600.

290. How was that done?—That was in the nature, if I may so express it, of books cast upon the waters. I sent a number to the Library of Congress. They were very anxious to fill up certain gaps in their Library which we were able to do out of very old books of no very great value to us. I did so in the hope that they would send us back some books which we should otherwise have to pay for in dollars. I am glad to say that they have taken the hint and the first contingent arrived about a week ago, a small but very valuable lot, and, I hope, the first of many. I have very cordial relations with that Library, and I explained to them our difficulties which, very briefly, are that if we want to get books in America we have got to pay dollars for them. Very often the Library of Congress have books given to them free, and more than one copy, so I dropped a strong hint that we should like the extra copy. As I say, at the moment I show a deficit, because I have given them more books than I have received, but I think that will be wiped out as the years go by.

291. In regard to periodicals, how many do you take now?—We take, at the moment, 803 periodicals, and 153 statistical periodicals.

292. A number of those come free, do they not?—Yes, a very large number, 475, which is over 50 per cent., are free of charge and the statistical ones are nearly all free of charge, 147 out of 153.

293. If I remember rightly, a very large number of books during the war was sent into storage. What has been the effect on the books?—They have not been hurt,

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Sir GILBERT CAMPION, G.C.B.,

[Continued.]

Mr. A. J. MOYES, O.B.E., and Mr. H. A. ST. GEORGE SAUNDERS, M.C.

with the exception of some Accounts and Papers of an earlier period, which are not in very good condition. All the books we stored at Oxford, with the Bodleian, are in first-class order, and were most carefully looked after; and sent back to us in their right order.

Mr. *Benson*.] Has any Member any questions?

Sir *John Mellor*.

294. May I ask Mr. Moyes a question with regard to the late night transport service? I rather gathered that the result was, so far as the transport of Members of Parliament was concerned, a loss of nearly £500?—(Mr. *Moyes*.) Yes.

295. My recollection is that the intention was that the scheme should be self-supporting so far as Members of Parliament were concerned?—That is so.

296. I wonder if you could explain how it was that it failed to be self-supporting?—All Members were circularised, asking whether they would use the late service if it were provided for them within the London area. We had over 300 replies from Members and the scheme was based on those replies from Members. In point of fact, the most we had travelling on any night was 110, including staff. We had anticipated an average of 150.

297. I want to ask one question of the Librarian. Could you tell the Committee what was the value of the books which disappeared from the Library during this accounting period?—(Mr. *St. George Saunders*.) That is very difficult because we have not yet completed our shelf list, which is now being done. It is what you would call a stock list in a commercial concern. At the moment the value is, I am glad to say, not very high—about £19. I cannot swear that that is by any means all, because the shelf list will not be completed until the end of the recess and it will only then become possible to compare that list with catalogues. The serious feature, if I may be allowed to say so, is the number of books which disappear from the lending library. We have a subscription with Harrods at the rate of one book per 30s. a year. We have a maximum of 75 books borrowed. At the moment 46 are missing and 46 have been missing for a very considerable time, to such an extent that Mr. Speaker stopped the subscription for a certain time. He has now relented and it is open again. We have not lost any more books, but we have only had two back out of the 46, and some of these have been missing for as much as 2 years.

298. Were there not also some serious losses of books of reference?—Yes; one or two, but I cannot say exactly how many yet, because, as I say, my stock list is not yet complete.

299. Were not there two copies of "Who's Who" which disappeared?—Certainly one copy. I am not certain about the second copy. I regret to say we have had certain cases of mutilation of reference books; some of it, I fear, done deliberately, if I may say so, because something had been cut out as with a sharp pair of scissors, or even a razor. Things like calendars have been cut out, which render the volume of Pears Cyclopaedia, for example, quite useless. It has to be replaced.

300. I think a volume of "Who's Who" is worth about £5?—At least.

301. The actual losses must be considerably in excess of the £19 which you previously mentioned?—Yes; I fear so, but I cannot give you a figure for that. I hope to be able to by the end of this year.

Mr. *Benson*.

302. On that point, the 75 books from Harrods is a revolving 75, so that 46 is not quite such a terrible percentage?—No, it is not. Members read these books a lot, and I have now to reduce the number I can get for them because the 46 lost only leaves me with the difference between 46 and 75 to borrow.

Sir *John Sanderson*.

303. On that point, you would not say, would you, that books of the dimensions of "Who's Who" are inadvertently taken away? If the answer be in the negative, then can you tell the Committee what check you have to see that books which leave the Library are returned?—In answer to the first part of the question, I should find it very difficult to say that a book like "Who's Who" could disappear inadvertently, owing to its size. With regard to ordinary books, Members are requested, indeed required, to fill in a small card or to ask one of the Library clerks to do it for them, but we cannot, of course, compel them to do so, and modern books are small and are easily slipped into the pocket. I am not for a moment suggesting that is done deliberately. A Member may want to go and read a book while having a cup of tea or something, and it gets lost in that way.

304. May I take it that the majority of books that are in fact lost are lost due to the fact that they have been removed by Members who have not taken the necessary precaution to fill in the card?—I fear that must be so. I cannot give an absolute reply to that, because when a book just disappears I must conclude that some Member forgot to fill in the card. It is also true to say that prior to that system there was no check; but that was two years ago.

305. I have one other minor point in respect of the periodicals. Could you inform the Committee how the periodicals

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[Continued.]

Mr. A. J. MOYES, O.B.E., and Mr. H. A. ST. GEORGE SAUNDERS, M.C.

are disposed of after they have served their purpose?—We keep a certain number of the more important ones, like the "Economist," the "New Statesman" and the "Spectator," and they are bound. The others we keep for six months and they are then sold or sent for pulp. We have not, in actual fact, sold any yet. We have really been waiting until we get a good fat quantity to send away. I am aiming at supplying the Library with not less than 1,000 periodicals and it may be as many as 1,500, but one in two is given to us free, and that costs the State nothing.

306. What I had in mind was that magazines of the type of "Country Life," the "Tatler," and so forth, could be disposed of by free distribution amongst the hospitals?—Certainly.

307. Has that been considered?—It has not, but I will put that to the Library Committee when they next meet.

Major Bruce.

308. Could you give some indication as to the method by which the Library acquires the books? The Comptroller and Auditor General, in paragraph 11 of his report, states that the Select Committee on the Library of the House of Commons recommended that the Librarian should be permitted to purchase books direct through trade or other channels. Do you purchase the majority of your books direct from the retail booksellers?—Ninety-five per cent. of them.

309. And the others?—The others I buy. If they are second-hand books I have to go into the second-hand market, so I buy them from booksellers, but on any published book I get exactly the same trade discount as the Stationery Office; that is to say, a maximum discount, which varies. The most is 33½ per cent., and down the scale to 10 per cent, but the average, I should say, speaking very roughly, would be 25 to 30 per cent.

310. Do you get many complimentary copies of books?—Not many, except from Members, who are very good. Whenever a Member writes a book he always presents it to the Library. But nearly all the books we buy.

311. Is the cost of this excellent research department of yours included in the expenditure for the year in question?—No, it is not included in the expenditure on books.

312. Is it included in the expenses of the Library?—It is included under the heading of "Staff." There are no other expenses.

313. It is under your charge?—Yes, it is in my charge.

Major Bruce.] It is comprised, is it not, in this Vote with which we are dealing, Class I, Vote 2?

Mr. Benson.] We are not on the Account yet. It is in the Account. We shall be turning to the Account next.

Major Bruce.

314. Then I will defer my question until we come to the Account?—There is nothing in the year 1946-47. We had not got them then. They had only just been appointed.

Lieut.-Colonel Hamilton.

315. I have two points to put to you. The first is that I think the needs of Germany might be considered when you are disposing of periodicals. There is a very great demand there?—I will put that to the Library Committee.

Lieut.-Colonel Hamilton.] My next point is this. The cost of printing Order Papers and such like documents, presumably is borne on the Vote of the Stationery Office, and not on this Vote?

Mr. Benson.] Yes; it does not come on this Vote.

Lieut.-Colonel Hamilton.] The cost of printing Hansard is not on this Vote?

Mr. Benson.] No.

Lieut.-Colonel Hamilton.] I do not know whether it comes within the scope of these proceedings, but I was wondering whether the cost of printing Order Papers, Hansard and the like, ought not to be shown as a House of Commons charge, from the point of view of good accounting. There must be quite a large expenditure on the printing of Order Papers and of all the miscellaneous documents we have. It does not appear here at all. I was wondering whether there ought not to be a book transaction if necessary, between the House of Commons Account and the Stationery Office Account.

Mr. Benson.

316. Have you anything to say on that, Sir Frank?—(Sir Frank Tribe.) I think, as from 1947-48, it should be in the Allied Services, and attached to the Stationery Office Vote. (Sir Eric Bamford.) It is shown now on the House of Commons Vote as an allied service.

317. That is in the Estimates?—It is roughly a quarter of a million pounds. (Sir Gilbert Campion.) In the Estimates, not in the Account.

Mr. Benson.] That is in the year 1947-48. That will come up before us next year.

Lieut.-Colonel Hamilton.] It does strike me that there is room for economy there. Some of the printing seems to me to be unnecessary, particularly the duplication and repetition. I will not continue with that point.

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Sir GILBERT CAMPION, G.C.B.,

[Continued.]

Mr. A. J. MOYES, O.B.E., and Mr. H. A. ST. GEORGE SAUNDERS, M.C.

Mr. Benson.

318. Are there any further questions on paragraphs 10 and 11 of the Report of the Comptroller and Auditor General? Would Members now turn to the Account, which is at page 11? Do "Travelling Expenses" (which is Subhead A. 2) include the Lords' expenses, or are those separate?—They are separate.

Mr. Benson.] I have no further questions on the Account. Has any Member any questions to put on the Account?

Major Bruce.

319. May I now ask my question relating to the research department? It had not started?—(Mr. St. George Saunders.) They were only appointed during that year. Apart from their salaries there is the small cost of the roneo-ing of their reports which is borne on the general Vote that covers all the paper of the building.

320. Is this practice to prepare bibliographies a new policy of the Library?—Yes

321. It is a very excellent one, if I may say so?—It was a new policy for this

Sir Gilbert Campion, Mr. Moyes and Mr. Hilary St. George Saunders withdrew.

VOTE 8.

CIVIL SERVICE COMMISSION.

Sir A. PERCIVAL WATERFIELD, C.B., First Commissioner, Civil Service Commission, called in and examined.

Mr. Benson.

325. Sir Percival, I think this is the first time you have appeared before the Public Accounts Committee as Accounting Officer, is it not?—(Sir A. Percival Waterfield.) Yes, in this chair.

326. You are, however, an old denizen of this room?—I have many very pleasant recollections of afternoons spent here.

327. I should like to ask you one or two questions about the Civil Service Selection Board. That, I think, deals with the recruiting of staff, does it not?—The recruiting of staff of the most important classes of the Civil Service, and the senior branch of the Foreign Service. That is to say, the Administrative Class of the home Service, what we call the Special Departmental Class of the Home Service, and the senior branch of the Foreign Service.

328. How long has this been running?—Since August, 1945. That is to say, since the beginning of the recruitment under reconstruction conditions after the war.

329. What number of recruits do you interview?—We pass through the Civil Service Selection Board at the rate of 48 a week.

330. 2,500 a year?—2,500 a year, if we were working continuously. In fact the rate has been approximately 1,500 a year.

331. What about the quality as compared with pre-war?—I would say that the quality

Library. It is not practised by many others. If it is of interest to the Committee, I may say that bibliographies are taken by, I think, nearly every Government Department now, and they have expressed themselves as very glad to have them.

322. You can give no indication as to the extra cost of these services?—Barring a very small amount for paper and the capital cost of the roneo machine, I do not think it amounts to more than the salaries shown in the salary list.

Mr. Benson.

323. Have you split up your salary list as between the Library proper and the reference section?—No, they are all on the same list.

324. It would be rather difficult to split them, would it not?—Yes, they are all interlocked.

Mr. Benson.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*) Thank you, Sir Gilbert, Mr. Saunders and Mr. Moyes.

is equal to pre-war, but of course, only after candidates recruited have been tested by the Departments for several years shall we know for certain. But such reports as we have received (and we do try to keep a fairly close follow-up with the employer Departments) indicate that Departments are well-satisfied with what we give them.

332. I believe hitherto it has been limited to what are known as reconstruction candidates?—Hitherto, but we are now beginning to recruit through the normal open competition; that is, candidates between the ages of 20½ and 23, and those candidates will be passed through the Civil Service Selection Board if they have opted for what we call Method 2, Method 2 being precisely similar to the reconstruction type of examination. Those who take Method 1, which is similar to the old pre-war type of examination, will not go through the Civil Service Selection Board.

333. Does that mean that when there are no more reconstruction candidates, somebody wishing to go into the Civil Service could opt for Method 2 and go through your Board?—He could opt for Method 2, and so long as the Treasury consent that the Civil Service Selection Board shall continue to operate, he would go through that Board. But the Board is only at present approved until the end of 1948. We hope that the Treasury will agree to our

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[Continued.]

retaining it until the end of 1949, by which time the reconstruction competition will be practically completed. After that, we shall have to think again.

334. You have not yet started thinking again as to whether it will be useful as a permanent institution?—My own personal view is that without doubt it is a very desirable instrument of selection.

335. Can you give, shortly, some indication as to what is your method of selection?—Yes. If it would please the Committee I should like to hand in a paper describing exactly what goes on at Stoke D'Abernon;* but I can here describe it very briefly. Candidates are tested for approximately 2½ days. They go through a variety of tests, some of them with paper and pencil and some in the form of interviews. They are interviewed by three distinct persons, namely, the observer, the psychologist and the Chairman of the Group of Directing Staff which deals with that particular group of candidates. In addition to that they undergo a series of tests as a group. I should explain that the candidates are taken in 24 at a time and are divided into three groups of 8 each. Each group is watched by a Chairman, a psychologist and an observer. The group tests consist of tests which are as nearly as possible analogous to what a candidate might have to pass through in the Civil Service itself. That is to say, they are given a brief describing a given situation. We call it the "Island Story." We imagine an island south of Australia, which is a British possession to which large numbers of Displaced Persons are being sent from Europe, and the problem that the candidates have to wrestle with is how to settle the Displaced Persons amongst the existing population, who are partly of British and partly of Dutch origin, and not very friendly to each other. The candidates are given a brief describing the whole of the situation; the history of the island; its products; its exports and imports; the outlook of the inhabitants, and so forth, and then each of them is given the task of dealing with Displaced Persons in one capacity or another: for Finance, for Transport, for Relief, and so forth. Each of the 8 candidates has to deal with this problem in turn. He takes the Chair of the Committee and he explains his problem and proposes his solution, and they criticise it. In that way we get a general impression of how the man might behave in the Civil Service, in particular as a member of a group. He has to handle his committee. We attach very great importance to this group testing because it is something which you cannot get in the ordinary type of interview.

336. I see that your net costs for the year were just under £4,000. That means

* Paper forwarded to Committee Clerk, not printed.

this scheme costs just over £2 per head?—No, I am afraid that is not the whole story. That is the expense under Subhead D. In addition to that there are the salaries of the Directing Staff and other members of the Staff under Subhead A. The total cost is about £18,000 under Subhead A and then the net charge under Subhead D of about £1,270. That is the net charge after allowing for recoveries of board and lodging from members of the Directing Staff. That recovery comes under Subhead Z.

337. One further question: You have reduced your Civil Service fees lately, I believe?—Yes, we did so on 26th July, 1946, and that is, of course, one of the main causes for the Supplementary Estimate that we presented for the year 1946-47. The fees before the war were calculated according to two principles: first, with the idea of recovering *in toto* approximately the whole of the additional costs to the Commission of recruiting the candidates; and, secondly, in some relation (not very logical relation) to the scale of salary of the class to which the candidate was hoping to be recruited. Those principles clearly could not apply, particularly the first principle, to the reconstruction competition, because the total expenses of the Commission have been so much larger. So we had to scrap those principles, and we decided, after a good deal of discussion, and in agreement with the Treasury, that it was better to come down handsomely; so that we have come down, roughly, from £8 for the most important class competition to £1, and from 12s. 6d. for the humblest to 5s., so the range is now from £1 to 5s.

Mr. Benson.] I have no further questions on the Account. Has any Member of the Committee any questions to ask on the Account?

Sir Frank Sanderson.

338. Upon that point, I am afraid I do not quite understand how these fees are paid by candidates. Are they, in fact, stamps upon an agreement, or does it mean that if one desires to enter the Civil Service he has to pay for it?—They are not stamps upon an agreement. You have to pay for the privilege of competing.

339. In the examination?—Yes.

340. That is quite sufficient information for my purpose.—It is, of course, to prevent frivolous applications.

Major Bruce.

341. In the details of receipts on page 25 there is an item "Agency fees" from which the amount realised was £8,029. Could you tell me what those agency fees include?—Those are mainly recovery from the War Office of the cost of the Forces Preliminary Examination. That is an arrangement which was made by the three Services towards the end of the war with

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[Continued.]

the Universities and other authorities, by which members of the Forces might, in effect, be relieved of part of the burden of Matriculation and of qualifying for various professional bodies.

Mr. Benson.

342. I have one further question to put to you. I think your remarks about fees related mainly to the higher branches. What about the Executive and Clerical Branches?—They all come down. The Executive came down from £4 to 10s.; the Clerical from £2 to 5s., and the Clerical Assistants, the young girls, from 12s. 6d. to 5s.

343. What about your intake there?—The Executive and Clerical Assistants are the only two which are causing me concern; the Executive class, I think, very largely because of the admirable policy of the Ministry of Education of giving more generous opportunities to the good school student to go on to the University. Consequently, the boy or girl of 17½ to 18½ who, before the war, used to come into the Executive class at that age, now goes on to the University and scorns an examina-

tion for the Civil Service because he hopes to take the Administrative class examination when he has completed his University course. The Clerical Assistant is also very disappointing (and the Clerical Assistant class, I should explain, includes the shorthand-typist and the typist). I think the explanation there is that the demand for these young girls by industry is so great that they would rather go into industry, which is only too glad to accept them without any examination and without any fee, than take our examination. We are hoping to meet that by arranging for a much simplified form of recruitment which, in effect, rivals the business recruitment. We shall arrange for girls to be tested locally in a very simple way, and if they reach a satisfactory standard we shall hand them on to the employer Department without more ado. That arrangement will start within a few weeks, and I hope that in that way we shall recruit the numbers we need. Otherwise, recruitment is going satisfactorily.

Mr. Benson.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

Sir A. Percival Waterfield withdrew.

VOTE 9.

EXCHEQUER AND AUDIT DEPARTMENT.

Sir FRANK TRIBE, K.C.B., K.B.E., called in and examined.

Mr. Benson.

344. Sir Frank, what is your staff position? Is the number of your staff increasing or decreasing?—(Sir Frank Tribe.) It has remained pretty static for the last five or six years. The change during the last year was that the proportion of permanent staff increased from about 60 per cent. to about 65 per cent.

345. What would be the effect of the war on the efficiency of your staff and the standard of your new recruitment?—We do very little new recruitment of boys in the ordinary way to the Executive class at the age of 17 and 18, because the few that have come to us have gone straight into the Forces and we have hardly seen them. We have recruited something like 20 to 25 through the reconstruction Executive competitions and the standard there is quite good.

346. What about the future? Are you likely to have to extend the scope of your Audit as the result of the new social legislation that has been passed?—Yes. I am somewhat worried about the position which will occur in the summer of this year, with the new social services. The National Health Service, the Industrial Injury Scheme and the National Assistance Scheme will mean that I shall have to

transfer a number of staff from the audit of the war-time Departments, the Ministry of Supply and Defence Services, to that of the new Social Service Departments.

347. Is the work in those wartime Departments decreasing as rapidly as your new work is likely to increase?—No. We are still very busy with the remanet of wartime work. It may be we shall have to reduce somewhat the standard of audit on that remanet work when the rush of new work begins. It is a constant problem of switching about staff in order to make the best use of the limited number we have.

Mr. Benson.] Are there any questions on this Account?

Sir Frank Sanderson.

348. I have one question with regard to the nationalisation schemes. To take as an illustration the electric supply companies, will each company continue to audit its own accounts, your responsibility being for the whole of the companies under one heading?—No, I shall have no responsibility in regard to nationalised industries.

349. You will have none at all?—No, except in so far as, to take the Coal Board, I shall audit the accounts of the trans-

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[Continued.]

actions between the Consolidated Fund, the Ministry of Fuel and Power and the National Coal Board—the issues from the Exchequer; and I shall be presenting a report to this Committee in a few weeks on that; but I do not have any access to the books, nor do I audit the books, of the nationalised industries themselves.

350. Those will continue to be dealt with in the normal way?—All the Acts, I think, have provided that the Minister shall appoint a firm or firms of accountants to audit the accounts of those undertakings. In the case of the Coal Board, one firm of accountants does the whole of the audit. In the case of the electric supply companies, which you mentioned, the provision in the Act is that the accounts of the Central Authority and of every Area Board are to be audited by auditors appointed annually by the Minister, but I have nothing to do with it.

Major Bruce.

351. To what extent do your staff hold outside qualifications in addition to their own qualifications within the Civil Service itself?—To a very limited extent. I described to the Committee last year the training scheme we have inside the Department. We give our recruits a three-year course of training designed especially to give them that experience and knowledge which are of particular use for the kind of audit we have to carry out, and I think I made so bold last year as to claim that at the end of those three years we regarded them, from our point of view, as equivalent to a lad who had taken articles with a firm of accountants. I should like to tell the Committee this, that in the past our difficulty has been that we have had facilities in London but have rather lacked them in the Provinces. But during the last year we have made arrangements whereby our staff who are out-stationed in the Provinces or in Cairo will be able to take a correspondence course with a firm who are expert in that, and the results, so far, are very satisfactory. But most of our staff do not seek admission to the outside societies. Of course, the chartered accountants would not admit them, anyhow, because they have not served articles with chartered accountants.

VOTE 15.

NATIONAL SAVINGS COMMITTEE.

Mr. E. C. H. JONES, O.B.E., Secretary, National Savings Committee, called in and examined.

Mr. Benson.

357. Mr. Jones, you are answering for the National Savings Committee?—(Mr. Jones.) That is so.

352. You do maintain a close liaison with these outside professional people?—Yes, we have very friendly relations with them and they do admit some of our more senior people who have had years of experience to some of their examinations.

353. In the details of receipts could you say what the figure for audit fees is composed of, the £11,689?—Yes. The system is that, like other Departments, we make no charge to an ordinary Government Department working entirely on Exchequer money for auditing their accounts, but when we undertake the audit of funds or of bodies which operate not entirely on Exchequer money we make an audit charge which is based almost exactly upon the direct cost to us. For instance, the biggest item in that is a charge of £2,950 for auditing the accounts of the Contributory Widows', Orphans' and Old Age Pensions Fund. Similarly, when we undertake work for the Isle of Man or the Crown Agents or the General Lighthouse Fund or the Metropolitan Police, we charge audit fees.

354. Is that work increasing?—No; it is fairly static.

Mr. Cuthbert.

355. May I follow up a question Sir Frank Sanderson asked you? Do I understand that if the accounts of a nationalised industry, such as electricity, coal, etc., are not to be touched by you at all, but are audited by private auditors, that means that they will never appear before the Public Accounts Committee of this House?—No. Under the Standing Orders of the House, this Committee has the power to examine and send for witnesses in regard to any accounts which are presented to Parliament. The accounts of all these nationalised boards, having been passed and certified by the professional accountants, would be presented to Parliament and this Committee will have an opportunity of examining them. But I shall not be able to advise the Committee because I shall not have had access to the books.

356. That is the point. We shall not benefit from your advice as we do in the case of all the other accounts?—That is so.

Mr. Benson.] Are there any further questions on the Account? May I take it the Account is approved? (Agreed.)

358. Will Members turn to paragraph 14 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-1947? With regard to the

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[Continued.]

local committees, Mr. Jones, what check have you on their spending? How can you keep an eye on whether they are extravagant or not?—That is done through the medium of our organising staff, who are spread, rather thinly, but still are spread throughout the country and are in close touch with the affairs of each local savings committee.

359. Have they any say in the expenditure?—If they thought a local savings committee were overstepping the bounds they would report the matter immediately to headquarters.

360. With regard to your advertising, which is one of your major expenses, I believe, you place all the newspaper advertising through certain agents?—Yes.

361. Could you tell me what commission you pay on that?—A discount is obtained from the newspaper proprietors of, I believe, 10 per cent.

362. Who gets the 10 per cent.—the agents?—Yes.

363. What agents do you employ?—We employ six advertising agents.

364. It is rather a large sum then, is it not? What service do they render for that?—They provide all the normal services provided by advertising agents. They suggest various kinds of Press advertising, from which we make a selection. They book space. They have production costs, and so on.

365. That 10 per cent. carries all production costs?—No; there are production costs in addition.

366. So that if you want a sketch or a drawing you bear that cost?—Yes.

367. What is the normal percentage for this kind of work?—I believe that is the normal percentage.

368. Is it normal that, in addition to the costs, there should be production costs on the ordinary advertising?—Yes.

369. So that you get no better terms than any other advertiser?—No. Certainly we get the same terms as other Government advertisers.

370. Are you satisfied you are getting adequate service?—Yes, we get excellent service.

371. Now with regard to films there was an expenditure of £24,000 for films. Who produces your films?—When you ask who "produces" them, it may be a technical term. The arrangement is that we order films from various companies. We have a special officer whose job it is to supervise all the arrangements, and the Publicity Division generally, but particularly the Film Officer, is responsible for suggesting ideas for films, which is, perhaps, the most difficult part of the whole thing.

372. How many different companies produce for you?—I think three different companies have produced our films recently. We are not tied to any particular companies. The companies are selected for their ability to produce the kind of film we want and for being able to undertake the work at the particular time.

373. What basis of payment have you to the film company who does the actual work? How do you pay them?—We pay them direct.

374. I know; but how do you calculate your payment?—It depends on the merits of the particular case: the length of time it takes for shooting the film, the cost of actors, actresses and so forth. In a good many cases, because we are the National Savings Committee, actors and actresses give their services free or at reduced costs.

375. When you show these films, do you get any revenue from them, from the local cinema?—No.

376. Do you have to pay?—Yes. We normally book a hall and show these films to our Savings workers and, occasionally, to members of the general public.

377. You get Film Flashes on the commercial cinemas?—Yes.

378. Do you pay for those?—No, we do not pay for those.

379. Why are you making only a limited use, which is what the Comptroller and Auditor General has said, of the Central Office of Information?—Because we have had our own Publicity Division for a great many years. It has grown up with the Movement. Many of the people employed in the Publicity Division know the National Savings movement quite intimately. For example, the present Director of Publicity joined the organising staff of the National Savings Committee as an Assistant Commissioner about 16 or 17 years ago. The Publicity Division, being situated at our headquarters, is kept in close daily contact with the work of the National Savings movement. We find that our publicity, therefore, and our propaganda grow out of the needs of the movement in a way which we think would not be possible if it were done by some outside body.

380. There is one further question I want to put to you. I am not quite sure whether it is relevant to this Committee. In calculating your net savings you take no account of the redemption of Defence Bonds?—That is so; also we do not take any account of those Defence Bonds which are converted or the money not withdrawn on maturity.

381. No, but you cannot guarantee that all your Defence Bonds are, can you?—No. In this financial year £106 million has been withdrawn through Defence Bonds which

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[Continued.]

have matured, and owners have taken cash rather than convert them into the present series of Defence Bonds. That figure has not been shown in our published Savings figures. Also, as I have said, we do not show the value of the Defence Bonds which have been converted into the present series.

382. The result is that you probably show a better Savings figure than reality warrants?—That is the case. If I may just add to that, our Saving figures are rather complicated; they are especially complicated by the inclusion of Defence Bonds, and also by Service Release Benefits which have been paid into the Post Office Savings Bank. The probable situation at the end of this financial year, estimating for the next week or two, will be that the net saving throughout the year, if you take Savings Certificates, the Post Office Savings Bank and the Trustee Savings Banks only, and omit all reference to Defence Bonds and Service Release Benefits, will be somewhere about £170 million. The net saving will be very nearly equal to the repayments on the Defence Bonds and the withdrawals of the Service Release Benefits. I hope I have made that clear. Our net savings have really equalled, or will have equalled the encashments of Defence Bonds and the withdrawal of sums paid into accounts in the Post Office Savings Bank for gratuities and other Release Benefits.

383. Does that mean that your net savings are really wiped out?—If you include those figures in that way, yes.

384. Have the Treasury any views on this?—(Sir Eric Bamford.) The Treasury view is clearly that we should like to see more savings.

385. That is naturally so. I meant, have the Treasury any views on the accounting method adopted?—In the Exchequer Accounts the true position is shown. The Defence Bonds are shown, the amounts paid, the amounts on conversion, and so on. It is in this computation for the purposes of the target of the National Savings Committee that the arrangement to which Mr. Jones refers was made. I think when it was originally made it was made for a good reason and in good faith. The amounts withdrawn on maturity were regarded as a natural consequence of the ending of the contract between the lender and the borrower. The amounts now have clearly got out of scale and I imagine the position would be open to re-examination if there were a target taken for next year. (Mr. Jones.) May I add that the maturing Defence Bonds will come to an end in August, this year. Then there will be a gap of three years before others mature; so that this situation will not arise again in the immediate future.

Mr. Benson.] I have no further questions on paragraph 14. Has any Member of the Committee any questions to ask?

Sir John Mellor.

386. To what extent are the local committees authorised to incur expense by your National Savings Committee?—They can only incur expense by sanction from our headquarters.

387. Previous sanction?—Previous sanction, yes.

388. That is adhered to in practice, is it?—Yes. In practice, of course, many of the committees have been in operation for a great many years, and they only ask for sanction when new payment is likely to arise.

Sir Frank Sanderson.

389. In the last few lines of paragraph 14 the Comptroller and Auditor General states that the Committee "make only a limited use of the services of the Central Office of Information." Are other expenses incurred by the Central Office of Information in respect to the National Savings movement?—They give us assistance locally, and we co-operate with them, of course, at the centre more particularly in that we are represented on a committee which organises the Government advertising in newspapers.

390. Does any other expenditure fall upon the Exchequer than the amount indicated?—Not through the Central Office of Information.

391. No other expenditure?—No.

392. One further point: You stated during the course of your remarks that the net saving, less the items to which you made reference, was about £170 million?—Yes.

393. Based upon the expenses incurred during the year it would work out at approximately 13s. 4d. per cent. to effect those savings. Have you any means of determining whether the amount collected by virtue of the Savings Committee is in excess of the amount it would be without the expenses of such a Committee and without the expenditure of this £1,200,000?—No, I have no means of judging that. May I refer to the first part of your question? Would it not be fair to assess the expenses of the Committee against the total of new savings brought in, which are coming in at the rate of about £1,000 million a year, which is a very high proportion of the national income?

394. Would you regard that as expedient since the major portion of the savings is effected not by virtue of pressure or duress or by advertising or by a committee, but merely because the money is available for

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[Continued.]

investment? I do not press the point?—It is a matter of opinion. The National Savings Committee does not only advertise. It has organised savings for 30 years and probably has had some effect upon the habits of people.

Major Bruce.

395. Did I understand you to say that in some cases you had to pay for the cinema displays of your films?—Yes; in hiring halls and also hiring equipment to show the films.

396. But where you get facilities to have your films shown in the normal commercial cinema do you get those facilities free?—Yes.

397. You do?—Yes.

398. In some cases you actually get paid for it, do you?—We were paid for showing one film which we produced by the commercial theatres, but that involved giving them the use of that film for a certain period and then it became stale to our own audiences, so we have not repeated that experiment.

399. Do you have to pay anything for the facilities you are given over the B.B.C.?—No, we do not pay for those.

Lieutenant-Colonel Hamilton.

400. Arising out of Sir Frank Sander-son's question, do you have any system, area by area, of comparing your expenses incurred with the net savings made in that area?—We do not compare the savings collected with the expenses in any particular area. We do pay very great attention to relative amounts of savings coming from the different areas throughout the country. We publish figures from time to time in such returns, which are of great use to our local organising staff and to the local Savings Committees.

Mr. Benson.] Are there any further questions on paragraph 14 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts? Will the Members of the Committee turn now to the Account, which is at pages 36 and 37? I have no questions to ask on the Account. Has any Member of the Committee any questions?

Major Bruce.

401. I have one point. In the details of receipts payable to the Exchequer there is an item "Recovery of Sick Pay," £100 18s. 10d. I should like to know what that is. It is a receipt by you. Is it from your staff?—I think it is from members of the staff who have received their normal pay over a period beyond that which is allowed under the regulations for sick pay and some recovery had to be made.

402. You managed to recover it without hardship, did you?—Yes, I think so. If the Committee wishes, may I put in a paper with regard to this particular point?

Mr. Benson.] Do you wish for that, Major Bruce?

Major Bruce.] No, thank you.

Mr. Wadsworth.

403. On Subhead E, "Advertising and other Publicity," I notice that the expenditure was £182,320 less than the amount of the Grant. That brings the thought to one's mind: How do you arrive at the amount of the Grant of £746,000? How is that based? Is it based as the result of the advice of an expert committee?—It is based on the experience of our expenditure under the heading "Advertising and Publicity" in previous years, on what we expect to pay in the ensuing year, and it is a sum which is agreed by the Treasury.

404. What I am trying to get at is, really, the policy behind this advertising. There is a very considerable difference between the Grant and the amount of money spent; a difference of £182,000. I wondered whether, if the total amount of the Grant had been spent, it would have made any difference to the amount of National Savings secured?—Again, that is a matter of opinion, but may I try to answer the question in another way? The saving which occurred occurred for two main reasons. During that particular year we had allocated a sum in our Estimates of £50,000 to be spent in the event of special Savings Weeks being organised, such as those with which you would be familiar during the war. Those weeks were, in fact, not organised, so that sum was saved. The other factor in the economy which was achieved was that there was a great deal more advertising by Government Departments during that year, and the space available in the newspapers had to be allocated amongst them. So that the space we were able to occupy with advertising for National Savings was considerably less than in previous years. Those were the two factors which led to the quite large saving under that Subhead in that year. Whether we should have had more savings if we had not saved that money I could not say. I think probably we should.

405. How did you arrive at the figure of £746,000? Is it done by a specialist committee on the advice of experts on advertising?—Yes, we have the advice of the six advertising agents who are employed by us, and we have a very expert staff at headquarters who have been working in this field for many years. The estimated sum of £746,000 was arrived at from our experience in previous years and what we expected to do in this field during the following year.

16 March, 1948.]

Mr. E. C. H. JONES, O.B.E.

[Continued.]

Mr. Benson.

406. Are there any further questions on the Account?—(Sir Frank Tribe.) May I say, on Major Bruce's point, that I have found out that this recovery of sick pay

was because the officer subsequently got compensation and therefore was able to pay back the money he had received.

[Mr. Benson.] Thank you. May I take it that the Account is approved? (Agreed).

Mr. Jones and Sir Eric Bamford withdrew.

CLASS IV.

VOTE I.

MINISTRY OF EDUCATION.

REPORT AND ACCOUNTS OF THE COLLEGE OF AERONAUTICS FOR THE PERIOD 1st DECEMBER, 1945, to 31st MARCH, 1947.

Sir JOHN P. R. MAUD, K.C.B., C.B.E., Permanent Secretary, Ministry of Education, and Mr. B. L. PEARSON, C.B., D.S.O., M.C., Under Secretary for Finance and Accountant General, called in and examined.

Mr. Benson.

407. Will Members turn to paragraphs 38 and 39 of the Report of the Comptroller and Auditor General? Sir John, you are responsible for the College of Aeronautics?—(Sir John P. R. Maud.) Yes.

408. Could you tell me how many students you have there?—At present, or at the time with which we are dealing?

409. What is the general picture?—The general picture is that there was one intake of students in the autumn of 1946 of between 40 and 50, and another intake in the autumn of 1947 of something like the same number. We therefore have now less than 100 students in residence. It is a two-years' course.

410. The estimate of your 1946-47 expenses was £290,000; your expenses for 1947-48 were estimated at £370,000 and for 1948-49 at £418,000. Your expenses seem to have been increasing rather more rapidly than your students. What does it cost per head to train students?—It is not very easy to give the exact figure at the moment, because the College has not yet run itself in. That is to say, we have not yet reached the time when there is a full complement of students, and we are still engaged in building up the College, which is a very expensive undertaking, though it has proved very much less expensive so far than was recommended in the Fedden Report on which the original scheme was based and which was accepted by the then Government. But it is a very expensive College.

411. What do you regard as your optimum number of students?—At present, I think the Governors would expect to work up to something like 250 full time students, and they also hope to have some short courses, which have not yet been started, for people who would come for from three to six months. That rather depends on the demand from industry for these courses and the capacity of the College to find the staff for conducting them.

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412. So at the present moment it is costing £2,000 to £3,000 per student per annum?—I would not like to agree to any figure.

413. You are in receipt of certain fees, are you not?—Yes. We charge fees of £200 to a person who is resident in the United Kingdom. It is made up of £75 for tuition and £125 for maintenance. For persons who are British subjects but not resident in the United Kingdom we charge £375; and we charge £475 for a person who is not a British subject. That is the scale of fees which at present the Governors are working to.

414. You are fed by a Grant in Aid, which presumes alternative revenue. Have you in view any alternative revenue?—No. I think at present, although there is a certain amount of servicing of aircraft done on the airfield, which forms a part of the College, the Governors are not intending to seek any large amount of revenue from any other source than the fees of the students and the Grant in Aid.

415. Industry is not likely to assist you?—They have not at present made any approach to industry, though I think their hope is that perhaps industries may create scholarships or bursarships at the College.

416. So that it would not be more than mere fees?—I do not think they have anything in view at present of a definite kind. (Mr. Pearson.) May I add this point, that as soon as the College has more room and can take more students from the Dominions and Colonies I understand that the College hope to get some endowments from the Governments of the Dominions, but there is nothing definite yet.

[Mr. Benson.] I have no further questions on paragraphs 38 to 40, or on the Accounts of the College of Aeronautics. Has any Member any questions?

Major Bruce.

417. In the Income and Expenditure Account for the period 1st December, 1945

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16 March, 1948.]

Sir JOHN P. R. MAUD, K.C.B., C.B.E.,
and Mr. B. L. PEARSON, C.B., D.S.O., M.C.

[Continued.]

to 31st March, 1947, there is a figure of £109,039, capital expenditure chargeable to revenue. Could you give any further explanation as to why this large sum should be written off to income for this year?—(Sir John Maud.) Yes, I think I can. As explained in the note at the foot of the page, it was thought at the time this money was spent that the Governors would own the property, and they therefore proceeded on the assumption that it was worth spending their own money, as it were, on it. Their own money is the only money they have, which comes from the Grant in Aid, and it was therefore from the Grant in Aid that they paid that money and they set it out in the Capital Account.

418. Was the expenditure of this money subject to your control?—The College is, in a sense, an autonomous body. The Governors have, under the Trust, the control of expenditure, subject to the fact that they have to submit estimates to us which we submit to the Treasury and, of course, they are all subject to audit thereafter. But we do not have day to day control though we are represented on the Board of Governors.

419. Although I have no doubt it is completely accurate technically, the balance sheet appears to present a wholly artificial position, does it not? You have various assets set down at the side here which, purely because they happen to be covered by Grants in Aid, for which responsibility is accepted by your Ministry, are set out as assets, and purely because this expenditure is said not to be remaining with your Ministry it has been written off entirely against revenue. I take it that is the position?—(Mr. Pearson.) I think the position is that this money represents the cost of works carried out for the College by the Works Department of the Air Ministry, and therefore it cannot be paid for in the same way. It has to be paid out of current revenue. When the Governors discovered that they were not to have full control of the building they had to charge it to current revenue, and that is why it appears in that form.

420. Could you give some explanation of what this expenditure covers?—(Sir John Maud.) Yes. It is partly set out on the Assets side of the balance sheet. I do not know whether Members of the Committee have the report of the Governors in which they give some detail of the adaptations that had to be made? If I might say so, the original idea of the Fedden Report was that a completely new building and ground would have to be acquired for this College at the expense of several millions of pounds. In fact the College has been able to make use of an existing airfield. Therefore, although the expenditure on adaptation has been heavy, it has been nothing like what it would

have been if they had proceeded as the Fedden Report thought they would.

Mr. Benson.

421. Are there any further questions? We pass now to paragraph 40, "Emergency Recruitment and Training of Teachers: England and Wales." I notice that the Government has given local authorities Grants to the extent of 100 per cent. What control have you over the expenditure of these training colleges?—We work very closely with the local authority at all stages, both in the selection of the students and in the selection of the staff, and our inspectors are in constant touch and have been with the colleges from the moment they were thought of. I think I can say we know a good deal about the way in which they are run though we leave as much responsibility as possible for detailed decision to the local authority who, in turn, leaves a large measure of discretion, I think, to the Principal of the college. (Mr. Pearson.) I should like to say that we do also fix the staff of the college and the rates of salary.

422. There is a very considerable sum of money involved—nearly £4 million. You referred to an inspectorate. Have they any financial duties, or any financial qualifications to enable them to undertake financial duties?—I think the answer is that when the colleges wish to incur any expenditure which has not been covered by the general approval of practice they often refer to the inspectors, who refer it to us.

423. That may be so with regard to new expenditure. I was thinking rather of current expenditure. Current and normal expenditure can be either economical or the reverse?—Yes. We have an estimate for each college, and we get an estimate in advance. We get revised estimates of the cost of the college through the year and we can see exactly how the expenditure is going to compare, college with college.

424. You check up the costs of college against college?—Yes.

425. That leads to this question: how many successful students do you pass out, and what, roughly, does the £4 million represent in cost per head?—(Sir John Maud.) If I might not confine myself to the period that is dealt with in this report, I may say we hope that there will be something like 35,000 students passing out into the schools when the scheme is complete, and we estimate that the total cost of the scheme will work out at £550 per student. That is a total expenditure of something like £19,200,000 in all, which, of course, includes capital as well as maintenance. Of that £550 estimated cost per student, £190 is accounted for by maintenance allowances which are different in many important respects from any allowances payable to

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Sir JOHN P. R. MAUD, K.C.B., C.B.E.,
and Mr. B. L. PEARSON, C.B., D.S.O., M.C.

[Continued.]

ordinary students in training as teachers. It goes to the wives and dependents, and various other costs which are rather special. I mention that because the comparable figure for an ordinary student trained for two years in a two-year training college is £450, or a little more, and we ourselves feel that the scheme has been economically worked as well as satisfactorily from other points of view, and that the figure of £550, bearing in mind this very abnormal cost in respect of maintenance allowance of £190 which reduces the figure to £360, compares very well with the £450 in respect of the two-year trained normal teacher.

426. Is that £450 per annum?—No. That is the total expense to rates and taxes for training for two years in a two-year training college.

427. That means £225 is your expenditure per annum?—In one year.

428. Against £360?—It is not quite comparable to half the cost of the two-year student, because we estimate that the training which an emergency trained student gets in one of these emergency colleges represents about two-thirds of the training which a two-year student gets in a two-year college. It is much more intensive and continuous.

429. Does that mean that you have a greater number of teachers and lecturers?—No, very much shorter holidays. In the total figure of £550 we include the estimated expenditure on the part-time follow-up study that succeeds after the student has

gone out into the school from an emergency training college and also the expense of the waiting period before the student is admitted to the college.

430. How long do you think this emergency scheme will last?—We estimate that about $3\frac{1}{2}$ calendar years, on an average about three rounds per college, is the probable, but our plans are rather deliberately flexible at present. That is the best estimate we have recently made.

431. Does the £19 million include any capital expenditure?—Yes, it includes the whole capital expenditure.

432. The purchase of the colleges?—In most cases they have not been purchased. They have been adapted or rented and we hope very much and expect that quite a substantial part of the £19 million will be recovered because we shall be hoping to use the colleges when they cease to be emergency training colleges for some other educational purpose.

433. How much of the £19 million is represented by capital expenditure?—£1.5 million of the £19 million is in respect of money spent on adapting buildings, but not on maintenance.

434. It is rather a euphemistic way to put it to say that you hope to recover much of your £19 million, when all you can recover is £1.5 million?—I agree.

Mr. Benson.] Are there any questions on paragraph 40?

Sir Frank Tribe withdrew.

Mr. F. N. HARBY, C.B.E., Secretary, Exchequer and Audit Department, called in and examined.

Mr. Benson.

435. We pass to paragraph 41, which deals with the United Nations Educational Scientific and Cultural Organisation. I see we pay 14 per cent. of the cost. The only other large contributor is the United States, who pays 44 per cent.?—(Sir John Maud.) Yes.

436. I understand that we have no representative on the Finance Committee. That is rather strange, is it not, in view of the fact that we are the second largest contributor?—We are able to attend all meetings of the Finance Committee if we wish to do so. In fact the Finance Committee has in practice exercised only limited delegated powers from the Executive Board, and all the financial decisions of any importance have come to the Executive Board on which I sit.

437. The contributions were adjusted, and apparently our contribution was adjusted to the extent of 22 per cent. upwards. Did the

other countries make a similar adjustment of their contributions?—I am not sure that I understand the question?

438. Originally, on the basis of the ordinary United Nations contributions, we ought to have paid 11.48 per cent.?—Yes.

439. We are paying 14.07 per cent., which is an upward adjustment of about 22 per cent.?—Yes. Those were all strictly proportionate increases. Speaking from memory, the United States, I think, pays 38.9 per cent. to the U.N.O. body and 44 per cent. to the U.N.E.S.C.O. body.

440. It was strictly a proportionate increase?—With one exception, that the United States' figure was not increased to the full figure which, I think, would have made it 46 per cent., on the special ground that 46 per cent. was too much for any one country to contribute to an international organisation, so that all the countries other than the United States paid very slightly more than they would have

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had to pay if the United States had had a proportionate rise.

441. I see you have paid £4,000 towards the very noble purpose of education and re-habilitation in the Liberated Allied Territories out of a budget of 6 million dollars?—That expenditure was made before U.N.E.S.C.O. existed, at the time when the Preparatory Commission existed in London, and this was a special payment that we brought under this head in respect of various maps that we prepared for distribution in the Liberated Territories, and also one film.

442. Do you think that comes under the heading of "Education and Rehabilitation," or is that the title given to it by the Comptroller and Auditor General?—I think we regarded it as Education and Rehabilitation. (Mr. Pearson): I think the initial name of it was "Ameliorative Measures"—even worse.

443. Could you break down that 7 million dollars (it would perhaps be easier for us if you broke it down in terms of sterling) into expenditure, salaries, accommodation, etc.?—(Sir John Maud): The accounts of U.N.E.S.C.O. are arranged in such a way that it is very difficult to say precisely what is overhead and what is not overhead. Speaking from memory again the salaries part of that accounted for, I think, 2 million dollars out of 6 million dollars. The 950,000 dollars went to the Preparatory Commission, so that the budget for 1947 was around 6 million dollars.

444. Who audits the accounts of U.N.E.S.C.O.?—Price, Waterhouse, again speaking from memory, is the firm.

445. Have they been audited?—Yes, they have, and the accounts in respect of 1947 were submitted to the last General Conference.

446. What was the report of the auditors? Was it satisfactory?—It was not wholly satisfactory. When they first investigated the accounts of the Preparatory Commission which, of course, ceased at the end of 1946, they did find certain expenditures which they thought were improper, and U.N.E.S.C.O. therefore asked them to do a second audit at a later date to see whether they were satisfied then that changes had been made which would prevent a recurrence of the irregularities, and their second report did satisfy the Executive Board and the General Conference.

447. Did it satisfy the auditors?—Yes, it did.

Mr. Benson.] Are there any questions on paragraph 41?

Sir Frank Sanderson.

448. As regards the expenditure of 6,950,000 dollars on the United Nations

Educational Scientific and Cultural Organisation, do you think we get value for money?—Yes, I do. If I may say so, I think we shall get better value for the budget which will be spent in the succeeding year, and I hope better still the year after.

Mr. Benson.

449. Are there any further questions? Will Members turn to the Account, which commences at page 172. The first question I have to ask arises on page 175 "Grants to Local Education Authorities," a figure of £95 million. What is the standard Grant?—What percentage?

450. Yes?—If I might answer in two ways, the percentage worked out overall is 58.2 per cent. in this particular year. That, I think, is shown in the note on page 175. That was the Ministry's Grant as a percentage of the total expenditure, but in the case of each local authority at the time of which we are speaking, the 1938-39 standard figure plus 5 was taken as an interim way of determining how much each authority should get. From 1948-49 onwards a completely new system will be installed.

451. You have a number of Grants which are very much above 58 per cent., have you not?—Yes. What I said last applies to the main Grant; but as well as the main Grant there is the Grant in respect of meals, the Grant in respect of milk, the Grant in respect of what we call residuary war services, which covers the emergency training scheme, for example, and the training college Grant—that is a Grant to the normal training colleges—and also an additional Grant to certain poorer areas.

452. What is the percentage of the training college Grant?—(Mr. Pearson.) May I explain what happens to the training college Grant is that we take all the expenditure of local education authorities on the training colleges. We pay 100 per cent. Grant on it and then we deduct from the Grant to each local education authority the amount that should fall upon the rates at the main Grant rates. The object of this is to spread the expenditure of the training of teachers amongst all local education authorities.

453. Approximately what does it amount to as a percentage?—It will amount to the same, on the average, as the main Grant. Whatever is the main Grant percentage for the authority is the Grant that the authority receives, and on the average it will amount to about 55 per cent.

454. With regard to meals, milk, and residuary war services, they are 100 per cent.?—(Sir John Maud.) At the time of which we are speaking (we have changed it since) the meals grant was in two parts. It was

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[Continued.]

100 per cent. on capital expenditure and a varying percentage, between 70 per cent. and 95 per cent. on maintenance.

455. What is it to be in future?—In future it is a Unit Grant. In the case of each authority we agree with them a reasonable figure per unit meal served and we pay that to them. If they wish to spend more they spend it themselves out of their rates.

456. And if they spend less?—We do not pay more than that amount.

457. You have had to rely almost entirely on the local authorities for economy in the past. You have no method of checking?—In respect of meals, or in general?

458. Over any form of expenditure?—There are many ways in which we attempt to ensure, without infringing their own sense of responsibility, that they do their business as economically as possible, not only through the inspectorate which is in touch with them from day to day, and acts as our eyes and ears, but also through the various reports which they make to us and the plans which they submit before undertaking a service and which we approve in a very large number of cases.

459. Your inspectorate is concerned mainly with the efficiency of education and not the economical administration of it?—It is quite true that they are not financial experts, and their primary concern is with the goodness of the education, but that does not exhaust their responsibility or their use to us, and we do, for example, when plans are prepared, invariably get our inspector's views on them before we take our own decision.—(Mr. Pearson.) If I may add to that, we have control over the number of teachers employed, and the salaries have to be in accordance with the Burnham scales; and, of course, the expenditure on teachers' salaries is the main item in the authority's budget. We also control building costs through the approval of plans and the submission of estimates of cost. If a building is too expensive, we want to know why.

460. You have no regional financial organisation of any kind?—(Sir John Maud.) No. We have Regional Priority Officers now, but they are not financial officers.

461. Have you ever considered having Regional Finance Officers?—Yes, we have. In fact, the whole question of how we should regionalise our work is exercising us at the moment.

462. On page 177, Item (8) "Further Education and Training Scheme" is, I believe, the training of Service personnel on coming out of the Forces?—Yes, on coming from both the Services and other forms of full-time national service.

463. Your "Less Supplementary" was two and a half times your original figure. That did not seem to be very bright estimating?—No. We were, frankly, quite in the dark at the time. The original estimate was framed by guessing the number of persons who would prove worthy of these awards. Fifty-four thousand awards have been made, of which I think 45,000 are current now, and that is more than twice as many as immediately after the last war.

464. I believe for this year your Estimate is more than double your expenditure in the year under discussion. In 1948-49 your Estimate is somewhere in the neighbourhood of £11 million to £12 million. It is mounting very heavily. How long do you expect this to run?—We shall go on paying so long as any person who has received an award is still at the Institution, University or the College.

465. When is it likely to start tailing off materially?—I should have said that the whole scheme will be finished in 1951. (Mr. Pearson.) There is the point that men who are called up after 30th September next for National Service will not be eligible for benefit under the scheme and that will put a *terminus ad quem* for new applicants from the men. The women ceased to be eligible who were called up roughly after VJ Day.

466. What percentage of University seats are you occupying by this scheme?—(Sir John Maud.) A very rough estimate would be 60 per cent. or 70 per cent., but I have no right to say that is exact.

467. That is near enough. What happens when you stop? Will the University suddenly find an enormous drop in their intake of students?—I think not. They certainly do not themselves expect it.

468. They are not perturbed at the effect on their organisation of this scheme running out?—No, because, frankly, the persons who are at the University thanks to these awards are, in effect, keeping out other people who would like to be at the University. In effect we are working through the people who would have been at the Universities during the war.

469. On page 179, "Pensions for Teachers": when was the last actuarial review?—In 1935, in respect of the year 1933.

470. Since when, I believe, pensions have been increased. What is the present position of your Fund actuarially? Is it sound?—We do not know, because we have no evidence since the actuarial inquiry of 1935. We are hoping to have the material as at 31st March, 1948, for the next actuarial inquiry.

471. What will that mean, assuming you are not solvent as would seem probable in

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[Continued.]

view of the fact that you have increased your pensions and your basis is so out-of-date? Will it mean an increase in the contributions?—That would be the only way under the Act.

Mr. Benson.] I have no further questions on the Account. Has any Member of the Committee any questions?

Sir Frank Sanderson.

472. On page 175 the estimated amount of Grants under the General Education Grant Regulations is £95,600,000 and the expenditure is £95,800,000. It is quite unique, in my view, that you should be able to estimate the expenditure within a quarter of 1 per cent. Is that due to the ingenuity of the method of arriving at the Estimate, or is it due to the ingenuity in arriving at a method of expending the money?—It is partly due to the fact that we had a Supplementary Estimate.

473. One further small point. On page 176, No. (5) is "Secondary Schools," an Estimate of £2,062,000, and an expenditure of £1,627,000. Is there any special significance in the fact that the saving is nearly 25 per cent. of the amount of the Estimate?—No. I think there is no special significance. It does not represent any change in policy. It simply means that in fact the direct Grant Grammar Schools which are in question here did not claim as much as we thought they would claim, partly because more places were taken up by the local education authorities than they had estimated, and in that case the local education authority would pay instead of us.

Mr. Benson.

474. There is one further question I should like to ask you, and that is on the form of your Accounts. They are rather formidable. They naturally must be

long and detailed in the Estimates. Would it be possible to reduce the size of the Appropriation Accounts?—I am not quite sure that I follow the question. Would a reduction in the notes meet your point in any way, or what is the arrangement you have in mind?

Mr. Benson.] It is a matter you might discuss with the Treasury and the Comptroller and Auditor General. They seem very elaborate. Perhaps you would look into that. I think the Committee would be willing to consider any application that might be put forward.

Major Bruce.] I was about to say, if you will permit me to do so, how much I did appreciate the extra effort that has been expended here in order to explain these figures. One does find that with just bleak figures in an account one does not always understand it too well. For my own part, speaking only for myself, I should like to record my appreciation of the endeavour that has been made to provide explanatory data.

Mr. Benson.

475. On page 184 there is something that appears year after year, "Trust Funds administered by the Ministry of Education", in great detail. I do not know whether that is very usual. I assume various other Departments have trust funds?—These are, of course, all, I think I am right in saying, Victoria and Albert Museums or Science Museum Trust Funds. They are not administered in the direct sense by the Department but by the museums concerned.

Mr. Benson.] If you can simplify your Accounts, perhaps you will discuss the matter with the Comptroller and Auditor General and the Treasury. Are there any further questions on the Account? May I take it the Account is approved? (Agreed).

Sir John Maud and Mr. Pearson withdrew.

HOUSE OF COMMONS MEMBERS' FUND ACCOUNTS, 1946-47.

Mr. Benson.] Has any Member any questions on this Account?

Sir Frank Sanderson.

476. Can we be told who is responsible for choosing the investments for the Fund?—(Mr. Harby.) The Public Trustee advises on them.

The point really in my mind is that I observe that all the investments which have been made are short-term investments upon which a premium on the redemption price has been paid. It is rather significant that from a national point of view we

invite the public to invest in long-term securities which show a loss. In other words, I think the House of Commons Funds appear to be very much better managed than the securities offered to the general public.

Mr. Benson.] Are there any further questions on this Account. May I take it the Account is approved? (Agreed). I may say, for the benefit of new Members, that it is usual, if a Member wants to raise anything on the Accounts without Witness, to advise the Treasury that he proposes to do so and it gives them an opportunity to prepare an answer.

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS I.

VOTE 1.

HOUSE OF LORDS OFFICES.

VOTE 1A.

HOUSE OF LORDS.

(On these Accounts no questions were asked.)

VOTE 4A.

MINISTRY OF DEFENCE.

Mr. Benson.] Are there any questions on this Account?

Major Bruce.] The anticipated expenditure on the purchase of equipment for the Joint Intelligence Bureau did not materialise during the year. Have we any information about that, at all?

Mr. Benson.] Which Subhead is that?

Major Bruce.] This is under the explanation of the causes of variation between Expenditure and Grant. It is under Subhead B.

Mr. Benson.

477. I do not know whether Mr. Harby can answer that point?—(Mr. Harby.) No, I am afraid I do not know. (Mr. Jones.) I think it includes provision for certain cipher machines. Whether the saving arose in respect of these machines or not I am not quite sure, but I think that is the equipment referred to in the provision under the Subhead.

Mr. Benson.] Are there any further questions? May I take it the Account is approved? *(Agreed.)*

VOTE 5.

PRIVY COUNCIL OFFICE.

(On this Account no questions were asked.)

CINEMATOGRAPH FUND ACCOUNT, 1946-47.

(On this Account no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS I.

VOTE 7.

CHARITY COMMISSION.

VOTE 10.

GOVERNMENT ACTUARY.

VOTE 11.

GOVERNMENT CHEMIST.

VOTE 13.

THE MINT.

VOTE 14.

NATIONAL DEBT OFFICE.

(On these Accounts no questions were asked.)

LOCAL LOANS FUND ACCOUNTS, 1946-47.

(On these Accounts no questions were asked.)

SINKING FUNDS, 1946-47.

(On this Account no questions were asked.)

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Mr. F. N. HARBY, C.B.E.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS I.

VOTE 16.

OVERLAPPING INCOME TAX PAYMENTS.

Mr. Benson.

478. Does this appear each year?—(Mr. Jones.) I think it will have to do so until the liability to make good the payments that were offered by the Chancellor of the Exchequer to these persons who benefited under this arrangement fall due. They will only fall due when these persons pass out of Government employment and

take on an outside engagement subject to P.A.Y.E.

479. That may be 30 or 40 years hence?—That seems a long time, but they may go on for a considerable period.

Mr. Benson.] Are there any further questions on this Account? May I take it that the Account is approved? (*Agreed*).

VOTE 17.

PUBLIC RECORD OFFICE.

VOTE 18.

PUBLIC WORKS LOAN COMMISSION.

VOTE 22.

TITHE REDEMPTION COMMISSION.

VOTE 25.

SCOTTISH HOME DEPARTMENT.

(*On these Accounts no questions were asked.*)

The witnesses withdrew.

Adjourned till Thursday next at 3.45 p.m.

THURSDAY, 18TH MARCH, 1948

Members present:

MR. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Colonel Alan Dower.

Lieut.-Colonel Hamilton.
Mr. McAdam.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS II.

VOTE 15.

IMPERIAL WAR GRAVES COMMISSION.

(*28th Annual Report of the Imperial War Graves Commission.*)

Mr. FREDERICK SILLAR, C.B.E., Assistant Secretary (Finance) and Secretary, Finance Committee, Imperial War Graves Commission, called in and examined.

Chairman.

480. Mr. Sillar, you appear in place of Sir Fabian Ware who, I believe, is indisposed, is he not?—(Mr. Sillar.) Yes.

481. To give evidence regarding the War Graves Commission. Would you turn to paragraph 34 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-47? The Endowment Fund mentioned in the last

sentence of the first sub-paragraph of that paragraph is intended, is it not, to provide sufficient income to maintain the graves of the 1914-18 war?—It was, yes.

482. It was so intended?—Yes.

483. During the year under review the expenditure on 1914-18 war graves exceeded the income of the Endowment Fund very considerably?—Yes, it did.

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Mr. FREDERICK SILLAR, C.B.E.

[Continued.]

484. The income received from the Endowment Fund was £204,000 and the net expenditure was £347,000?—Yes.

485. Can you explain that to the Committee?—We had made savings during the war. When so much of Europe was under enemy occupation we could not ourselves maintain the graves, and during the war years we accumulated about £500,000 which is now being used to supplement income to meet the additional expenditure on the 1914-18 graves.

486. You are, in fact, overtaking arrears of work due to neglect during the war years. Is that right?—That does not quite explain the additional expenditure, though it does in part. It is rather more due to the fact that expenses have naturally increased.

487. Do you anticipate that when you get back to normal maintenance the income of the Endowment Fund will be sufficient to meet the ordinary expenditure?—No, we are sure it will not be. In perhaps two years' time we shall have to ask Parliaments to vote more money to enable us to meet those expenses.

488. At what sort of figure do you estimate the gap is going to be in a normal year?—In the neighbourhood of £150,000 or £200,000.

489. In the second subparagraph of paragraph 34 the Comptroller and Auditor General refers to the Commission's expenditure on the graves of the 1939-45 War. The expenditure was £257,000, of which £209,000, or 81 per cent., is provisionally assessed as the United Kingdom share. That figure of 81.53 per cent. is the same figure, is it not, as that agreed in regard to the 1914-18 War graves?—Yes.

(Mr. Sillar withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS IV.

VOTE 12.

BROADCASTING.

(British Broadcasting Corporation Accounts.)

Sir RAYMOND BIRCHALL, K.C.B., K.B.E., Director-General of the Post Office, and Sir WILLIAM HALEY, K.C.M.G., Director-General of the British Broadcasting Corporation, called in and examined.

Chairman.

495. Sir Raymond, you appear on behalf of the Post Office?—(Sir Raymond Birchall.) Yes.

496. And you are accompanied by Sir William Haley, who is Director-General of the B.B.C.?—That is so.

497. Will Members turn to paragraphs 43 to 46 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-47? Sir Raymond, I dare say you will be able to answer

490. Are negotiations proceeding in regard to what the shares should be between the Dominions for the 1939-45 War?—Not yet. We are awaiting the exact figures of the graves and their allocation between the various Governments before we can make a suggestion. I hope we are getting very near that time now.

491. Is the 81½ per cent. based upon the number of graves to be maintained?—Yes, it is.

492. Therefore, you have to ascertain the number of graves to be maintained by the various Dominions and the United Kingdom in regard to the late war?—Yes.

493. The actual expenditure on these graves was considerably below the amount of Grant in the year under review, was it not?—Yes, it was.

494. Can you tell the Committee why that is?—It is really due to the great difficulties we are experiencing in placing contracts and obtaining labour to carry out the work in countries abroad. Construction is not proceeding as fast as we had anticipated.

Chairman.] Has any Member of the Committee any questions to ask on paragraph 34 of the report of the Comptroller and Auditor General? The Account is at page 108. We have also before us the Annual Report of the Imperial War Graves Commission, which has been circulated, in which there are some beautiful photographs. I have no questions either on the Account or on the Annual Report. Has any Member of the Committee any questions on the Report or on the Account? May I take it the Account is approved? (Agreed.)

many of the questions, but any that concern the administration of the B.B.C. itself no doubt you will prefer Sir William Haley to answer?—Yes.

498. Looking at paragraph 43, in the third sub-paragraph, the Comptroller and Auditor General tells us: "As from 1st January, 1947, a new Royal Charter was granted to the Corporation and a new Licence and Agreement concluded, for a period of five years. The Agreement provides for the issue to the Corporation, for the operation of the Home and Television

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[Continued.]

services, during the first three years and three months of its currency of a sum equal to 85 per cent. of the net licence revenue” Stopping there, Sir Raymond, I understand that the Post Office deduct 6 per cent., do they not, for the cost of collecting the licence duties?—Yes, the figure is 6 per cent. at present. That covers, of course, more than just the collection of licence duties. It covers all the work the Post Office does in relation to the B.B.C. There is a good deal of engineering work in dealing with all these problems of interference, and so on. So it is not just a question of collection of the licence revenue.

499. There are also those vans which you had in the war, which are supposed to detect the existence of wireless sets, so that you are able to catch those people who are listening in without having taken out a licence?—Yes, it is all part of the engineering arrangements for detecting interference and for detecting users who are not licensed.

500. That is borne on the Post Office Vote?—Yes, that comes out of the 6 per cent. that the Post Office take.

501. So that what the B.B.C. have to spend on these services is 85 per cent. out of the 94 per cent. remaining after you have taken your 6 per cent.?—That is so.

502. The Comptroller and Auditor General goes on to say that the Agreement further provides “for the payment, in respect of the Overseas services and other services performed at the request of Government Departments, of such sums as the Treasury shall authorise out of moneys appropriated by Parliament for the purpose.” Perhaps Sir William can best answer this question. I should like to know how the overheads, which are common to both services—that is to say, the Home service and the Foreign service—are allocated for the purposes of arriving at the amount to be granted by the Government?—(Sir William Haley.) First of all, the basis of the Grant in Aid is that it is definable additional cost. In other words, it is taken that the primary purpose of the B.B.C. is to provide a service for Home listeners and, therefore, anything which is there for Home listeners in any case is not charged to the Overseas services. Anything which is there separately or additionally because of the Overseas services is charged to the Grant-in-Aid. With regard to what we call the common services, there are certain services which, while they are not there definitely and solely because of the Overseas services are expanded for that reason, and in that case there is an Apportionment Committee, consisting of the Post Office, the Treasury and the B.B.C., who go through it item by item and apportion it on the basis of data and statistics supplied as to user.

503. Would you mind turning, Sir William, to the Annual Report and Accounts of the B.B.C. (this is one of the papers circulated) for the year 1946-47? If we look at the last page, page 47, we see a statement of revenue expenditure which covers the first three months only of the new Charter. That is right, is it not?—Yes, that is when the new basis came in.

504. We see there set out in separate columns the amount expended on Home and Television services and Overseas services respectively. What, approximately, does the sum available out of the licence revenue in a year amount to for expenditure by the B.B.C.?—I should have to work it out. (Sir Raymond Birchall.) You have it shown for the three months ended the 31st March, for the Grant-in-Aid. (Sir William Haley.) And you would not arrive at the right answer if you multiplied by four. (Sir Raymond Birchall.) The March quarter is rather a heavy quarter. It is more than a quarter of the licence fees, but the total of licence fees expected in the year, roughly, is about £11 million. The licence fee is £1 now, so that you have to take your 85 per cent. of 94 per cent. of that £11 million.

505. The Grant in Aid for the year under review was somewhere about £7,500,000, was it not?—(Sir William Haley.) That covered both services because, up till then, it was under the old Charter, and therefore it was financing both overseas and internal broadcasting. (Sir Raymond Birchall.) The Grant in Aid for the year would be somewhere between £4 million and £5 million for the Overseas services. You have just over a quarter of it; rather over £1 million here.

506. Approximately two-thirds is on the Home service and one-third on the Overseas service. Is that right?—(Sir William Haley.) That is very roughly right.

507. Looking at your statement of revenue expenditure for these three months, can you tell me why salaries and wages for the Home and Television services should be £233,000, whereas for the Overseas services the figure is £277,000?—That is largely owing to the difference in the nature of the Home broadcasting and the Overseas broadcasting. At home, of course, we are producing programmes, a great many of which we get from the community outside ourselves, so we are paying money to people who are not on the staff. Overseas broadcasting is a matter in which there is a very great deal of talking and it is largely a staff matter. It is a completely different kind of broadcasting. Very often you have to have your writers, your broadcasters and your experts all on the staff. Further, of course, there is also the language question. One cannot get Bulgarians and other people at will, and therefore one has a larger staff to

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[Continued.]

deal with all these things than one has on the Home side.

508. I want to put a question about what is called the Monitoring service. If you will turn to page 25 of your report you will see it states: "A decision was reached to continue the Monitoring service in the post-war years for the benefit of various Departments of His Majesty's Government and of the Home, Overseas and Foreign News services of the B.B.C. Broadcasts from all parts of the world were monitored in the following languages" and then there is a list of about 16 or 17 languages. Does the cost of that service appear in the statement of expenditure at which we have just been looking under "Salaries and Wages"?—Yes, it would do so.

509. That must, surely, be a very expensive service, must it not?—Yes; it is of a fair size.

510. You have to have expert linguists on for 24 hours a day, I suppose?—Yes, in many cases.

511. Listening to services from all parts of the world?—Yes.

512. Is that done at the request of the Government?—Entirely at the request of the Government, and at their specification. We supply to whichever Department they ask us to supply.

513. As regards your Overseas broadcasts and, particularly, the European service, mentioned on page 25, have you any means whatever of ascertaining whether they are listened to?—It varies from country to country, and it varies very much as conditions in those countries alter. We have evidence that they are listened to. Very roughly, the further east you go, the more they are listened to in ratio. Also, there is some evidence that as countries do lose their freedom, and so on, listening to the B.B.C. does increase. Of course, we have no scientific means of assessing this, because, obviously, in those particular countries we have no means of telling, but we judge by what correspondence we get and from what people tell us who come back from those countries. There are different means of telling. We would say that the listening in Europe is appreciably high; higher than we would have expected.

514. Let me get this quite clear. Does the £5 million a year, approximately, which is spent on Overseas broadcasting, include broadcasts to the Dominions in English?—It includes all broadcasting outside this country, including monitoring. It is not £5 million. It is £4,400,000 to be exact. It includes everything, including monitoring.—(Sir Raymond Birchall.) In the old days the Empire services were carried out of the licence fee, but they were transferred to the Grant in Aid as from the 1st January, 1947.

515. What type of stuff do you send to those countries beyond the Iron Curtain?

Is it mainly factual news?—(Sir William Haley.) It divides itself, roughly, into three kinds of matter. First, and most important of all, is news—world news; secondly, talks, mostly on current affairs but, in many cases, on Art, Culture and things like that; and, thirdly, what we call the projection of Britain, which is material definitely designed to say what this country is doing and thinking in all the different fields.

516. One other question on the subject. Does the Treasury exercise direct control over the expenditure upon the Foreign and Overseas services?—Within limits of delegated power, yes.

517. You are given a Grant in Aid for that purpose, are you not?—We are given a Grant in Aid, which is arrived at by a working party. There is a working party composed of the Foreign Office, the Post Office, the War Office, the Commonwealth Relations Office, the Colonial Office and the Treasury, and we submit to them estimates of revenue and capital expenditure, with justifications and explanations, and they say whether they are in agreement with the programme, and it is approved or adjusted. We attend that working party. We are not a member of it. We attend it and supply all the material.

518. What happens if you do not spend the whole of your Grant in Aid on the Foreign services? Do you surrender the balance?—Normally, yes. If not, it would be treated as a carry forward, but normally we would surrender it unless there were special reasons for not doing so.—(Sir Raymond Birchall.) It is taken into account in judging the next Grant in Aid.

519. I think we had better take all four paragraphs of the report of the Comptroller and Auditor General together. Sir Raymond, you can answer this question on paragraph 45. In that paragraph the Comptroller and Auditor General tells us: "The terms of a final settlement of the Corporation's financial position at the termination, on 31 December, 1946, of the war-time grant in aid arrangements were agreed in September, 1947." There has been a final settlement of that matter, has there not?—Yes. I think the figures have been agreed now.—(Sir William Haley.) Yes. (Sir Raymond Birchall.) The accounts will need some adjustment.

520. In paragraph 46 the Comptroller and Auditor General tells us: "As from 1 June, 1946, the annual charge for licences for the reception of sound programmes only was raised from 10s. to £1 and a new licence was introduced covering the reception of television and sound programmes for domestic use at an annual charge of £2." Is that charge for the television licence in any way related to the cost of the Television service?—No. It is really an attempt to build up separate television revenue. But television, of course, is a service which is

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very expensive in the early years, and if you were to attempt to put on a licence fee to cover costs in the early years it would simply kill the service. It would make it prohibitive. Two pounds was really about what we thought the public would stand, in starting the new service. It had no relation to any estimate, really, of the cost of the service itself.

521. How many people are paying this £2?—The last figure I saw was 39,000, but at present, of course, the service is restricted to the London area. (Sir William Haley.) But even more (if I may add to that answer) it is restricted to the number of sets the manufacturers can build.

522. Can you give us a figure for the cost of the Television service?—The figure in these Accounts?

523. At the present time?—I take it it would be the figure on these Accounts?

524. Yes?—The figure on these Accounts was approximately £508,000.

525. For a full year?—For the full year of these Accounts.

Chairman.] I should be obliged if Members now would ask any questions they want to ask on those four paragraphs in the report of the Comptroller and Auditor General and on the related Report and Accounts of the British Broadcasting Corporation, which have been circulated.

Colonel Alan Dower.

526. There are two questions I would like to ask Sir William. Firstly, in the general practice of acquiring additional stations you requisition land, I presume, for those stations. I am thinking, in particular, of Skelton, in Cumberland, where you have an additional station, I think, have you not?—Yes.

527. You requisition land but you do not acquire it. I was wondering if that is not a rather expensive way from the taxpayers' point of view. Is it not possible to know whether you want to acquire that land permanently or not?—I would not like to answer specifically on the case of Skelton because I have not briefed myself on that. In general, of course, during the war land for these Overseas stations was requisitioned by the Government for us. We, as a Corporation, of course, have no requisitioning powers. It was requisitioned by the Government for us. Where it has become abundantly clear that the station will go on, and where there is a general Treasury approval (because this is Grant in Aid money and the Treasury decide) we have, in one or two cases, applied to the Treasury for permission to acquire the land. I would agree with you, Sir, that as a general proposition it would be best.

528. It would be desirable?—It would be desirable provided the Government are certain enough that they are going to want to keep that transmitter there.

529. The only other question I would like to ask you is this. I presume it is very difficult for you to know exactly how much land you will require?—Do you mean on a particular station or in all?

530. I am thinking of one or two instances where it has been brought to my notice that a considerable amount of land was requisitioned (presumably you asked for it to be requisitioned) and then afterwards it was found that nowhere near that amount of land was required?—I think it is perfectly true to say that, naturally, we do play for safety, because if we are asked to build a certain kind of station there it may very well be that later we would wish to have a bigger station or to increase the power, or have a higher mast (and your land must always cover the falling range of your mast) and if you have bought only so much land and you find later on that you ought to have more you are in a fix. Therefore, we do tend, I suppose, to be rather generous.

531. At the same time, would you bear in mind that where it is agricultural land that land deteriorates and a considerable financial loss is incurred if too generous and unnecessary a requisition is carried on?—We do bear that in mind. In the case of almost every transmitting station we come to some arrangement if we can with the farmer to let him have grazing rights on whatever land there is, and from the point of view of sheer economy and not spending money we should always divest ourselves of any land which we were quite sure we were not going to need.

532. You said you do come to arrangement with farmers. Does that mean you sublet to farmers, or do you hand it back to the Ministry of Works for them to sublet?—I think, generally, the arrangement is made to allow them grazing rights at a very nominal figure.

533. Can you sublet, in fact? Have you power to sublet?—Under a requisition? No, I should think not; but it has never come to my notice and I do not believe we do so. No instance comes to my mind where we have sublet.

Colonel Alan Dower.] If I might very humbly suggest it, I would look into what happened at Skelton.

Mr. McAdam.

534. On paragraph 46: "Increase of Licence Fees," could you tell us whether the increase from the 10s. to the £1 has had any effect in respect to the licences that have been taken out since that increase was imposed?—On the whole they have gone up by about 1 million. (Sir

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[Continued.]

Raymond Birchall.) Yes—it is rather curious. Before the increase in the licence [see the general feeling was that we were tending towards saturation, judging by the number of houses in proportion to licences, but in spite of the increase in the fee there has been a continuous increase in licences, if anything, at a more rapid rate, so I do not think it has had the slightest effect in stopping listeners from taking out licences.

Mr. McAdam.] Then, again, on the report dealing with current affairs. From what source do you take your broadcasts to European stations?

Chairman.] Which programmes are you speaking of?

Mr. McAdam.] I am speaking on the general report we have in front of us, arising out of the questions you were putting in respect to broadcasts abroad.

Chairman.] You are speaking of broadcasts abroad?

Mr. McAdam.

535. Yes?—(Sir *William Haley.*) I do not quite understand the question. From what source do we get the people who are on the staff?

536. Yes, who give the broadcasts on current affairs abroad. From what source do you get your broadcasters? Are they all members of your staff or are they taken from any outside sources?—I would say in the majority of cases they are members of the staff, but we also do have speakers from outside sources as much as we possibly can. But of course the number of people who can talk Bulgarian and Greek and have a knowledge of current affairs is limited.

537. That is the reason I put the question. I know, as far as broadcasting to foreign countries is concerned, you require people who know the language, and I know you have difficulty as far as that is concerned, but do you give an opportunity to foreign nationals, through the B.B.C., to broadcast on foreign affairs?—To broadcast in this country to this country?

538. Yes?—There is nothing against our doing it, and we have on occasion done it, certainly. We do not do it as a regular practice, but we have done it. I can remember some talks given by a distinguished French journalist on current affairs in France some time ago.

Mr. Benson.

539. With regard to television, does the £508,000 which you estimate as the cost of the service include anything for overheads?—Yes, it does.

540. Does it include a percentage for the cost of the premises and the like?—Yes. The television services bear the total cost of their own premises. From that point of

view, of course, it is a fairly easy service to deal with because it is at Alexandra Palace. It is separate from Broadcasting House.

541. Have you any idea of the rate of increase of your licences?—For television?

542. Yes?—I would say it is limited entirely to the rate of manufacture of sets at the moment. At present the manufacturers are turning out about 3,000 sets a month. That is the last figure I saw. They are all the time hoping to break the bottleneck and increase that very rapidly. They are held up for, I believe, glass for cathode ray tubes, which is the main thing. The increase for quite an appreciable time to come in the number of television licences will run quite true, as a curve, to the increase in sets.

543. You are contemplating giving a service in the Midlands?—At Sutton Coldfield, for the Birmingham area.

544. What additional cost will that involve you in, per annum?—I have not that figure with me at the moment. (Sir *Raymond Birchall.*) It will not be proportional because the whole of the programme will be taken from London. It is a matter of relaying that programme to Birmingham and then distributing it. The bulk of the costs are programme costs, of course.

545. You have a co-axial cable, or something of that sort, have you not?—The Post Office is providing both co-axial cable and also radio relays. We do not know yet, until we have tried them, which will be the more suitable means of distribution.

546. Will the Post Office have to lay a special cable, or will the existing cable carry your band?—It does mean laying a special cable for two reasons. The existing cable is fully in use for telephone purposes and, apart from that, we are a bit doubtful whether the existing cable, which was laid a number of years ago, would prove satisfactory for television purposes under modern conditions. So the new cable we are actually laying at the moment has been designed specially from the point of view of not only the present standard of television but of being able to carry the further target which we are aiming at. It will be used for telephone purposes as well. You get a joint user of the cable.

547. If your licensees are limited by the output of the manufacturers, and all their sets are being absorbed at the moment, the additional service will be a dead loss to you?—No, because, quite apart from television, we should be laying cable for telephone purposes and we shall be taking that into immediate use for revenue purposes; but of course, when we provide a cable from London to Birmingham, Manchester, and so on, we provide for 15 or 20 years ahead. So that the

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[Continued.]

fact that part of it is not brought into use for 15 or 20 years would not worry us.

548. With regard to foreign broadcasts I understood you to say that you get great response as you go further east?—(Sir William Haley.) Yes, very roughly speaking.

549. What type of response is it? Is it critical?—It is favourable. It is overwhelmingly friendly. We have a service called "English by Radio" which some Members of the Committee may know. That has a very large audience, and we get a very great deal of correspondence in connection with it. That is all quite friendly and favourable.

550. I understand that you have a regular correspondence with French peasants on the subject of how to cure their cows?—It is quite possible, but I did not know it.

Lieut.-Colonel Hamilton.

551. Is the position satisfactory now with regard to the allotment of wavelengths?—It is far from satisfactory. (Sir Raymond Birchall.) The position there is under consideration by international conferences at present. There was a preliminary conference last summer which took four or five months at Atlantic City, at which a general framework was drawn up. Since then there has been a further conference at Brussels to produce a plan for Europe. The Atlantic City conference decided the broad use of wavelengths between different types of services, aeroplanes, shipping, broadcasting, point to point working and so on. Then you have to get down to allocating those bands to particular areas. I think next July there is to be a conference in Copenhagen, to determine broadcasting waves for Europe, to determine the allocation to the different countries. It is extremely difficult now. Like most of these international conferences it is not easy to get agreement, and we are not too hopeful of being able to do anything beyond, perhaps, maintaining the *status quo*.

Major Bruce.

552. Your existing wavelengths are not sufficient?—They are not sufficient.

553. You were the pioneers in this matter?—That is true. That is one of the sound arguments, of course, for retaining our existing wavelengths. The whole of the fight is that, as broadcasting has grown, other nations have wanted to get a bigger share in it and they are apt to point to the fact that we have, in their eyes, more than a justifiable share, based on population or any other argument one can produce. It is mainly B.B.C. prestige which enables us to keep our position.

554. Did you have any contact with the Supreme High Commander towards the end of the war, and later with the Control Commission, with a view to securing, at any rate a cut of some of the stations in Europe?—Yes. We have actually made use of some of the German wavelengths.

555. You do not anticipate that you are going to be able to obtain very many more?—I think we shall be satisfied if we manage to keep the *status quo*. The attempt is going to be the other way, to ask us to give up some of the wavelengths.

556. With regard to the television service, did I understand you to say that the charge was somewhere in the region of £500,000? I am not quite sure whether that was for the quarter or for the full year?—(Sir William Haley.) That was for the full year. That is capital as well as revenue. It is not merely a revenue charge; it is capital as well.

557. How about the amount of revenue expenditure included, shall we say, in the three months to the 31st March—have you separate figures for that, a separate total figure for television? At the present time you have Home and Television services together, at page 47 of the Account?—Yes. I do not think I have that figure with me. I have the total figure. The figure for the quarter—

558. Perhaps I can attain my purpose by asking you another question. Are you satisfied that the ordinary broadcast licence holder, the one who pays his £1 a year for the privilege of receiving broadcasts over his normal radio set, is not subsidising the television services?—(Sir Raymond Birchall.) I think he is, quite definitely. The money comes from the licence fees generally, but of course the development of television is a benefit to the home listener. If you take the long view you may quite well get television replacing a large amount of the sound programmes, just as, of course, you have the silent film replaced by the "talkie."

559. I was approaching it from the standpoint of the old age pensioner, who has a very limited income, whose licence fees have gone up to £1. On patriotic grounds I am sure he would be very glad to subsidise television services, which may come into operation, I am afraid, in many cases long after he is dead?—It is a little hard to ask them to take a long view, certainly.

560. Have you considered any other arrangement whereby the television listener might bear more equitably his share of the expenditure upon television?—I think that is a point I mentioned earlier to the Chairman. If you were to attempt to carry the cost of a developing service just on television listeners at the start, you would

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[Continued.]

kill the service. The charge would be quite prohibitive.

561. I put to you as a possibility, would it not be possible to put it in this form: In the same way that the Government subsidises your Overseas broadcasts by a Grant in Aid, would it not be possible for them, in the initial stage of television, to consider that on the same basis, rather than have it subsidised by the general public without them even knowing, in the main, that they do in fact subsidise it?—It would be possible for the Government to do it, but Government policy was to take it out of the licence fee. That is discussed in the White Paper.

562. On page 47 of the Annual Report and Accounts, I see that the plant maintenance figure for the three months ended 31st March, 1947, is somewhat down as compared with the preceding three months. The percentage of total expenditure in the three months covered by the old period, that is, the three months to 31st December, 1946, was 2.69 per cent., and I see in the current statement it is down to 1.84 per cent. in the case of the Home and Television services and 2.20 per cent. in the case of the Overseas services. Is there any particular reason for that, because, normally, one expects plant maintenance, unless there is very heavy capital expenditure, to go up?—(Sir William Haley.) I do not know of any special reason. Of course, it fluctuates a fair amount in these days, from time to time, according to what you get done.

563. I did not see anything in this report, which I read rather hurriedly through, complaining of many difficulties, at any rate of getting work done of that kind?—I do not know that there are, but there are fluctuations over the whole of that general maintenance field. I do not think we would regard them as so major that we would draw attention to them in the report.

564. Now may I draw your attention to page 11 of your report, to the heading "Talks"? It says there: "The Week in Westminster" was broadcast regularly while Parliament was in Session. In this period Members of Parliament were invited under an established rota system to give a personal account of the previous week's proceedings in Parliament." Would you say what the rota system is?—Certainly. It is based on exactly the same proportions as the Party Political broadcasts which are done every year, and those are done on the basis of the total votes cast at the last General Election, which comes out at 6, 5, 1. We use exactly the same proportion for these "Week in Westminster" talks, with the one difference that we add one for the Independents, and that gives us 6, 5, 1, 1, which is 13 to the quarter. While we do not follow it rigidly through a quarter, for any general period of a few

months it is kept to that proportion of 6, 5, 1, 1.

565. Have you any rota system for the selection of the personnel, or are they selected purely haphazardly?—They are selected entirely by the Corporation.

566. Entirely by the Corporation?—Yes. Suggestions are made, and we are always on the look-out for people, but there is no rota system. It is the Corporation's responsibility.

Mr. Thurtle.

567. I think I understood you to say that the European audience was appreciably higher. Higher than when?—I am sorry, but I am afraid I could not have stated it clearly. I said I thought it was higher than we would have expected. I was casting my mind back to the end of the war, when we thought the audiences would drop away very rapidly, and, indeed, in some cases they did. There were indications at one time that, people having got their own radios back again, the audience would be very small indeed, but owing to the events in Europe since then, the listening to us has been higher than we expected.

568. In regard to the matter you broadcast, I take it that you are in fairly close contact with the Foreign Office in regard to what you might call political matters?—The White Paper requires us to keep in touch with the Foreign Office so that we may be informed of the conditions in the countries to which we broadcast and of the general Government view on affairs, in order that we may ourselves (because it is our responsibility in the last resort) draft our programmes in the best national interest.

569. There are said to be matters which are broadcast which are of a propaganda nature. It is for you to decide, as a Corporation?—The Corporation has sole responsibility for the programmes.

570. For every sort of programme?—For all the programmes. The division of responsibility is that the scope and nature—that is, where we broadcast to and the number of hours we broadcast to them—are prescribed by the Government; but what we do within that period is, in the last resort, the Corporation's responsibility.

571. I notice that you said your broadcasting was very largely news. That is, I take it, just factual news. Supposing there are very gross misstatements over the air from Russia (I am making a supposition) do you ever, in the course of your broadcast, do anything to correct those gross misstatements about our country?—Not directly. We had this problem with Hitler during the war when the Corporation was many times urged to answer Hitler and Goebbels, and it has always been the view of the B.B.C. that that is a bad policy.

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[Continued.]

In the first place it forces your broadcasting to follow the other man's tune and, secondly, because life is not long enough to answer everything and there is always something you leave unanswered and therefore we do not follow any deliberate policy of watching what other countries are saying and then answering misstatements; but we do seek to do it constructively and indirectly in that, if there is some gross misstatement about affairs in this country or about news, without correcting it or even specifically referring to it, we would expect, in the course of a broadcast very soon after, to give the facts; but we would not do it in the form of a correction.

572. It would be the function of those who are monitoring the Russian broadcasts to draw the attention of some responsible officer to some outstanding piece of misrepresentation, I take it?—Of course, the monitoring reports are seen by all the people compiling these programmes. There are the regular Monitoring Digests. Those are studied and seen by the people compiling the programmes and the people compiling the programmes to the various countries naturally pay a great deal of attention to what is being said on the air in those countries.

573. In regard to the broadcasts you make in various foreign languages, I take it first of all there is an English text of a proposed broadcast? Is there an English text?—Almost invariably.

574. Is care taken to ensure that the foreign version of that which is broadcast is, in fact, the true version?—Yes—quite definitely, yes. It is checked.

Mr. Ernest Thurtle.] One other point. I do not know whether you can tell me, in regard to the law of libel—

Chairman.] Are you seeking advice?

Mr. Thurtle.

575. Are you vulnerable to charges of libel as, for example, a newspaper?—Theoretically, yes.

Chairman.

576. It would be slander, would it not—the spoken word?—We have always called it libel. We pay either way. Theoretically, yes, but in actual fact the B.B.C.'s record is an astonishingly bare one in that respect, happily.

Mr. Thurtle.

577. I believe it is true that newspapers, in order to protect themselves against this

sort of thing, employ lawyers who look over matter with a view to avoiding anything that is libellous. Have the B.B.C. any sort of protection of that kind?—The output of the B.B.C. is such that we should have to engage the whole of Lincoln's Inn, and then some more people, to do it. My own experience of such safeguards (and I was in the newspaper world for 24 years) is that journalists generally prefer to rely on their own judgment.

578. May I draw attention to the fact that there was a recent broadcast in which, I think I am entitled to say, libellous statements were made about a Minister of the Crown, and I wondered how that could come about?—Mr. Chairman, I think it is rather difficult—

Chairman.] This is rather a matter of detail of day to day administration.

Mr. Thurtle.] It is very recent.

Chairman.] I think it is hardly a question that arises on the Accounts.

Mr. Thurtle.

579. I only wanted to ensure that the B.B.C. has some method of supervision which would protect them from very expensive libel actions, because it seemed to me that if this Minister liked to do so he could involve the B.B.C. in very heavy damages?—Our record for 25 years is, as I have said, a very good one in this respect.

Chairman.

580. You do not secure an indemnity against libel actions from the broadcasters concerned?—No.

Mr. Thurtle.

581. You will agree that the fact that you have been lucky so far is no reason why you should not take proper precautions?—If I may say so, I would not ascribe it to "luck," I would ascribe it to precautions.

Mr. McAdam.

582. To good judgment?—Yes. I would definitely say we are very careful indeed, and when I spoke of our record for 25 years, I do not think it is fortuitous; it is deliberate, as a result of our methods.

Chairman.

583. Thank you, Sir William, for your very helpful and interesting evidence. You will have an opportunity of looking through it before it is printed?—Thank you.

(Sir William Haley withdrew.)

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[Continued.]

REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1946-47.
VOTE 3.

POST OFFICE.

Mr. G. T. ANSTEY, Comptroller and Accountant General, Post Office, called in and examined.

Chairman.

584. Will Members turn to the Revenue Departments Appropriation Accounts, 1946-47, to paragraphs 29 to 34 of the report of the Comptroller and Auditor General? Paragraph 29 deals with the bulk agreements negotiated on a non-competitive basis with groups of manufacturers. These were pre-war agreements which carried on throughout the war period at prices subject to cost investigation. Are those agreements still operative to-day?—(Sir Raymond Birchall.) Yes.

585. You are still making the cost investigations—We are still making cost investigations, yes.

586. Paragraph 30 refers to two firms which joined the cable group, where you found that a refund of $2\frac{1}{2}$ per cent. might be inadequate. That is $2\frac{1}{2}$ per cent. on the contract prices, I take it, is it?—Yes. It is $2\frac{1}{2}$ per cent. on £20 million, roughly, during the war period. £20 million is what the orders amounted to during the war period for cable.

587. Have your negotiations for an additional rebate been concluded yet?—Yes.

588. With what result?—On top of the $2\frac{1}{2}$ per cent., which is applied to all those members of the group, we have got a further rebate of £100,000 from one firm and £45,000 from the other firm.

589. You regard that as a satisfactory settlement?—I think it is a reasonably satisfactory settlement in the circumstances. But the position was rather peculiar here. These two firms which are mentioned particularly are two comparatively small firms which had been manufacturing the simpler types of cables for the Post Office for many years before the war and had been quoting competitive prices against the group. We found in practice there was very little in those prices. I think it is quite clear that the competition was more nominal than real, and we felt it would be an advantage to take these firms into the group and bring them under the bulk agreements, rather than have them operating outside them. That took place at the end of 1941. These two firms are certainly very efficient firms, and they were working under optimum conditions during the war; they got very large orders. One of the firms was one of the first firms in the country, I think, to adopt three-shift working (three shifts of eight hours each) and they did, as a result, make profits which did seem to be unduly high. While those profits have been reduced to what we think is a

reasonable figure, they are still higher than we would like for this sort of agreement as a rule.

590. Could you tell me in the case of each of the firms what the additional refund amounts to in terms of a percentage over and above the $2\frac{1}{2}$ per cent.?—The $2\frac{1}{2}$ per cent. in one case was £33,000; that is the £100,000 case. That would be $7\frac{1}{2}$ per cent. In the other case it would be rather over 5 per cent., between 5 per cent. and 6 per cent.

591. Then paragraph 32 deals with post-war agreements. Are these agreements going to contain costing clauses, too?—Yes. We have made fair progress with these. There are six agreements being negotiated. Several of the firms are concerned in more than one. The manufacturers have set up a negotiating panel to deal with the general principles affecting all the agreements, and we have now reached agreement on most of the issues. As regards staggering the dates for commencement of the agreements, special arrangements as regards export business and several factors like that, we have advanced the view that overheads for the period of these agreements should be based on really optimum conditions. Export orders are so large that one will assume full production over the period. So the question of a volume discount will not really arise over the period of these accounts. What is holding up the general settlement at the moment is that manufacturers are distinctly worried about the idea of a five-year period. They feel that the difficulties as regards the supply of raw materials, questions of power supply and, possibly, labour troubles, would tie them down so badly if they came to a fixed price for such a long period that it might be catastrophic for them, and we are looking, really, to see if we cannot find some sort of escape clause which would allow the agreements to be terminated in the event of any really major upheaval in industry. I think we will probably reach agreement on that basis. In the meantime we have actually gone ahead with the costing at the works of several of the contractors.

Chairman.] Are there any questions on paragraphs 29 to 32, dealing with these bulk supply agreements?

Lieut.-Colonel Hamilton.

592. What was the reason for making the contract for such a long period as five years, in view of the doubts that there

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would inevitably be as to fluctuation of prices and difficulties of labour and materials?—Drawing up price schedules is a very formidable business. There is no particular virtue from our angle of five years as against three years or four years, except it means that that work has to be done more often, and it would require staff, which it is difficult to get; there is a shortage of this type of staff. In the case of one of the agreements, for instance (the Exchange Equipment Agreement) the price schedule contains over 40,000 items. It takes years to work those out.

593. It does mean that a contractor has to tend to overestimate in order to make sure he does not make a loss?—No, there is no question of his overestimating. We take out his actual cost, and he is entitled, during the period of the agreement, the five years, to any saving which he achieves during that period owing to increased efficiency, or anything like that. We get the benefit of that for the next period; so that there is a good incentive to the manufacturer, but it is not a question of his estimating what his costs are. We examine the books.

594. Has the Post Office ever contemplated going into manufacture itself of such items as telephone equipment, of which there must be a tremendous quantity required?—Yes, I think it would be fair to say it has. I do not think it has really taken it as a serious proposition. We have always felt that we have had the experience of a very able body of manufacturers, and, so long as we are satisfied as to the prices which we are paying, we think it would be really a disadvantage to try to manufacture in competition with them. It would take many years before we could get the manufacturing experience. Our own factories are, in the main, working on repair jobs; they are very large repair shops. They are not doing mass production work like these factories.

595. Are the staff who investigate the manufacturers' accounts and prices a special staff maintained only for that purpose?—Yes, they are professional accountants. They are kept busy. There are, I think, about 24 of them altogether, in the Post Office. They are kept busy on all these contracts. In fact they are rather overloaded at present.

Major Bruce.

596. Could you say how many of the bulk agreements which were originally negotiated on a non-competitive basis are still running?—Six. There were seven. One we have terminated. The other six are still running.

597. When do they fall due?—Technically the period of the last agreement, I think, has finished, and the new agreements will be back-dated to various periods

between 1st April, 1947, and the 1st April, 1948.

598. How do you intend to negotiate these agreements in future when the old ones expire? What kind of agreement do you intend to replace them with?—We shall continue on very much the same lines. New factors may have arisen, but the basis of the agreement simply is that the group as a whole undertake to provide goods for our use on a definite schedule of prices. Those prices are ascertained by our cost accountants after inspecting the books of several of the firms in each group.

599. So the key persons in the whole business, from the public standpoint, are your cost accounting staff?—Certainly.

600. If your cost accounting staff were in any way wrong, or even overgenerous to this group—I understand you to say this is a group of manufacturers?—Yes.

601.—then it would mean that the public would have to pay correspondingly more, would it not?—Yes.

602. I understand from other parts of the report which, with your leave, Mr. Chairman, I will refer to, there is a shortage of accounting staff, at any rate in certain departments of the Post Office?—Yes.

603. Is this particular department which goes through prices short of accounting staff?—It has more work on hand than it can deal with comfortably, largely because these questions have all come together at the end of the war. I think once it has got straight and has got these new agreements settled, then it should settle down to working fairly comfortably. If not, we would then proceed to extend the staff.

604. What do you think are the advantages of negotiating with a group of manufacturers, as distinct from negotiating with them separately and deriving therefrom the results of competitive tendering?—The main advantage is standardisation of equipment. The telephone is very largely automatic, and to enable all exchanges and subscribers to intercommunicate you must have standard equipment provided to standard specification. It is no good to us having one type of automatic exchange to one manufacturer's design and another one to another manufacturer's design, and so on. Under this arrangement we get them all to manufacture to the Post Office specification and to pool all their patents for the purpose. Otherwise you would lose the pooling of patents, and you would have different systems which really would not fit in together.

605. The advantage from the manufacturer's point of view is that they can standardise their prices?—Yes. It enables them to plan ahead confidently, to know where they are. We get other advantages. Any reduction in price owing to cutting

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out processes of tendering, and so on, comes back to the Post Office in the long run.

606. Except in those cases mentioned in paragraph 30, which you have already discussed in which you are apparently still not satisfied?—Paragraph 30 is in regard to a very special arrangement during the war, and these agreements, I think I explained last year, were not strictly under the bulk agreement. They were largely orders placed by the Post Office for the Defence Departments, and the contractors agreed really that the bulk agreement prices should apply. They did not strictly come under the agreement.

607. May I have a little further information on the first sub-paragraph of paragraph 30, in which the Comptroller and Auditor General speaks of "the voluntary refund of 2½ per cent. on orders." Does that mean 2½ per cent. on the actual sum you have paid, or is that on the profit arising from the transaction? To which does that 2½ per cent. refer?—It is on the prices we have paid.

608. Two and a half per cent. on prices?—Yes; 2½ per cent. on the £20 million which was the value of the orders we gave.

609. You say, bearing in mind the profits made, that you are still not entirely satisfied that you have got a sufficient rebate?—We feel that in two of the cases, which are rather special cases, the profit is unduly high still; but we simply have made the best bargain we can. This rebate is a voluntary rebate. It is not part of the agreement at all. I would like to point out as regards these two firms that the question of this high profit and rebate has nothing to do with the bulk agreement. These firms were making high profits, no doubt in theory while they were quoting competitive prices against the group. They were taking the orders. They are very efficient firms. They specialise in the simpler types of cable, for which there were very large orders during the war. They were working under optimum conditions and Post Office orders came to about 40 per cent. of the business they were doing. We do not know, really, whether the profit was on our orders or on the other orders. We merely make the best estimate we can.

610. You yourself are satisfied that the system of accounting control in your Department which relates specifically to matters of cost investigation is adequately manned and fully capable of carrying out this task, and that in general you are getting the supplies you require under rather unorthodox arrangements at the most economical prices possible?—Yes. I would not agree that they were unorthodox arrangements. These agreements have been approved by this Committee for the last 20 years.

Chairman.

611. Are there any further questions on paragraphs 29 to 32? We pass to paragraph 33 in which the Comptroller and Auditor General tells us about your staff difficulties; he states: "In paragraph 22 of my last Report I stated that some of the war-time reductions of internal audit cross-checks and balancing of Post Office accounts have been wholly or partly restored. At that time the Post Office had some reason to hope for an improvement in the rate of recruitment of staff, which would have enabled them to maintain these restored checks and might possibly have led to some extension. In the event, however, the staff position, instead of improving, has deteriorated and made it impossible to keep fully to the programme of reduced checks laid down in 1943." Is there any prospect of improvement there?—Yes. The conditions have been improving in the last few months. We have really now just about recovered the loss we made. We have got back about to the 1943 standard. That, in broad terms, means about a 10 per cent. check, where pre-war we used to have about 100 per cent. check. That shows the rather drastic cut which we did have to adopt during the war and which we are still working to. We feel that that figure is too low, and once we are able to recruit the staff we want for this, and manpower difficulties can be cleared out of the way, we would like to get to something like a 25 per cent. check instead of a 10 per cent. check.

612. Is not the work of the Post Office going to be very greatly increased from the 5th July next?—Yes, the counter work, certainly.

613. Will not that make it even more difficult to achieve the proper standards of accountancy, and so on?—Yes. That work will again come under this 10 per cent. check, whereas we would like it to be higher. The fact that we have to take that work will slow us down in recovery.

614. Are there any questions on paragraphs 33 or 34? We will turn to the Account, which is on pages 13 to 26. Would you look at page 16, Subhead E.5: "Conveyance of mails by Air"? Are the rates which you charge the public for sending letters and parcels, and so on, by air equal to the cost? Is the service subsidised or is it like the other Post Office services in the main, namely, highly profitable, with a balance to the Exchequer at the end of the year?—I can give you the figures for 1946-47, which is really this year. We were making a profit; not a very large one: we were making a profit, overall, of £120,000. Sixty thousand pounds of that sum really is from European services and another £60,000 from the extra-European, other than the Empire services.

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With regard to the Empire services during that year we were paying over what revenue we got to the Ministry of Civil Aviation, and so on, so that they broke even from our angle.

615. Your aim is to earn sufficient to pay for the service. Is that right?—Yes, and to enable us to reduce the rates to the public as well. We are still aiming at that.

Chairman.] I have no further questions on the Account. There are two appendices which are separately signed. I have no questions on those. Has any Member any questions on the Account or on the appendices?

Major Bruce.

616. On page 28 the first item is "Trunk Lines (including Submarine Cables and Repeater Stations)." There is a saving there on the Vote and on capital. On the Vote it was £89,741 and on capital £2,478,929. Have you anything to add to

the explanation which is given?—No; that is the broad explanation, that contractors were not able to supply equipment, and so on, up to the contract dates. It is all part of the general difficulty of the stores position. It is the difficulty of getting materials, and so on.

617. I read all through these explanations in this particular appendix and where shortage of labour and materials have occurred they have been specially mentioned. In this particular one they are not.

618. It should apply here, certainly. You have two factors in this year: the general shortage of raw materials and the difficulty of stores; and, of course, there was the exceptionally severe winter for the last three months of the year.

Chairman.] On page 31 there is the Post Office Loan Expenditure Loan Account. Are there any questions on that? May I take it that the Account is approved? (*Agreed.*)

POST OFFICE SAVINGS BANKS ACCOUNT, 1946.

Chairman.

619. Will Members now take the Post Office Savings Banks Account, 1946? This is signed by the Financial Secretary on the outside and by the Postmaster-General on the inside, so I do not know who is the proper person to whom to put questions. But I suppose you understand it, Sir Raymond? The liabilities side of the Account represents the total deposits in the Post Office Savings Bank at 31st December, 1946. Is that it?—(*Sir Raymond Birchall.*) Yes.

620. On the other side is shown the nominal value of the securities held. Is that right?—Yes, that is the nominal value of securities held.

621. It does not tell us either the cost or market price?—No, that part of it does not pretend to be an account. It is just a statement of securities.

SAVINGS BANKS AND FRIENDLY SOCIETIES ACCOUNTS, 1946.

Chairman.

626. Will Members turn now to the Savings Banks and Friendly Societies Accounts, 1946? I have one question. In the Post Office Savings Bank Fund the left hand side shows the interest accrued on securities, and the right hand side shows the interest paid and credited to depositors, with an asterisk against £45 million odd. The note against the asterisk is: "Subject to adjustment." What is the reason for that being subject to adjustment?—(*Sir Raymond Birchall.*) The lag in the work generally; the manpower posi-

622. It is not even added up?—It is not even added up.

623. And if you did add it up it would not mean anything?—It would mean nothing.

Chairman.] Are there any questions on this Account?

Mr. McAdam.

624. One of the securities is Palestine Government 3 per cent. guaranteed stock, 1962-67. What is likely to be the position in regard to that when we clear out of Palestine?—(*Sir Eric Bamford.*) It is a gilt-edged guaranteed stock.

625. When there is no Palestine Government, what will happen to it?—It is guaranteed by the British Government.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

tion. The Post Office Savings Bank is one of the Departments where we are particularly behindhand in accounting checks and in all these calculations of interest, etc.

627. That figure is really a guess at the amount of interest due to depositors?—It is a very intelligent guess. There is a great deal of work done on taking out the individual interest; it has to be taken out on each account and summarised.

Chairman.] Are there any questions on this Account? May I take it that the Account is approved? (*Agreed.*)

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[Continued.]

POST OFFICE COMMERCIAL ACCOUNTS, 1945-46.

(Paper circulated for the information of the Committee.)

Chairman.

628. Will Members turn to the Post Office Commercial Accounts, 1946-47, which have been circulated for the information of the Committee? This paper is going to be published again in respect of the ensuing year, is it not?—(Sir Raymond Birchall.) Yes.

629. So that it will not be secret any longer?—That is so.

630. It was secret during the war, was it not?—Yes.

631. Looking at the figures half way down the first page the main point to note is that your surplus has fallen from £36 million in 1945-46 to £24 million in 1946-47?—Yes.

632. That is subdivided between the Postal Service, the Telegraph Service and the Telephone Service. The telegraph Service is losing money fairly heavily in the year under review?—Yes. You have there a fall in revenue of about £600,000, and you begin to get increased costs and increased wages, and also the very deliberate attempt on our part to improve the quality of the telegraph service. We regard the separation of the Telegraph Account from the Telephone Account as rather artificial. A good many of the costs are apportioned, and I think, from the point of view of policy, we rather regard the telegraph as just one branch of the Communications Services and we would not say that certain desirable improvements should not be made on telegraphs just because that particular Account shows a loss, so long as we have a profit on the Telecommunications Services as a whole.

633. During the war years postal charges were increased partly to increase revenue and partly to discourage the use of the services, were they not?—Yes, I think probably both elements did enter into it. The original increase was mainly a revenue question.

634. Your surplus has been falling now for some two or three years?—Yes. That is due to rising costs generally. Traffic is growing. A lot of artificial war traffic is coming to an end now. The Government user was very large during the war. That is coming to an end. The public user is going up.

635. You do not think you would get more revenue if you reduced certain charges, like 2d. on the postcard, for example?—I am quite sure we should not. Our past experience of changes in postal charges shows that reductions do not lead to a very large increase. We might possibly get a 10 per cent. increase in traffic;

it would be that sort of thing. What is keeping the postal revenue low is, really, the paper shortage. Letter traffic is up beyond the pre-war level now but it is the printed paper service which is well down below the pre-war level because of the paper restrictions.

Chairman.] We must not anticipate the Chancellor's Budget statement by asking too many questions about that. I have no further questions on the Post Office Commercial Account, 1946-47. Has any Member of the Committee any questions?

Major Bruce.

636. To what is the decline in revenue of about half a million in the Telegraph Department attributed?—Simply to the improvement in the telephone service. That decline in telegraph traffic has been going on for years and years, as telephones gradually eat into its field. I have not seen the figures of recent years, but I know that before the war the average distance for a telegram was something like 150 or 160 miles. Telephones have taken away pretty well all the short distance telegraphic traffic.

637. You would not say there was a disinclination to use the telegraph because, in some instances, it was not speedy enough?—No.

638. You do not think there is any fall-off there?—Any improvement in the standard of service probably helps to stop the decline in the traffic and there have been very real improvements in the last year or so.

639. In speed?—Yes. At the end of the war the average transmission time for a telegram was about 80 minutes. It is now down to about 40 minutes.

640. Even from London to Portsmouth?—Yes. Distance does not really make very much difference. It is almost instantaneous over the wire itself. The time is in delivery and the number of handlings you have to incur. Why the telegraph service lost during the war was that we had so many of the main telegraph offices knocked out and completely demolished. That meant more handlings for the traffic.

641. Would you explain an item in the Telegraph Service Account, which says: "Net value of Telegraph-Telephone Services"? I take it that is a net item which records the depreciation of the total plant over the year. Is that it?—That is the value of the services which the Telephone Service carries out for the Telegraph Service. A very large proportion of telegrams is delivered over the telephone, and

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quite a high proportion of telegrams is handed in over the telephone.

642. It is a contra item. It appears again in the Telephone Account?—Yes.

643. What percentage of capital plant is charged in both the Telephone and Telegraph Accounts, and why does not it appear in the Postal Service Account which also, presumably, has some capital plant?—No, there is no capital plant really, on the postal side, except the Post Office Railway. Pillar boxes, and so on, are all charged to revenue. There is a separate buildings account for all the services, and they are all charged on a rental basis from the buildings account, so there is no postal capital account. On the Telegraph and Telephone Services the up-to-date figure is 2.6 per cent.—on money now being raised—but the average figure over all the period is slightly over 4 per cent.

644. I see the charge for conveyance of mails has gone up during the year. Who does your mail conveyance now? Do you do it all yourselves?—No, that is payment to railway companies, aeroplane corporations, and so on.

645. That does not include motor charges at all? Those charges would be entirely under "Vehicles," would they?—Motor charges are very largely our own now. There are one or two cases, in London particularly, where they are at present run by a contractor. They are being taken over by the Post Office from next July, I think it is.

646. Could you tell me, also, on the Postal Service Account, what the figure of £5,385,000 of miscellaneous income is? It is the figure on the income side?—Counter services for other Departments, National Debt services, and so on, and various agency services.

647. I see that on the income side of the General Account, again, you have "Sale of Engineering Stores and Repayment Works," a figure of £2,869,348?—Yes.

648. Were the purchases of these stores charged against revenue before?—I will ask Mr. Anstey to answer that question. (Mr. Anstey.) In those cases they were charged against our Vote. We also sell some stores on behalf of the Disposals Group, which we receive from the Defence Departments and others, but the receipts for those do not appear in our account as such. They appear as Exchequer extra receipts. You will see there are some recorded in the Appropriations in Aid.

649. Were they sold in the main to other Government Departments or to the general public?—To the general public, to firms and that sort of thing.

650. You did not follow the normal practice of sending the goods back to the manu-

facturers to let them dispose of them to the general public?—Some might have been dealt with in that way, but most of this was, I think, work which was partly processed, or they were parts which we had to take under break clauses in the contract. The actual sale might have been back to the individual firm or to the general public.

651. Can you give the Committee an undertaking that you did not lose any money on these?—I think it would be difficult to give a firm undertaking on that particular point.

652. Are there any separate figures available for it with regard to this disposal of engineering stores and repayment works?—Yes, separate figures would be available. We certainly made the best bargain we could. Our Contract Department are experts in this matter and they certainly made the best bargain they could.

Major Bruce.] Would it be possible to see a paper on that?

Chairman.

653. We could ask for a short statement to be put in. Perhaps you could put in a statement on that?—Yes.

Major Bruce.

654. I should like to see one if it is at all possible?—May I be clear as to what is wanted? The price paid for the particular stores and the amount received?

655. No, I did not require that, really. The figure down here is for: "Sale of Engineering Stores and Repayment Works." I am given to understand that was originally charged against revenue?—Charged against the Vote.

656. Charged against the Vote; at any rate, a certain cost was incurred?—Yes, exactly.

657. I want to find out whether, in respect of the total amount of the sales that have been effected, the amount you received exceeded the purchase price which you paid for the original stores themselves?—That is the particular items—

658. Not item by item?—In the General Account?

Major Bruce.] Yes.

Chairman.

659. Is that possible?—Yes, I think that is possible. A great many of these stores were simply supplied to Defence Departments, but this Commercial Account does not include the items that we dealt with as part of our disposals work.

Major Bruce.

660. Are you quite clear in your mind what I want?—Yes. It is relating to this Account, simply?

18 March, 1948.] Sir RAYMOND BIRCHALL, K.C.B., K.B.E., and
Mr. G. T. ANSTEY.

[Continued.]

661. That is right?—(Sir Raymond Birchall.) We will put in a note.*

Mr. Thurtle.

662. I see there is an extraordinary increase in the interest the British public takes in the speculative business of football pools. It has increased by about three times?—It is back to just about the

* Information supplied; not printed.

(Sir Raymond Birchall and Mr. Anstey withdrew.)

TREASURY MINUTE ON THE FIRST REPORT OF THE COMMITTEE OF
PUBLIC ACCOUNTS, 1946-47.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS IV.

VOTE 10.

SCIENTIFIC INVESTIGATION, &c.

(Second Annual Report of the Arts Council for Great Britain.)

Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Miss M. C. GLASGOW, M.B.E., Secretary-General of the Arts Council, called in and examined.

Chairman.

664. Sir Eric, you are accompanied by Miss Glasgow, who is, I think, Secretary-General of the Arts Council?—(Sir Eric Bamford.) Yes.

665. The Treasury Minute on the First Report of the Committee for 1946-47 is purely formal; it is for the Committee to take note of it. We will turn to the Civil Appropriation Accounts, to paragraph 42 of the report of the Comptroller and Auditor General. The Arts Council, as it is now called (it was originally the Council for the Encouragement of Music and the Arts; it has changed its name) as from the 1st April, 1946, was transferred from the Vote for the Ministry of Education to the Vote for Scientific Investigation, etc. Might I ask why that transfer was made?—It was felt at the time, and stated by the then Chancellor of the Exchequer, Sir John Anderson, that the desire of the Government was to see this body acting as a really autonomous body with the Grant in Aid fixed in a global way, and with a minimum of detailed supervision by the Government Department concerned with its affairs. It was felt that if the Ministry of Education had continued to be responsible for this Vote Parliament would naturally have expected a rather more direct and detailed control than would be natural or possible for the Chancellor of the Exchequer to give to this one among the many items accounted for by the Treasury on this Vote. As the Committee know, this Vote has now been re-named in the more graceful fashion of a Grant for Sciences and the Arts, and it has been for many years the practice to provide on it for a number of learned societies, some

pre-war level. The postings by the football pool promoters at the moment are below the pre-war level but the returns to them from the public are at just about the pre-war level.

663. Is it still on the up-grade?—Yes.

Chairman.] Are there any further questions on the Post Office Commercial Accounts, 1946-47? Thank you very much, Sir Raymond.

25 in all. These Grants are accounted for by the Treasury, I think, in order to emphasise the fact that the bodies are autonomous bodies and that it is not intended to give any very detailed attention to the allocation of money which is granted to them. The Grants to the Universities, as the Committee know, are also accounted for by the Treasury so this is quite a natural development of a process which has continued for a number of years.

666. But it is only with respect to the Universities and with respect to the Arts Council that the Treasury may be described as a spending Department. Is that right?—I would not, myself, describe the Treasury as a spending Department in these matters. We fix a total sum which Parliament agrees in the Estimates to allocate to these particular purposes.

667. Apart from this question of the Universities and the Arts Council, the Treasury may be regarded as gamekeepers, may they not?—The Treasury has a good many functions. That of gamekeeper perhaps predominates.

668. The Grant for the Arts Council is steadily increasing, is it not?—Yes, it is.

669. The Estimate for 1947-48 is for £390,000. I do not know if the Estimate has yet been published for 1948-49. I presume it has?—Yes. It is £575,000.

670. In its earlier days, the Council for the Encouragement of Music and the Arts (as it then was) used to receive a number of donations or subscriptions, did it not, from various bodies?—It was supported by the Pilgrim Trust, and the Pilgrim Trust left it a little nest-egg when they parted company, I believe, but I think the out-

18th March, 1948.] Sir ERIC BAMFORD K.B.E., C.B., C.M.G., and
Miss M. C. GLASGOW, M.B.E.

[Continued.]

side income is always very small. (Miss Glasgow.) There is none at all, except the Pilgrim Trust Grant. The Pilgrim Trust began it. The Government then came in half and half. Then the Pilgrim Trust withdrew in March, 1942, leaving a little parting present of £12,500. Since then and during that time there has been no other source of income at all.

671. The Pilgrim Trust have been the only donors, so to speak?—Yes, the only ones.

672. There has been at no time any appeal for private funds?—No, none at all.

673. We had better take paragraph 42 in the report of the Comptroller and

Auditor General and the Account together. The Account is at pages 198 and 199?—(Sir Frank Tribe.) That is the Account of the whole Vote. The actual accounts of the Arts Council are in their own report.

674. We will take their own report together with the Civil Appropriation Accounts. Have Members before them this very fine booklet?—The Income and Expenditure Account is at page 34.

675. Can you tell me the cost of producing this booklet?—(Miss Glasgow.) No, I cannot. May I ask Mr. Horn whether he knows that?

Mr. ERIC L. HORN, Accounting Officer, Arts Council, called in and examined.

Chairman.

676. Can you answer the question? (Mr. Horn.) I think it is about £700. (Miss Glasgow.) This is on public sale, of course.

677. Yes, I see it is priced at 2s. a copy. I wondered how many copies are sold?—Again I wish I could tell you. I am afraid I cannot tell you. (Mr. Horn.) Several thousand. Three or four thousand, I think.

678. Three thousand or four thousand at 2s. a-piece—?—No, a lot of copies are given away free.

679. Does the three thousand or four thousand include those that are given away free?—Yes; I was thinking of the total number.

680. Perhaps you cannot tell me, but I was wondering how many in fact were sold at 2s. apiece?—I should say at a guess about half.

681. 1,500 to 2,000?—Yes, possibly.*

682. It is very beautifully got-up. I have only one or two questions on these Accounts. On the balance sheet at page 38 on the left-hand side the third item is: "Buildings Reserve Account." It was £15,000 in the previous year, and there is a transfer from Income and Expenditure Account of £10,000, making that Reserve Account up to £25,000. May I be told the purpose of this Reserve Fund?—(Miss Glasgow.) The purpose is to provide sums of money, either by Grant or by loan, to bodies or companies wishing to build or adapt their premises. To date, of course, it has only been adaptation. An example I would give you is £8,000, which was lent to the Glasgow Citizens' Theatre to adapt and redecorate their building, some three years ago, when the theatre was opened in a poor part of Glasgow. Sums

* *Note by Witness:* I find the figures in Questions 676-681 should be: cost of printing report, £931; number of copies printed, 10,500; number given away free (approximately), 4,000.

are taken from that reserve, very small sums of £10 or £20 for equipment, seating, and things of that kind, up to larger sums of several thousands of pounds for larger building works. The Council is endeavouring to keep that sum up as much as possible for future dates when they hope that actual building may be possible.

683. What sort of building?—Theatres, and, above all, arts centres, premises for arts clubs and societies of different kinds in small places where theatres, art galleries and concert halls do not exist.

684. Is this money being temporarily invested or is it kept at the bank?—It is just kept at the bank at the moment. If it reaches a larger sum it might be possible to invest it.

685. But as your outgoings are wholly financed out of the Grant in Aid is it right and proper to be building up a Reserve Account against some future contingency which has not yet arisen? Perhaps that is more a question for Sir Eric Bamford than it is for Miss Glasgow?—(Sir Eric Bamford.) On this scale we do not see any reason against it. It would even out the expenditure over a period of years to make some provision of this sort. (Miss Glasgow.) May I add that we are putting our hand into that pocket all the time for one thing or another. Our constant fear is that it may be reduced to nothing at any moment.

686. It is more by £10,000 than last year?—That is so. I think it may have dwindled again at the end of this year.

687. What about the Pilgrim Trust Special Fund? That was £9,400. Was this a sort of final gift?—Yes.

688. That is diminishing, is it?—We are trying to keep that for things on which we cannot spend Exchequer money. An example which I may quote there is the Channel Islands, where we are not allowed to spend Exchequer money. The Channel Islands appealed to the Council immediately after the war to help them in the same

18 March, 1948.] Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.,
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[Continued.]

way as other places in the British Isles have been helped, and the Council decided to answer that appeal by using some of this Pilgrim Trust private money.

Chairman.] Are there any questions?

Major Bruce.

689. On the Account, Appendix C, the Income and Expenditure Account for the year ended 31st March, 1947, I see that in the year 1945-46, £27,000 was spent on directly-provided concerts in hostels and factories. That figure during the year we are now considering sunk to £2,221. Is there any change of policy involved there?—Yes. During the war we were supplying a large number of directly-provided concerts to factory canteens. These were provided free of charge at meal-times. At the end of the war the desire of the factories as well as the Arts Council was that those concerts should become self-supporting or at least independent music clubs which we now finance under another heading, through guaranteed clubs.

690. Whereabouts is that in the Account? Would you point to that? You say that it is under another heading. Which heading would that be?—"Industrial Music Clubs." That is under "Directly-provided concerts." You will see that there was nothing in the year 1945-46, and the figure is £12,299 in the current year.

691. Then I see also that your grants and guarantees to associated companies have gone up from £10,000 to £19,000 in the current year?—Which is simply the increase in the number of such companies, particularly in the provinces, where small touring companies are constantly being raised.

692. Your figure of losses sustained by companies specially engaged for Arts Council tours increased very sharply. You had a loss of £22,000 in 1945-46 and it is up to £41,000 odd now?—We always deprecate the use of the word "loss." We wish that it might be called "expenses" instead. We regard it as justifiable expenditure.

693. In the current circumstances, if a factory or an industrial concern as part of its incentive programme, in order to give the workers better incentives within the modern meaning of that term, desired to invoke your aid and you could perform for them in substantially the same way as you performed for war factories in the war, would you still be prepared to do that?—Yes. We should be sorry if what we were able to provide were given free. I think that would be a mistake. We would rather do it through an independent agency, through the factory itself, giving them all the advice and financial and practical help we could.

694. May I refer you to page 8: "Local activities and Arts Centres." I see that you have 35 Arts Clubs and Societies which are associated with you?—Yes.

695. I would like to know how these clubs became associated with you. Does the initiative come from you or from them?—Both. The link is our Regional Director. We have 12 regional centres, in different parts of the country, and the Regional Director in charge recommends a particular club for association. It may be that he will go to it and it may be that he will even be responsible for founding it. Or the club may go to him. When he thinks the club has reached a suitable point, that it is really going on to be a permanent and useful thing in that community, then he recommends it to the Council for help.

696. How do you help these clubs to get on their feet in the first place? Take for example places like Hull, Plymouth, Portsmouth and Coventry, blitzed cities, places of that kind where amenities suffered very considerably during the war and they have the greatest difficulty both in re-establishing them and in establishing new ones. How do organisations of that kind get your aid?—If I may take some examples from the list you quoted, Hull has a very flourishing Citizens' Arts League which has now no premises. The Citizens' Arts League, as such, has had money from us in the form of guarantees against loss, grants for publicity, and things of that kind. We are helping it and advising it constantly in the matter of premises. It has a plan which it hopes to carry out when the time is ripe. When the time is ripe we shall help it substantially. Hull we have been helping almost from its inception. Plymouth had a very flourishing Arts Centre which began for the Forces in the middle of the war. It was financed partly by the Services and partly from American funds, through a Settlement in Plymouth. Those premises are still available and have been made into a permanent Civilian Arts Centre. We brought it into association as soon as it changed its constitution in this way and are giving it funds.

697. The reason why there are, for example, nine clubs in the Western Counties which are in association with you and none in Hampshire is not any reflection of any kind of western partiality as far as you are concerned?—The Council takes the view that it cannot try to be geographically fair. It takes the applications which come, and it happens for some reason that the south-west is particularly interested in this scheme.

Mr. Thurtle.

698. I want to arrive at how we come to the point of having to pay £995,000 to this institution. I gather, first of all, it was started by the Pilgrim Trust?—(Sir Eric Bamford.) Yes.

18 March, 1948.] Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., [Continued.
Miss M. C. GLASGOW, M.B.E., and Mr. ERIC L. HORN.

699. Was it in 1940 that we first made a contribution of State money to it?—Yes.

700. In 1940 we started with £50,000, I think?—In April, 1940.

701. And by 1945 it had gone up to £425,000. The Pilgrim Trust have now withdrawn altogether, and we have to find £575,000 to maintain this somewhat expensive "baby" that has been landed on us. Do you think, if the State had known in 1940, when it started, that it was going to be called upon to pay this amount, it would have hesitated to do so?—I do not see why it should. This is a deliberate policy, I think, resulting from the elimination of the private patron of the arts, who, in days gone by, was able to find the money for keeping these cultural activities alive. Now the State has become the patron and the policy which Parliament has approved is to find sums of this magnitude in order to see that this very wide cultural field is adequately covered.

702. That is how it strikes me, that the Exchequer was induced first of all to come in to maintain in part this body by virtue of the fact that what was a private institution appeared also to pay part of it.

(Miss Glasgow and Mr. Horn withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS II.

VOTE 6.

DOMINIONS OFFICE.

VOTE 7.

DOMINION SERVICES.

(On these Accounts no questions were asked.)

VOTE 8.

OVERSEA SETTLEMENT.

Major Bruce.] What voluntary societies are these, in Subhead A of this Vote? Subhead A is "Grants to Voluntary Societies." The amount of the Grants were £5,960 and the amount expended was £4,085. What are these societies?

Chairman.

703. Do you know about them, Mr. Jones?—(Mr. Jones.) I have not the information, I am afraid.

VOTE 13.

DEVELOPMENT AND WELFARE (SOUTH AFRICAN HIGH COMMISSION TERRITORIES.)

Major Bruce.] Subhead C is "Research Schemes". In the note to Subhead C it says "No research schemes were initiated during the year". May I ask if you have

When the State had been drawn fairly into it then the private institution withdraws and the State is left to maintain it as a whole. It may be all in accordance with the tenets of art, but it seems to me to be a little doubtful from the economic point of view?—There must be drawn a considerable distinction between the war-time work and the present policy which is embodied in the Royal Charter. I do not know whether Miss Glasgow would like to give you any points on this. The general policy is obviously a matter for the Government, and I do not think that the Chancellor of the Exchequer who made this arrangement in 1945 would altogether accept the view you have put of it; but that is a matter of opinion, of course.

Chairman.] This is a very vexed question, I think, Mr. Thurtle. We might get into a very long discussion if we started to discuss the merits. The Account, Class IV, Vote 10, is at page 198. I have no questions. On page 200 is the Medical Research Council and on page 204 the Agricultural Research Council. Are there any questions on the Account? May I take it that the Account is approved? (Agreed.)

Chairman.

704. I think it is a grant to what are called the Fairbridge Schools?—I think that is the largest beneficiary under Subhead A. (Sir Frank Tribe.) It includes grants to the Society for the Settlement of British women, £2,330 and to the 1820 Memorial Settlers Association, which arranges for migration to South Africa, £1,755.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.)

any explanation, or if you know of any reasons why no research schemes were initiated? We have always understood that it has been one of the strong points

18 March, 1948.] Sir ERIC BAMFORD, K.B.E., C.E., C.M.G.

[Continued.]

that they want research in this particular part of the world.

Chairman.

705. I do not know that it is any good asking Sir Frank that question?—(Sir Frank Tribe.) I cannot give reasons for the non-expenditure of money, I am afraid.

Major Bruce.

706. I wondered if you had had any reasons given to you?—The Vote was a

very small one, in any case. It looks as if it might have been rather a token one.

Chairman.

707. I do not suppose you can help us on this without notice, Mr. Jones?—(Mr. Jones.) No. The Dominions Office could answer that question.

Chairman.] That is as far as I intend to go today.

The witness withdrew.

Adjourned till Tuesday next at 3.45 p.m.

TUESDAY, 23RD MARCH, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Colonel Alan Dower.
Lieut-Colonel Hamilton.

Mr. McAdam.
Sir John Mellor.
Mr. Thurtle.
Mr. Wadsworth.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS II.

VOTE 1.

FOREIGN OFFICE.

Sir ORME SARGENT, K.C.B., K.C.M.G., Permanent Under Secretary of State, Foreign Office, and Mr. L. R. SHERWOOD, C.M.G., O.B.E., Head of Finance Department, Foreign Office, called in and examined.

(On this Account no questions were asked.)

VOTE 2.

DIPLOMATIC AND CONSULAR ESTABLISHMENTS, &c.

Chairman.

708. Will Members turn to paragraphs 16-18 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-47? On paragraph 16 I should like to ask you, Sir Orme, why there are the substantial increases mentioned in the third subparagraph, £675,000 for diplomatic establishments, £553,000 for special missions and services and £401,000 for consular establishments? Could you say a word to the Committee about these matters?—(Sir Orme Sargent.) As regards the increase in the cost of the diplomatic establishments, that, to a very large extent, arises as a result of the reform of the diplomatic service, one of the objects of which was to ensure that British representatives

abroad should be able to live on their emoluments and not have to draw on their private means, if they have any, or run into debt, which was often the case in the old days; and that involves the fixing of special allowances, local allowances and rent allowances, which are calculated according to the conditions in different parts of the world and which at present, of course, fluctuate violently and, I am afraid, fluctuate all the time in an upward sense.

709. That is especially so in the dollar countries, is it?—In all countries, and I foresee a further rise this year, again.

710. That refers to diplomatic establishments. Then as regards special missions?—There have been a multitude of special

23 March, 1948.] Sir ORME SARGENT, K.C.B., K.C.M.G., and
Mr. L. R. SHERWOOD, C.M.G., O.B.E.

[Continued.]

missions, largely as a result of the aftermath of the war. One of the largest is the Special Commissionership set up in Singapore under Lord Killearn, for instance, which has been there for two years. First of all, it was sent out to deal with the famine situation in South-east Asia and generally to deal with the whole disturbed state in that part of the world, which included the problem of restoring peace, law and order in Indonesia, Siam and elsewhere.

711. There is a list of these special missions on pages 73 and 74. In addition to the one you have mentioned, the mission to South-east Asia, there is a substantial sum for the Economic mission to Greece of £63,000?—Yes. That dates back to the end of the war, when we first went into Greece to save that country from chaos and which, I am glad to say, now we have been able to hand over to the Americans.

712. As regards the increase in consular establishments, is the reason there the same as the increase in the diplomatic establishments?—Very much the same reason, yes.

713. In paragraph 17, the Comptroller and Auditor General tells us that certain accounts for salaries for the years 1945-46 and 1946-47 remained charged to suspense, and in the last sentence of the paragraph he says: "The Foreign Office informed the Treasury that the expenditure omitted from the account owing to delay in completion of examination was estimated to amount to £1,700,000." Is any progress being made with clearing up these arrears?—I think progress is being made, but it is very slow because of a variety of reasons. First of all, as I said just now, owing to the violent fluctuations in the cost of living abroad the local allowances are always having to be reviewed and revised, which involves a great deal of labour, and the staff for the purpose has not, up till now, been adequate. We have not been able to get the trained staff.

714. You are short of accounting staff?—Yes and they have to be very highly trained to do it and that has been our problem for the last two years. Also of course, the accounts have been coming in late owing to the disturbed conditions in various parts of the world as the result of the disturbed state after the war.

715. We will take the three paragraphs together. Paragraph 18 explains that certain functions of the Ministry of Information were transferred to the Foreign Office in April, 1946 and nearly £3 million was provided in the Estimate for public information services abroad. Actually a substantially smaller sum was in fact spent, if you look over the page; just under £2 million was spent?—Yes.

716. What types of service are covered by that expenditure?—Might I ask Mr.

Sherwood to answer that, because it is rather technical?

717. Yes.—(Mr. Sherwood.) The services are, firstly and chiefly, the pay of the information officers who carry on this work at our missions abroad. There is also expenditure, to a not very great extent, for their ordinary overhead expenses (their offices and their telegrams, and so forth) and the rest is for the actual operation of publicity, which includes the showing of suitable films, and (this is rather important) the placing of suitable material with local radio services, re-broadcasts of suitable British news; publications; pamphlets of various kinds—in fact the general operating mechanism of publicity. If it would interest the Committee at all, I could give the figures for the current year, showing how those items are made up. For the year 1947-48 the total for the salaries and allowances of the Information Officers themselves and their staffs was £1,028,700. Their charge for office maintenance was £102,940; their travelling expenses, carriage and postage, £195,000; and the operation of publicity itself, £412,000.

718. What does that publicity item include; things like films?—That includes the Press, £113,000 (that is, placing the material that we want in the local Press); films, photographs and other visual publicity, £189,000; broadcasts, £50,000 and miscellaneous, £60,000. I think that gives a fair picture of the way the Information Service is working now. It is costing something like £2 million a year.

719. In the first sentence of the last subparagraph of paragraph 18 the Comptroller and Auditor General informs us that: "In December, 1946 the future division of responsibility between the Information Service of the Foreign Office and the British Council was defined so as to prevent overlapping between two organisations which, it was recognised, frequently dealt with the same subject through the same media but for different purposes." Is the arrangement working all right?—Yes, I think we are satisfied with that arrangement.

720. What is the distinction in the purposes as between the Foreign Office Information Service and the British Council?—The Information Services purvey up-to-date news and the current position and the current actions of the United Kingdom, of His Majesty's Government. The British Council conveys a rather different idea, of the long-term story: the culture, the outlook and way of life of this country, as distinct from its actions in the political field.

721. I gather you are satisfied that there is no overlapping now between the work of the British Council and the Information

23 March, 1948.] Sir ORME SARGENT, K.C.B., K.C.M.G., and
Mr. L. R. SHERWOOD, C.M.G., O.B.E.

[Continued.]

Service of the Foreign Office?—I should think it is not quite fair to say that there is no overlapping, because the two fields overlap to a certain extent. I think we can say there is no duplication.

722-5. We had a witness about a week ago from the British Broadcasting Corporation, who told us that very substantial sums, running into millions of pounds, were spent on the Foreign services of the British Broadcasting Corporation. Are you equally well satisfied that there is no overlap between the work of your Information Service and the Foreign broadcasts of the B.B.C., that there is no unnecessary duplication?—No, there is no unnecessary duplication. Again, there might be overlap to this extent, that the Information Officer might quite well wish to emphasise a point that had been brought out in a B.B.C. Broadcast and possibly get it repeated on a local broadcast programme.

Mr. Thurtle.

726. What is the average establishment for information purposes in a foreign mission? How many officers are there in a normal foreign mission, for information purposes only?—That varies, of course, according to the mission. (Mr. Sherwood.) It is very difficult to take an average picture. The British Information Service in the United States, for instance, is an enormous concern, with quite a lot of people in it. In a small country it could be quite well done by one Information Officer with an assistant and probably a translator or two, a local news editor and the necessary typists and, perhaps, a multigraph operator, and people like that.

727. Could you tell me, comparing pre-war times with the present, which are those officers who are now normally in a foreign mission and who did not exist in pre-war days?—Practically the whole service. There was really no Information Service of the Foreign Office in pre-war days. I think I am right in saying there were simply one or two Press Attachés at posts like Paris, but not more than that.

728-34. It is really a quite new development arising from the experience of the war?—It is a continuation of the work the Ministry of Information did in foreign countries during the war, yes.

Mr. Benson.

735. I should like to know something more about the second sub-paragraph of paragraph 17. It refers to accounts which have not been cleared in time for inclusion in the present account. There are some 290 posts abroad not brought into the account, including three accounts for the June quarter, 1946, and 32 accounts for the succeeding quarter, the September quarter. It seems to me you were given

ample time for the accounting to be done; in one case nine months and in the other case six months before the end of the year. How is it that you did not succeed in bringing these accounts in?—(Mr. Sherwood.) Perhaps I might mention that the three accounts missing in respect of the June quarter happen to come all from the same country. One was from Foochow, another from Macao and the third from Urumchi which is a long way off on the north-west frontier of China. We had a certain amount of difficulty at least two of those places through the illness of the officer in charge. Macao was particularly difficult because it included a very large block of expenditure, probably about £600,000, which had been spent almost entirely on Hongkong Account, in relief of British subjects who had escaped from Hongkong to Macao at the time of the Japanese entry into the war. An account which contains an item like that of £600,000 for the administration of relief to thousands of people whose nationality, to say the least, is a little uncertain, spread over some years, takes a lot of handling. As a matter of fact, we have not handled that one yet, but we are trying to do it now, in conjunction with the authorities in Hongkong. None of these accounts has been overlooked. They have all been pursued. Some of them have been late coming in. One of the difficulties there is the rather sad lack of experienced accountants at our missions abroad. They are simply unprocurable.

736. How many posts abroad have you?—Accounting posts?

737. Yes?—Three hundred and sixty, at present.

738. Of those, 290 were in arrears?—There are 360 accounting posts. There are four accounts a year; so it is not 290 out of 360, but 290 out of four times 360.

739. That may be perfectly true of the accounts, but of posts it still means 290 out of 360?—No, not altogether, because some posts have more than one quarter's arrears.

740. Exactly; of the posts, it means that 290 out of your 360 posts are in arrears, or am I misunderstanding it? These are accounts, are they not?—Yes.

741. So you get some posts?—Some posts are well up to date, and other posts—

742. Are in arrears right through?—Are in arrears, as is stated here, two or even three quarters back.

Mr. McAdam.

743. I have a question on paragraph 16 of the report of the Comptroller and Auditor General. I see that the last sub-paragraph mentions that there was a saving of

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£507,529 on telegrams. Was that due to a decrease in the charge for telegrams, or was it partly due to the fact that there was a need for less telegrams to be sent by the different departments to the Foreign Office for instructions?—I think, probably, some of each. It is very difficult to define the exact cause, but undoubtedly there was a certain lull (which probably was rather a false lull) in telegraphing soon after the end of the war; and also we have been able to lay on rather more economical arrangements for telegrams.

744. Would you say that it was partly due, also, to the staff getting more acquainted with their jobs?—No, I should not like to say that that element came in there, at all.

745. It was not due to a falling off in the necessity of having to ask for instructions from the Foreign Office?—(Sir Orme Sargent.) No, I should not think that, but there was a certain decrease the year after the war, compared to the war years. I am afraid it is only temporary. Probably there will be an increase this year.

Mr. Wadsworth.

746. I wish to make an observation in connection with paragraph 18, "Public Information Services," Mr. Chairman. It is not, I know, our responsibility to assess the value of this service. In fact, it is rather difficult to assess the value of publicity. Taking this together with paragraph 19, when we come to it, which is the British Council, I wonder if it would help the Committee and others, for that matter, if we could know how much money has been spent in the Public Information Service in each country. We have had the information that in the United States of America there is a large amount, and in some countries the Service is very small. I think it would help us if we had more detailed information on that. (Mr. Sherwood.) You get a certain amount of information on pages 28, 29, 30 and 31 of the Civil Estimates, in which the salaries and the office charges of the Public Information Services in each country are shown; but that does not show the breakdown of the operational expenses, the £400,000 odd, which it would be very difficult to allocate, I think, country by country, because a great deal of it is mass production, so to speak, for general distribution. It would be fair to regard the operational expenditure as split up in something like the same proportion as the salaries and the office charges. On those pages in the Estimates there is a list of these costs of the Public Information Services in each country.

747. I have not the Estimate with me, but I will certainly look at that.—Would you care to look at my copy?

Mr. Wadsworth.

748. I would. (The same was handed to the Hon. Member.)

Chairman.] Are these Estimates published yet?—Yes, they are just out. I am looking at this year's Estimates, which show last year's figures, too.

Mr. Wadsworth

749. This information, as I can see here, deals with the cost of the establishments in these various countries?—Yes.

750. The Estimates do not deal with the amount of money spent on publicity?—No.

751-3. You are suggesting that the proportion is much the same?—Yes. I think it would be a fairly reasonable assumption that the proportion would not be very greatly different.

Mr. Wadsworth.] I am not prepared to raise any more points on that matter at this moment.

Chairman.

754. Are there any further questions on these paragraphs? We pass now to the Account, which is at page 64; Vote 2, "Diplomatic and Consular Establishments." Subhead B, on page 65, shows an expenditure on special missions of £816,000, does it not?—Yes.

755. I was wondering if Mr. Sherwood could give us the comparable figure for the previous year? Perhaps he will take it from me that it was £262,000?—(Mr. Sherwood.) Yes, certainly. I have not it by me, at the moment.

756. Would you turn to page 67? Subhead K is "Public Information Services," which we have already been discussing. Subhead L "Intergovernmental Committee on Refugees (Grant in Aid)." That organisation has been wound up, has it not, and taken into the International Refugee Organisation?—Yes, on 1st July, last year. The Intergovernmental Committee on Refugees came to an end and the Preparatory Commission of the International Refugees Organisation took over the work. It rather more than took it over. It began a more intensive form of work than the Intergovernmental Committee had been able to undertake.

757. Is the field covered by I.R.O. the same as that covered by the Intergovernmental Committee?—It is more than that. It takes up some of U.N.R.R.A.'s field, too. In fact, it has no limitations, except that they must be genuine refugees.

758. What is the estimated United Kingdom contribution to the I.R.O. for the current year?—The contribution for 1947-48 is £5,665,625.

759. It looks as if our expenses upon refugees were growing rapidly?—The

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world's expenses on refugees have grown enormously. Our share, actually, under the new constitution of the International Refugee Organisation, is considerably less than our potential liabilities under the Intergovernmental Committee.

760. Am I right in saying that we have made some contribution, also, to an organisation called the "International Children's Fund"?—I believe there was an announcement, which I have not seen the terms of yet, made last night that His Majesty's Government was prepared to pay £100,000 in the event of the Lord Mayor's Fund for the same cause having reached a certain figure.

761. That is quite a separate organisation from either of these?—Yes. This International Refugee Organisation is, in fact, the specialised agency of the United Nations for dealing with this enormous problem of the world's refugees.

762. Subhead M is: "Welfare and Development in the Sudan (Grant in Aid)", half a million pounds. Could you tell the Committee what is the purpose of that, and how and where the money goes? What is it spent on?—(Sir Orme Sargent.) That is part of a payment of £2 million which was made to the Sudan in recognition of services rendered by the Sudan to the common cause during the war.

763. We do not take any interest in how the money is spent. It is not devoted to social services, or any particular objects?—No.

764. It is just a grant of money?—It is under the control of the Sudan Government. (Mr. Sherwood.) We do take an interest in it. We cannot really control it to the extent of accounting for it, but we are interested in seeing that it does go into the kind of expenditure which will benefit the Sudanese. In other words, it is civilian welfare rather than, say, defence or strategy.

765. Subhead P on page 68 is: "Grants in respect of the Administration of Relief Abroad". This is in connection with making provision for British persons overseas, I suppose, during and after the war, is it?—(Sir Orme Sargent.) This refers to British subjects stranded in Siam and China as the result of the war.

766. I wondered whether any of these advances and Grants in Aid in Subheads P and Q would eventually be recovered?—(Mr. Sherwood.) Nothing under Subhead P, which is simply a straight grant to the voluntary societies for supplying workers for civil relief, largely working as part of the Civil Affairs Branch of the Army. Under Subhead Q, we have hopes (and some have actually materialised). We have got back from the Siamese the entire amount of the advance we made to British

subjects employed in Siam by the Siam Government. They have repaid that in full.

767. That does not mean we shall get back any of the £286,000 expended in the year of the Account, does it?—No, because we are still at odds with China as to the acceptance by the Chinese Government of the responsibility for the persons concerned whose superannuation derived from the International Municipalities, mainly at Shanghai.

768. Would you look at Subhead U, on page 69: "Anti-Locust Measures", on which £109,000 was spent?—What is the special interest of the Foreign Office in the anti-locust measures?—The reason why the Foreign Office had it was because this was originally managed by the Middle East Office of H.M. Government, the Minister of State's Office, which looked after all interests of H.M. Government in the Middle East. It is definitely of interest to the Government because the locusts of Arabia may get over into East Africa and eat the crops in Kenya, so it was essential to control them at all sources. One of the worst breeding places was Arabia, and the ruling powers in Arabia showed no signs of being able to cope with the locusts themselves, so the Middle East Office decided to do it for them, with their goodwill, of course, and when the Foreign Office inherited the Middle East Office in Cairo it inherited this campaign too, and we have paid for it since.

769. The £109,000 spent on anti-locust measures was mainly spent in Arabia?—Yes, nearly all in Arabia. There was very little in Ethiopia. We spent about £15,000 there, so as to encourage the Ethiopians.

770. What degree of control do the Foreign Office exercise over the expenditure of the money on the spot?—Detailed control.

771. You have an Accounting Officer on the spot, have you?—The Locust Organisation accounts direct to us, I think through the Cairo Embassy; but definitely we have a detailed account of it.

772. Now will you turn to page 72?—Half way down the page there is a statement of the amount of loans outstanding in connection with the European Commission of the Danube. This appears to be something to do with the 1914 War, and the amount outstanding appears to be about 1,300,000 gold francs. Is there any chance of recovering any of this from anybody?—I do not think we can say anything at all about that. (Sir Orme Sargent.) I am afraid it is behind the Iron Curtain, and so long as it remains behind the Iron Curtain I should think there is little chance of recovering it.

773. It has been going on now for about 30 years. One would have thought it would

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either have been written off as a bad debt or recovered as a good one, by now?—(Mr. *Sherwood*.) Speaking very much from memory, if I may do so now, I think advances were recovered over a long period between the wars. It was only when the war closed things down in Europe that the repayment ceased altogether.

774. What is the sterling value of a gold franc, now? Can the Comptroller and Auditor General help on this matter?—(Sir *Frank Tribe*.) No, I am afraid; not without notice.

775. We had better abandon that problem, then. The other question on this Account is this Grant in Aid Account at the bottom, which is shown as a separate account "Assistance for British subjects retiring from the Egyptian City Police." Could this Account not be wound up now?—(Sir *Orme Sargent*.) As a matter of fact it was reopened again at the end of the war when the Egyptian Government decided to terminate the employment of various British officials whom they had kept on during the war and because of the war.

776. This matter arises out of the 1936 Treaty, does it not?—Yes, it does. It was first of all started in 1937. It all got stopped during the war because the British officials were kept on for the period of the war.

777. There was a Grant in Aid originally of £6,000 and the balance has now been reduced to £3,867 at the end of 1946-47, and small sums only seem to have been paid out. I should have thought the beneficiaries might have been, as it were, paid off and the Account wound up?—(Mr. *Sherwood*.) They do not arise all at once like that. They are still coming in now. We have been actively dealing with some cases quite recently.

778. On new claims arising, do you mean?—Yes. There are not very many of them. As you say, the amounts are small, but they really help in cases where it would otherwise be very difficult to do anything for these people. (Sir *Orme Sargent*.) The contracts do not all fall due at the same time. (Mr. *Sherwood*.) Sometimes they carry on for a bit in Egypt and then have to give up there and come home.

779. These are extra payments to persons in distress, are they?—Persons in real need of help. It is not a super-annuation grant, or anything of that sort. They are pure relief payments.

780. It seems rather a tiresome encumbrance in the Account?—I think it is. I do not know what we could do unless we surrendered the Grant in Aid and opened a new Subhead. It could be done in that way, but I do not think, subject to the views of the Committee, that there would be any material advantage in doing that.

781. Sir Frank, have you any views on this?—(Sir *Frank Tribe*.) No, no very strong views. It seems rather a small matter, but if that is the best way of doing it it cannot be helped.

Chairman.] Are there any questions up to the bottom of page 72?

Major *Bruce*.

781A. On page 64, Subhead A.1. is "Salaries &c.," and in the explanation of the causes of variation between the expenditure and the Grant the note to Subhead A.1. states: "Expenditure amounting approximately to £300,000 was not brought to account." May we have a little further explanation as to why that amount of £300,000 was not brought to account, and could we have some indication as to how that compares with the amount which was not brought into account in the previous year?

Chairman.

782. This is the matter about which Mr. Benson put some questions on paragraph 17 of the report of the Comptroller and Auditor General?—(Sir *Orme Sargent*.) It is largely due to the labour involved in reviewing the various local allowances which have to be reviewed and revised in the light of the changes in the cost of living.

Major *Bruce*.

783. Is that a prodigious task?—It is. It is a very large task, yes.

784. On page 65, Subhead A.8. is "News Department Expenses" and the expenditure exceeded the Grant by £4,932 6s. 5d. The note to Subhead A.8. states: "Due to the charge of expenditure in respect of past years." Why was not this brought into account in previous years, and what does the expenditure cover?—(Mr. *Sherwood*.) That is an Account of survival. I think it goes back to a time before the war, when one of these very small information points that the Foreign Office used to have functioned in America. I think it was known as the British Library of Information in New York, and was always provided for under this heading of "News Department Expenses." My recollection is that the Foreign Office, as a matter of convenience, continued to pay the salaries of two or three people who were permanent Civil Servants attached to this small office. The Foreign Office continued to make those payments after the office had expanded into the very big Ministry of Information organisation and the arrear claims were simply ones which had not been presented to the Foreign Office.

785. Why?—I am afraid I could not tell you why. (Sir *Frank Tribe*.) I understand that this was the clearance of suspense items which had been held in the Ministry

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of Information books. When that Ministry came to an end it fell to the Foreign Office to bring the charges to account, and that accounts for the excess under this Subhead.

786. Why are these items held in suspense? There is generally, in the accounting world, some reason for holding items in suspense. One of the reasons usually is that one does not know what to do with them. Why, in this particular instance, were they held in suspense?—(Mr. Sherwood.) I do not think the Foreign Office can answer that. They were not in suspense in the Foreign Office books. We paid the claims as soon as they reached us.

787. Do you know what the claims are in respect of?—I think, almost certainly, the salaries of these officers.

788. You say "almost certainly."—I would like to make that reservation if I might because I have not the actual detail of it in front of me; but that is the only thing of which I am aware for which there is any provision on the Vote, and I think it must be that.

789. On page 65, in the note to Subhead B there is a comparatively small sum, but nevertheless there is a certain principle involved. It states: "The subhead includes an amount of £248 for cigarettes purchased on behalf of the Political Intelligence Department." I have no doubt that there were perfectly good reasons for the purchase of these cigarettes for the people in the Intelligence Department but it would be instructive to know what they were?—I think we must plead guilty there to very little knowledge because we came into the picture only as liquidators of the Political Intelligence Department, and this was one of the items which had to be disposed of on liquidation.

790. Your Department is, from time to time, a kind of omnibus liquidator?—It was for the Political Intelligence Department. It happens to be liquidator for the Foreign Information Services, too, except in so far as they are not liquidated in that case: it is an inheritor there. But in the case of the Political Intelligence Department we were simply liquidators.

791. You knew, did you not, when you took over these functions of liquidation (which I think must have been most unwelcome to you) that, if you took them over, you would be required to account for the items that you liquidated?—Yes.

792. Did you therefore make any effort to find out from the Political Intelligence Department or the remnant over from it exactly what this expenditure was about, because you knew you would have to account for it?—Yes. It was for what one might call the hospitality aspect of the

Political Intelligence Department. That is what the cigarettes were for.

793. Do you meet this in the case of other Departments which fall due for liquidation at your hands from time to time?—I am afraid we might have to. We shall not undertake any more liquidations than we can help.

794. I pass to page 67, to Subhead G: "Telephones." The expenditure was nearly £38,000 more than the Grant. The note to Subhead G states: "Due to additional expenditure, including the cost of the rental of telephone lines to Paris, Brussels, and The Hague." Do you maintain a private wire network with those cities?—Yes.

795. How is it that an increased rental was necessary if you have a private network which is paid for on the basis of an annual charge? Do you require additional services?—The additional services are the private lines.

796. You had to instal additional private lines?—No, this note simply means that, in addition to the estimated expenditure, further expenditure was incurred for these private lines.

797. Why?—Because we needed them. They were not provided for in the original Estimate.

798. Why did you need them?—For rapid and certain conversations with our Embassies in these towns.

799. Do you have in force regulations in the Foreign Office for the maximum economy in the use of the telephone in the same way that we had in the war between this country and the Continent, because lots of people were using them who really did not need to use them for such long periods of time?—There would certainly be a ban on the use of the commercial lines. In the case of these private lines, frivolous use would certainly be disallowed; but otherwise, of course, the more they are used the better they pay, so we should not wish to restrict the use of a private line.

800. All grades of the staff use them?—Hardly that, no.

801. Which grades? The Senior Executive grades?—The Senior Executive grades certainly use them in case of need, yes.

802. Because one does sometimes find that there is a good deal of opportunity for these to be abused and for telephone traffic to be congested at peak hours, and one has that put forward as an excuse for additional private lines. You are prepared to say these are not abused?—I am quite prepared to say that there is no element of that sort whatever in the use of these lines.

803. On page 70, in the note to Subhead AA, there was a sum of £4,948 17s.,

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unvouched expenditure covering the period from January, 1943 to January, 1946 at Urumchi. Of what did that expenditure consist and why was it unvouched?—It is the place I mentioned just now as being very inaccessible, up on the north-west frontier of China. The Consul was ill and for some time it was not possible to send a relief. When the relief got there he found things were in a pretty bad mess. We have every reason to believe that the £4,000 odd had been properly spent on running the show, but unfortunately the ill Consul died soon afterwards and we were never able to get any proper explanations.

804. On page 71, the last item but one under "Details of Receipts", is "Political Intelligence Department", a sum of £7,072. What was that for?—I am sorry, but I have no note on that. I shall have to ask the Committee to let me put in a memorandum about it. (Sir Frank Tribe.) I understand it was for the sale of motor cars on the winding up of the activities. (Mr. Sherwood.) Thank you very much, Sir Frank.

805. How many?—(Sir Frank Tribe.) I am afraid I cannot say, offhand.

Lieut.-Colonel Hamilton.

806. On page 69, Subhead V is: "Enemy Civilians detained in British Territories Overseas". Is that a continuing charge, or is it likely soon to come to an end?—(Mr. Sherwood.) I hope it will soon come to an end. It is only a question now of getting these people back to the places where they belong, in Germany for the most part and, perhaps, a few in Italy and Austria.

807. Is that in active operation?—Yes, very much so. Most of them have gone back already.

808. Subhead X is: "Assistance to Saudi-Arabia". What does that involve? Why are we giving assistance to Saudi-Arabia?—That is really only a hangover. It is a belated charge related to the subsidy which we were paying Saudi-Arabia during the war. These were items which had not come to our notice; or, rather, the account had not been presented in time for payment in earlier years. The great bulk of the expenditure was met out of the Vote of Credit.

809. So there will be nothing further there?—No. This subsidy was actually finished at the time of this Account and the items were drawn into the Account because they were late arrivals.

Mr. Benson.

810. On page 69, Subhead U is: "Anti-Locust Measures". Those are an international matter, are they not?—We got a little financial help from, I think, Syria;

but the undertaking itself was purely under British management.

811. Are we the only country that is dealing steadily and regularly with anti-locust measures in the Near East?—I would not like to be so exclusive as that. I cannot think of another country which we know to be dealing actively with locusts. I suppose Egypt is about the only one. (Sir Orme Sargent.) I suppose the local governments such as Egypt and Syria do do something, but I do not know how much they do on their own.

812. So that the anti-locust activity is ours and the bulk of the cost is ours?—(Mr. Sherwood.) Yes, on this occasion. (Sir Frank Tribe.) The Estimate for 1948-49 is down to £55,000.

813. Which country benefits specifically from that work?—(Mr. Sherwood.) Arabia, chiefly, which is one of the chief breeding spots. Egypt, of course, comes very largely into the picture. They benefit. Kenya benefit, and Somaliland would, too.

814. Would South Africa benefit?—No, I do not think it would get as far as South Africa from this area.

815. There is anti-locust work in South Africa as well, is there not?—(Sir Orme Sargent.) Yes, but I suppose the South African Government operate that.

816. I thought you operated at the source of the locusts, which is outside Africa?—(Mr. Sherwood.) I suppose it is a question for the experts as to whether the Arabian locusts might get to South Africa.

817. This country seems to be bearing the whole of the cost, and we do it for the benefit of other countries?—(Sir Orme Sargent.) We do it for the benefit of the Sudan, British Somaliland and Kenya, too.

818. Will there be any subventions on them for the work we do?—(Mr. Sherwood.) They work in their own territories. British East Africa would look after its own locusts, but it still needs somebody to operate in Arabia to keep them from coming in from there.

819. That is the point. Do not these countries which benefit from our Arabian work bear any of the cost at all?—(Sir Orme Sargent.) Local countries like Egypt and Syria?

820. Yes?—Syria gave us a little, but I think they were the only one. Our own Colonies do not bear any of the cost, do they? (Mr. Sherwood.) No. I do not know that that point has ever risen. This being expenditure in a foreign country a Colony would not normally come into the picture. (Sir Frank Tribe.) There was an Estimate for an Appropriation in Aid of £15,000 in 1947-48 towards this. The Estimate does not say from what country. All we got in 1946-47 was the contribution from Syria.

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(Mr. *Sherwood.*) We did not get as much as we hoped. The Oriental countries concerned are not very good contributors.

821. Would it not be as well to look into the question how far the benefits of our work in Arabia have spread, to see whether they have spread into the Union of South Africa and, if so, whether they should make some contribution?—I doubt whether it would have any effect on the locusts in South Africa. On the other hand it is quite certain that the governments in the Middle East do benefit, and it would be very nice if we could get something more out of them; but I doubt whether we shall be able to do so.

822. Have you asked them?—Yes, and we got a little out of Syria. Did we not get a little out of Ethiopia? (Mr. *Sherwood.*) No, I do not think we did. Syria was the only contributor. I know we asked Egypt, but nothing was forthcoming.

Mr. *McAdam.*

823. On page 65, Subhead C.1. is: "Salaries and Allowances" of Commercial Diplomatic Establishments. Do those establishments act in conjunction with the purchasing departments of the Board of Trade and the Ministry of Food, or do they act on their own initiative in the fixing up of commercial agreements?—They are very closely in touch with the Board of Trade.

824. On page 69, Subhead W is: "Presentation of two aircraft to H.M. The Emperor of Ethiopia." The Grant was £35,000, which was not expended. Has he not accepted delivery yet?—The aeroplanes were not ready for delivery.

825. That charge will come later?—Yes. It has been re-voted this year.

826. On page 72 there is a statement of the amount of loans outstanding at 31st March, 1947, and I see there the European Commission of the Danube. Could you tell me the nations involved in that Commission?—(Sir *Orme Sargent.*) They were all the riparian States, plus the European great Powers, Great Britain, France and, in the old days, of course, Germany and Russia. They dropped out after the first war.

827. Has approach been made to any of them at all to meet their obligations?—Since the war?

828. Yes?—We tried to get them to pay up between the wars. I do not think anything has been done since the war, and I do not think it is possible to get anything out of them. (Mr. *Sherwood.*) Within the last week or two I think there was a suggestion that there might be talks about the Danube Commission. (Sir *Orme Sargent.*) We should like a meeting of Powers to set up a new Danube Commission. That has always been contemplated.

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829. Would they accept the responsibilities, do you think, if you set up a new Danube Commission?—We would try to get them to take on that liability.

830. There is some prospect of obtaining a repayment?—I think there is little chance of being able to set up a new Danube Commission in present circumstances, because Russia would never agree.

831. I thought you said that talks were going on in the hope that you would set one up. You do not think there is any possibility, if you make the proposals?—We make the proposal and Russia vetoes it.

832. Would it not be better to drop the whole question?—(Mr. *Sherwood.*) I think we live in hope for the time being that we might get something back.

Mr. *Cuthbert.*

833. I want to put a general question, but I can probably pinpoint my reason for it on Subhead K, on page 67. In the note to Subhead K on page 67 it states: "Estimates were necessarily conjectural" and so on, and then it uses the word "savings." Would one be right in saying that really they are not actual savings but are the result of overestimating at the beginning of the year? Those are not actual savings in money. They are estimates for the particular year, and they are rather large figures. On operational expenses the "saving" was £660,000 and on telegrams and telephones £239,000. One sees that right throughout the Account and I have pinned it on to that one Subhead in order to bring out my point. They are not actual savings?—I think we can claim it to be a saving to this extent, that it was a reduction below the level of the Ministry of Information expenditure on the same programme. We based our estimate on information we had from the Ministry of Information as to the current rate of spending. It turned out during the year that the Foreign Office was able to manage with less, so it was really a saving.

Colonel *Alan Dower.*

834. With regard to Subhead M: "Welfare and Development in the Sudan," on page 67, which has been discussed already, that is a Grant in Aid of £500,000. Is that going to be continued? It may be advisable that it should be continued?—(Mr. *Sherwood.*) It is a fixed Grant of £2,000,000 payable in four instalments.

835. When that is finished, are you going to consider it advisable to continue it or not?—That has not been considered yet.

836. Does Egypt contribute anything there?—No.

837. Therefore it is Britain only that contributes?—Yes.

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[Continued.]

838. Subhead H is: "Passport Visa Control Abroad." Is there anything to be said about that? The discrepancy between the amount of the Grant and the expenditure is enormous?—It is the same reason as in the case of the Diplomatic Service and the Consular Service. Nearly all of it is for the greatly increased cost of keeping offices open abroad owing to the rise in the cost of living, which means higher allowances for the people who are running the offices and increase in the office rents.

839. Their principal work is to see that no undesirable people enter those countries? Is it regarded as an essential service?—It is regarded as a very essential service.

840. My only other question is about what has been discussed with regard to the locusts, because I have seen quite a bit of them out in the East myself. Are the measures we are taking having any effect at all?—On the locusts?

841. Yes?—Yes, I believe they are. I think that this year's campaign will reduce the danger to almost a minimum.

842. In answer to Mr. Benson did you say (I could not hear) that you asked the Government at the source of this evil (which in your opinion is Saudi-Arabia) to make a contribution? Anyone who commits a nuisance is supposed to put that nuisance right?—I do not think we asked Saudi-Arabia, because at the time when these campaigns were instituted we were subsidising Saudi-Arabia, and it would not have made much difference to have asked them, I think.

Chairman.

843. Are there any further questions on the Vote up to the bottom of page 72? We will now take pages 73 and 74, which is a statement showing the expenditure on special missions and services abroad. You have already dealt with the two big items, the British Mission to South-east Asia and the British Economic Mission to Greece. What is the item immediately following: "Presentations, &c." an expenditure of £13,500? What are the presentations and what is the "&c."?—The "&c." hardly comes into the picture. It seems to be all presentations. It consisted of two Rolls Royce motor cars. One was for Ibn Saud and the other for the Emperor of Ethiopia.

844. What was the price of Ibn Saud's car?—£9,000.

845. Without any purchase tax on it?—I do not think there was any purchase tax.

846-8. No, I am sure there would not be. It must have been a very good car. Who was the other car for?—The Emperor of Ethiopia.

Chairman.

849. Will you turn to page 74, on which there appears several times the item:

"Parliamentary Delegation." I should very much like to know about these. Some of them seem such small amounts. Would you like to say a word about them generally? There was £2,000 expended on a Parliamentary delegation to Japan, followed by £33 for a Parliamentary delegation to Czechoslovakia. Then there was another Parliamentary delegation to Bikini in connection with the atom bomb experiment, which cost £311. It seems a very long way to go at such a cheap cost. Would you like to deal with them as separate items, or say a word about them generally?—I think we can only say something about them in general terms. The amount of aid that the Foreign Office gives at its own expense depends largely upon the requirements of the Members who make the journey. In some cases there is, perhaps, rather more Foreign Office interest than in others. I do not think there is any rule which I can state which governs the extent of our contribution.

850. Perhaps you had better give us the background first. I am very ignorant about this. Who suggests that these missions should go to their destinations? Does the suggestion come from the Foreign Office, or does it come from the individuals?—It might come from either side. It does, in fact, come from both sides. From which side it came in respect to each of these occasions on page 74, I would not like to say.

851. I take it that the Foreign Secretary decides whether the mission shall go or not?—(Sir Orme Sargent.) Is it not very often an invitation addressed to the Speaker from the other side? The Speaker arranges a mission in response to an invitation from the Speaker of the corresponding Parliament? I think that is usually so.

852. That happens fairly often, does it?—Yes. An all-Party delegation is composed and visits the country.

853. I take it the Foreign Office is consulted as to whether it should go or not?—Certainly.

854. And it approves or disapproves?—Yes.

855. And so far as the expenses are concerned, is there any sort of rule? Is it the general rule that the Members pay for themselves if they can and come to you if they cannot, or is some proportion of the expenses paid by the Foreign Office?—(Mr. Sherwood.) No fixed proportion. It would depend on the nature of the mission in each case. If it was very much a Foreign Office goodwill mission, and the Members, so to speak, represented the national interest, rather than making an exploration of their own—then I think the Foreign Office top limit of expenditure would come in, and it would probably consist of the entire cost of travelling, and probably subsistence, too. Very often the

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[Continued.]

expenses are quite low because quite often the country which is visited provides both—entertainment, and sometimes travel, too; and then sometimes Members travel at their own expense. Those are the only items that come our way, the actual costs of travel and subsistence plus insurance against loss of personal effects; I believe we carry that liability, too.

856. Surely the individual Members wants to know, before he sets off, whether any part of his expenses is going to be paid or not?—Yes.

857. Does he come to you in advance of going?—Yes.

858. Do Members come to you as individuals or as a delegation?—Sometimes as individuals. Very often it is an individual case, or one or two Members only travelling. If it is a delegation somebody generally speaks for all of them, but even then sometimes they come separately.

859. There is no means test attached to the Grant?—No.

860. Some Members might prefer to pay all their own expenses and others come and ask you to assist them. Is that it?—Yes.

861. And get a guaranteed sum promised to them before they start?—Yes. If they are expecting something there is an understanding there. We try to make it clear what our maximum liability is. (Sir Orme Sargent.) Of course, in nearly all cases when they are in the country they are the guests of the country. (Mr. Sherwood.) That does account for the smallness of the expenditure in the case of a great many of them.

862. The high cost in the case of the trip to Japan is because of the long distance travel involved, is it?—Yes.

Chairman.] Are there any questions on pages 73 and 74?

Sir John Mellor.

863. It does seem that the expression "Parliamentary delegation" is rather confusing. It covers a multitude of different kinds of visits. I would suggest you should consider whether these expenses might not be described in perhaps more precise terms than as expenses for a "Parliamentary delegation." Would not "Parliamentary delegation" imply to the mind of the outside individual that those composing the delegation had been deputed by Parliament and appointed as a Select Committee is appointed? Do you not think that would be the impression which would be gained by the ordinary individual outside, that these Members had been appointed by Parliament by resolution of the House and subsequently delegated? In fact that has never happened, I think?—(Sir Orme Sargent.) I think to a certain extent it

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does happen, because the Speaker does select these delegations.

Chairman.

864. You and I, Sir John, have been just a bit unlucky?—He receives an invitation from his opposite number in, say, the Polish Parliament, to send a delegation. He then proceeds to select a delegation representing all Parties.

Sir John Mellor.

865. Selected by the Speaker?—By the Speaker.

866. Probably on the recommendation of Party Whips; but that is a rather different thing from appointment by the House as a Select Committee is appointed?—Yes, quite different.

867. Even so, I rather gather that these delegations have not all been appointed by the Speaker?—(Mr. Sherwood.) No.

868. In some cases they have been quite unofficial so far as the House of Commons is concerned?—(Sir Frank Tribe.) I believe if they go in consequence of a resolution of the House their expenses are borne on Class I, Vote 2 (that is the House of Commons Vote) rather than on the Foreign Office Vote. So *ex hypothesi* none of these that are borne on the Foreign Office would have been sent in pursuance of a resolution of the House.

869. Thank you. In some cases they have been nominated by the Speaker and in some cases they have not. Is that correct?—(Sir Orme Sargent.) Yes. I should think nearly all these cases have been nominated by the Speaker.

870. In future, could some arrangement be made by which the expression "Parliamentary delegation" is used only for those who have been nominated by the Speaker, and in cases where somebody has come along to the Foreign Office and said they would like to go and visit some country because they think they might be able to do something useful for the country, precise particulars should be given?—Yes, I quite agree.

Sir John Mellor.] Thank you.

Major Bruce.

871. Pursuing that question, I gather from your replies that these particular delegations which are being discussed are not those private visits which are paid from time to time by people who, of their own volition, wish to go over there, or people who are invited by private bodies? Those are not included in this heading, are they?—No.

872. These are all-Party delegations in the widest sense of the term, however they might have been selected?—Yes, exactly.

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[Continued.]

873. But contain a proportional representation, roughly speaking, of the Labour, Conservative and Liberal Parties?—Yes.

874. There is an item here, on page 73: "Maintenance of Prince Paul of Yugoslavia" a sum of £3,869. Is that for the whole year, and what was it paid in respect of?—That was paid in respect of his housing when he was, first of all, in Kenya, and afterwards in South Africa. But it terminated, I think, about June, 1946, and since then the South Africans have taken on that liability.

875. It was expensive, was it not?—The housing?

Major Bruce.] Yes. £3,869 seems to be a pretty good rental.

Chairman.

876. That is the total?—That is the total. That is since 1941, when he was driven out.

Major Bruce.

877. Then there is an item: "Representation of His Majesty's Government at the inauguration of the President of Brazil." How is it that there is a charge for that in this period? The inauguration seems to have taken a long time. I see the total expenditure is £3,847 and in this period the expenditure was £197?—It is probably a belated charge of some kind. It sometimes takes a very long while to clear the whole expenditure of a trip of that kind, especially if some of the members are not officials.

878. Why was it necessary for us to have a Foreign Office observer at the Nuremberg Trials? We seem to have had there a galaxy of Press men, a galaxy of lawyers, a galaxy of everybody else. Why did we need extra expenditure in respect of the Foreign Office? Are not our own repre-

sentatives sufficient? We have an expenditure of £474 there?—(Sir Orme Sargent.) The Foreign Office felt that they did want to see what was going on there. They could not rely upon the British judges or counsel to represent them. We had to have some representative. We had nobody else at Nuremberg.

879. Were not the Control Commission representatives there?—Nuremberg is not in the British Zone. Nuremberg is in the American Zone.

880. Do you mean to say that apart from the actual legal people involved there was no other body of civil servants available in any part of Nuremberg?—That is so.

Mr. McAdam.

881. On page 74 there is an item: "British delegation to German Economic Party at Washington." Could you tell me what the object of that party was? Have you any information on that?—(Mr. Sherwood.) It was one of those continual international discussions which is trying to come to some conclusion about the economic future of Germany, which is an extremely difficult problem. This was a delegation to a meeting which took place in Washington on that subject.

882. Were the Big Four represented?—I do not know what the other representation was.

883. Was it just British and American representation?—British and American, certainly; I would not like to say what other nations were parties to it.

884. You do not know whether the U.S.S.R. were involved or not?—No, I am afraid I do not.

Chairman.] Are there any further questions on pages 73 and 74? May I take it that the Account is approved? (Agreed.)

Mr. Sherwood withdrew.

TREASURY MINUTE ON PARAGRAPHS 25 TO 29 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Mr. R. DAVIES, Assistant Director-General, and Sir A. CAMERON BADENOCH, K.C.I.E., C.S.I., Controller of the Finance Division, the British Council, called in and examined:

Chairman.

885. What is your position in the British Council, Mr. Davies?—(Mr. Davies.) I am Assistant Director-General; one of two. There are two Assistant Directors-General.

886. You are accompanied by Sir Cameron Badenoch?—Yes.

887. What position does he occupy?—He is Controller of the Finance Division of the Council.

888. Will Members turn to the Treasury Minute on our Third Report of last year? In the third paragraph of their Minute

the Treasury say: "My Lords fully endorse the Committee's comments. They understand that the Council has under review the need for securing further improvements in the control of expenditure, and certain changes in the Council's internal arrangements are contemplated to this end". Could you tell the Committee what has been done in that regard? Has the review led to anything practical?—The review has led to the strengthening of the control of the two Departments of the Council chiefly concerned with the approval of expenditure, the Budget and Control Department and the Pay and

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Records Department which looks after the financial side of staff matters. Then the Audit Department, which was set up very late in 1945, and initially had only staff in London at headquarters, has now extended the field of its operations by the appointment of two auditors concerned with the audit overseas in order to replace, as far as possible, the audit by firms of chartered accountants which was the only form of overseas audit which the Council had until we set up our own Department. We had originally intended to have three auditors working overseas, but your Committee last year recommended that the Colonial Audit should take over the audit in our Colonial Territories and that had the effect of withdrawing the audit in the West Indies from our purview; and then, owing to the necessity for economy, we have withdrawn from three countries in Latin America, so that it was felt that there was no longer justification for the third overseas auditor who was to have been based at Buenos Aires. So we have now the audit of Europe done by a man based on London and the audit of all countries which can conveniently be reached by him are done by a man who is based on Cairo. That audit system has the additional advantage that we are able not only to check the accuracy of the Accounts and the question whether the money was properly expended, but our auditors have a mandate, and especially the Director of Audit or his deputy, when they travel, to look into the whole financial administration of the overseas posts. I think I would say that in the case of expenditure overseas that has been the best feature of the improvement of the control, the improvement which they have been able to make in the actual financial administration overseas. The same holds good in the Departments in London. In one or two Departments they have made very notable improvements in the method of vouching expenditure and looking after it.

889. In paragraph 4 of their Minute the Treasury state: "My Lords urge that the comprehensive codes of instructions on establishment matters and on financial control of accounting should be issued at the earliest possible date". Has that been done?—We have not printed and published it yet, because the establishment of our new service on lines closely conformable to those of the Civil Service has not yet been completed. It is under discussion now with the Foreign Office and we feel that when the change is introduced (and it involves, also, our overseas services) it will mean so many alterations in detail in the rules and regulations that it would be unwise now to go to the expense of printing and publishing; but we have revised nearly all our administrative and our financial circulars which govern these matters, and duplicated them and in that

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form we are issuing them pending this integration of our home and overseas service on Civil Service lines.

890. Have you made the report yet to the Treasury for which they ask in the last sentence of paragraph 4 of their Minute?—Yes. We sent one which I hope will reach them before 31st March.

891. It has not actually gone over yet?—I think it is with the Foreign Office now.

Chairman.] Although on our agenda we have down for consideration the Treasury Minute on paragraphs 30 to 32 of our Third Report of last year, I think the Treasury Minute on those paragraphs raises questions which will be more suitably put to the Colonial Office representatives when they come before the Committee; so I will not put any questions upon those today. Has any Member of the Committee any question on the Treasury Minute on paragraphs 25 to 29 of the Committee's Third Report of last year?

Major Bruce.

892. I would like to ask a question or two on the new system of accounting control. You have now three Departments, the Budget Control Department, the Audit Department, and the third one?—I should have mentioned, perhaps, four to make the picture complete. The oldest Department concerned with financial matters is the Accounts Department, and until 1942-43 there was nothing else. Then, at the end of 1942 we set up the Budget and Control Department to look after the preparation of the Estimates and the control of all variations, such as approvals of additional money or the virement of money from one allocation to another during the year. Financial control is primarily in their hands. The Pay and Records Department deals with all the financial side of staff matters and the Audit Department is self-explanatory. They are concerned with the audit of the Accounts and, as I say, with inspections overseas and the general improvement of financial machinery and control.

893. The functions performed by your Audit Department are in the nature of an internal audit only because, of course, your Accounts are subject to the final audit of the Comptroller and Auditor General?—Yes. We set up the Audit Department because there seemed to us to be a gap. The Comptroller and Auditor General had, of course, all our audit reports open to his inspection, but his Department audited the Accounts in the United Kingdom, only the Accounts overseas were audited by firms of chartered accountants whose reports were made available to the Comptroller and Auditor General. It seemed to us that while the Comptroller and Auditor General naturally was looking at our expenditure primarily from the point of view of

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[Continued

Treasury control, at the other end the chartered accountants were really able to do no more than check the accuracy of payments, and so on, and that there was no agency looking after the Council's own rules and regulations and how well or ill they were being applied. So we set up an Audit Department of our own specially to cover that gap which seemed to us unfilled.

894. The Audit Department itself looks after the more detailed audit only overseas?—No, it audits at home as well, in the United Kingdom Departments in London as well as overseas.

895. I want to put to you this specific point. In view of the fact that there is an audit by the Comptroller and Auditor General of the home accounts the devoting of audit staff here at home to checking payments which ought to be properly authorised by your Budget and Control Department is in fact the employment of a redundant amount of labour?—I do not think we would, with respect, agree with that. The Audit Department and its arrangements were set up, with the approval of the Treasury and with the knowledge and approval of the Comptroller and Auditor General himself, and if the Comptroller and Auditor General were to say that we were doing anything that was redundant we should, of course, hasten to cease to do it. But I think that he would probably say that the audit at home which was being done by our own Audit Department was valuable to him and that he would wish us to continue it. As I have said, our auditors do a great deal in the way of improving the machinery of checking and control in these Departments which the Comptroller and Auditor General's representative, I think, would find it physically impossible to do.

896. I was just putting the point to you because an auditor in the normal way is, of course, an independent person, as indeed, of course, the Comptroller and Auditor General's is an independent Department. Therefore, if one employs an auditor within one's own Department as such, of course that person is finally responsible to the Department itself and not to the other side.

897. We wish to satisfy ourselves that our own financial regulations are being properly observed by our own Departments and our own representatives overseas.

898. And you are perfectly satisfied that that is an economic way of doing it, rather than better organising your Budget and Control Department to deal with it?—Yes, I think so. The Budget and Control

Department exercises a pre-commitment control while the Audit Department is exercising a post-payment control. There are two aspects of financial control which I think are distinct. The man who wishes to commit the Council or to spend money has to come to Budget Control for permission beforehand. The Audit Department brings to light the misdeeds of people, if any have been committed, and it enables us to find ways and means of preventing their recurrence. At least, that is the idea.

899. Have you any idea of the cost of your Audit Department only?—Sir Cameron Badenoch will tell us what it will be. We have also our Director of Audit sitting at the back of the room. (Sir Cameron Badenoch.) It is in the region of £5,000.

900. That is all?—There are only two auditors for home and the two overseas auditors, the Director and Assistant Director. That is the whole strength of the Audit Department. It is a very small Department, highly expert. (Sir Frank Tribe.) I welcomed the action which the British Council took in this respect. The Public Accounts Committee for several years has drawn attention to accounting problems in the British Council and pressed for the strengthening of their general financial control; and the appointment of an internal auditor is of the greatest assistance to my Department, and we welcomed it. We felt it was well justified.

901. That does not obviate the necessity for you yourself auditing work these auditors have done?—No. My staff is limited and I have to rely wherever I can upon the internal audit work carried out by the different Departments, provided I am satisfied that work is well done, and that the assistance they employ is adequate.

902. You do a sample check in those cases?—Yes.

903. That is all?—Yes. (Sir Cameron Badenoch.) May I say the results of our work are made freely available to the Comptroller and Auditor General's representatives.

Chairman.

904. Are there any further questions on the Treasury Minute on paragraphs 25 to 29 of our Third Report of last year? I think we might release you now, Sir Orme Sargent. Apart from the British Council we have only a few more minor matters, upon which Mr. Sherwood can answer the questions of the Committee. I have no doubt you are a busy man and would like to get away?—(Sir Orme Sargent.) Thank you very much.

Sir Orme Sargent withdrew.

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Sir A. CAMERON BADENOCH, K.C.I.E., C.S.I.

[Continued

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS II.

VOTE 3.

BRITISH COUNCIL.

Chairman.

905. Will Members turn now to the Civil Appropriation Accounts, 1946-47, to paragraphs 19 and 20 of the Report of the Comptroller and Auditor General? These two paragraphs deal with the British Council Grant in Aid. Paragraph 19 is narrative. Would you look at the last sentence of the first sub-paragraph of paragraph 20, in which the Comptroller and Auditor General says: "Among the items charged to the present Account is one of £75,939 in respect of China; I have no knowledge of any arrangements for local examination of this expenditure." How does that come about?—(Mr. *Davies.*) The Council sent to China last year its most senior official at that time, and part of his mandate was to look into this matter of local audit, which was thought, I think quite rightly, to be likely to be very difficult there and very expensive, and report on it so that we could set up a system. Unfortunately he became very seriously ill in China with a duodenal ulcer and had to be brought home before he had gone into this particular matter. We are now arranging that our Director of Audit himself shall visit China. I think within the next two or three months he will be going out there and he will be able, in the first place, to look into the accounts there. He will not be able to audit them himself in full, but he will be able to do a certain amount in that direction, I think I am right in saying.

906. Is your establishment in China spread over a number of places, or is it concentrated?—It is in Shanghai and Peking and Nanking. Communications are difficult. I think you can only get by plane between Peking and Nanking. You have to fly over the Communist forces to get there. When the Director of Audit has been out there he will set up some arrangement for the local audit. We shall have to rely on chartered accountants in China, because it is not sufficiently accessible either from Cairo or from anywhere else.

907. Are there any British commercial accountants available in China now?—I am not sure myself. We hope to find suitable chartered accountants. I expect we shall find a firm which has, perhaps, branches in all three cities, who can do it for us, but so far the expenditure has been unchecked. *Chairman.*] The Account is at pages 75 and 76. We will take any questions that arise on the two paragraphs of the report of the Comptroller and Auditor General and the Account together.

Sir John Mellor.

908. Can you give me any information with regard to the expenditure incurred on Greek House, London? I understand that is financed by the British Council?—Not now, no. There is no subsidy at all now. During the war it was one of a number—I suppose six or seven—of these houses which the Council subsidised. They were set up because there were these exiled communities during the war in London and the Council has always had a Home Division organised for dealing with foreigners of various types in England—visitors, students and, in the war days, resident colonials. These houses were really clubs more than anything else. They were organised on the basis that there should be about 50 per cent. British membership and 50 per cent. membership of the foreign country. During the war they had very small subscriptions and the Council made up the difference. After the war some of them were wound up and in some cases the Government concerned sponsored any financial loss. In the case of Greek House (I happen to know because I was a member of it) they raised their subscription very substantially after the war and made it self-supporting. It is now run by its own committee, and the British Council no longer comes in at all.

909. Or has any liability?—Or has any liability in regard to it. I think I am right in saying we had a small liability to the owner of the house at the end of the war, for dilapidations or something during our tenancy, but that we liquidated. But we have no further responsibility at all there.

Sir John Mellor.] Thank you very much.

Major Bruce.

910. With regard to this visit of the Director of Audit to China, is his journey really necessary?—We think it is. To the extent that it may obviate an audit by the local chartered accountants, having regard to what has been spent up till now I think it will probably pay for itself, because we think that the local audit by a firm of chartered accountants is going to be a very costly business in China.

911. As costly as a visit of the Director of Audit there and back?—If I may mention a figure nearer home, we were quoted £450 as the cost of auditing our accounts in Persia, and our Deputy Director of Audit (as he then was) went to Persia and that expenditure was obviated. I think we saved money there. The audit in Turkey by chartered accountant, Sir Cameron tells me, cost £1,000.

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[Continued.]

912. The result was an independent audit outside your own Department; I mean, on which the public can rely?—We regard our Audit Department and our spending people as on opposite sides. We do not think of them as possible collaborators.

913. You pay them both?—We pay them both, but we pay the auditor to catch out the other people. It is as much as his place is worth, so to speak, to be discovered doing the opposite.

Lieut.-Colonel Hamilton.

914. I see the receipts were nearly £100,000 less than you expected. Is there any special reason for that?—There is a special and large reason. That is,

that the expenditure of the Colonial Office appears as a receipt to the Council on the Foreign Office side. You can see it in the Estimates here.

915. It is actually a cross-entry?—The Colonial Office spent £56,000 less than they estimated and therefore the receipts to the Council were £56,000 less. That accounts for part of the shortage of £95,000 on the receipts side. £56,000 of that is merely short spending by the Colonial Office.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.) I think that concludes your evidence, Mr. Davies and Sir Cameron. Thank you very much.

Mr. Davies and Sir Cameron Badenoch withdrew.

VOTE 4.

LEAGUE OF NATIONS.

Mr. L. R. SHERWOOD, C.M.G., O.B.E., recalled and further examined:

Chairman.

916. The Account is at page 77. This, I think, is a very narrative in regard to the winding up of the League of Nations, is it not?—(Mr. Sherwood.) Yes; it is almost entirely narrative. There is very little we can add to that.

917. And the disposal of the assets?—Yes.

Chairman.] I do not think at this late hour I need ask you any questions on the paragraph in the report of the Comptroller and Auditor General, nor on the Account at page 77, which is largely formal. Are there any questions either on paragraph 21 or on the Account at page 77? May I take it that the Account is approved? (Agreed.)

VOTE 5.

UNITED NATIONS.

Chairman.

918. This is a matter we have already dealt with on the Excess Vote, is it not?—(Mr. Sherwood.) Yes, we dealt with it on the Excess Vote.

Chairman.] Are there any questions? May I take it that the Account is approved? (Agreed.)

VOTE 16.

ASSISTANCE TO GREECE.

Chairman.

919. Will Members turn to paragraph 35 of the report of the Comptroller and Auditor General in the Civil Appropriation Accounts? There is only one question I would like to ask, and that is in regard to the third paragraph. There is an amount of £99,000 mentioned for "the salaries and expenses of British officers engaged on the reorganisation of the Greek police and gendarmerie." Some portion, Sir Frank states, is recoverable. What are the prospects there of recovering?—Quite good. We have had substantial payments from Greece already on account of this mission.

920. You expect to recover it all, do you?—No, not all of it. We never did

expect the Greeks to pay more than a certain proportion.

Chairman.] Are there any questions on paragraph 35 or on the Account, which is at page 114?

Major Bruce.

921. Have you any opportunity of checking the expenditure by the Greek Government of the financial aid that has been rendered to them?—The strictly financial aid was not in this year's Account at all. It was confined to the loan of £10 million for the stabilisation of currency, and that is controlled by a Currency Board in Greece, on which we are represented. This Account relates to supplies, mainly, to the armed forces; supplies to the Greek Army.

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Mr. L. R. SHERWOOD, C.M.G., O.B.E.

[Continued.]

922. You are quite satisfied that supplies went to their destinations and have been used by the armed forces and have not been dissipated out to the Black Market through various odd places?—I should find it rather difficult to give that assurance confidently, since we can hardly exercise that degree of close control over what the Greeks do. In general, quite definitely the supplies have gone to their destinations because the Greek Army arrangements were very largely under the British eye until the Americans took over. When the Americans took over our expenditure on supplies ceased.

923. One does hear reports with what-ever justification there may be—verified by

observers who have come back—of the laxity of the Governmental machine out there, and one is anxious to ensure that what assistance is given is not dissipated on purposes of which we would not approve?—The Foreign Office is content that our military missions in Greece have seen to it that this stuff has gone the right way.

Chairman.

924. Are there any further questions? May I take it the Account is approved? (*Agreed.*) That completes your examination today, Mr. Sherwood. We are much obliged to you.—Thank you very much.

Chairman.] You have stood up to the barrage very well.

The witnesses withdrew.

Adjourned till Thursday, April 8th, at 3.45 p.m.

THURSDAY, 8TH APRIL, 1948.

Members present:

MR. PEAKE in the Chair.

Mr. Cuthbert.
Lieut.-Col. Hamilton.
Mr. McAdam.

Sir John Mellor.
Mr. Thurtle.
Mr. Wadsworth.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES, called in and examined:

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS II.

VOTE 9.

COLONIAL OFFICE.

Sir THOMAS I. K. LLOYD, K.C.M.G., Permanent Under-Secretary, Colonial Office, called in and examined:

Chairman.

925. We start today with the Colonial Office. It will be convenient, I think, to take the various paragraphs of the Treasury Minute with the corresponding paragraphs in the report of the Comptroller and Auditor General on the Civil Appropriation Accounts. We begin at page 85 of the Civil Appropriation Accounts, Class II, Vote 9, the Colonial Office. Sir Thomas Lloyd, this is the main Account of the Colonial Office, is it not?—(*Sir Thomas Lloyd.*) Of the Office itself, yes.

926. I have only one question upon it and that is on Subhead B: "Travelling and Incidental Expenses." Does that include anything for travelling by any Members of Parliament?—By the Secretary of State himself, and other Ministers.

927. Perhaps I may refresh your memory. Did not two Members go to Sarawak?—Yes; that was in May, 1946. The Subhead would include those expenses. Mr. Gammans and Mr. Rees Williams went to Sarawak.

928. Was that an official mission undertaken at the request of the Colonial Secretary?—Yes, to inquire into the feeling in Sarawak over the question of cession.

929. Did those Members make a report?—Not a published report. They made a report to the Secretary of State, the substance of which he communicated to the House.

Chairman.] Has any Member of the Committee any questions on this Account? May I take it the Account is approved? (*Agreed.*)

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Sir THOMAS I. K. LLOYD, K.C.M.G.

[Continued.]

TREASURY MINUTE ON PARAGRAPHS 30 to 32 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

930. We now pass to paragraph 20 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, and we will take with this paragraph the Treasury Minute on paragraphs 30 to 32 of the Third Report of the Committee of last year. This all deals with the question of expenditure by the British Council in the Colonies. Sir Thomas, you will see that the Committee last year expressed some doubts about the beneficial effects of British Council expenditure in the Colonies, but the Treasury in paragraph 1 of their Minute, state: "Their Lordships have reached the conclusion, however, that there is a place for British Council activities in the Colonies which cannot be filled as effectively or economically by any other organisation and which cannot appropriately be handed over to Colonial Governments." Then, in the second and third paragraphs of the Treasury Minute, there are some new arrangements outlined, are there not, for auditing British Council expenditure in the Colonies?—(Sir Thomas Lloyd.) Yes.

931. In future, it will be audited by the Colonial Auditor. Does that mean it will be audited in London in the Colonial Office, or in the Colonies concerned?—It will be audited in the Colonies concerned, by staff of the Director General of Colonial Audit, who himself, as head of the central organisation, sits in London and, of course, the Accounts come home. The only exceptions to that are in three Colonies where we have no members of the central Colonial Audit Service. Those three Colonies all have Governments with a considerable measure of internal responsibility. They are Malta, Jamaica and Barbados. They have their local auditors and the Accounts there would be audited by those people who are, of course, servants of the Colonial Governments.

932. Have you carried out the suggestion in the last sentence of the Treasury Minute, which says: "The agreement of Colonial Governments is being sought to an arrange-

ment whereby audit of the Council's expenditure will be undertaken from the 1st April, 1948, by the Colonial Auditor, who will be asked to call particular attention to any instance in which there appears to be overlapping of the Council's expenditure with that of the Colonial Government"?—Yes. The fact that the examination of the Accounts in respect of both the Government and the Council expenditure is in the hands of one person, namely, the Auditor, will enable him to see whether there is overlapping and all Colonial Auditors have been specially asked to call attention to any such instances when they are reporting on the Accounts. If we got such reports, we should, of course, take the matter up with the Council and the Colonial Government.

933. There is one particular point I should like to ask you about, and it is this: we know that the British Council pays for the cost of sending a good many scholars from the Colonies to the Universities in this country. Is there any overlap there with the grants made to the Colonial Office for a similar purpose?—Not in the sense that one individual could get a scholarship from both sources. The selection for British Council scholarships is always made in consultation with the authorities in the Colonies and they, of course, are the actual selectors for the scholarships awarded from our Central Colonial Development and Welfare Fund. Also there is, by and large, a distinction between the purposes of the two different sets of scholarships. The British Council scholarships are normally for studies of such subjects as Music, Film Production, Architecture and the like, whereas our scholarships are usually for the Sciences, or literary subjects, or Law or Medicine.

Are there any questions on paragraph 20 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, or on the Treasury Minute on paragraphs 30 to 32 of the Third Report of the Committee of last year?

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

VOTE 10.

COLONIAL AND MIDDLE EASTERN SERVICES.

Chairman.

934. Will Members turn to paragraphs 23 to 28 of the Report of the Comptroller and Auditor General. These deal with Colonial and Middle Eastern Services. Paragraph 23 is, I think, merely narrational. Paragraph 24 deals with the expenses of Governors proceeding to their posts and returning from them, does it not?—(Sir Thomas Lloyd.) That is so.

935. As I understand the arrangement, it is that the grant is five times the cost of what a first-class sea passage cost in 1939 plus £150 and the whole thing increased by 40 per cent. Is that right?—Yes.

936. Does this arrangement give general satisfaction?—I think so. About a year or two back some Governors were complaining that they were out of pocket over

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Sir THOMAS I. K. LLOYD, K.C.M.G.

[Continued.]

it, but now there is this 40 per cent. That does not, of course, pay for the whole of it, but the fact that they are given five passages and that some have reduced the staff they take out to three or four has enabled them to make ends meet.

937. They had to pay for their own passages out of this grant and for the passages of their families?—For the passages of their families and for any personal staff

other than official staff which the Government provides for them.

938. I suppose a bachelor makes a profit on it and a married man with a large family makes a loss?—That is what it comes to.

Are there any questions on paragraph 24? Paragraph 25 is largely narrational. Are there any questions on paragraph 25?

TREASURY MINUTE ON PARAGRAPHS 81 to 84 OF THE THIRD REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS, 1946-47.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS II.

VOTE 10.

COLONIAL AND MIDDLE EASTERN SERVICES (*continued*).

Chairman.

939. Paragraph 26 of the report of the Comptroller and Auditor General deals with the grant in aid to Hong Kong. In the previous year the Comptroller and Auditor General reported that "£2,500,000 had been advanced to Hong Kong by way of loans to enable necessary expenditure to be met during the occupation of the Colony by the Japanese. A further issue of £750,000 is charged to subhead F.1 of the present account making the total advanced £3,250,000. I understand that the question of repayment of these loans is still under consideration by the Colonial Office and the Treasury." (Sir *Frank Tribe*.) That was dealt with in the Public Accounts Committee Report last year. There is a comment in the Treasury Minute upon it.

940-1. Yes. Will Members turn to the Treasury Minute on paragraphs 81 to 84 of the Third Report of the Committee of Public Accounts 1946-47. The Treasury, in the second paragraph of their Minute, state: "My Lords understand that discussions between the Colonial Office and the Colonial Governors on this matter are proceeding. Their Lordships share the desire of the Committee that settlement should be reached as soon as possible." Can you tell the Committee, Sir Thomas, whether any progress has been made here or whether there is any prospect of these loans being repaid?—(Sir *Thomas Lloyd*.) Yes. Perhaps I may tackle the question in two parts, because the Treasury Minute is wider than the Comptroller and Auditor General's Report in that it refers to Malaya and Borneo as well as to Hong Kong. We recently put to the Treasury, as a general proposition covering all the territories, the view that none of these territories should be treated any less generously than Burma was treated under the agreement reached early this year.

942. It is the fact that Hong Kong is in a very flourishing condition at present?—It is very prosperous indeed now. They

have got, in addition to all we are now discussing, very considerable war damage claims which have still to be settled, and which the Treasury, I imagine, would want to tackle at the same time as they reach finality in regard to these other matters of stores and the cost of civil administration. (Sir *Eric Bamford*.) I should like to say, if I may, that the Colonial Office reports are under consideration by the Treasury now and the Chancellor has them before him. They are being considered in relation to the war damage claims which arise on the other side of the account. We cannot make any statement at this moment.

943. Are there any questions on paragraph 26 of the Report of the Comptroller and Auditor General or on the Treasury Minute on paragraphs 81 to 84 of our Third Report of last year? We pass to paragraph 27 of the Report of the Comptroller and Auditor General on the Civil Appropriation Accounts which deals with an accountancy point, I think. Have you anything to say, Sir Frank, upon the arrangement set out in the last two sentences or so?—(Sir *Frank Tribe*.) I think all I need say is that it is a rather technical accounting point which has been agreed now in principle with the Treasury, and adequate arrangements are being made in the Estimates for 1948-49 which will obviate the need for similar reports in future. For instance, there is the footnote at the bottom of page 83 of the 1948-49 Estimates. The same point as this will, however, arise in respect of 1947-48, and unless the Committee wish it I did not propose to report again on the same subject next year.

944. Has any Member of the Committee any questions on paragraph 27? We pass to paragraph 28 which deals with the Jamaica Banana scheme. I think we discussed this matter here before. The scheme began to operate in 1940. I suppose a fund was provided for purchasing bananas

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[Continued.]

which probably could not be shipped then to many parts of the world?—(Sir Thomas Lloyd.) That is so.

945. Over the page we see the financial results. The Comptroller and Auditor General says: "a profit of £1,375,033 had accrued in the final period of 14 months to 31st December, 1946. As already indicated, the losses in the earlier periods had been borne by the United Kingdom, but it was ultimately agreed, with Treasury concurrence, that the profit in the final period should be divided equally between the United Kingdom and Jamaica, on the understanding that the share of the latter" (that is, Jamaica) "would be applied for the benefit of growers by way of price stabilisation and hurricane insurance funds." How does it come about that we paid for all the loss and when there turned out to be a profit for a period of 14 months we got only half of it back?—Perhaps the Treasury would wish to speak for themselves about this, but I imagine they thought it a fairly good investment in the long run, that Jamaica should be left with this half of the profits in order to set up schemes of price stabilisation and insurance because of the experience in 1944-45 (I think it was) when Jamaica had a hurricane and they were compelled to go to the Treasury for assistance to meet claims for compensation, and the like, which were then put forward locally. If Jamaica does get a hurricane insurance fund established upon a sound basis it may well be, as I said a moment ago, that it would be a good investment for the Treasury here.

946. The Comptroller and Auditor General, in the next sub-paragraph of paragraph 28, goes on to say: "I am informed that Jamaica has not yet allocated her share to specific funds but is temporarily regarding the amount as available to the local Insurance Board in the event of hurricane claims arising beyond the capacity of the Board to pay."?—The Governor, in agreement with the All-Island Banana Growers' Association, decided to defer the actual allocation of these sums of money until the end of this year, on the understanding that, should there in the meantime be a hurricane involving claims which the Board could not meet out of its accumulated funds, then the whole of the half of the profits should be regarded as available to the Insurance Board for meeting such claims.

947. You think it is quite certain that this quite substantial profit will not be used for current expenditure in Jamaica on their budget?—We should certainly object very strongly if the Jamaican Government tried to take that line. I do not anticipate that they will do so.

948. I suppose the right thing to do would be to establish a proper insurance scheme against hurricane damage, would it not?—Yes.

949. On a contributory basis?—Yes. The law which was enacted in 1946 provided for a comprehensive hurricane insurance scheme to be financed by a cess of 4d. per count bunch of bananas, but that has not actually yet been brought into force though the cess is being collected. Jamaica is completely independent in all internal matters. One cannot give anything like the directive to them that one can to a great many Colonies.

950. But Jamaica is in receipt of very substantial grants from the British Exchequer?—Yes, but that does not detract from the constitutional position that in internal affairs she has a very large measure of responsibility.

Chairman.] Are there any questions on paragraph 28?

Mr. Ernest Thurtle.

951. This is a fruit-growing industry being carried on by private persons and I should have thought the cost of insurance against a hurricane which might take place at any time was necessarily a part of the expenses of the industry and ought to be provided for by the growers themselves. How does it come about that the British Exchequer undertakes part of this cost of growing bananas?—I think it is only in comparatively recent years (I should say from about 1943 or 1944) that the growers have been able to get a price for their bananas that left them any margin whatever. The price that they are getting now does undoubtedly leave them a margin and they are being required to pay this cess per count bunch. But they just had not any margin up till that time out of which they could have provided against a hurricane. Both the Jamaican Government and the Treasury were satisfied, I think, when this claim was made in 1944 or 1945 for assistance to banana growers and others (coconut growers, as well) after the hurricane that they had a good case and could not reasonably have been expected in the past to insure themselves against that disaster.

952. You do not happen to know how they managed in the years before 1943 when they had hurricanes?—I am not absolutely certain of this, but I was told when I was in Jamaica in January, 1945, that some 25 or 30 years before, when they last had a really disastrous hurricane, the Government over here then assisted them.

953. Hurricanes occur at fairly long intervals of time?—Yes. Jamaica is not directly in the hurricane belt in the same way that some of the other islands are. Jamaica does not get hurricanes with anything like the frequency or anything like the severity, normally, with which, say, Mauritius gets them.

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[Continued.]

Chairman.

954. Are there any further questions on paragraph 28? We go now to paragraph 55 of the report of the Comptroller and Auditor General. There is a small point here about the hostels in this country, some of which are run, I understand, by the Colonial Office. The Comptroller and Auditor General states, at the foot of the first subparagraph that there is "£30,000 in Class II, Vote 10, Colonial and Middle Eastern Services for hostels in this country for Colonial students, seamen and industrial workers." Can you tell the Committee why it is necessary to incur a loss on those hostels which the Exchequer has to make good? Why is it not possible to make charges at the hostels to make them self-supporting?—May I deal first with the point why we find it necessary to maintain them?

955. Yes?—We do regard the proper handling of Colonial students and these other Colonial peoples, when they are over here, as of such political importance that the Secretary of State, some two or three years ago, set up a special department within the Office to handle the whole of that and he considered at the time whether it could be left to other Governmental organisations running hostels, but it was thought to call for such specialised knowledge of the requirements and needs and particularly the giving of advice to these people from the Colonies that the Secretary of State decided to set up and maintain his own organisation. The charges that can be made, of course, depend entirely on what the individual Colonist is receiving by way of income. In the case of students, it is a matter of how much you can expect them to pay from the comparatively limited funds which are made available to them as scholarships, if they are getting them or, if they have come over as private individuals, the comparatively limited funds that they themselves have. Similarly, when the man who is over here is doing some job or other, we do try to get out of him enough to cover the expenses—the average expense per head of running the hostel—but we do not always succeed. As I think is recorded in the report of the Comptroller and Auditor General, in a few cases where people have gone away owing us money we have not been very successful in our attempts to recover it.

956. What class of industrial worker from the Colonies has to be housed in this way?—There are a great many less of them now than there were, but during the year of account, of course, there were still a great many who were brought over here during the war to help in factories and the like.

957. This does not include the evacuees from Gibraltar, does it?—Not in the hostels. That is in another part of the Account.

958. Can you tell the Committee approximately how many hostels are provided by the Colonial Office?—There were about 30 odd, of which I should think a dozen have been closed since the period to which this relates. I have here a complete list, .

959. How many persons could the 18, or the original 30 odd hostels, accommodate?—They average about 50. There are some larger ones with 180 and some go down to 50. I should think an average of 50; it would be just over 1,000 that they could accommodate now.

Chairman.] Are there any questions?

Mr. Thurtle.

960. I want to establish the point that these people are now mainly students. There are very few industrial workers?—There are a fair number of seamen. There is one of these hostels in Cardiff, one in Liverpool and one in Newcastle. I think at least half of those hostels still remaining are exclusively for students.

Chairman.

961. We turn now to the Account, which is at pages 87 to 94. Subhead A.1 is "Cyprus"—a grant of £92,800. What is that money granted for?—That is the Ottoman Debt.

962. Would you explain to the Committee the origin of the Ottoman Debt and how part of it has to be paid by the British Exchequer to Cyprus, or part of the interest on it?—It dates from 1878, when we took over Cyprus. We undertook then to pay a sum equal to the average surplus accruing to the Turkish Government from the taxes of Cyprus during the five years prior to 1878. That was worked out at £92,800. For quite a time Cyprus used to make a contribution towards that but then, in 1928, His Majesty's Government agreed to make an annual grant to Cyprus of the sum of £92,800, and Cyprus was to make a contribution towards the cost of Imperial defence. The reason for that slightly involved arrangement was largely political. That is to say, there was a resentment in Cyprus at their having to contribute anything which went directly to a government for which they had no great liking or respect, maybe. But they did accept that position and ever since the 1928 Estimates we have provided this sum of £92,800 in the Colonial and Middle Eastern Services Vote.

963. And that is paid to the Government of Cyprus, is it?—Yes; we make that payment to the Government of Cyprus.

964. In what way do they use it? Are there still bondholders or stockholders of this Ottoman Debt, or has the Ottoman Debt vanished from the scene in some way?—It merely passes through the Cyprus

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[Continued.]

Accounts and it then comes back and is utilised for discharging our obligation under the 1878 Convention.

965. So far as you can say this payment of £92,800 will be a permanent annual liability of the Exchequer, will it?—Yes. I am sorry; I have not read this up very carefully, lately. It is a thing that was always reported on at length.

966. If you find that this is a terminable liability or that it depends upon a possible redemption of some loan or other, perhaps you will let the Committee know, will you?—Yes, I will. I have the facts here now. I am sorry I was so long in finding them. The Cyprus annual payment (that is, the annual payment made to Cyprus, £92,800) is used by His Majesty's Government to help meet the services of the loan and the grant has to be continued so long as any liability remains in respect of the Turkish Guaranteed Loan of 1855. I could not tell you, I am afraid, when that Turkish Guaranteed Loan will entirely expire, but presumably as and when it expires this payment will cease.

967. I should like to know, at some time or other—either now or by means of your putting in a paper—whether this payment includes any element of sinking fund towards the discharge of the debt or whether this is a perpetual payment?—We will certainly let you have a note on that.

968. Have the Treasury any information on this point?—(Sir Eric Bamford.) It is a Treasury payment. The payment is made direct from the Exchequer. I am afraid I do not know the details. I understand there is a sinking fund and that the amount outstanding in 1938 was about £1½ millions, under the guarantee. We could let the Committee have a note about that.

969. Perhaps you could furnish some information on that?—(Mr. Jones.) I think we perhaps might supplement that. The Finance Accounts show that at the 31st March, 1947, the nominal net liability of the State under this loan was just over £859,000, so it is clear there is a sinking fund.

970. This does appear in the Finance Accounts of the United Kingdom?—Yes, as one of the loans guaranteed by His Majesty's Government.

971. At what pages is that?—At pages 64 and 65.

972. Thank you very much. I will refer to that. Now will you turn on to page 89, Subhead C.12. "Falkland Islands Dependencies Survey." If we look at page 93, we see there is an Exchequer Extra Receipt. The fourth item is "Falkland Islands—Contributions from Dependencies revenues towards the cost of the survey of the Dependencies," a figure of £55,000. What was the purpose of the survey of the Falkland Islands Dependencies? Is this in connection with trying to retain our sovereignty there?—(Sir Thomas Lloyd.) It is not merely that. The survey consists of a party

of scientists, meteorologists, geologists and biologists and in addition to the task of consolidating by this act of occupation and exploration our right to be there, they do also each season they go out carry out quite an amount of useful scientific work.

973. What type of survey is it? Is it geological?—Yes; geological; and there is a biologist as well in the party as a rule; and generally there are one or two meteorologists attached.

974. Passing to subhead C.14, what was this payment of £866,600 to the British North Borneo Company?—All except £6,000 was an initial payment made at the time of the takeover, in June, 1946, to enable the Company to redeem their outstanding debentures. The balance of £6,000 was the value of certain shares and certain maps, plans, books and records, taken over from the Company, but of course the balance of the payment to be made by His Majesty's Government to the Company in return for the surrender of sovereignty in North Borneo is still unsettled and is to be determined by arbitration, we hope, some time this year.

975. This is a payment on account for the purchase of a new Colony?—That is what it comes to.

976. How much more money is there to be paid before the transaction is completed?—It depends on the arbitration. My recollection is a little vague. My recollection is that the Company at the time claimed a total of about £1½ million.

977. This is a very substantial part of the payment?—Yes.

978. Would you look at the footnotes. In the explanation to Subhead C.13 there is an item (b) "Palestine publicity, etc., services £43,157." Can you tell the Committee how it comes about that the Colonial Office is spending money on publicity in Palestine?—There is not any real difference in this respect between Palestine, West Africa and East Africa. In all those places these offices have been maintained, partly for the collection of visual and written material and partly as liaison; that is, in the supply of suitable material from the United Kingdom for local purposes, and there is one other special purpose in East Africa and West Africa where the information offices provide technical services, for example, photographs and the like, if required by Colonial Governments in the area for their own use. In Palestine there was an arrangement between ourselves and the Palestine Government whereby we contributed 6/7ths and the Palestine Government 1/7th of the net expenditure on the Information Office, and as regards broadcasting we were to contribute 2/5ths; but we have not yet made any payments on account of the broadcasting.

979. Is this a service previously conducted by the Ministry of Information?—Yes.

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[Continued.]

980. It was something which was carried on by them so long as that Ministry existed, was it?—Yes. All these services were taken over by us from the Ministry of Information in 1946.

981. I want to put a question on page 91, which refers to Subhead F.6. The expenditure on the maintenance of evacuees and detainees in Colonial territories was very much greater than was anticipated, and the footnote tells us: "The estimate was based on information furnished by the various Governments concerned and was necessarily provisional." It appears we spent £315,000 on the Gibraltarian evacuees. Is it not about time that the Gibraltarians got back to Gibraltar?—We should be very glad if we could get them all back there. It is merely the housing problem in Gibraltar. It is the difficulty of housing them all in Gibraltar which prevents that. We are down now to somewhere round about 700.

982. In this country?—In this country and Northern Ireland.

983. I thought they had all been transferred from Northern Ireland?—Not quite. There are roughly 600 over here in London and possibly 100 or so in Northern Ireland.

984. Are there a lot in Madeira?—There are very few there. I have not the exact figure, but there are very few indeed there now.

985. Do those who are in London do any work?—Yes. They were most anxious to come over here from Northern Ireland to get work.

986. But in the year of account we had to spend £315,000 on their maintenance?—Yes; that was in Northern Ireland, where they had not anything to do and of course at that time the numbers ran into thousands.

Chairman.] Those are all the questions I have on the Account. Has any Member of the Committee any questions to ask on the Account?

Mr. Thurtle.

987. With regard to the Falkland Islands Survey, was that undertaken partly to see if there were radium deposits there?—I do not think so. I think the Falkland Islands survey began before I at least had even heard of the importance of uranium.

988. It is a fact that radium has been discovered there?—I have seen it stated in the papers; I have not had it from any more authoritative source.

Lieut.-Colonel Hamilton.

989. One page 88, subhead C. 7. is "Income tax of Colonial civil servants detained in the United Kingdom." I suppose they are detained in this country long enough to become liable to United Kingdom income tax to which they would not otherwise be liable; and is it in their contract that they

must be reimbursed, or anything of that kind? Is it not an advantage to them to be in this country, and should they therefore not accept the liability?—On the first point, that is so: this comes into play only if the civil servant is detained here for over six months in one financial year and therefore becomes liable. The £16,000 shown against subhead C. 7. is part of a payment made under a special arrangement which has now ceased, which was made during the war at the time when the shipping position was difficult and very often a fellow being detained here over the six months was due to inability to provide him with a passage. In fact, unless some such circumstances as that arose the Colonial civil servant could not claim. It is not that the ordinary Colonial officer can claim a refund every time he becomes liable to tax, but only if for some reason outside his control he is detained here for a period which makes him liable to tax to which he would not otherwise be liable.

990. That is in his contract?—It was not in his contract. It was a special arrangement made during the war when these exceptional conditions arose. There is no contract right with any Colonial civil servant that entitles him to claim that the Government should remit his income tax.

991. It is considered an act of justice?—Yes.

992. On page 89, subhead C. 10. "Welfare of Colonial people when outside Colonial territory," the expenditure was only one-third of what was expected. The footnote to the subhead indicates that this was mainly due to over-provision for further educational and vocational training of Colonial ex-servicemen. Could you give us an indication of why that was so much over estimated or, on the other hand, why advantage was not taken of the grant to a greater extent?—I do not think we had any basis really on which to go. This estimate was framed, of course, fairly soon after the end of the war—towards the end of 1945—and we had no idea how many Colonial ex-servicemen would wish to avail themselves of these facilities or of the limited time for which individuals would wish to stay here. We had to take a shot at it and we put £300,000 in that estimate, but in the event only £57,000 was actually spent during that year. It is still going on. Four hundred and forty-eight awards of this kind have been made—further educational awards—and 1,416 for vocation training. Of those, 42 of the people doing the former type of course have completed it and 1,118 of the vocational people have completed it. So it is a continuing scheme. I should have said that that degree of response—that is, 1,864 people in all availed themselves of it—was not bad.

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[Continued.]

993. It rests entirely with the colonies concerned?—And with the individual to apply. It was brought to notice. A little pamphlet was issued to all these people telling them what they could apply for and then it rests on the initiative of the individual.

994. On page 91, subhead F. 12. is "Cost of supplies and services furnished by certain colonies to the Government of the United States." Why should that be a British Treasury liability?—This was part of reciprocal aid, and we told all Colonial Governments in 1942 that the cost of any services which they rendered to the United States forces under reciprocal aid arrangements would be borne on United Kingdom funds.

Lieut.-Colonel Hamilton.] To say that it was reciprocal aid explains it, thank you. I am a little intrigued. What does the word "Remanet" mean in the footnote to subhead F.10?

Chairman.

995. You are asking the witness and not me, are you not?—Outstandings; still to be accounted for.

Mr. McAdam.

996. On page 87, subhead A.6. was a grant to St. Helena of £30,000, and the expenditure was only £5,000. Could you tell us the reason for the difference between the amount of the grant and the actual amount expended?—We based our £30,000 on an estimate furnished to us by the colonial government some six months before the beginning of the year of account, and in the event they did that much better and did not need the grant. We only pay out the figure which as a round sum is what they need to balance their accounts for the year.

997. It did not cover the expenses of any British military personnel in St. Helena?—No. It was for the general expenses of the administration. St. Helena is one of the half-dozen grant aided colonies, and each of those colonies we have to ask about September or October prior to the year of account to give us the best figure they can of what their revenue and expenditure in the following year of account will be. On that we base what we put in the Estimates as a grant in aid. Sometimes it proves to be sadly wide of the mark in either direction. We cannot tell.

998. On page 91, subhead F.6. is "Maintenance, etc., of evacuees and detainees in Colonial, etc., territories." Does that cover Jewish illegal immigrants?—You mean those in Cyprus?

999. Yes?—No. There are just a few Jews in this but they are not the illegal immigrants. They are Jews who were evacuated from places like Turkey, I think

it was, and given a temporary home in the Colonies and His Majesty's Government had to foot the bill for their maintenance there. It is just an odd one or two here and there. The cost of the thousands who have been accommodated in Cyprus because they were intercepted whilst trying to reach Palestine as illegal immigrants has been borne by the Palestine Government.

1000. It has been borne by the Palestine Government? It does not enter into the British Government's accounts at all?—No.

Mr. Wadsworth.

1001. On page 89, subhead C.13 is "Publicity, etc., services in Colonial, etc., territories." On the footnote to subhead C.13. I would like to ask if you are perfectly satisfied in regard to the expenditure incurred on behalf of the Regional Information Offices. This is a sort of cast off child from the Ministry of Information, and because of the circumstances of its birth I wondered if Sir Thomas was really quite satisfied that this money was being spent usefully?—Certainly, and we are in one or two directions, with Treasury authority, trying to extend the services which these "children" provide. There are one or two aspects of what we call information work which you cannot expect a colonial legislature to finance. It is reasonable enough to ask them to give their Government money to do purely internal publicity, internal information, to put the policy of the Government across, but when it comes to anything that is designed to impress upon the local people the British way of life and thought and the connection between the United Kingdom and the Colonies, and all that, you cannot ask or even expect colonial Governments, who are themselves hard put to it to finance their own social services, to provide money for that, and therefore I regard these two Regional Information Offices as definitely useful adjuncts in the wider aspect of our publicity policy.

1002. You are satisfied that the £43,000 expended in Palestine was justified?—I was talking there, I am afraid, more of the Regional Information Offices in West Africa and East Africa. The Palestine liability, as I think I explained to the Chairman, was on a rather different basis. It was just an undertaking by His Majesty's Government made when the Ministry of Information were in charge to carry six-sevenths of the whole of the cost of the Palestine information and publicity services, as a wartime arrangement.

1003. That was a wartime arrangement?—Yes. That would, I think, in any case have been diminishing now, whereas I regard the East Africa and West Africa Regional Information Offices as serving what, for want of a better phrase, I will call an imperial publicity service and therefore are usefully continued.

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[Continued.]

Mr. Cuthbert.

1004. On page 91, I have one point on subhead F.7, "United States bases in the West Indies." If we look at the footnote to F.7 that states "An anticipated claim from the Government of Trinidad was not received." Was that a very large claim? There is a great difference between the amount of the grant and the amount that was expended. The difference was nearly £630,000?—Even now the claim has not been received from Trinidad.

1005. Would it represent the difference between the grant and the amount actually expended? The amount of the grant was £650,000 and the amount of the expenditure £21,000?—I could not say whether it would go the whole way to account for that difference, but it is expected to be a very considerable amount in Trinidad. For one thing, that is the one colony in which the United States in the later stages of the war, after the first agreement had been signed, kept asking for extensions of the base. They found the original area insufficient and they wanted more facilities outside. Those payments are of course by and large compensation for the territory and other facilities or whatever they may be that are taken over by the United States. The claim may go a long way, when it is received, to explaining that difference.

Chairman.

1006. On page 94 there is an account of receipts and expenditure for the year ended 31st March, 1947, of the Bureau of Hygiene and Tropical Diseases. That is a grant aided body, is it not?—Yes.

1007. During the year I do not think it in fact received any grant. The sum of £1,800, we are told at the foot of the account, was in transit at the 31st March; 1947. The only question I want to put about it is this: Is it necessary to set out in full the account of this grant aided body? That perhaps may be a point more for the Treasury. It is rather unusual, is it not, to have the account of a grant aided body?—(Sir *Eric Bamford.*) I think we should be quite prepared to see it dropped.

1008. You would not mind if it were dropped, Sir Frank?—(Sir *Frank Tribe.*) No. The present practice is not very logical. In some cases grant aided bodies' accounts are published and in others they are not. In this and some other cases where the majority of the funds come from sources other than His Majesty's Government it seems rather inappropriate to fill up the Appropriation Accounts volume with a copy of the account. If it is the wish of the Committee we will look at this whole question with the Treasury, and possibly eliminate one or two similar accounts in future years.

1009. I think it probably would be the wish of the Committee that that should be done. There is no point in our having the Appropriation Accounts filled up with pages of matter which are really irrelevant to our inquiries. Will you see to that?—(Sir *Eric Bamford.*) We will see to that.

Chairman.] Are there any further questions on the account? May I take it the account is approved? (*Agreed.*)

VOTE II.

WEST AFRICAN PRODUCE CONTROL BOARD.

Chairman.

1010. Will Members turn now to page 95, Class II, Vote II, West African Produce Control Board. Would you kindly explain, Sir Thomas, what is happening to the very large profits which were made by this Board, which, I believe, purchased and re-

sold all the cocoa in West Africa, did it not?—(Sir *Thomas Lloyd.*) With your permission, might I ask Mr. Bloomfield, the accountant, to answer, as I was allowed to do last year?

Chairman.] If you please.

Mr. W. L. BLOOMFIELD, Acting Director of Marketing, West African Produce Control Board, called in and examined:

Chairman.

1011. The figure of £5,175,000 shown as realised at the foot of the account is clear profit on sales, is it not?—(Mr. *Bloomfield.*) No. That is the excess of receipts over expenditure. It is just cash. It is not the profit for the year.

1012. It is not the profit on a commercial basis?—No, not at all.

1013. But it is in fact a profit, is it not, or most of it is a profit?—Yes; it so happens that most of it was a profit.

1014. Has not the Board made very large profits?—Yes.

1015. Was there not a White Paper recently about the disposal of them?—Yes.

1016. Could you tell the Committee quite shortly what the total amount of profit has been and how it is going to be disposed of?—The total profit from the operations of the Board starting from 1939-40 right up till the season 1946-47 was approximately £24 million.

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[Continued.]

1017. Is the Board still continuing?—It is continuing, but it is not now dealing with cocoa.

1018. We should like to know what happened to that £24 million?—The majority of the £24 million—all but approximately £2 million—have been paid over to the Governments of West Africa, mainly to Nigeria and the Gold Coast. They have set up and now have operating public Boards in the two colonies which are carrying on the functions previously carried on by the West African Produce Control Board. They bought during this season all the cocoa in the territories and are selling it through a subsidiary organisation which they have in this country. The Boards themselves are set up under ordinance in the Gold Coast, one in the Gold Coast and one in Nigeria, and they have both official and unofficial representation on the Boards.

1019. Has the whole of this £22 million been handed over to these Boards?—Apart from a small amount of £1½ million which was dealt with, I think, last year at this Committee, which was handed over for the purpose of establishing a research organisation dealing with cocoa.

1020. These Boards must have enormous funds which they cannot spend in trading, and presumably they themselves will continue to make profits, will they not?—Yes. At the moment they are making profits.

1021. It seems a little odd to me that there has not been anything laid down as a matter of policy as to how this money should be spent. Or perhaps there is, Sir Thomas?—(Sir Thomas Lloyd.) It is agreed that a lot of the money should be used to establish stabilisation funds to act as a price buffer, and that was explained in the White Paper. It is sometimes difficult to convince opinion on the Gold Coast that that is a wise policy, and there is pressure for the declaration of a dividend. But so far the Boards, with their unofficial members acquiescing, have agreed to this policy, because the people on the Boards do see the wisdom of it on a long view. Over and above that on the Gold Coast the Gold Coast Marketing Department has agreed in principle to set aside £3 million for rehabilitation measures. There is a certain disease affecting cocoa in the Gold Coast and they have to go in for a large scale campaign of eradicating that disease, and the Boards have agreed to set £3 million aside out of the accumulated funds for that purpose, to pay the costs of the scheme and also compensation to those whose trees have to be uprooted or cut about in the process. Also they have agreed on the Gold Coast to set aside some sum of money (I think it is £900,000) as a contribution to the new University.

Chairman.] I have no further questions on the Account. Has any Member of the Committee any questions to ask?

Mr. Thurtle.

1022. I want to ask if these Marketing Boards have put any limit to the amount of money they want to hold in reserve by way of establishing price stabilisation. If they have got £22 million or probably more and they are making profits every year, at what point are they going to stop?—I do not think there is anything in, so to speak, their terms of reference which requires them to stop at a certain point. I imagine they use their discretion and judgment.

1023. Is this money serving any useful purpose now? Is it invested?—Yes, it is all invested.

1024. I suppose at some time they will decide whether they are going to allow it to keep on accumulating?—I do not think one can expect cocoa to remain indefinitely at its present very high level. It is fetching quite an extraordinary price; roughly ten times what it fetched before the war; and one has to look forward to the time when that price will decline and they will have to draw on these accumulated reserves if they are going to carry out their purpose of acting as a buffer on prices.

Lieut.-Colonel Hamilton.

1025. Are these Boards in any way public organisations or private organisations of producers?—They are established under Government Ordinance. They comprise both official and unofficial members. For example, in the Gold Coast the Governor nominates four members, one as Chairman. Four representatives of the producers are nominated by the Governor on the recommendation of the Joint Provisional Council of the colony, two by other confederacy councils, one by the Chamber of Commerce of the Gold Coast and one by cocoa manufacturers. In Nigeria the Board is much smaller but it is all appointed under Ordinance and all on the Governor's nomination although his nominees are often people recommended to him by other authorities such as Councils or reputable bodies such as Chambers of Commerce and Associations of producers.

1026. The other question I want to ask is why was it laid down that a grant in aid equivalent to the profits should be paid in this way, which rises or falls according to the profits?—At this stage, His Majesty's Government were, so to speak, getting the profits, and the Secretary of State in November 1941 said this to Parliament: "It is the intention of His Majesty's Government to seek Parliamentary approval in due course for an equivalent grant of the profit made upon the transactions of the Board

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[Continued.]

either to the West African Cocoa producers or in agreement with the colonial governments concerned towards expenditure on purposes designed to be a benefit to those producers." In the event of course the payment was not made to the cocoa producers but to these local organisations.

1027. I am a little puzzled, Mr. Chairman, as to the object of that. Why should the grant depend on this profit, because it does not come out of it in any way, does it?—The trading profit that was made by the realised price over cost of the cocoa which was purchased during those years surely was directly related to the amount which was paid over by His Majesty's Government to the local boards.

1028. His Majesty's Government does not get the profits, does it?—It got them in the initial stages, and under the statement made by the Secretary of State in November, 1941, it virtually got them merely as agents for people on the Gold Coast. It thereby put itself in the position of someone who would remit back to those people on the Coast what was gained by the transaction.

(Mr. Bloomfield withdrew.)

VOTE 12.

DEVELOPMENT AND WELFARE (COLONIES, &c.).

TREASURY MINUTE ON PARAGRAPHS 33 to 35 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

1033. Will Members now turn to paragraphs 29 to 31 of the report of the Comptroller and Auditor General, and we will take with them paragraph 29 the Treasury Minute on paragraphs 33 to 35 of the Third Report of the Committee of Public Accounts, 1946-47. This is relating to the Colonial Food Yeast Limited. We have had this before the Committee previously. Perhaps you will kindly look first, Sir Thomas, at the Treasury Minute. At the foot of the second paragraph of the Treasury Minute they state: "Their Lordships also understand that the Secretary of State proposes to reconsider the future of the scheme in the light of new developments now in prospect regarding the method of financing and carrying out projects for developing resources in the Colonies." Has the future of the scheme been reconsidered, and has anything been decided about its future?—(Sir Thomas Lloyd.) Yes. There are two points there, if I may take them separately. First there is the question on which the Public Accounts Committee last year expressed a view; that is to say—

1034. There was the point about the interposition of a new company between the Colonial Office and the West Indies Sugar

1029. The profits in the first place came to His Majesty's Government?—They did. All this is over now. From the 30th September last it ceased and the local boards now manage the affair direct. But in this year of account, and from 1940 up to the 30th October last the Government were the principals in the business.

Mr. Cuthbert.

1030. May I follow that up? Are the local boards still under Government auspices?—Yes. As I said, they are; but the board I was describing a moment or two ago, set up under Ordinance, the board which was receiving moneys a little while back, is now the direct agent.

1031. Where would any profits which they make now go?—They would go into their keeping.

1032. For the Colony itself. Is that it?—Yes.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (*Agreed.*)

Company?—We did again, earlier this year, take up with West Indies Sugar Company the question whether they would be prepared to take this on direct and they gave us several reasons why they would be very reluctant to do that. We have since, following up the point made in paragraph 2 of the Treasury Minute, had discussions with the Chairman of the new corporation, the Colonial Development Corporation, and have asked whether they would be prepared to interest themselves in the company. They are prepared, or there is some willingness on their part (they have not committed themselves yet) to take an interest in that, and we did, last week, put to the Treasury a proposition to that end.

1035. I think the Committee would be interested to hear how the scheme is proceeding, because Sir George Gater appeared at this Committee two years ago, and was somewhat enthusiastic about the future of this product, and actually handed us round a little bottle containing a sample. Mr. Benson took some of it and said he did not feel in the least invigorated as the result?—It had not so good a time for a little while after Sir George Gater was here, but it has done a great deal better on a trading basis just latterly, and we have had a provisional

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account and balance sheet showing that in the six months ended the 30th September last sales have realised £88,000 and that there was a net profit of approximately £36,000, after providing for operational costs, interest on working capital and the payment of the West Indies Sugar Company's fee. The Company have been able, partly through increasing output and partly through these better results, to reduce the price which was, I think, originally 2s. 8d. to about 1s. 6d. or 1s. 9d. and they are hoping with that to sell still more of it.

1036. You say 2s. 8d. to 1s. 6d., but what is the unit we are dealing in—a lb.?—Yes, a lb. It was 2s. 8d., and it is now 1s. 9d.

1037. What do you do with this when you have bought a lb. of it? Do you spread it on your bread, or something of that sort? What is the idea?—It is mostly used, I think, for mixing in with other foods. At one time nutritionists had the idea that it should be worked into a flour for the West Indies.

1038. It has not been put on the market in this country yet, as far as you know?—I have a note here which states: "As the output of the factory considerably exceeds the present Colonial demand, the company have started marketing it through trade channels in this country. In this they have achieved success and a number of orders have been received." There was an idea at one time that it might be used in school feeding. I do not know whether that idea has got any further.

1039. To return to the main point taken up by the Committee, you failed to secure the agreement of the West Indies Sugar Company to the liquidation of the intermediate company?—Yes, definitely, and we are now trying this idea of getting the Colonial Development Corporation to take a financial interest in the company.

1040. Are there any questions on the Treasury Minute? We pass back now to the Comptroller and Auditor General's report. Paragraphs 29 to 31 tell us about expenditure under the Colonial Development and Welfare Acts, 1940 to 1945? Very large sums are concerned here, are they not?—Yes.

1041. The permissible expenditure under those Acts is raised to £120 million?—Yes.

1042. There has been, recently, another Act passed through Parliament, has there not?—Yes.

1043. Establishing two corporations?—Yes.

1044. One called the Colonial Development Corporation, to which you have just referred. That has considerable borrowing powers, has it not?—Yes, £110 million.

1045. Will the new corporation, to some extent, take over projects which would have been financed under the Acts of 1940 and 1945?—It is very unlikely, I think. The projects financed under the 1945 Act, of course,

are exclusively Government projects. That money goes entirely to Governments and we are looking to every Colonial Government to supplement grants thus made to them by very considerable local funds found either from reserves or by new taxation. In fact, I think on the total of the 16 Governments which have put in their 10-year plan there is, under those plans, more money to be provided from local sources than there is from the United Kingdom. But the Colonial Development Corporation will not be able to any large extent to engage in Government expenditure or expenditure on Government purposes. It will be financing other outside concerns.

1046. Assisting private ventures?—Yes. It may assist Governments in things which a Government is not already able to cater for—perhaps communications or large new hydro-electric schemes, but not, I should say, anything that is already provided in the 10-year plan. Every Colony of any size has already programmed its expenditure, its allocation from the £120 million for the next 10 years and will, unless they are forestalled by rising prices and costs, carry out their programme.

1047. There is one point I should like to put to you on paragraph 31. The plans include £6½ million to further higher education. We are told that this involves grants to the Universities of Oxford, Cambridge and London for both capital and recurrent expenditure. The latter includes the appointment of additional teaching staff, notably at the School of Oriental and African Studies, London. Am I right in thinking that, in order to teach African dialects, you have to bring both the tutors and pupils who are going to learn them from Africa?—No. The second part of paragraph 31 relates to the training of people who are going out to the Colonial Service and the teaching which they are given in Oriental or African languages, according to the place to which they are eventually being posted, in London before they take up their appointment.

1048. They are trained in London in the local dialects which they will have to speak when they arrive on the scene of their activities?—Not only the local dialect. It depends where they are going to be posted. If a man is going to be posted to Nigeria he would be taught Hausa, because over a large part of Nigeria, Hausa is spoken. A man going to East Africa would be taught Swahili and a man going to the Malayan Federation would be taught Malay.

1049. Does this expenditure not cover any provision of education for persons brought from the Colonies to this country?—Not the sums mentioned here in this particular paragraph. The Comptroller and Auditor General is there talking about the moneys assigned out of the £120 million for the training of entrants to the Colonial Service.

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[Continued.]

Chairman.] I am much obliged. Are there any questions on these paragraphs?

Mr. Thurtle.

1050. Is this Colonial Development Corporation the body of which Lord Trefgarne is the Chairman?—Yes.

1051. Has it made any real start yet in creating development schemes?—No. The resolution did not pass the House of Lords till February. The Board is constituted and has been announced to the House by the Secretary of State, and it has just within the last three or four weeks opened up offices in Dover Street.

1052. They are getting a staff?—It has got its staff together. No doubt it has already received a certain number of applications. I went to the initial meeting of the Board on about the 15th March. I imagine they have had more meetings since, but I do not know that they have got down to making grants. They may have got down to considering the initial applications for grants.

Chairman.

1053. Are there any further questions on those paragraphs? The Account is at pages 96 to 101. It shows a grant of just over

£9 million on development and welfare schemes and an expenditure of just over £3 million. The explanation for the expenditure being so much less than the grant is that shortage of manpower and supplies slowed down preliminary planning and the rate of expenditure generally. That just means that you were unable to find the manpower to prepare the schemes?—I am afraid that will go on more particularly on the supply side. That will be reflected in the 1947-48 Accounts and, maybe, even in the 1948-49 Accounts, because Colonial Governments, when they are asked, six months before the financial year: "How much are you going to spend under colonial development and welfare schemes?" naturally plan for how much they hope to get in provided all their requirements in staff and materials are met.

1054. Do they draw the money only from this country as and when it is spent?—Perhaps just in advance, but on much more closer accounting than the estimate.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*) Thank you, Sir Thomas. That concludes your evidence.

(*Sir Thomas Lloyd withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS IV.

VOTE 6.

NATIONAL GALLERY.

Mr. PHILIP HENDY, Director of the National Gallery, called in and examined:

Chairman.

1055. Will Members turn to Class IV, Vote 6, National Gallery, which is at pages 192 and 193 of the Civil Appropriation Accounts? You signed this Account as Accounting Officer for the National Gallery?—(*Mr. Hendy*): Yes.

1056. That covers the National Gallery and the Tate Gallery, does it not?—Yes.

1057. You are Director of the National Gallery?—Yes.

1058. And by virtue of that position you are an *ex officio* trustee of the Tate Gallery. Is that right?—Yes.

1059. Am I right in thinking that the grant from public funds which, during the year under review, was £54,000, is intended to cover all the normal expenses of running these two galleries?—Yes.

1060. But you are possessed of other funds, endowment funds, and so on, the interest upon which you use for the purchase of pictures, and so on?—Yes. We have a capital of about £250,000. I do not know what the income is exactly at any

given moment, but it nearly all has to be devoted to picture buying; not quite all. There is one fund which is free.

1061. Do you exercise complete administrative and financial control over the Tate Gallery?—No, not at all. It is a very anomalous position.

1062. Would you explain that to the Committee.—There are actually three lots of Accounts done in the National Gallery, namely, those of the National Portrait Gallery, the National Gallery and the Tate Gallery. Although the National Portrait Gallery is under the same roof, I am not in any way responsible for them. The Director of the National Portrait Gallery is Accounting Officer for the National Portrait Gallery. But I am the Accounting Officer for the Tate Gallery which is two miles away. That may seem natural to a person really versed in accounts, but to me figures do not mean a great deal unless I know how they work, unless I know what they mean. Whereas I can have a thing explained to me about the Tate Gallery at the beginning of the year or the end in the

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Mr. PHILIP HENDY.

[Continued.]

Estimates or the Appropriation Account I cannot remember in the middle of the year what in the least is meant.

1063. Has the Tate Gallery got endowment funds of its own?—No. It has only one, which we handed over to it, which is a National Gallery fund, but it is still administered through the National Gallery. We have to sign the cheques for it.

1064. Have you the Appropriation Account in front of you?—Yes.

1065. Under Subhead B there was a grant in aid for the purchase of pictures of £7,000. That went to you, but, if we look at the Grant in Aid Account, you spent only £604 in the year on the purchase of pictures.—Yes, and that was actually for the Tate Gallery.

1066. So you keep the balance?—We do not have to surrender the surplus in that case.

1067. Did it just happen that there were not any pictures which you wanted to buy in that particular year?—No. It just happened that one ought not to be allowed to buy a picture for as little as £7,000 for the National Gallery. Pictures of National Gallery quality now cost £100,000 or £150,000.

1068. You seem to have bought one for £604.—That was for the Tate Gallery. Modern pictures are quite different in value.

1069. So what you are doing is . . . — Trying to be patient.

1070. You are putting money by in the hope that one day you may be able to buy a picture?—Yes, that is the idea. We in fact bought one last year for £6,500, but that was a very rare occasion, really, and I hope we shall not often have to spend so little.

1071. I want to ask you a word or two about the question of the admission charge. There is no admission charge in the ordinary way, either to the National Gallery or the Tate Gallery?—Not now. In the ordinary way, before the war, there was.

1072. The admission fee was abolished during the war?—Yes, it came off automatically.

1073. When there were no pictures there?—When there was nothing to see.

1074. Subhead D, on page 192 is: "American Exhibition at the Tate Gallery," and the Exchequer found £5,750 for that. I understand that there was no admission charge for that exhibition?—No. That was a highly political situation.

1075. I do not follow you?—It was a highly political exhibition. We should not have been allowed by the Treasury to make a charge, I think.

1076. You had an exhibition recently, did you not?—At the Tate Gallery.

1077. Of Van Gogh pictures?—That was charged for.

1078. There you made a charge for admission?—But not on behalf of the Tate Gallery. That was an Arts Council exhibition held in the Tate Gallery and the proceeds went to the Arts Council to further other exhibitions for them.

1079. That was very well attended?—Very well attended, indeed.

1080. What was the admission charge?—I do not know what the receipts were. The admission was 1s. 6d. The amount must have been enormous. There were 12,000 people on one day.

1081. You do not think you would have done so well if you had charged anything by way of admission to the American exhibition?—I think we might have done quite well, but the whole idea was that it was a moment when the bonds had to be drawn as tightly together as possible and if American private owners lent pictures and we charged admission to see them, the aim might not have been achieved.

1082. Do you at both these Galleries sell picture postcards, and reproductions of the pictures?—In both cases. We are in the peculiar position that the Publications Department was founded out of private bequests and therefore it is not controlled by the Treasury except that they audit it. But it does not figure on this Appropriation Account at all.

1083. When we look at the Accounts of all the other galleries we find that they show a good large appropriation in aid very often from the sale of illustrated reproductions. The Victoria and Albert last year realised £4,000 from the sale of photographs and catalogues. It is the same at all of them. The Wallace Collection realised £4,500 from the sale of catalogues, photographs, and so on. You do realise something from similar sales, but the amount does not appear in the Account in order to reduce the amount of money granted by the Exchequer?—That is so. We realise a good deal. We were left one private fund, the Lewis Fund, which we were free to spend in any way we liked. The Treasury allowed us to use that to set up a Publications Department on its own, to provide the necessary capital in that way, and the income comes back into the Lewis Fund and has been spent very often on the purchase of pictures.

1084. Are your accounts made public? Do the public know how much money you have invested by way of endowments, and so on, and what amount of money you have put aside for the purchase of pictures?—No, they are not published. They do not appear in the ordinary Civil Estimates, so the public has no knowledge of them.

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MR. PHILIP HENDY.

[Continued.]

1085. Would there be any objection to their being made public, do you think?—I think, actually, the amounts of bequests are given in Whittaker, or some publication of that sort, but I could not swear to it.

1086. Sir Eric, we have these grants in aid to the picture purchasing fund. They go in to the fund. I suppose you know at the Treasury what the size of that fund is and Mr. Hendy knows, but I do not know whether anybody else in the world knows?—(Mr. Jones.) I am not sure that the amount of these private funds is within the knowledge of the Treasury.

1087. I assume before you sanction the grants in aid you make some enquiry as to the position of the picture purchasing fund?—My impression is that the grant in aid to the National Gallery has been at a fixed figure for many years and it is not reviewed in relation to any income or changes in investments of the private funds of the Gallery. (Mr. Hendy.) We send in to the Exchequer and Audit Department annually a report on the investments fund.

1088. On your accounts?—Yes.

1089. Who audits them, do you know? Do you audit the accounts, Sir Frank?—(Sir Frank Tribe.) Yes.

1090. You have all this knowledge at your disposal?—Yes.

1091. I was wondering if there was any objection in principle to the accounts being published. After all, this is a public institution, is it not?—(Mr. Hendy.) The position of the grants in aid is given here on the page to which you have drawn attention. The balance was only £964 in the year before, at the 1st April, 1946. There is not much accumulated there.

Chairman.] Those are all the questions I have to ask on this Account. Has any member of the Committee any questions?

Mr. Thurtle.

1092. I want to be quite clear about this publishing department. It is a publishing department of the National Gallery?—Yes.

1093. Any profits which it makes go back to the funds of the National Gallery?—Yes.

1094. One other question. What is your view about the probable course of prices of pictures of the National Gallery standard? Do you think prices are likely to fall or increase?—Prices of the very best pictures have never decreased at any period so far as I know. The worse the period the more is paid for the really expensive unobtainable thing, whereas the middle class article goes up and down like furniture and things of that sort. I have here a report I sent into the Chancellor of the Exchequer the other day in which I gave instances of two pictures sold in 1940 and 1946. For the Van Eyck "The Marias at the Sepulchre" from the Cook Collection the Treasury allowed the National Gallery

to offer £100,000. They were asked £125,000 but the Treasury would not go up to £125,000. The picture was then sold to Holland (it was after the war had begun, in 1940, and it got to Holland about the day before the invasion of Holland) at a price which was generally supposed to be £220,000. In 1946 for another picture from the same collection, the Lippo Lippi "Adoration of the Kings," which is the last of the Florentine Renaissance pictures remaining in England we were asked to pay £100,000. It was a picture we had in our files, photographed and dossierled and so forth, as a very desirable picture. The trustees felt early in 1946 that there was no question of getting Treasury help for that amount and they let it go. It was sold to the United States for exactly £150,000. Those are examples of the sort of thing we ought to have.

1095. They are really the best sort of gilt edged?—Yes, they always have been, provided they are not too big. They have got to be portable.

Lieut.-Col. Hamilton.] I am not clear whether a definite answer was given to the question whether it would be an advantage, seeing that this is a national institution, to have the accounts published, including in them the proceeds of sales of postcards reproductions and so on.

Chairman.

1096. I imagine that is rather a question of policy?—(Sir Frank Tribe.) I audit all these trust accounts and certify them. They are not published. Some are rather voluminous. I hardly fancy it would be worth while apart from policy to reproduce them *in extenso*.

Lieut.-Colonel Hamilton.

1097. They could be published just in a summary form?—The Treasury might have some view on it.

Chairman.

1098. I thought there might be more public sympathy for the Exchequer grants if the public knew how little money the National Gallery had. They may have a very great deal put away?—(Mr. Hendy.) It is a fact that a great deal of very necessary work has been financed purely out of the sale of postcards and coloured reproductions. We have a scientific department and they get a grant of £200 a year for X-ray apparatus and that sort of thing, all from the sale of photographs. We recently had an investigation into the alleged damage done by cleaning pictures by foreign scientists. That cost us about £1,000 and that has been paid for entirely out of catalogue receipts.

Chairman.] Are there any further questions on the Account?

Mr. McAdam.

1099. On the question of salaries to staff, could you tell me how many staff are employed in the Tate Gallery?—At the

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Mr. PHILIP HENDY.

[Continued.]

National Gallery we have 55 what you might call working staff and 15 officer staff; that is including those right down to typing and clerical grades.

1100. I see that the grant on subhead A for salaries was £41,633, and of that amount £4,335 3s. was not expended. Could you explain the reason for that? Does it mean that you did not employ the number of staff you anticipated you would be able to employ during the financial year?—1946 was a very fluctuating one. I only went there in January, 1946, and there was a vacancy on the staff when I went and we did not know how soon we were going to be able to fill it. We were not able to fill it until the autumn. Actually we did increase the staff considerably at the National Gallery, but I think the biggest saving was simply due to the fact that before the war the National Gallery (and the Tate Gallery, I think; I am afraid I am not sure about

the Tate Gallery) was open two days a week till 8 o'clock and that cost a lot in overtime. We saved £1,000 on that.

1101. That saving is likely not to be a recurrent saving?—No, I am afraid not. I gave you the National Gallery staff. I said that out of my head. I am afraid I could not say what the Tate Gallery staff is out of my head. The figure you mentioned was the salary bill of both museums. (Sir *Frank Tribe*.) The numbers are given in the estimates each year. You will find precisely the posts and the salaries attaching to the posts in each year's Estimates. (Mr. *Hendy*.) Yes. The number was 61 all told in the Tate Gallery.

Chairman.] Are there any further questions on the account? May I take it that the account is approved?—(*Agreed.*) Thank you, Mr. Hendy; I think you have satisfied the Committee with your answers.

(*Mr. Hendy withdrew.*)

VOTE 2.

BRITISH MUSEUM.

VOTE 3.

BRITISH MUSEUM (NATURAL HISTORY).

VOTE 4.

IMPERIAL WAR MUSEUM.

VOTE 5.

LONDON MUSEUM.

VOTE 7.

NATIONAL MARITIME MUSEUM.

VOTE 8.

NATIONAL PORTRAIT GALLERY.

VOTE 9.

WALLACE COLLECTION.

VOTE 13.

PUBLIC EDUCATION, SCOTLAND.
EDUCATION (SCOTLAND) FUND.

VOTE 14.

NATIONAL GALLERIES, SCOTLAND.

VOTE 15.

NATIONAL LIBRARY, SCOTLAND.
CLASS V.

VOTE 2.

BOARD OF CONTROL.

VOTE 3.

REGISTRAR-GENERAL'S OFFICE.

VOTE 7.

ASSISTANCE BOARD.

VOTE 8.

NATIONAL INSURANCE AUDIT DEPARTMENT.

VOTE 9.

FRIENDLY SOCIETIES REGISTRY.

VOTE 10.

OLD AGE PENSIONS.

VOTE 12.

SUPPLEMENTARY PENSIONS.

VOTE 15.

BOARD OF CONTROL FOR SCOTLAND.

VOTE 16.

REGISTRAR-GENERAL'S OFFICE, SCOTLAND.

(*On these accounts no questions were asked.*)

(*The witnesses withdrew.*)

Adjourned till Thursday next, at 3.45 p.m.

THURSDAY, 15TH APRIL, 1948.

Members present:

MR. PEAKE in the Chair.

Major Bruce.
Lieut.-Colonel Hamilton.
Sir Frank Sanderson.

Mr. Ernest Thurtle.
Mr. Wadsworth.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. D. F. C. BLUNT, C.B., Under Secretary, the Treasury, and Mr. C. E. I. JONES, called in and examined.

Chairman.] The first item on our agenda is the Treasury Minute on paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47. We can take that more conveniently, as it applies to

all the Service Departments, when we come to consider the Army Service Appropriation Account. I think that will be the most convenient course.

AIR SERVICES APPROPRIATION ACCOUNT, 1946-47.

Sir JAMES H. BARNES, K.C.B., K.B.E., Permanent Under Secretary of State, and Mr. W. DEANE, Director of Accounts, Air Ministry, called in and examined.

Chairman.

1102. We turn to the Air Services Appropriation Account, to the report of the Comptroller and Auditor General, which is on pages iii to vi. I have no questions on paragraph 1. Could you tell the Committee, Sir James, quite shortly, on paragraph 2, why the strength of the Women's Auxiliary Air Force was excluded from Vote A in the Accounts for the year under review?—(Sir James Barnes.) The reason was that the Women's Auxiliary Air Force was not regarded as being constitutionally part of the Air Force. Vote A, as you know, derives from the Bill of Rights and is related to the question of intimidation of Parliament. The view was taken that the Women's Auxiliary Air Force, as a non-combatant force, should be excluded. But in the current year (that is to say, 1948-49) they will be included in Vote A. The Army and Air Force (Women's Service) Bill provides for women to be commissioned and enlisted for service in His Majesty's Land and Air Forces, and I assume that a regular Women's Service will be incorporated in the Royal Air Force in 1948-49. We have provided for that in Vote A.

1103. The full strength will be shown, including the women?—Yes.

1104. Has any Member of the Committee any questions on paragraphs 1 and 2? We can take paragraphs 3 to 5 as having been dealt with on the Excess Vote. Paragraph 6 is purely technical. Paragraph 7 deals with sales of aircraft and equipment to Allied Governments. These agreements have been published as Command Papers, have they not?—That is so.

1105. Could you remind us of the countries concerned which have purchased surplus aircraft?—The point, of course, was to assist them to develop air forces and to assist us to develop our own defences in depth. As regards the actual amounts, the make-up of the sum of £8,254,000, £3,450,000 was for the French; £450,000

was for Denmark; £1,800,000 was for the Netherlands; £354,000 was for Czechoslovakia; £1,480,000 was for Belgium and £720,000 was for Norway.

1106. You did give a figure for Czechoslovakia?—I did. I gave a figure of £354,000.

1107. I am much obliged. What proportion of this £8½ million has been received?—In the year of this Account we received £544,000. I am afraid I have not up-to-date figures for the later year.

1108. You expect to receive it all, do you?—Yes.

1109. The £8½ million represents only a small proportion, of course, of the cost of these aircraft?—Of the total cost of aircraft and equipment, that is so.

1110. Can you tell the Committee approximately what proportion?—The gross book value, excluding ex-mutual aid items, was £35,044,000.

1111. These were surplus aircraft and had to be either disposed of or destroyed. Is that right?—They were, in the main, surplus aircraft. There were aircraft and equipment that were not surplus to requirements to a certain extent, and the charge for those was not one-sixth, as for the surplus aircraft, but the full cost.

1112. The surplus aircraft were sold at one-sixth of their cost? Is that right?—That is so.

1113. Under the agreements do we have to go on providing spare parts, and so on?—The extent of our commitment is shown in the appendix to the Command Papers. The question of future maintenance is covered in the agreement. It is normally between one and three years' maintenance. That is included in the total figure.

Chairman.] Are there any questions on paragraph 7?

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Mr. W. DEANE.

[Continued.]

Lieut.-Colonel *Hamilton*.

1114. How was that figure of one-sixth of the value for the sale of surplus aircraft arrived at? Was it necessary to make it quite so low?—I think the whole circumstances of the agreements were related to a settlement on broad lines having regard to the financial circumstances of the countries concerned. It was in no sense a purely business bargain. On the other hand, they were surplus aircraft, and who knows what we would have got for them in other circumstances.

1115. They were really a semi-gift?—I would not like to say exactly what we should have got for them if we had had to sell them. But considerations of the general circumstances of the countries concerned did enter into it.

Mr. *Wadsworth*.

1116. What liability was there in this maintenance, which you state is covered in the agreement and continues for a period of three years?—Between one and three years. Do you mean separating out the individual items?

1117. No. What I mean is this. The gross amount due under the agreements is £8,254,000?—Yes.

1118. I take it that part of that covers the maintenance?—That is so.

1119. Can you give us an idea of the amount that covers the cost of the sales and of the amount which covers the cost of maintenance?—The total figure is related to the sale of equipment as well and not merely to aircraft. I am afraid I have not that figure immediately available. I can let the Committee have it. I have not the figure here. Having regard to the fact that the period of time for which we provide maintenance varies in the agreements, I would not like to do an overall proportion sum and say that so much represented maintenance. It is not a very easily ascertainable figure.

1120. Could you say approximately?—Different rates would be taken for different types of equipment. (Mr. *Blunt*.) I think I am right in saying, too, that the spares would very largely come off new production, and they would tend to be taken at cost price. (Sir *James Barnes*.) Yes. (Mr. *Blunt*.) So that maintenance spares might bulk rather largely. It would be very difficult to assess. I think if you took a particular agreement, like the Netherlands agreement, the Air Ministry would be able to give you the proportion. (Sir *James Barnes*.) Yes. (Mr. *Blunt*.) But I think it would be difficult to give an overall figure. (Sir *James Barnes*.) I think it would be dangerous to make a guess on the basis of a certain percentage.

1121. The point I was getting at was whether the cost of maintenance was a

substantial proportion of the £8 million?—No, it would obviously be fractional. (Mr. *Blunt*.) I do not know, but it might be quite a substantial proportion. (Sir *James Barnes*.) The number of new spares would push it up. It depends on what period the maintenance is for in the individual agreements, when you are dealing with the total as a whole, and what proportion of the maintenance equipment did represent new purchases for which we would charge full value and not one-sixth of the value. Therefore, it would necessitate looking at the actual figures, which I have not here, to give you a reasonable figure.

1122. I do not want to put the Department to a lot of trouble over this. I did not know how this figure was made up and we had not a clear indication in detail as to how it was made up?—(Mr. *Blunt*.) I think you would certainly find, as a common feature of some of these settlements, that the aircraft were available and therefore charged the surplus price. Quite a lot of the spares were available, perhaps, as surplus, but in quite a number of cases spares were not available and had to come off new production and therefore had to be charged at new prices and sometimes were even more costly than the aircraft themselves.

1123. I thought that might occur. That was the reason for my question.—It has occurred in some of these cases.

Chairman.

1124. Perhaps you could furnish a short statement to the Committee about that?—(Sir *James Barnes*.) Certainly.*

1125. Paragraph 8 is formal. Paragraph 9 in the last sentence says "only one outstanding observation is of a major character". This is with regard to the internal audit of store accounts. Can you tell the Committee what that is?—This was raised on the equipment account of No. 7 Maintenance Unit at Quedgley in May, 1945. The observation drew attention to the large volume of past receipts of American radar equipment which had not been checked and brought on charge, and also to the fact that delay was occurring in bringing current receipts of similar equipment to account. The position is that towards the end of the war very large quantities of radar equipment were delivered to Quedgley and there were considerable technical difficulties of identification because of the special nature of the stores and because the stores were of American origin. As a result, unpacking, identification and accounting for them fell considerably into arrear. But early in 1946 we established a maintenance unit at Burtonwood as a specialist depot for American equipment, and that portion of

* Appendix 6.

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[Continued.]

the equipment in Quedgley which was required for retention in the Royal Air Force, much of which had never been opened or brought on charge at Quedgley, is being transferred to Burtonwood vouched as cases of equipment without any details as to contents. We have specialist officers at Burtonwood who are engaged in identifying and classifying the contents and thus enabling it to be brought on charge. This is a fairly slow process, but the existence of this pool of specialist equipment is well known to the provisioning authorities, and it may be taken that there is no danger of fresh purchases being made of material which could be found at Burtonwood.

1126. Paragraphs 10, 11 and 12 deal with questions with which the Committee are very familiar. In paragraph 12 the Comptroller and Auditor General states: "Instructions have recently been issued for a complete stocktaking at the home depots during 1948 as a preliminary to the return to normal procedure". That is going ahead actively, is it?—That is going ahead as rapidly as possible. It is associated with a reorganisation of the supply organisation, and the Command and the Group concerned have been devoting the last few months of 1947 to tidying up matters in the depots as much as possible and working out the details of a scheme under which the quantity of each item of stores which we want to retain for future use would be located and binned, preferably in pairs of depots, any surplus being passed for disposal. We started stock taking on these lines on 5th January, and we have, as a target, completion within 12 months.

Chairman.] Are there any questions on paragraphs 10, 11 and 12?

Sir Frank Sanderson.

1127. I have one question to ask. Could you state whether the amount of stores which were lost due to pilfering and other causes decreased compared with the preceding year?—I do not think the basis of comparison between the two years is quite the same. I attempted to strike a comparison and I found that we were hardly comparing like with like in certain years.

1128. I quite appreciate the whole set-up of the figures would be entirely different, but are you not able to say whether, in your opinion, generally speaking, the tightening-up which it is presumed has taken place is bearing good fruit, and that on the whole there is less pilfering?—Yes, generally speaking. What I would not like to say definitely, without reference to the figures, and seeing precisely what is in each column, is what improvement there was in this year as compared with the previous year. As a general proposition as regards trends, they certainly are being watched, and I think I can assure the Committee that the trend is and certainly will be downwards.

1129. Are you satisfied that there has been a tightening up of the general position?—Yes, there has been a tightening up in our own procedure for detection, and as staff get more experienced, of course, we shall reap the benefit of it. In addition, we shall also have the fortuitous windfall that a lot of the very difficult places abroad we no longer hold. As you well know, a lot of the places abroad would defy the wit of man really to safeguard. You just have not the adequate police guards, and so on. You have fences and dogs, police and what-not, but the moment you give up these outlying stations, then automatically it is reflected. That is a bit of luck for the Department, as reflected in these Accounts, and cannot be claimed as the result of our own efforts.

Major Bruce.

1130. Could you say what powers of write-off the individual units, groups and commands have? What are the individual powers of write-off which they are allowed to exercise in their own discretion, without going to higher authority?—It is rather a lengthy statement. I will see if I can simplify it. It varies in accordance obviously with whether they are cash or stores; it varies as to whether the losses are by fraud or by gross carelessness, or certain other subdivisions. But to take a typical example, say losses by fraud or gross carelessness, the powers of the Air Officer Commanding on the spot are very limited. If he has not a financial adviser, it is £2 for cash, and the Air Officer Commanding or Commander-in-Chief who has a financial adviser is allowed to write off up to £10. The Air Council have powers up to £50. The comparable figures for stores are £5 for an Air Officer Commanding without a financial adviser; £25 where there is a financial adviser, and £100 for the Air Council. As regards losses otherwise than by theft or fraud (as I say, there are a good many detailed subdivisions of this), to take a typical example of cash, you can say it is £25 without a financial adviser, £200 with a financial adviser, £200 for the Air Council. For stores it is £200, £500 and £500.

1131. Where these powers of write-off are exercised and stores or cash are written off, where is the total amount of such losses which have been written off disclosed? Do you disclose it in Appendix I in your Losses Statement, or are those losses which arise directly in the year of Account?—If you look at Item 29 in the details of Cash Losses, you will see: "Sums not exceeding £50 written off by authority of the Air Council"; and Item 30: "Sums written off under powers delegated to Air Officers Commanding." That is theft, fraud, or negligence, I have just quoted. You will find similar figures of losses due to other causes in Items 53 and 54 on page 31. The stores losses are listed in Item 92, on page 34.

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[Continued.]

1132. That is above £500, is it not?—Yes.

Chairman.

1133. You will find the figure you want, Major Bruce, in Items 74 and 75, on page 33?—Yes, I am sorry. They are Items 74 and 75 on page 33.

1134. Are there any further questions on paragraphs 10, 11 or 12? We turn to the Account. Looking at the Abstract of Appropriation Account on pages 4 and 5, the net grant for the year under review was £255 million. But that is not the true figure of expenditure of course, on the Air Force in the year under review, because there is no Vote for—?—Aircraft, etc.

1135. There is no Vote for either aircraft or for armament?—No.

1136. We understand the Estimates for the current year will show those figures?—Yes.

1137. And we shall for the future have a complete figure of what the Air Force is

New Works Statement; Supplement to Air Services Appropriation Account, 1946-47, forwarded for the information of the Committee in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.

Chairman.

1142. With Vote 4 in the Air Services Appropriation Account, which is the Vote for Works, Buildings and Lands, we will take with the paper which has been circulated and which is headed "Confidential"?—(Sir James Barnes.) I would like to draw attention to a typing error on this paper which has crept into the item: "Malaya—Changi—for rehabilitation", etc. In the last line the document reads: "For transport squadrons visiting Kallang" It should be: "For transport squadrons vacating Kallang".

1143. This paper is secret, is it not?—Yes.

Chairman.] It might be better if it were headed "Secret" in future, rather than "Confidential". These things have nice shades of meaning.

Major Bruce.] On a point of order, as I understand it this paper which we have in our hands is headed "Confidential" I should like to inquire on what assumption, therefore, you yourself now say it is secret?

Chairman.

1144. Because a corresponding paper to be furnished to us by the Navy will be marked "Secret". I was putting it to Sir James whether, in fact, it was Confidential or Secret, and I understood he agreed with me that it was Secret?—Yes.

1145. The Committee were given reasons for this on a previous occasion, that you did not want to disclose in detail in the Accounts the works which were proceeding in various parts of the world?—That is so.

costing the country?—Yes. (Mr. Blunt.) And in 1947-48, too.

1138. I am much obliged. Can you give us the additional figure which would be added to the £255 million, had there been a Vote for Aircraft and Armaments in the year under review?—(Sir James Barnes.) I can supply it, but I have not the figure with me.

1139. Perhaps you will let the Committee have it, will you?—Certainly.

1140. On page 7 in the details of Subhead Z receipts, Item No. 3 is: "Receipts for training", a figure of £717,000. Does that represent the full cost of the services given in training Allied officers—I suppose it is—in the control of our aircraft?—Yes; we made provision for the Netherlands, £298,000, Turkey, £685,000 and Egypt—

1141. I was not so much concerned with figures as with whether the principle was to charge the full cost?—That is so.

1146. The interesting thing to me is that the expenditure on works costing more than £100,000 in the year under review—that is the total of the last column—only adds up to about £400,000, whereas Subhead B, on page 4 shows an expenditure during the year on new works costing £10,000 apiece and upwards of £8½ million?—Of the total expenditure of £8.4 million, £7.7 million was terminal expenditure on wartime contracts. The total amount of new works and services at home was £178,000.

1147. I am much obliged. That explains the discrepancy between the figures, or the curious fact that the works costing more than £100,000 seem to be such a small proportion of the total?—(Mr. Blunt.) These, of course, were only works which were started in the course of this year.

1148. Yes. That answers my question. On Vote 9 I should like you to explain Subhead K: "Miscellaneous Charges". The note to Subhead K tells us that the Subhead includes expenditure on publicity which was less than expected. What is this publicity?—The Central Office of Information undertook display press advertising on our behalf. I think the main items are in connection with recruiting propaganda of various kinds.

1149. The Central Office of Information do some work for you, but you also expend some moneys yourselves?—Yes, mainly on recruiting.

1150. Is the distinction this, that expenditure on recruiting is borne on this Vote?—No; I think it is Press advertising as opposed to other sources.

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[Continued.]

1151. You pay for the Press advertising?
—No; the Central Office of Information pay for Press advertising.

1152. I beg your pardon. The Central Office of Information pay for the Press advertisements?—Yes.

1153. What is the other type of recruiting expenditure which you pay for?—(Mr. Jones.) I think in this year of account the Air Ministry bore the cost of poster advertising for their recruiting campaign, but a change was made in the following year, whereby poster advertising, as well as Press advertising, was performed on behalf of the Air Ministry by the Central Office of Information.

1154. Thank you, Mr. Jones. The point is that for the future all recruiting advertisement expenditure will be borne by the Central Office of Information?—Yes, that is so. (Sir James Barnes.) Yes.

1155. Subhead L of Vote 9 is: "Rebate in respect of Military Stores of Lend-Lease origin issued to certain Governments." There was a grant of £50,000 and an expenditure of over £1 million, a very large excess. The note tells us: "The settlement by Dominion and Foreign Governments of claims for issues of equipment on repayment, on which these rebates are based, exceeded expectations." Could you say a further word in explanation of this large excess?—The stores that the R.A.F. received from the United States on Lend-Lease terms for the most part were merged with other stocks including stores obtained from the United States by purchase before Lend-Lease started. As a result, Lend-Lease stores were not readily identifiable as such and could not readily be segregated in raising claims for issues on repayment to Dominion and Foreign Governments. Periodical refunds were made to the Dominion and Foreign Governments in respect of these un-identifiable items which have been included in payments made by them for issues on repayment for R.A.F. stocks.—(Mr. Blunt.) The reason why the amount is so large compared with the Estimate is, I think I am right in saying, that it is really a carry-over from the previous year. I think they thought they would have discharged that in the previous year. (Sir James Barnes.) We did. It was a lag, definitely.

1156. Would you turn to the Losses Statement, to which Major Bruce has al-

Mr. B. C. HOLMER, Deputy Director of Accounts (Stores), called in and examined.

Chairman.

1166. Perhaps you can explain this item, Mr. Holmer?—(Mr. Holmer.) There was a considerable loss by fire at Stafford; it was a huge loss.

1167. Was the cause of the fire ever ascertained?—It was not ascertained. It commenced presumably almost immediately

ready referred, to page 31, Item 55?—Is this Appendix 1?

1157. Yes?—Might I ask the Director of Accounts to reply on Losses?

1158. Yes. I want to put a question on Item 55: "Debtor balances on non-effective airmen's accounts," a figure of £73,000. These are sums owing by, and not recovered from, airmen discharged. Is that right?—(Mr. Deane.) Yes, that is so.

1159. The only question I want to put is this. I suppose it is inevitable that airmen should be demobilised owing money; but are any steps taken to recover sums due, or is there a definite policy of foregoing sums due, and, if so, to what extent?—There is a limitation on the amount that can be recovered from emoluments on release leave, but these small items, once the airman has finished his release leave, we do not attempt to recover. Usually the amount is only very few pounds. They are belated charges that have not come to account before he has gone out; for example, insufficient recoveries of income tax. They are hardly worth pursuing.

1160. Is the policy this that, first of all, if the sum is exceedingly small you do not bother about it; and, secondly, if the sum is a large one, you recover, or try to recover, only a portion of it?—There is very rarely a large sum involved. They are usually so trifling that the policy is not to go for them.

1161. Supposing you find an airman has been discharged and has been overpaid the sum of £20, let us say, by mistake, what happens about it normally?—I think we should write it off. It would be a fruitless task to go to him and ask for a repayment.

1162. You would not write off all sums due from demobilised personnel automatically, would you?—In the case of airmen, automatically, yes.

1163. And in the case of officers?—We should attempt to recover over-issues from officers by writing to them.

1164. Certain sums have been recovered, have they?—Yes, from officers; but we do not attempt to recover from airmen.

1165. Turning to Item 77, in stores losses, there seems to have been a very heavy loss by fire of £410,000?—(Sir James Barnes) Might I ask Mr. Holmer to reply?

Chairman.] Yes.

after the stores sheds were closed for the day, but it was impossible to establish how it started. The most probable cause was considered to be a faulty electrical circuit, but even that was not established.

1168. Had you your own precautions against fire?—Indeed yes. We had fire protection.

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[Continued.]

1169. Your own fire engines, and so on? —Yes, and in this case the Navy have a part of this depot and they also assisted; but it was largely inflammable stores. Arson was suspected as a possible cause, but nothing could be established on that footing. (Sir James Barnes.) We did in fact issue revised Fire Orders as a result of this incident.

Chairman.] Are there any questions on the Account?

Mr. Thurtle.

1170. What would you call a trifling debt in respect of an officer? Would £100 be regarded as a trifling debt?—(Mr. Deane.) No. We would call that very heavy.

1171. If the debt was as much as £100 then you would seek to recover?—Indeed we would.

1172. Or £50?—Yes. We would attempt to recover, if it were an over-issue of pay, from release benefits. (Sir James Barnes.) I think the Director of Accounts was explaining originally the particular case of airmen, when he said that in the case of airmen we do not recover, and it was a fact that in the case of airmen there were hardly ever, if at all, substantial sums involved.

1173. I understood that?—But in the case of officers we would, unless there was some trifling sum, as I understand it, endeavour to make some recovery by some means or other.

1174. Yes; I just wanted to find out what sum owing by an officer you would regard as being not worth bothering about?—I think we should go for almost any sum.

Sir Frank Sanderson.

1175. On page 33, Item 78 is "Aircraft destroyed or damaged by terrorists at three Royal Air Force stations in Palestine in February, 1946," a figure of £251,000. Is there any chance of any part of it being recovered from the people who were responsible for the damage which was sustained?—(Mr. Holmer.) It is not even established who perpetrated the fire. It is only assumed that it was the Palestine Jewish terrorists, but we have no evidence of who perpetrated the fire or who was responsible.

1176. You insure your own losses, do you not?—(Sir James Barnes.) No.

1177. There is no insurance?—No.

1178. You do not insure by any means?—No.

Major Bruce.

1179. On page 33, item 77 is "Loss by fire, in October, 1945, at a maintenance unit in the United Kingdom of Royal Air Force equipment, mainly aircraft spares and tentage." Is there any particular reason why this item was not included in

the last Account instead of coming in this one? It falls outside the accounting period?—(Mr. Holmer.) These losses do not appear in terms of the accounting period but in terms of when we finally ask the Treasury to write them off. We do not go to the Treasury until we have satisfied ourselves in all respects as regards the cause, or otherwise we cannot satisfy the Treasury as to the cause. We have a long investigation into possible causes and a long investigation as to the whys and wherefores, as to why the fire was allowed to gain such a hold and to assume such dimensions as it did.

1180. The reason I ask this, Mr. Chairman, is because there is a likelihood where one gets items carried forward in suspense for a totally unreal position to be presented at the time the Committee are considering accounts of this nature. Are there at the present time, for example, large losses which have in fact occurred within the accounting period but which, owing to the fact that they have not yet been fully discussed and agreed with the Treasury, have not been incorporated in these accounts?—(Sir James Barnes.) That is one of the factors which I ought to have mentioned additionally in reply to a previous question when we were trying to strike a comparison between the various years. I did look at the pre-war figures. You find that when conditions are stabilised it does tend to even out and things remain fairly static, but in conditions of turbulence it is undoubtedly a fact that you do get these items carried forward, and it is a matter of accident in which year they come because of the time taken to make the investigations.

1181. Yes, but of course there is this point (and I am sure you appreciate it) that where one does get cases of this kind brought to the attention of the Committee well in arrear there is very little opportunity for the Committee's views on the subject to have any influence upon any action which can be taken to prevent a repetition. In other words, the thing goes too far back. What I would like to know is this. At the present time have we any similar items to this that are outstanding?—(Mr. Holmer.) I know of nothing approaching these dimensions or anything of this nature, no. I would say as regards this item that had we completed investigations in time to get it into last year's account it would not have appeared there at all.

1182. I should like to have a further elucidation on that point. I understood your answer to be that it need not have been disclosed at all. Did I understand that to be your reply?—In view of the early date at which it occurred, yes. We could under war dispensation have excluded it from the previous year, if we had got it through quickly enough.

1183. This is a case where you have been penalised by your own integrity. I

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[Continued.]

should like to know on item 86 on page 34 whether these three Royal Air Force stations at which there were deficiencies of works stores were at home or abroad?—(Sir James Barnes.) There were two in Ceylon and one in the Hebrides.

1184. When it says that the deficiencies of works stores were "over a period of years," what were those years involved?—(Mr. Holmer.) The reference to the "period of years" is the fact that we were unable to carry out a stocktaking during the war years. Consequently these were accumulated deficiencies, probably from 1941.

1185. Until what date?—Until the date when they were disclosed in the middle of 1945 in two cases and in 1946 in the third case.

1186. There is no question here I take it of losses that occurred after the stress of war had abated being included in with the rest?—I think not. The latest of them is in mid-1946.

1187. As regards item 89, there is a loss of £1,280 which is apparently due to a misapprehension on the part of the responsible officer. I should like that amplified a little. It has been my experience that orders issued by Commands are usually fairly lucid, and it is the duty of officers not to have any misapprehensions about them. How did this arise?—It arose through the delivery of bulk supplies of rations to a maintenance unit in the United Kingdom which should have gone into stocks of reserve rations for issue to units for flying rations, and so forth.

1188. What date was this?—May, 1946.

1189. What conditions of emergency could possibly have existed that any responsible officer in charge of a station should be under any misapprehension about it?—We do not mention emergency conditions. I do not know the answer to "emergency," but the facts are these, that the rations were delivered to this depot on a Saturday. Because they were rations they got into the hands of the Catering Officer responsible for feeding the 1,000 airmen of the unit instead of going to the store where they would have been held as stock. The W.A.A.F. Catering Officer thought that this was something by way of a gift from the Gods.

1190. Item No. 91 is "Deficiencies of Royal Air Force equipment on loan to a national organisation for exhibition purposes," a figure of £1,036. Could you tell me the total value of the equipment that was loaned to this national organisation for exhibition purposes?—(Sir James Barnes.) I am afraid I have not that information.

1191. It seems to me that where the R.A.F. are good enough to lend costly equipment to national organisations £1,036

is rather a lot to be missing when it comes back?—(Mr. Holmer.) Indeed that is so, but there is this point about it, that probably it is not a real loss. The trouble is that the different War Weeks organisations were glad to get rid of the stuff and returned it to stations near where they were. Largely it is a matter of our being unable to trace it. They sent it back to the nearest R.A.F. unit where they could send it instead of sending it back to the depots where we had instructed that it should go back. Very considerable labour was involved in tracing a great deal of it, but this balance of £1,036 worth we have never traced at all.

1192. Does not your accounting organisation provide for things of that kind? I should not have thought it would get lost?—It is our accounting organisation that finally caused this figure to emerge. It took note of what we lent to these exhibitions and it took note of what the exhibitions were returning, but there was a considerable discrepancy and when we went to the exhibitions there were various tales of stuff being returned, as I say, to nearby units, and so forth. Also there were considerable quantities of such material as bunting involved in the loss which probably had been cut up and generally had gone. (Sir James Barnes.) There were in fact 44 of these exhibitions to which this relates.

Lieut.-Colonel Hamilton.

1193. With regard to the recoveries from officers or airmen who have left the service, I take it you have legal powers of recovery if you want to exercise them. Is that so?—(Mr. Deane.) It depends on the manner in which they were received. If the officer or airman was under the impression that he was entitled to the emoluments it would be very difficult to sue him legally even if it were an over-issue. He would say that he had received it in good faith.

1194. Normally that would be the assumption, that he did think he was entitled to whatever he could get away with?—If it were a belated income tax claim he would be under no misapprehension about the correctness of the charge; but in the case of airmen this amount spread over 18,000 people is relatively small.

1195. I should like to put this point. If it is a sort of well known fact that nothing will ever be recovered from them, is there not a slight temptation that they might try to get away with money occasionally?—We do everything we can to bring charges to account before the men are out and before any terminal benefits that might be due are paid.

1196. You are satisfied that there is very little actual loss in this way?—We remind

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[Continued.]

accountant officers of the need to bring these charges to account at the earliest possible moment.

Chairman.] Are there any further questions on the account? May I take it that the account is approved?—(Agreed).

Sir James Barnes, Mr. Deane, Mr. Holmer and Mr. Blunt withdrew.

Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VII.

VOTE 13.

CENTRAL OFFICE OF INFORMATION.

Mr. ROBERT FRASER, O.B.E., Director General, Central Office of Information, called in and examined.

Chairman.

1197. Will members turn now to the Civil Appropriation Accounts, 1946/47, Class VII, Vote 13, Central Office of Information. We turn first to paragraph 81. Would you turn to that paragraph, Mr. Fraser?—(Mr. Fraser.) That is on the Vote of the Ministry of Fuel and Power?

1198. Yes. It is on our agenda. You have a copy of our agenda?—Yes, I have.

1199. Did you undertake some of this publicity for the Ministry of Fuel and Power?—Yes.

1200. Including the production of the magazine "Coal"?—Yes.

1201. It was printed by the Stationery Office, was it?—It was printed and published by the Stationery Office. It was edited and prepared for publication by the Central Office.

1202. We are told that the total loss on the first six issues was stated to be £4,630. Was it intended there should be a loss? Was it intended to be a subsidised production, or was the object to make it pay for itself?—The ultimate object was certainly to make it pay for itself, but I think it was regarded as likely that the magazine in its first year would not make ends meet. It made its ends meet virtually, except for the editorial costs and the overheads. The receipts virtually paid the printer's bill and the distribution costs.

1203. In the third subparagraph of paragraph 81 the Comptroller and Auditor General speaks of: "Other work connected with coal done by the Central Office on behalf of the Ministry of Fuel and Power . . . will remain on the Vote of the Central Office as an allied service". What type of work is referred to there?—The only subject of any significance is economy in the use of fuel, both in the home and in the factories.

1204. This is not connected with those advertisements we see in the papers to try to recruit more manpower for the mines?—No. At the moment, there are two separate Press advertising campaigns about coal. One of them is conducted by the Central Office for the Ministry of Fuel and Power,

and its subject is economy in the use of fuel. The other one is a publicity campaign for the recruitment of miners which is conducted by the Central Office as an allied service for the Ministry of Labour, the Ministry of Labour having a general responsibility for all national manpower recruitment campaigns.

1205. The expense of that campaign would be borne on the Vote of the Ministry of Labour?—On the Vote of the Central Office, but as an allied service to the Ministry of Labour.

1206. Are there any questions on paragraph 81? We turn to paragraphs 101 to 104. The Comptroller and Auditor General tells us the history of how your Office came into being. The Ministry of Information was dissolved on 1st April, 1946, he says: "Each Department became responsible for its own policy in the field of information and publicity. In particular, overseas publicity became the responsibility of the Foreign Office, Colonial Office, and other Departments with overseas interests. The departmental information services were, however, to be supplemented by the services of a newly created Central Office of Information which would need a highly qualified rather than a large staff." The first point that occurs to me is why was there no statutory authority for the establishment of this new Department as it is?—I am afraid that is a question I am incompetent to answer.

1207. Can you explain that, Sir Eric?—(Sir Eric Bamford.) I am not sure that I can explain it. I can say that the whole arrangement was regarded as an administrative one, and the Central Office, like the Stationery Office, provides a common service. No doubt in some respects the arrangement might be liable to be adjusted in course of time one way or the other. Like many other Departments, it does not seem suitable entirely for a statute.

1208. Is there any Minister answerable for this Office in Parliament?—The Financial Secretary to the Treasury answers for administrative questions and I think the Lord President answers for broad issues of policy affecting information services.

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Mr. ROBERT FRASER, O.B.E.

[Continued.]

1209. It was regarded more as the merging of existing services of public Departments into a combined office than as the creation of a new Department?—That, I think, is the explanation. Its administrative powers are derived from a number of other offices. The policy is under the charge of other offices. It was regarded as more economic to do the work as a common service than to leave it to the individual Departments.

1210. On this question of staff, Mr. Fraser, it was announced, I think, in the House of Commons by the Prime Minister that this Office would need a highly qualified rather than a large staff?—(Mr. Fraser.) Yes.

1211. What is the number of the staff?—At the beginning of the year to which this Account refers it was 1,470 and at the end of the period it was just under 1,660. The largest item in that increase is accounted for by the transfer to the Central Office within the period of the Government's Social Survey, which is now a Division of the Central Office.*

1212. That is the increase of 200 odd during the year under review?—During the year under review, yes.

1213. What is the staff provided for in the 1948-49 Estimates?—The staff provided lies between 1,900 and 2,000. The number of staff in post at the moment is of the order of 1,700, and it will, I think, in fact be pegged at about that level throughout the year.

1214. There are certain Departments, are there not, which make no use of your services? The Foreign Office is one?—No. I think there are no Departments which make no use of the Central Office's services. There are some (very few indeed) which contract out for a certain part of their information service work. I think all the policy Departments make some use of the Central Office's services and most of them, of course, bring all their information service production work to the Central Office. The Central Office works equally for the overseas Departments as for the home and, indeed, rather more than half its staff is engaged in work for the overseas Departments.†

1215. Rather more than half the staff of your Department?—Yes.

* *Note by Witness.*—I was wrong in saying that the transfer of the Social Survey accounted for the greater part of the increase. It amounted to 70 out of a total addition of 188; the remainder was due to a number of comparatively small increases in most of the Production Divisions and the Crown Film Unit.

† *Note by Witness.*—My memory was at fault here: the proportion is actually 44 per cent. overseas, 56 per cent. home.

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1216. The cost of your Department in the year under review was of the order of £2 million, was it not?—Yes.

1217. That is at page 415?—Yes; £2 million net and about £3 million gross.

1218. Apart from that, we have heard already from the Foreign Office that they spent something like £3 million on publicity, so I take it they make very little use of your services?—They make a very great use of the services of the Central Office. In fact, they secure from the Central Office the whole of their publicity material produced in this country for distribution and use by their staff overseas. Their main costs, as I take it, are the salary costs of the information staff which they employ in London controlling the overseas operation and the quite substantial staff which, having taken it over from the Ministry of Information, they still employ in the field itself.

1219. As regard the Ministry of Food, do they make any use of your services, and, if so, to what extent?—The Ministry of Food has, for a number of years, been in a rather special position. During the war they made relatively little use of the central production services of the Ministry of Information, and that position was carried on into the peace-time years. In fact, they come to the Central Office of Information for films, and for posters, of which they make very little use. They cover the cost of their Press advertising and of their exhibitions on their own Vote.

1220. Does the National Savings movement make any use of your services?—Not at all.

1221. So that there is a great deal of money being spent by other departments on Government publicity, quite apart from what appears in your Vote?—Yes.

1222. Would it be convenient at some time for the Treasury to try to summarise, for the benefit of this Committee, the cost of publicity of the Government as a whole?—(Sir Eric Bamford.) At home and overseas?

1223. Yes?—For which year? For the current year?

1224. Any convenient year. I think the Committee would rather like to get a picture of the amount of money spent on publicity?—The Estimate provision for the current year might be the most convenient one to take.

1225. Yes, I think it might be?—We will do that.

1226. Will you let us have that, because I cannot get at any comprehensive figure from an examination of the Accounts?—We will furnish that.‡

‡ Appendix 10.

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Mr. ROBERT FRASER, O.B.E.

[Continued.]

1227. It could be done, could it?—Yes.

1228. Mr. Fraser, what is the relation of the Central Office of Information to another body called the Economic Information Unit?—(Mr. Fraser.) It is exactly the same relationship as obtains between the Central Office of Information and the Information Divisions of the policy Departments, of the Ministerial Departments. The Economic Information Unit might be said to be the Information Division of the Treasury.

1229. When it comes to the preparation, let us say, of the popular version of the Economic Survey?—The Unit turns to us for the execution of the technical work.

1230. I assume the Economic Unit prepares the material, does it, and draws all those pretty pictures of hour-glasses, and so on, and sends them to you for publication? Is that what happens?—Not quite. The procedure varies on publications from book to book, of course. What normally happens is that the Ministerial Department which requires the book to be produced will provide the text and the Central Office will make it look as nice as possible. It will, in fact, design the book.

1231. You dress the thing up. You put the clothes on the skeleton, do you?—That is so; I think that is an adequate metaphor.

1232. The remaining paragraphs deal largely with accountancy matters, I think. I would like to ask you one question on paragraph 103, where the Comptroller and Auditor General speaks of "blocked balances of film receipts in France, which have now been released for use locally?"—Yes.

1233. He says: "A substantial part of the pts had accrued before the devaluation of the franc in December, 1945, and its ultimate sterling value was some £79,000 below its value when taken to the blocked account." That is a misfortune? That was unavoidable?—I am afraid it is an unavoidable misfortune. The sums were in blocked account, and I think it was inevitable that their value in terms of sterling should drop down as the exchange rate.

1234. They were blocked with our agreement, were they?—Our efforts to unblock them have not succeeded.

Chairman.] Are there any questions on paragraphs 101 to 104?

Mr. Thurtle.

1235. I wonder who the distributor is who is in default in France? Could you say who he is?—The trading title of the firm is "Distribution Parisienne des Films." D.P.F. it is generally known as.

1236. How did this particular firm come to be the distributing firm? Were you re-

commended to use this firm as the distributor?—The contract was placed in Ministry of Information days and I think it would have been placed on the advice of the Ministry of Information's own staff in Paris. We have made considerable progress in clearing up this matter, if it would be of interest to the Committee to hear about it.

Chairman.

1237. Quite briefly, I think, yes?—We have now reached an agreement with the distributor for the payment of the greater part of the sum which he is obliged to pay. His total debt, under the contract, in terms of sterling at the present exchange was about £2,000, half of it owing to ourselves and half of it owing to the Government of the United States. The contract with him provided for the payment of that as a minimum sum. The earnings of the film, as he has been able to demonstrate, came to about £1,500, and we have in fact settled with him for that amount, which means that we have secured, so far as we are concerned, about £250 or so less than the contract in its original form entitled us to recover from him.

Major Bruce.

1238. I should like to ask a question relative to the original establishment of the Central Office of Information which, I believe, the Chairman raised. Would it be quite true to say that the setting up of the Central Office of Information was an administrative step taken by the Government to meet a Parliamentary demand for more detailed information as to what, in fact, was being done? Would that be an accurate description of the process of the setting up of the Office?—I think not perhaps quite accurate. War-time experience, I think, had shown that the Ministerial Departments themselves, in the course of their information and publicity work, required a number of technical things done for them. They required exhibitions to be designed and presented, films to be made, books to be designed, published, and so on and, as I understand it, it seemed to Ministers that it would be an advantage to them to have a specialised common production and technical agency to undertake this work for Ministerial Departments.

1239. But your function is more informative than anything else, is it? You are not there ready to exhort, to take part in campaigns of exhortation, or anything of that sort? You are there more for sort of plain information?—I would say that the material produced for Departments falls into two classes. The first class is entirely informative material, such as the Short Economic Survey. The second category of things produced are designed to be persuasive in nature: the campaign for the recruitment of miners, for example, and the campaign to secure the immunisation of children against diphtheria. All I would say of those persuasive campaigns is that

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[Continued.]

they seem, on examination, to reveal themselves as being directed towards non-controversial ends.

1240. It is true to say, is it not, that the material you produce is very widely used in all our legations and embassies abroad?—Yes.

1241. Particularly your Foreign Affairs Survey and your Home Affairs Survey?—Yes. It would be true to say that.

1242. Do you get any reaction at all from legations, consulates and embassies overseas as to the value of the stuff that you produce?—Yes. The Foreign Office has a well-ordered arrangement (the Central Office is without its own staff in the field) for securing regular reports on the value of the material and on the use made of it, and these, of course are made available to the Central Office as a further guide to us.

1243. Are the reactions in general satisfactory?—That is a question that the Foreign Office could more appropriately answer, but I would have thought that there was a mass of evidence available that the material is used well and used to good purpose.

1244. What do you say is the principal cause of your underspending your Estimate during the current year? You have underspent by £1 million, I believe?—On gross expenditure we underspent by £1 million or 25 per cent. There are two explanations of that. The first and more important is that this was the first year of the Central Office's operations, and the Central Office will always be in a particularly difficult position in framing its Estimates. Its Estimates can be really no more than the sum of a large number of individual estimates which it makes as the likely cost of the likely services which it is going to be asked to provide by 20 to 30 Departments. We over-estimated, and we over-estimated quite substantially. The second explanation is that, during this year I am afraid we left undone a very considerable amount of work which Departments requested us to undertake. That was due to shortage of staff, the Ministry of Information having run down substantially, and it was owing to the difficulties of recruitment.

1245. Could you tell me what control you have over the amount of the stuff that you produce? Perhaps I can illustrate it more effectively in relation to this current publication of yours "Something Done." Do your Office decide how many of those shall be printed, or is that decided by the Lord President or by another Department?—That is part of the publishing responsibility of the Stationery Office itself.

1246. It is nothing to do with you?—No.

1247. If, for example, a loss were made on a publication (any publication, now, will serve the purpose) by reason of an insufficient number of copies being printed, of course it would not be your responsibility

but that of the Stationery Office?—That is so.

Chairman

1248. Are there any further questions on paragraphs 101 to 104? We will pass now to the Account, which is at pages 415 to 418. On page 415, Subhead F is "Publications" and Subhead G is "Poster Advertising." Have you experts in your Office who design the posters?—Yes. Government posters are designed in one of two ways. They are either designed to the Central Office's general instructions by an outside advertising agency, or they will be designed in the Central Office's own studio. The great majority of Government posters seen on the hoardings will have been designed by an advertising agency to the Central Office's requirements, the Central Office itself trying to interpret to the agency the requirements of the Ministerial Department responsible for the campaign.

1249. You employ quite a number of private firms on this work?—In press and poster advertising, a very large number. The Central Office's practice varies a great deal in this matter. It may produce material itself or employ outside contractors to produce it. Some kinds of information or publicity material we produce ourselves without any recourse at all to outside contractors. With regard to other kinds of material (films are, perhaps, the best case) we make some ourselves and we require others to be made for us by commercial contractors. At the other extreme lies Press advertising, where the whole of the technical and creative work is performed by advertising agencies appointed under contract to the Central Office. The Central Office will, of course, play a very great part in, as it were, designing the campaign, but it will not, with a Press advertising campaign, write copy, make drawings or design the advertisement itself.

1250. Employing these outside firms as you do, what kind of arrangements do you make with them? Is it on a basis of cost-plus or a fixed fee? What is the usual type of arrangement you make with a private firm?—In this field one comes up against a number of unusual factors. For example, in Press advertising, which itself accounts for a quite substantial proportion of the Central Office's total Vote, one is confronted with a system under which the earnings of all advertising agencies take the form of discounts allowed to them by those from whom they buy space. Those discounts are fixed and advertising agents retain them as their sole earnings against the cost of the work.

1251. So these agents, in many cases, get no remuneration from you at all? They get their income from the newspapers in whose columns the material appears? Is that it?—Yes, and that is so not only with Government campaigns but with all commercial advertising campaigns as well.

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[Continued.]

1252. Does that mean that the principal gets his advertising done for nothing?—What happens in practice is that the advertising agent buys from a newspaper, let us say, a space the price for which is £100. He charges his client—his commercial client, let us say, or the Central Office—£100 for the space. The newspaper from which he buys it requires him only to pay £90, giving him a discount of 10 per cent. The accumulation of those discounts comprises the income of an advertising agency.

1253. The agency, in fact, gets a percentage of the total which you spend on the particular campaign?—Is that right?—Yes.

1254. What is the normal percentage? Is there a normal percentage for newspaper advertising?—It varies from newspaper to newspaper. They would mostly lie one side or the other of 12 to 15 per cent., I should imagine.

1255. At one time the Government used to get a special discount, I think it was 2½ per cent., for Government advertising?—A small additional discount during the war, which we failed to retain when war-time conditions passed away.

1256. That has gone now, has it?—I fear so. It was rather easier to secure advertising space during the war than it is now.

1257. To take a publication like the Short Economic Survey, the popular edition, my recollection is that it said on the back of it that it was produced in collaboration with some private firm or other. Does that mean that the private firm was responsible for the form of the thing?—No.

Major Bruce.] I have a copy of the Short Economic Survey.

(The same was handed to the Chairman.)

Chairman.

1258. Thank you. It says: "Produced in collaboration with Research Services Ltd." That is a private agency, is it?—Yes, it is a commercial firm. It was employed to prepare the greater part of the diagrams, to do the art work on them and to help design them to the general requirements. We would not normally follow that practice with a publication. The particular factor which made it necessary with the Short Survey was that, I think rightly, it was felt that every effort should be made to make the Short Survey available on the same day as the Economic Survey White Paper. It does, of course, take much longer to prepare a booklet of that kind for publication than merely to print a straight text. It was therefore necessary to make what were really emergency arrangements to do within a few days the work on that book that, at a normal publishing speed, would take two or three weeks. It was beyond the normal capacity of the Office to do the whole of the work at that speed. It was necessary to call in reinforcements.

1259. Have you men in your Office who are capable of producing that sort of stuff?—Yes, and indeed I think the Chancellor has already said that there is going to be a publication in many ways comparable with that in nature on the Budget and the National Income White Paper. That is being prepared entirely inside the Central Office—the diagrams, I mean—once again to the general requirements of the Economic Information Unit, which will have both provided the text and made their own suggestions to us about diagrams.

1260. One other question. Do you propose to Government Departments that they should produce some publication or run an exhibition? Would you consider that one of your functions?—Yes. It is not a function which is frequently exercised, but of course our working relations with so many Departments are so close that after a while we get to know fairly intimately what their own problems are, and I should be disappointed if it did not sometimes occur to us that one way of helping them to secure their ends would be to suggest this or that other thing to them. Whether of course it ever appeared it would be entirely for them to say.

1261. You might say to yourself "The office of the Chancellor of the Duchy" or "the Postmaster General is not very familiar to the general public. Let us suggest a little booklet dealing with their activities," or something of that sort. Is that right?—I think it would be unlikely to happen in that way or in those particular cases which you have mentioned. It is much more likely to arise I think on some large publicity matter like, let us say, the recruitment of miners, where we are already at work on the campaign and are learning about it. In the course of doing that work it occurs to us it might be better still to have an exhibition or a booklet.

1262. Did the idea of an exhibition in connection with recruitment for the coal mines come from your Office?—I cannot remember where it did come from, but I think it would be almost certainly a Ministry of Fuel and Power idea.

1263. Would you look at Subhead L on page 146. That is "Miscellaneous publicity and services," on which the expenditure was £110,000 in the year under review?—Yes.

1264. What was the main item there?—The Central Office's Social Survey to which I have already referred in my evidence formed the larger part; that formed about half of the whole.

1265. Just tell me what the Social Survey is, what it comprises, what it does and what its final product is?—The final product is the report.

1266. A report to a particular Minister?—To a particular Department, which is

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[Continued.]

designed to provide it with facts about some subject for which it is responsible which cannot be made available to it in any other way. The technique of the Social Survey is the interview conducted in the home on a random sample of the population.

1267. Have you a permanently employed staff engaged on the work of the Social Survey?—Yes. There is a permanently employed staff and part-time interviewers as well.

1268. They, at a particular moment, it being thought that a particular Ministry should be informed about a particular subject of the Ministry's work, go and ask people questions. Is that it?—Yes. The Department will have indicated to the Central Office that there is a range of information which it requires to have for its administrative work and which it thinks it cannot discover from any other source.

1269. Are these questions, whether they be to housewives or others, put by employees of the Office or do you sometimes employ outside agencies on this work?—They are not full-time members of the staff. They are employed on a part-time basis, but they will on the whole be trained workers to whom in course of time we will have given a good deal of work.

1270. You say they are part-time workers. That is to say they are people who want to do something in their spare time, say for two days a week, or that sort of thing?—Yes.

1271. Do they attend a course of instruction first of all?—Yes.

1272. To be told how to make a tactful approach?—That I hope they have mostly learned before, but it is necessary to give them both an explanation and instructions before they set off on any particular enquiry. I do not know whether it would help you if I told you the subjects of some of the enquiries actually made?

1273. Yes, it would.—I am referring now to the year to which the accounts under examination refer. The largest and perhaps most significant is a running survey of sickness which is made every month for the Registrar General and which fills in what would otherwise be large gaps in his health statistics.

1274. Does that mean going and asking people what diseases they have had in the last six weeks?—Yes, it does indeed. It means asking them quite simply "Did you have a cold last week?"

1275. Is it your experience that people do not mind being asked these personal questions?—It is an astonishing thing. Before I knew anything about this work I must confess I thought one would almost inevitably encounter a good deal of doorstep opposition. The facts have compelled me to take

the view now that on the whole people like being interviewed, some adore it and almost none ever resent it.

1276. Well, I have not had anybody on my doorstep—yet.—I forget what is the recorded percentage of complaints, but it is almost sensationally small.

1277. I rather diverted you. You were telling me what were the subjects of examination in the year under review. The first was health?—Yes. That is a large enquiry because it is repeated every month. There was an enquiry into the likely coupon requirements of people coming out of the forces, for demobilised persons. There was an enquiry into the extent of pneumoconiosis in miners.

1278. You want specially trained workers to ask these questions?—I hope we specially trained them before they did. A great deal of trouble is in fact taken between the Departments which want the Survey made and ourselves. The work is useless of course unless the investigators and interviewers understand what they are doing before they start off. Then there was an enquiry into the results of the road safety campaign. There was an enquiry for the Ministry of Fuel and Power into the problems of recruitment for mines—an attempt to establish what the resistances were to going into the mines. There was another one of a similar kind for recruitment to the Civil Service. There was a survey made of what kind of shopping hours would give the greatest convenience to shoppers.

Chairman.] That is quite sufficient to show the extent of your activities in this regard. Time is getting late. Has any member of the Committee any questions to ask on the account?

Mr. Thurle.

1279. Subhead D on page 415 is "Press advertising" on which you spent less than you expected to spend, and the note to subhead D states "The postwar increase in the size of newspapers, and consequently the amount of advertising space available, was less than anticipated." What governs the amount of money you spend on advertising? Is it on the initiative of the Departments that you spend, or is in on your own initiative?—What generally happens is that as the time comes round for the formulation of the Estimates the Central Office send an inquiry to all the Ministerial Departments asking them to forecast as closely as they can what their likely demands are going to be in the forthcoming financial year. They will, in replying to those inquiries, not merely try to give us a general indication of their total requirements but, as far as they can foresee it, what kind of media they are going to ask us to employ. On the basis of that information the Central Office Estimates are compiled. That is why I think, if I may say so, the Committee

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[Continued.]

may well find not merely in this account but in future ones a lack of precise correspondence between the expenditure of the Central Office and its Estimates.

1280. You accept invariably, do you, what the Departments suggest to you should be the extent of publicity for the coming year? You cannot cut it down for example?—We do in two ways produce an Estimate that is something different from the sum of the departmental requirements which are indicated to us. First of all, the Vote provision for which we ask falls a good deal short of the total cost of saying "Yes" to every request we receive. I guess very roughly that if the Central Office did say "yes" to every request it received its Vote provision would have to be perhaps 25 per cent. or even perhaps as much as 40 per cent. higher than it is in fact. So we do exercise a general sort of downward pressure which leads the Central Office into the sometimes not very popular position of a rationer of available material. Secondly, we are constantly giving Departments technical advice about the efficacy of alternative forms of publicity. They may, to take perhaps too crude an illustration, say "We would like to have a film on this subject," and we might say to them "Nobody could conceivably extract a good film from that subject. On the other hand a quite useful little booklet could be produced which would do the work for you and do it better."

1281. What I am trying to get at is this. I want to get at your position *vis-a-vis* a Department on the magnitude of their given publicity. Are you in a position to be able to say to a department "You are wanting too much Press advertising," or "You are wanting too much poster advertising. We cannot let you have it." Are you in that position?—Yes.

Chairman.

1282. Mr. Fraser, I suppose you would only say that they cannot have it on grounds of the technical difficulty. It would surely be for the Treasury to say "Stop spending so much on advertising" to the Ministry of Food?—We do in fact find ourselves in the position of saying: "It is impossible for us to discharge this service for you because the Vote provision is just not large enough to carry it."

1283. Actually I chose a bad instance in saying the Ministry of Food, because they do their own publicity, do they not?—Finally, of course, as is proper, the expenditure of any one of the ministerial Departments in this field, including the expenditure incurred on behalf of the Department by the Central Office, will reflect the Minister's own judgment about the amount of information service activity in which his Department should engage. Ultimately of course the Central Office

being a common service agency and not a ministerial Department it would be in no position properly to withstand a final demand by a ministerial Department that "really this must be done." On the other hand, in practice most information service or publicity proposals are not pressed with that degree of violence, and as a matter of fact Departments do understand that to meet their total requirements would mean substantial inflation of the Central Office's vote. On the whole they accept very readily and very happily a general rationing system that involves a great deal of inter-departmental consultation from time to time about who can have what and how much of it; in practice and at the official level it works well.

Mr. Thurtle.

1284. If there were a sharp clash as between yourselves and a Department then the Treasury would be the umpire, would it?—Yes, indeed.

1285. Is it part of the use of the Social Survey to convey to Ministers from time to time a survey of opinion on particular policies—as to the popularity of particular policies or otherwise?—No.

1286. You do not use your information mechanism for that purpose, of reporting to Ministers on the public reactions to a given policy?—No. The nearest, if it is near, that the work of the Social Survey ever comes to that is when we require to establish the extent to which people understand some particular problem which the information services are trying to explain. Let me take a very simple instance. Supposing, as might well be the case—and is the case—that the Government wishes to know to what extent people in fact understand that, in order to secure a balance in overseas trade, exports must be increased. The Social Survey would make that kind of investigation. Indeed it frequently becomes necessary in the course of conducting a campaign of information to measure how far you have actually gone in securing a comprehension of the problem on the explanation of which you are spending public money.

1287. What I really want to get at is whether there is anything (even a pale reflection) of the wartime practice of giving reports to the Government, to particular Ministers, if you like, as to the state of opinion upon a particular issue?—No, there is not. There is nothing in existence now which corresponds to the Home Intelligence Reports, which I think Mr. Thurtle has in mind.

1288. One other more general point. I take it you regard the function of the Office of Information as the distribution of factual information?—I regard it as an instrument of public enlightenment.

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[Continued.]

1289. You would not regard it as being the function of the Office to issue propaganda favourable to the Government of the day?—If I may answer that question very frankly, I should not retain my present position if those were the functions of the Central Office of Information.

1290. Are you then always quite clear about it? You have a clear line of demarcation between the spreading of factual information and the justification of Government policy? Is there always a clear line of demarcation between those two things?—I think there is always an extremely clear and easily recognisable line in principle. I think in 99 cases out of 100 there is a clear and easily recognisable and indisputable line in practice. I think just sometimes it is not at all easy to say where information stops and persuasion begins. I find in practice that those cases are so rare that if I were asked to recall one now I could not do so.

1291. Then you would put the cases in which you are confident there is no propaganda as high as 99 per cent., would you?—I would put it higher really. There are many subjects in which the information services could engage which would be highly controversial, but in which they, I hope, do not.*

Sir Frank Sanderson.

1292. Subhead H on page 415 is "Films" on which the expenditure was £589,000. I recall that there was a good deal of overlapping in different Departments expending money in the development of more or less one and the same film. I recall as an illustration the British Council. There I think there was ample evidence that films were being introduced by two Departments with precisely the same result. Could you assure the Committee that some machinery has been put into motion with a view to preventing that overlapping and the duplication of films on one and the same subject?—Yes, it has. The British Council now, if it requires a film to be made, requests the Central Office to undertake the production of that film. So far as I know, except for service Departments' internal training films, there are now no Government Department films

* *Note by Witness.*—I did not mean to imply by this answer that any material whatever produced by the Information Services contained propaganda on controversial subjects; but only that in 99 cases out of a hundred the problem of avoiding such propaganda did not even arise, because the subjects themselves are not controversial ones. When the subject is controversial, we all work under a clear instruction to restrict ourselves to objective statements of fact.

Mr. Robert Fraser withdrew.

made except through the Central Office of Information.

Sir Frank Sanderson.] That is very gratifying.

Major Bruce.

1293. In regard to your general functions once more, I do gather from you, do I not, that it is not your function to sell your services to Departments in the sense that you want to increase their use of your facilities as such, but that you make it known that your services are there if they are required and that in general, far from increasing the publicity expenditure of other Departments, on the whole you act as a brake?—That is certainly so. I think that of every three films for which Departments ask at the moment we make two. Out of every two exhibitions for which they ask we give them one; and I think they get perhaps about two-thirds of the aggregate press advertising for which they ask.

1294. Would it be quite true to say that in respect of some of the activities in which you engage a direct profit is yielded? For example, on the sale of booklets and things of that kind would it be true to say a profit could be made? Take, for example, a publication like the "Short Survey," which I believe has had a very great sale indeed. Is it likely that a profit would accrue to the Exchequer from that?—I would not myself know how the price of the Survey compares with the actual cost of producing it, the Stationery Office as a general practice does so price its books as to cover costs and yield a surplus over costs. In that field it would probably be broadly true to say that the costs of the work are recovered, but there are of course very large elements in the Central Office expenditure, namely, press and poster advertising, of which that is not true and not one penny of revenue accrues.

1295. Turning for the moment to your Social Survey, the purpose of that Survey as I understand it is, is it not, that the various Departments concerned shall be provided with information which they cannot obtain otherwise except possibly in the case of sensational incidents from the press or from material provided by returns which are required from a particular Department, or else, of course, through individual representations either by Members of Parliament or members of the public to the Ministry. It is your function in terms of providing the social survey to fill in that gap, is it not, so that the Department shall know the facts that it wants to know?—Exactly. It is the provision of information in a statistical form not available from any other source.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

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[Continued.]

CLASS III.

VOTE 2.

BROADMOOR CRIMINAL LUNATIC ASYLUM.

(On this Account no questions were asked.)

SUPREME COURT OF JUDICATURE ACCOUNT, 1946-47.

*(Account of Receipts and Expenditure of the High Court and Court of Appeal, 1946-47.)**(On this Account no questions were asked.)*

SUPREME COURT PRIZE, ETC., DEPOSIT ACCOUNT, 1939-47.

(On this Account no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS III.

VOTE 7.

COUNTY COURTS, ETC.

(On this Account no questions were asked.)

COUNTY COURTS FUND ACCOUNTS, 1946-47.

(On this Account no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS III.

VOTE 8.

LAND REGISTRY.

VOTE 9.

PUBLIC TRUSTEE.

VOTE 10.

LAW CHARGES.

VOTE 12.

POLICE, SCOTLAND.

VOTE 13.

PRISONS, SCOTLAND.

VOTE 14.

APPROVED SCHOOLS, ETC., SCOTLAND.

VOTE 15.

SCOTTISH LAND COURT.

VOTE 16.

LAW CHARGES AND COURTS OF LAW, SCOTLAND.

VOTE 17.

REGISTER HOUSE, EDINBURGH.

VOTE 18.

NORTHERN IRELAND SERVICES.

VOTE 19.

SUPREME COURT OF JUDICATURE, ETC., NORTHERN IRELAND.

VOTE 20.

IRISH LAND PURCHASE SERVICE.

*(On these Accounts no questions were asked.)*LAND PURCHASE ACCOUNT, 1946-47, OF THE SUPREME COURT OF
NORTHERN IRELAND.*(On this Account no questions were asked.)*

IRISH LAND PURCHASE FUND ACCOUNTS, 1946-47.

*(On this Account no questions were asked.)**The witnesses withdrew.**Adjourned till Tuesday next at 3.45 p.m.*

TUESDAY, 20TH APRIL, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.
Mr. Haworth.

Mr. McAdam.
Sir John Mellor.
Sir Frank Sanderson.
Mr. Ernest Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. D. F. C. BLUNT, C.B., and Mr. C. E. I. JONES, called in and examined.

*MEMORANDUM ON DUTY FREE STORES FOR THE ROYAL NAVY.

Sir JOHN LANG, K.C.B., Permanent Secretary, Admiralty, and Mr. C. B. COXWELL, C.B., O.B.E., Principal Under Secretary, Admiralty, called in and examined.

Chairman.

1296. Sir John, the first item on the agenda is this memorandum which we suggested should be prepared jointly by yourself and the Board of Customs and Excise when they were before us recently on the question of Duty Free Stores for Royal Naval personnel. The first question we asked to have answered was what was the estimated value of concessions now current and outside the strict interpretation of the Customs Consolidation Act, 1876. Your answer is: "The total cost in duty of all concessions, Statutory and otherwise, for the year 1946-47 was about £8 million." At that time you were carrying two or three times the number of personnel which you are going to carry in the year 1948-49?—(Sir John Lang.) Roughly twice the number. The mean bearing for 1946-47 was 289,000 men in the Navy. The mean bearing for next year will be about 140,000 to 150,000.

1297. So that, other things being equal (which, of course, they are not) you would expect the total cost to be about half this figure?—If other things were equal, yes.

1298. But, of course, since 1946-47 there have been what may be termed the Dalton increase in the tobacco duties, followed by the Cripps increases this year. Is that right?—Yes.

1299. I think the increases in the April Budget, 1947, were something like 20s. a lb. on tobacco, were they not, or 19s. 10d.?—I am not sure of the figures, but perhaps I could help there. We have made calculations as to what would be the value of the concessions in 1948-49, taking into account the most recent changes in duties, and also the reduced number of men. That figure comes to £6.3 million.

1300. That, of course, for a personnel of 145,000, would come to somewhere in the neighbourhood of £45 a head, would it not?—Near enough, yes.

1301. That is the amount, really, of additional pay which the personnel obtain through these duty free concessions?—I would remind you that some part of the so-called concession is no concession at all, because it relates to sea-going ships.

1302. We shall come to that on the second question, which is: "How many naval personnel are serving in Privileged Shore Establishments and how many such Establishments are there?" The answer given is 75,000. That is at the present time?—Strictly those figures relate to the 1st January, 1948. That was the nearest figure available when this document was got out. But we have since made calculations for a corresponding number for 1948-49 bearing and that figure should then read 63,000.

1303. So that is rather less than half of the total; 45 per cent. or something of that sort?—Yes, that is so.

1304. You tell us that the number of Establishments (again, I take it, at the 1st January last) would be 240?—Yes. I should explain that "Establishments" there is used in a Customs sense. Had we been left to our own devices, we would have calculated the figure rather differently. It would have been slightly lower. The Customs regard as an Establishment for this purpose any building which is self-contained. There are examples where what we would call an Establishment contains two, three, or four Customs Establishments. The number for 1948-49 would be a slight reduction on the figure given in the answer, but not a material reduction.

1305. The third question is: "To how many of these Establishments do civilians or men of other services have access?" You cannot evidently give a precise answer to that question?—I cannot at the moment. If the Committee feel that they must have the answer I am willing, in conjunction with the Customs authorities, to prepare one; but, as you will realise, this note was prepared at fairly short notice and the

* Appendix 3.

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[Continued.]

records of the two Departments just did not enable them to give an answer to that question.

1306. I suppose we may take it that there are some civilians employed at the great majority of these Establishments?—Practically every naval establishment will have a few civilians employed in it.

1307. At the top of the next page it is stated: "There are some R.A.F. personnel accommodated in certain R.N. Air Stations but in general these premises do not enjoy the tobacco privilege." That seems a bit hard on the R.N. personnel, does it not?—We think so.

1308. What is the principle involved here as regards disallowing these privileges at certain stations and allowing them at others?—The problem is that the Admiralty have to satisfy the Customs authorities that if the privilege is to be given to the naval personnel in the Establishment there is no risk of it being abused. We can usually satisfy them when a few civilians are employed, or tradespeople have a limited access to the Establishment because the civilians do not generally come into contact with the living quarters of the Navy personnel, nor do the tradespeople. The R.A.F. personnel, though, are employed as part of the ship's company of the Establishment. They live cheek by jowl with naval personnel and it is quite impossible to avoid their being so closely connected that there could be trafficking between our people who had taken up the tobacco and the R.A.F. The Customs therefore take the line that if there are R.A.F. personnel they will not allow the tobacco privilege.

1309. There is no minimum percentage of R.A.F. personnel which has to be achieved before the privileges are disallowed?—I do not know of any minimum percentage; but I must be fair to the Customs; I do not think I would claim that the presence of one R.A.F. person would stop the customs privilege. It is when there is an appreciable number, but to the best of my knowledge there is no percentage laid down.*

1310. At the foot of the third subparagraph it says "... where the proportion of unentitled persons is large the tobacco privilege is refused to the naval personnel." That rather indicated to me that there was some proportion laid down?—I still maintain that I do not think there is a figure laid down as a proportion. It is rather that the Customs look at the facts of the situation. The percentage, in terms of numbers, may be fairly large at one place but possibly the civilians do not come into that close contact with the naval people that would enable trafficking to take place. On the other hand, at another establishment, the

* Witness subsequently confirmed that there was no percentage laid down.

actual number may be appreciably smaller, but nevertheless, if the civilians or other service personnel are living so closely with the naval personnel that they could secure this uncovenanted benefit then the Customs are not satisfied and we have to refuse the supply of duty free tobacco.

1311. What is the number of the R.A.F. personnel who are inextricably mixed with the Royal Navy in this way?—Nowadays it is quite small. It happens usually in the form of R.A.F. personnel being attached to naval air stations for courses and sometimes for special forms of training with our people.

1312. Would it amount to 1,000 or 2,000 in all?—Not more, I think.

1313. At some stations where there is this mixture the R.A.F. men get the benefit of the duty-free concessions because the Navy men predominate very largely, and at other stations the Navy lose the concession because the R.A.F. men form a larger proportion?—I do not think the R.A.F. men ever get the benefit of the concessions except to such extent as they can find non-smokers amongst the Naval men who are prepared to supply them with tobacco.

1314. You mean that at one of these mixed establishments the sailor can go into the canteen and buy his cigarettes at a very low price, and the R.A.F. man has to pay a much higher price?—Let me make this clear. All these are shore establishments. There is no question of buying tobacco or cigarettes from the canteen. The naval rating is entitled to get from the Supply Officer a ration of tobacco not exceeding 1 lb. a month. The R.A.F. man will not get that so-called ration if he goes to the Supply Officer, and there is no question of duty-free cigarettes in shore establishments at all. No duty-free cigarettes are available except on board ship.

1315. When the Accounting Officer for the Board of Customs and Excise was before us, I think he told us that the limit of consumption of tobacco under these arrangements was 18 ounces a month. That would be 1 pound two ounces?—There is some confusion there. The statutory limit for the supply of tobacco to the Navy is not more than 2 lbs. per head of the ship's company.

1316. Per month?—Per month. That statutory limit is applied on board ship in the form that the naval rating may obtain 1 lb. out of that 2 lbs. in the form of ship's tobacco at a duty-free price. The Commanding Officer restricts the amount of tobacco taken on board either as service tobacco or as proprietary brand of tobacco in order to keep within this 2 lbs. per head per month, and the Customs authorities see that he does so. For purposes of ensuring that there is a fair distribution

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[Continued.]

of the tobacco taken on board the Commanding Officer himself establishes a workable ration which is usually in the form that no man may have more than a packet of 20 cigarettes a day. That 20 cigarettes a day will work out at about 20-25 ounces of cigarettes a month. That is where the Accounting Officer for the Customs Department mentioned this figure of 18 ounces, which is apparently the smallest figure they ever think about, up to 20-25 ounces.

Mr. Benson.

1317. Might I ask a question there? Did I understand you to say that 20 cigarettes a day are equivalent to 25 ounces a month?—I said 20 to 25 ounces a month.

Chairman.

1318. Between 20 and 25, depending, no doubt, on the type of cigarette?—That is my calculation. So much for the sea-going ships.

1319. You have been speaking of the sea-going ships?—Those are all the sea-going ships. On shore establishments there is still the same statutory limit of 2 lbs. per head per month.

1320. Shore establishments include the ships which do not go to sea?—No. May I come to those separately? In practice, in the shore establishments there is an administrative limitation in the form of manufactured tobacco only (that is, service tobacco) of 1 lb. per individual per month. On the shore establishments we do not work up to the statutory limit of 2 lbs. a month, and we are particularly careful that no man can take more than his 1 lb. of service tobacco per month. The position of ships which are outside the fully sea-going ships of the Fleet depends on whether they are classified as entitled or non-entitled. Those which go to sea a fair amount, though they may come into port overnight, get exactly the same treatment as sea-going ships proper. Those which are classified as non-entitled are treated as shore establishments and get no better treatment.

1321. Thank you. In your answer to Question (4), you tell us what steps are taken to ensure that there is not any, or is not very much smuggling. Your answer ends by saying: "The whole question of safeguarding duty free goods is at the present time under review by the Admiralty with the object of deciding what further instructions, if any, are desirable in the interests of minimising smuggling." You have the question under review now?—Yes. It arose automatically from the Dalton duties, which led to a recognition that, whatever may have been the situation before, there would be an additional incentive; and in conjunction with the Customs authorities, we have been considering whether our procedures need tightening up or not.

1322. Question (5) relates to non-smokers and teetotallers. The incentive to the non-smoker to draw his tobacco and smuggle it out for sale has been greatly increased by the increase in the duties?—It has, theoretically, yes. But when I tell you that the average consumption of service tobacco in the Navy (that is, over the whole of the Navy) is 5 lbs. per annum per man, instead of the 12 lbs. which very nearly everybody could take up, it is pretty evident that there is not a tremendous amount of trafficking in tobacco.

1323. Placing the cost for the year 1948-49 at your estimated figure of £6½ million, if the full entitlement were taken up, it would cost £14 million?—It would cost more; but that £6½ million covers not only tobacco but also rum.

1324. There again the incentive to smuggling has been increased by the increase in duty, has it not?—Again, in theory, yes. In practice rum can only be smuggled if a man has managed to get at the rum store and steal a jar or otherwise get a container full.

1325. Before I come to rum, there is one other question I want to put to you on smokers, and that is, what is a "boy" in the Navy? Boys are not allowed to take up the service tobacco issue?—Ratings are classed as boys up till the age of 18.

1326. Then we come to the rum ration. What is the quantity of the rum ration?—One-eighth of a pint per man per day.

1327. Is that fully taken up?—The number of rum drinkers in the Navy is between 50,000 and 60,000. That is out of a personnel of 140,000.

1328. They do not get extra rum through the non-rum drinkers drawing their ration and handing it over to them?—The number of rum drinkers is the number of persons in respect of whom rum is issued. I will come presently if you like to the question whether a man draws his tot and gives it to somebody else, but my 50,000 is the number of people in respect of whom rum is supplied by the Director of Victualling. The remainder of the personnel are either those who are not qualified for it, like the men under training and the boys, or they are the men who prefer to take their grog in the form of this one guinea per quarter allowance.

1329. The cash allowance is 3d. a day approximately, is it?—If it is in the daily rate; but it is almost invariably credited as a quarterly rate, and it is one guinea a quarter.

1330. It is in the neighbourhood of 3d. a day, is it?—Yes.

1331. Perhaps you could tell me what is the cash value of the rum ration including duty?—Something like 3s. 3d. or 3s. 4d. The duty was 2s. 11d. a tot until the last

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Budget increase. That will have added about 2d., which will make it 3s. 1d. The actual value of the rum is rather under 3d., so the total is about 3s. 3d. or 3s. 4d. You are obviously thinking there is a temptation there to the man to draw rum and dispose of it to the highest bidder?

1332. Yes?—The temptation is theoretical. In shore establishments the rule is that the rum issue must be drunk at the time of issue in the presence of an officer. There is very little scope for passing your tot of rum over to the next fellow. I do not say it can never happen, but there is not very much scope. On board ship there is a slightly bigger scope, because it is issued to messes. A mess might be anything from a dozen to 50 people and the men within the mess could traffick it amongst themselves. It is forbidden to traffick and we do not believe there is any appreciable degree of trafficking. We are supported in that by the figures. Out of the total naval personnel entitled only some 50,000 to 60,000 are registered as rum drinkers.

1333. I want to make one point which is perhaps a point of accountancy and more for the Treasury. As far as these concessions are extra-statutory, the cost should be borne on the Navy Vote and credited to Customs and Excise accounts—credited to the Exchequer, should it not, Mr. Blunt?—(Mr. Blunt.) That is not a question that has come to me personally. I have not been mixed up in it. I do not know that I should feel qualified to give an answer to that. I should prefer that to be taken as a revenue question on a Treasury day.*

1334. All right, Mr. Blunt, we will put it on a Treasury day. (Sir John Lang.) May I be allowed to express a protest at any such plan?

1335. Surely it is right that the full cost of the Navy to the taxpayer should be shown in the Navy Appropriation Account?—In theory, perhaps, yes, but this is a tradition which goes back a very, very long way. If the Navy did pay duty on its rum and its tobacco and the Navy Votes were adjusted accordingly there would certainly come a time at which there would be a danger of the privileges being cut off because we had not the money to pay for these things. We do not feel that the Revenue is being in any way defrauded of its proper due. There has never been any secrecy that the Navy enjoy duty-free privileges, and we claim that when Parliament agrees to certain rates of duty on rum, tobacco and other things, it realises that the consumption of those commodities within the Navy will not attract duty. The non-statutory privileges are what we should call commonsense extensions of the very, very old statutory ones, and the

intention before the war was to tidy this up and get proper statutory authority.

1336. There was no question, in the discussions before the war, of cancelling the privileges?—No. This particular question was not related to the cancellation of privileges. It was related to what I should have thought was proper accountancy. That is to say, where the Board of Customs and Excise are, by Treasury dispensation, failing in their statutory duty to claim certain duties, they should be credited from the Navy account with the amount which they fail to collect?—I would rather get a statutory authority to continue the practice.

Chairman.] I am sure you would.

Lieut.-Colonel Hamilton.] In relation to the Navy, it is not their duty. That is really the point.

Chairman.] Are there any questions on the memorandum? We are taking paragraphs 9 to 11 of the Report of the Comptroller and Auditor General on the Revenue Departments Appropriation Accounts, 1946-47, with this memorandum.

Mr. Benson.

1337. How many establishments, owing to the mixed personnel, do not receive these benefits?—I can only offer to get that for you, if the Committee are going to ask me to get the other information. I do not know.

1338. Is there any particular reason why these benefits should be extended to men on shore?—The reason is historical development, more than anything else. The Navy started as a service that was wholly afloat. As its numbers grew and its permanency grew, so those people in home ports were accommodated in older ships, hulks and so on, tied up. These ships were technically in commission and thus enjoyed the privilege of duty-free supplies. At a later stage when barracks took the place of these hulks, the barracks attracted the privileges which the hulks had previously had.

1339. Yes. I am not disputing that there is a historical basis for it, but is there any particular reason why it should continue? Certain establishments do not get it because of the mixed personnel. Is there any reason why any shore establishment should get it?—We feel the number who do not get it is so small that it would be preferable to even it out by giving it to all. If you do not give it to all you have an irrational discrepancy between the men in sea-going ships and the men in barracks, and men are moving between the two parts of the service continually.

1340. These privileges are equivalent to about 18s. a week. What is the pay of a naval rating as compared with a private in the Army?—It is as near as possible the same.

* See Questions 4184-4194.

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1341. Plus the 18s. a week privilege?—The private in the Army is enabled to live at home and have his wife and family with him. The man in the Navy is not. He has a very much more broken life than the private in the Army.

1342. A private in the Army may or may not be able to live at home. He may not even have a wife?—That is perfectly true.

Chairman.] The sailor has other privileges in that respect!

Mr. Benson.

1343. Only in foreign ports. You suggest that there is no probability of trafficking because the amount allowed is only 1 lb. a month of tobacco. That is 4 ozs. a week approximately, which seems a pretty heavy allowance?—I did not intend to give the impression that because there was only 1 lb. as the ration there was no possibility of trafficking. The trafficking is restricted by two factors. One is that there is a regulation against it, and men discovered to be trafficking are punished for that action. The second is that, as I pointed out, the average consumption of service tobacco in the Navy was only in fact five-twelfths of what it might be.

1344. That is five-twelfths of the 2 lbs.?—No, five-twelfths of the 1 lb. of manufactured tobacco. I must make it clear that the proprietary brands and the cigarette problem is a sea-going problem only. It does not exist anywhere else. The five-twelfths of 1 lb. of tobacco is that proportion of the 1 lb. per man which almost any naval rating can get whether he is ashore or afloat. The only debarred people are those who are in those establishments where the Customs will not allow the tobacco privileges and it is quite a small proportion of the Navy.

Major Bruce.] Is this memorandum going to be printed in the Report?

Chairman.] It will be printed in the Minutes.

Major Bruce.

1345. Could you say, Sir John, whether there is any feeling as between those personnel afloat and those ashore that these privileges accorded to those on shore are in any way unfair to those who are afloat?—There is no feeling between the man ashore and the man afloat if the comparison is drawn between the man in barracks and the man on board ship. The fact that the man on board ship gets slightly superior tobacco privileges to those enjoyed by the man in the barracks does not cause any heart burning. There is, however, a tremendous amount of heart burning among the men in these establishments such as air stations which are at present barred from the privilege. A man does not so much

mind failing to get the privilege if he is sent, say, to an establishment in London where he realises that there is no possibility of it at all. But if he is sent to an air station at which, for some reason or other, the Customs will not admit the privilege, and he knows that another air station, perhaps 100 miles away where he was serving a few years ago, enjoys the privilege, that is where the heart burning comes.

1346. Have the Admiralty ever considered the repercussions that might ensue if anybody attempted to remove the privilege?—We have considered those frequently, whenever there have been representations from the Customs authorities and the Treasury that this privilege was getting out of hand. We have to consider them because we value the privilege and we recognise that unless we do control it we may lose the privilege. There is not the slightest doubt that if the privilege were withdrawn the Navy would be seriously disgruntled, to put it mildly.

1347. Would you say it would have any affect on recruiting to the Navy at all?—It would affect it, not because I think men join the Navy in order to get cheap tobacco, but because the best recruiting sergeant is the man who is in a service and is satisfied with it. If he goes home on leave and he is grouching because he has lost a privilege, even if the privilege might have been an irrational one, he will not be a good recruiting authority.

1348. How long have the Navy had the privilege?—The Act is of the 1780's, so we have had it in the form of a sea-going privilege for 160 or 170 years. We have had the shore-going privileges for something over 60 years.

1349. This would mean a break with tradition?—Yes, a complete break with tradition.

Sir Frank Sanderson.

1350. In the reply given to question (3) in the memorandum it is stated: "At most naval shore establishments there are a few civilians employed as N.A.A.F.I. canteen staffs, cleaners, boilermen, gardeners, etc.," and it goes on to say that the number is kept to a minimum. Do these civilians enjoy the advantage of the tobacco privilege?—Definitely not. You can only get the tobacco privilege in a shore establishment by coming to the Supply Officer's store and producing your naval paybook. That naval paybook is stamped with the half pound or pound of tobacco that you take.

Chairman.

1351. I take it the Wrens do not obtain any of this pipe tobacco?—They do not.

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TREASURY MINUTE ON PARAGRAPHS 42 TO 54 OF THE THIRD REPORT OF THE
COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.*Chairman.*

1352. We turn to the Treasury Minute on the Third Report of the Committee of Public Accounts, 1946-47. First of all, paragraphs 42 and 43 deal with arrangements for securing economy in manufacture, and the Treasury state: "They would be glad to be furnished with the conclusions reached by the Board when the departmental Committee has reported." That refers, I think, to your statement a year ago that the Board of Admiralty were establishing a departmental committee which would examine the methods at present used for securing economy over the whole field of Admiralty production. Is that right?—(Sir John Lang.) Yes.

1353. Can you tell us whether that departmental committee is sitting and when it is expected to report?—That committee has almost completed its inquiry, but it has not yet rendered a report. The delay there is due to the unfortunate illness of the industrialist who was appointed as a member of the committee.

1354. Will its report be made public in due course?—No.

1355. You expect it to report shortly?—Yes.

1356. The Treasury Minute on paragraphs 44 to 46 deals with warship prices?—There the situation is that there have been discussions between the Admiralty and the warship builders on the subject. The ship builders have adopted the attitude that in the abnormal conditions of today it is premature to seek to determine details of future tendering procedures. We in the Admiralty are compelled to admit the justice of that view, and do not feel that we can press the matter so long as there are no orders being placed for new warships of standard types. We shall of course resume our talks with ship builders when there are signs that we shall wish to operate the procedure we have proposed to them.

1357. In our Report of last year, in paragraph 45, we stated that the Admiralty have considered various ways in which it might be possible to prevent contractors making excessive profits, and we spoke of the procedure which you had in mind for the application of fixed price contracts for warships. That procedure has not come into operation?—No.

1358. You do not think it can come into operation until you are ordering what I think you described as "standard types of warship"?—Standard as apart from prototypes. If you remember, the procedure that we outlined (and I think the Comptroller and Auditor General referred to it in his

report of last year) was that wherever possible we should get fixed prices, that the tenderer should provide the Admiralty with a very considerable amount of information showing the build up of those prices when he made his tender. He should also be willing to give the Admiralty afterwards a certificate of the cost that had in fact been incurred in the building of the ship. But we did emphasise that for special ships, particularly new ships of a class, where neither the builders nor ourselves would have had any experience with regard to the problems arising in the actual manufacture of those ships, we might have to have recourse to a contract on the basis of paying the actual cost or an estimate made at a time after the ship had been commenced, with a lump sum for establishment charges and profit.

1359. Referring once more to the Treasury Minute on this point, have there been any discussions with the industry?—The discussions, took the form of our writing to the industry before the meeting of last year explaining that that was what we had in mind. There were one or two letters which passed between the parties, and the chairman of the warship group has had discussions across the table with our Director of Contracts. The conclusion which has so far been reached is that they feel that the time is not yet ripe to determine procedure, and we must admit the justice of that claim as representing the situation to-day.

1360. The Treasury Minute on paragraphs 47 and 48 refers to commercial work undertaken mainly I think by the dockyards. Are you still doing a considerable volume of work for private ship owners?—We are still doing a fair amount of commercial work of one kind and another both in the dockyards and in one or two other establishments which I mentioned last year. Its volume is likely to be less in the coming year than it was in 1947-48.

1361. The Treasury Minute on paragraphs 49 to 54 refers to the production of civilian goods in Admiralty establishments, and the Treasury in their Minute state: "My Lords endorse the Committee's recommendation that any labour retained as a war potential should be the subject of continual rigorous review to preclude any possibility of this labour being in excess of current minimum requirements. Has there been that continual rigorous review?—We have given the Treasury an assurance that our existing controls are sufficient to ensure and are ensuring that all Admiralty labour at these establishments is at all times usefully employed either on naval or on repayment work. I would like to take this opportunity though to make it clear that whilst the maintenance of war potential which is mentioned in this paragraph 5 of the Treasury letter

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based on this Minute is an important factor in the undertaking of repayment work in Admiralty establishments, it is not necessarily the only factor. In the particular example of the torpedo factory at Greenock the Board have been influenced in determining the level at which the staff should be maintained by a realisation that, though the minimum war potential requirement would be less than the present level of the numbers, discharges to that level (the war potential level) would involve something of an unemployment problem in Greenock where facilities for alternative work are poor. Quite apart from the social effects (that is a matter for the Government rather than the Admiralty as such) we do not consider it is in the best Admiralty interest to take measures which will lead to severe unemployment, and so long as we can secure repayment work sufficient with the Admiralty work load to ensure that there is no loss to the Exchequer we consider it the right policy to do so; in other words, to take repayment work even if the war potential numbers are exceeded. The important thing is that we should watch that the men are fully employed; and this we are satisfied is the case. We do in fact get payment by results work returns at the Admiralty which are studied, to ensure that there is no waste of labour.

1362. In paragraph 52 of our Report of last year we referred to a high precision unit. That, I think, is the factory in Sheffield is it not, which you own?—Yes. There it may interest you to know that the position at Sheffield gauge factory has been reviewed recently and a decision taken that in the light of the existing gauge capacity in the country as a whole the Admiralty requirement will be safeguarded by the retention of the main factory at Sheffield as a going concern. We are in process of shutting down a subsidiary factory which was run in conjunction with the main factory.

1363. Have the financial results of that factory been satisfactory?—The financial results over the year have not been satisfactory. I did express the hope at the meeting of the Committee a year ago that I should have a better report to make on the gauge factory this year. The difficulty has been that a considerable number of orders was taken in those early days when we were still having teething troubles with the establishments, and the losses which were incurred during 1947 result from the estimating in that early period. If however we make the comparison in the analysis of results over the recent quarters as between jobs that were taken in quarters and put in hand in those quarters, then we have turned the losses which were being incurred in that early time into slight profits. In other words, we think that once we have got rid of the orders which hark

back a long way we shall at least make both ends meet in the Sheffield factory.

Chairman.] Are there any questions on the Treasury Minute on paragraphs 42 to 54 of the Third Report of the Committee of Public Accounts, 1946-47?

Mr. Cuthbert.

1364. On the Treasury Minute on paragraph 47, I am not quite sure whether we did get an answer as to the commercial work that is carried out in those dockyards. One realises that the work is undertaken in order to keep the organisation and the skilled manpower together as war potential. Is it right to say that there is no loss incurred in that work? It does pay as a commercial proposition?—So far as the dockyards are concerned, we are paying our way. We are not losing. That is not to say that we have no order on which we lose money, but it does mean over the working of the year that the commercial work done in the dockyards is paying its way.

Mr. Cuthbert.] That is the point: there is no loss, taking it over the whole year.

Mr. McAdam.

1365. Could you tell us the number of dockyards at which commercial work is being undertaken at the present time?—Do you mean any kind of commercial work?

1366. Yes—any kind of commercial work at all?—The greater part of the commercial work in the dockyards is ship repair work for private firms. It ranges from the construction of a new forepart of a ship, and joining on that forepart to the afterpart, down to relatively small jobs such as the changing of propellers, boiler repairs, and so on. We have, however, during the course of the year done work in the dockyards for the housing programme, work for the railways in the form of wagon repairs (not locomotive repairs) a certain amount of tank work, and we are doing work for the Ministry of Supply.

1367. Can you give us the names of the dockyards at which the work is being carried through?—At all the dockyards.

1368. Including Rosyth?—Yes.

1369. Could you tell us where the falling off in production took place last year?—You are referring to the statement I made that there would be less next year than there was in the year 1947-48?

1370. Yes?—I do not know the exact answer to that. I think the reply is that there is a falling off in all dockyards. The explanation is that the dockyard labour force has, in spite of our endeavours, to keep it up, wasted away to some extent. The amount of naval work has not gone down. If anything it has gone up. Therefore the difference between the numbers employed on naval work which are fairly steady between the two years and the total

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labour force represents the falling off in the amount of labour devoted to commercial work. I think that is spread over all the dockyards.

1371. That means that quite a number of civilians who were employed in the naval dockyards have left for private employment?—Or retired rather than left for private employment. It is rather a reflection of the fact that the dockyard is not so popular now as a recruiting ground for the young men. Some men are growing older and cannot stay any longer.

1372. Could you tell us the reason for the falling off in the number of young personnel seeking Admiralty dockyard employment? Is it a question of conditions or a question of wages?—I do not think it is a question of conditions because the dockyard wages are very closely related to those paid in the shipbuilding and engineering industry throughout the country. I think it is frankly that working with the hands is not so popular nowadays as working with the brain.

Mr. Benson.

1373. What do you make at the torpedo factory?—It is general engineering work in the way of machining of castings, forgings, and so on, with a preference for high precision rather than rough stuff.

1374. Is it making a profit?—The torpedo factory is just showing a profit, yes. A fair amount of motor car parts are trimmed up there.

1375. Your gauge factory has just turned the corner now. How is it that, when engineering is extremely profitable, your torpedo factory is only just showing a profit, your gauge factory has only just turned the corner, and your dockyard repair work is only just paying its way?—It is due to two reasons. Firstly, we are not out to make a profit as such. We are out to make sure that we do not lose money. Our main object is to keep our labour force going. There is a second reason in the background why we sometimes do lose money, and it is the swings and the roundabouts which make us just strike a balance, and that is that none of our factories are laid out for general engineering production. They are all laid out essentially for their own job of some warlike store.

1376. When you say you are not out to make a profit, does that mean that you are quoting lower prices than commercial firms for the same job?—If we are doing a job which has an exact counterpart we charge the same price as the commercial firm is charging and on those jobs we do, obviously, make some profit. If we are doing a job for which there is no exact counterpart, we endeavour to charge what

we call the exact cost; that is, the cost of the labour and materials and the on-costs appropriate to the machinery, and so on, used.

Lieut.-Colonel Hamilton.

1377. In paragraph 50 of the Report of last year the Committee mentioned that the Admiralty were not able to obtain sufficient commercial orders to utilise all the surplus capacity, and in paragraph 51 they made a similar observation regarding the torpedo factories, namely, that the commercial orders obtained did not appear to employ more than about 20 per cent. of the skilled manpower retained, and the remainder were employed on torpedo maintenance work. I would like to know why a much fuller percentage of the surplus manpower cannot be used, because in the first case, if real efforts were made, I should have thought repair work of all sorts could be found; and, in the second case, you are manufacturing things that are needed. I wanted to ask you why you thought the percentage was so low?—I was describing there the situation in the early months of the introduction of repayment work in the dockyards and other establishments. The position was that there was for all practical purposes none of such work up till the end of 1945; that was the end of hostilities, as it were. In the early months of 1946, January to March, it became evident that the volume of Admiralty work was falling off, and if we were going to keep our dockyards, and so on, up to their proper strengths we should have to find something else on which to employ the men. It was at that stage that we came into the market for repayment work of one kind and another. The situation described there was accurate enough until about December, 1946. But for the whole of the calendar year 1947 we have had, in fact, no difficulty (except, possibly, at Sheffield, which was rather special) in getting all the repayment work that we had men available to do.

Major Bruce.

1378. Would you say to what extent it has been possible now to extend joint production consultative machinery in the Royal Dockyards themselves, with a view to increasing efficiency in production?—I am sorry that I do not know the most recent developments. What has happened there is that the Civil Lord, as the Chairman of the Admiralty Industrial Council, has had discussions with both sides of that Council, primarily with a view to ensuring that the Departmental Committees, Yard Committees and other Committees of the Admiralty Industrial Council should function fully as production committees. There have been set up in addition, at least at Portsmouth, and, I believe one at Devonport (though I am not sure about that)

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special production committees called Re-payment Work Committees, which have been concentrating on the problems of production in the repayment work field.

Chairman.] Are there any further questions on the Treasury Minute on paragraphs 42 to 54 of the Report of the Committee of Public Accounts, 1946-47?

NAVY APPROPRIATION ACCOUNT, 1946-47.

Chairman.

1379. We turn now to the Navy Appropriation Account, 1946-47, to the report of the Comptroller and Auditor General. In paragraph 1 we are told that the figures under Vote A, personnel for the year 1946-47, do not include the strength of the Wrens. Will the Wrens be included in your Vote A for the coming year?—(Sir John Lang.) They have been included for 1948-49.

1380. I think we dealt with paragraphs 2 to 7 of the report of the Comptroller and Auditor General when we discussed the Excess Vote during March. We will proceed now to paragraph 8. That tells us that among the balances irrecoverable and claims abandoned a sum of "£278,000 (shown as Item 48 in the Losses Statement on page 42) is due to the large number of debts due from naval ratings only found to be outstanding after demobilisation and deemed to be incapable of recovery." Have you made any comparison of this amount in relation to the number of your personnel with the corresponding amounts in the case of the Army and the Air Force in relation to their personnel?—I have not, actually. I have made a calculation as to the amount it represents per head of the naval personnel released, and I am aware that there have been quite big sums in the other two Services.

1381. What is the figure per head?—11s. 7d.

1382. Perhaps, Sir Frank, you can give the Committee the result of your investigation on this, compared with the other Services?—(Sir Frank Tribe.) There are similar items in the Army Appropriation Account and the Air Services Appropriation Account. The figure is £304,000 in the case of the Army and £73,000 in the Air Force. Those compare with this figure of £278,000 for the Navy. If you relate those figures to the numbers in Votes A they work out at about 6 times the loss per head in the case of the Navy as in the case of the other two Services. (Sir John Lang.) A comparison with Vote A is quite fallacious. The comparison should be with the numbers released. I would still think, taking those figures of £304,000 for the Army and £73,000 for the Air Force, that my figure was appreciably higher; but whether it would be so bad as a 6 times ratio, I do not know.

1383. You gave us the figure of 11s. 7d. per head of the numbers released?—Yes.

1384. That means you must have released, during the year, somewhere in the neighbourhood of 550,000?—Yes. Actually, we were running down, in that period, at a much faster rate, pro rata, than the other Services. The total number of releases would be higher for the Army than for us. The Air Force I am not sure about.

1385. You have not the total number of releases from the Army during the corresponding period, Sir Frank, have you?—(Sir Frank Tribe.) No, my figures do not relate to the number of releases. I was only basing it as a rough approximation upon the numbers shown on Vote A for the three Services.

Lieut.-Colonel Hamilton.] I suggest, Mr. Chairman, that it would be useful to know that figure.

Chairman.

1386. We could ask the Army to give us the figure?—Yes. If the Committee wishes, I could try to ascertain the numbers demobilised during the course of this year from the three Services.

Chairman.] I think it would be useful to get the amount related to the numbers released.

Lieut.-Colonel Hamilton.

1387. For the Army and the Air Force?—Yes.*

Chairman.

1388. Sir John, is there a policy in relation to this matter of endeavouring to recover debts due to you before a man is released, or deducting debts due from his demobilisation pay?—(Sir John Lang.) Clearly if the debts are known they are deducted from his release benefits or even in appropriate circumstances, from his War Gratuity. This field is the field of debts which came to light after the man had been released and drawn his benefits, usually through the slow arrival of pay documents from stations abroad. The man was released before we knew exactly how his account stood. The policy adopted was that as most of the amounts were quite small it was held not to be worth while endeavouring to chase the men on the ground that the staff was not available to do it and it would merely have impeded the release programme generally. All our efforts were devoted towards getting rid of the men. On the other hand, if

* Paper circulated to the Committee: not printed.

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the amount was really large, or if there was an impression that the man ought to have known that he was being overpaid, then we did at least try to get the money back: though with very little success.

1389. If, at the date of a man's release, he was known to owe a certain sum, would you try to recover the whole sum if it were less than his release pay?—Yes.

1390. You would?—Yes.

1391. You would not make provision for his getting, at any rate, a minimum sum of release pay?—There were restrictions, though I cannot remember exactly what they were now, or the extent to which you recovered debts in respect of past transactions from a man's actual release benefits; that is his 8 weeks or 3 weeks leave on full pay. There were restrictions about recovery of such debts from War Gratuity or from his Post-War Credit.

1392. Were the War Gratuity and the Post-War Credit, as a rule, paid out on the date of release?—Not at the date of release, but at the end of the release; at the end of the 8 weeks period.

1393. You say there would be no substantial sums due from individuals in this item of £278,000?—Some of them might have been substantial. What I did try to say was that if the amount was substantial, then we did try to recover it from the man, even afterwards. If the amount was trivial, then we wrote it off, and over the whole field the amount was relatively small. There would have been some examples in here of £20, £30, £40 or £50.

1394. There have been some cases in which, after a man has received his release pay, his War Gratuity and his Post-War Credit, it then comes to light that he has been overpaid, say, £25, and you do try to recover?—We should try to recover in that case, but I should have to admit that we have had very little success.

1395. Are there any questions on paragraph 8? We pass to paragraphs 9, 10, 11 and 12, which we can take together. They deal with the financial control of the Admiralty. There is a certain amount of history set out here. There was criticism of your peace-time system of financial control, if you look at paragraph 10, in the year 1938 by the Public Accounts Committee. There were some further comments in 1940 which are related in paragraph 11, and the Committee of that year recommended that this aspect should be considered by a future Public Accounts Committee as soon as circumstances permitted. In 1943 the Public Accounts Committee noted with satisfaction that the Treasury had an examination of the difference between the Admiralty and War Office systems in mind for consideration again as

soon as the emergency was over. The Comptroller and Auditor General concludes by saying: "I understand that it has not yet been possible to undertake this investigation" ?—I should rather like an opportunity to make a statement at that point.

1396. If you please?—My first point is this. The Comptroller and Auditor General makes reference in paragraph 9 of his report to certain factors quoted in the Admiralty letter as contributing to the failure to keep expenditure in 1946-47 within the total of Navy Votes approved by Parliament. The factors ought, I suggest, to be read in their full context, particularly paragraphs 6, 7 and 8 of the letter. The defects in estimating which were responsible largely for that failure are attributable wholly to abnormal conditions resulting from the war. None of the excess expenditure in that year arose from unauthorised commitments. It was inescapable, and if it had not been brought to account in the 1946-47 Account it would have to be brought to account later, and I maintain that there is little, if any, connection between the kind of incidents which were dealt with in 1938 and 1943 by the Public Accounts Committee and the excess expenditure in 1946-47. The very considerable excess expenditure in 1946-47, ironically enough, arose in large measure from the close watch which I was keeping on the position. I explained to the Committee on the 24th February that, in the major field of expenditure connected with naval personnel (that is, Vote 1, Vote 2 and Vote 4) our statistics had proved seriously defective, with the result that where I was expecting a surplus of expenditure under other Subheads, I was eventually faced with a heavy overall deficit; but it was just because I was expecting that surplus that I deliberately put pressure on the branches dealing with war claims in those last few weeks to clear as much as they possibly could. That action, as it turned out, aggravated the position, because if it had not been for that action the overall excess would have been materially less, and I think I should have had no more to explain than the excess of the expenditure in the naval personnel field: but it will, at least I trust, be conceded that I was maintaining a careful watch on Admiralty expenditure in 1946-47 and keeping a control over that position in the light of what I had then reason to believe was the true situation. Since that time I have had occasion to examine this problem of financial control in a far more detailed way than before, and my recent inquiries do not show any real weakness in the Admiralty's financial control machinery. On the contrary, I consider that it is on sound lines. Although during the war years the Admiralty had been forced to abandon many of the financial checks on which detailed and exact control depend and the

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staffs of the branches concerned had been seriously depleted, the principal purpose of financial control was maintained throughout the war. This purpose I regard as ensuring that the financial implications of all new projects are fully weighed before they are undertaken, that continuation services are adjusted periodically according to changes in the load of work and the priority of the service, with the object of ensuring that the Admiralty's monetary resources (and that, in turn, means their material and manpower resources) are utilised to the best advantage. I was not the Accounting Officer for Navy Votes during the war but my information is that the Treasury had no complaint to make about our financial control system during those years. It is significant that almost the only field in which the Admiralty have been susceptible to criticism in this matter of financial control is the notoriously difficult but limited one of conversions.

1397. Conversion of ships?—Ships and buildings—mostly ships. When there is ample time for a complete examination of the condition of a ship, including any opening-up which may be desirable to show its internal condition, one may reasonably expect a fairly close estimate. But so often circumstances preclude such a detailed survey. The Board have to decide between waiting, it may be, two or three months for a detailed estimate and putting the work in hand at once to obtain the finished product sooner. Often the necessity for an early start is of greater weight than an accurate estimate. This was so with the "Devonshire" which is mentioned in the later paragraphs of the report of the Comptroller and Auditor General. Even if the Board had known that the repair part of this conversion job would have involved so much more expenditure than the original figure mentioned, I feel they would have been compelled to go ahead with the work. I would emphasise that we, in the Admiralty, are certainly satisfied that we got value for every pound spent on that job. The repair expenditure in which the real difference occurred would have been necessary ultimately if the vessel had been kept as a cruiser and not converted to a cadet training cruiser. It is true that because of the difference between the original estimate and the final cost in the "Devonshire" example, and one or two less spectacular examples to which the Comptroller and Auditor General refers, the Admiralty have reviewed the procedure. Our conclusion has been that what is wanted, wherever possible, is more time and more information for the preparation of the original estimate on which the decision to proceed is taken. We are reckoning, normally, to arrange for this in future, except, of course, in emergency. I would hesitate to give an assurance that there will be no future examples of exceeding an estimate in the

ultimate cost of a ship repairing job. Indeed, I am aware of an example this year, in which a job is costing a great deal more than the figure first given, due entirely to defective conditions which became evident only after the work was commenced. What I do claim is that an occasional example of this kind is not evidence of a lack of financial control. I am, of course, willing to take part, with the Treasury, in the review of Admiralty financial control machinery mentioned in the report of the 1943 Public Accounts Committee. But, on my present information, I am not convinced that the War Office system, to such extent as it is really different from the Admiralty system, is a better one, and, with the existing staff difficulties at a time of great pressure of work, not only do I gravely doubt whether a change would be beneficial in any event, but I would hope that the Committee would not press for such an inquiry to be made.

1398. Did I hear you correctly to say that you would be willing to co-operate with the Treasury in an examination of the difference between your system and the War Office system, but that you are not convinced that any such inquiry is necessary or desirable? Is that right?—That is so.

1399. Mr. Blunt, can you tell me if the Treasury have taken this matter up from their side at all in the last three years?—(Mr. Blunt.) Not in the last few years, no. We did, as the Comptroller and Auditor General reports, in 1940, ask to be excused at that time, because we realised that an inquiry like that would go very deep and take up a lot of time. It would have needed the agreement of the Departments, and at that time the war was on and there was no real opportunity to take it on. The Public Accounts Committee accepted that. I would like now to support what Sir John Lang has just said and to ask the Public Accounts Committee not to press for an inquiry at this stage. I feel that the lessons that ought to be drawn from the Excess Vote, both in the case of the Admiralty and of the Air Ministry (and there was a similar disturbance in estimating in the War Office, though there it resulted in a large surplus and not an excess; but they had the same feature there, namely, a breakdown of statistics) are that the Departments should get back as fast as they possibly can to their pre-war procedures which they understand. That is the great need at the moment, and that is what we want them to do. If we are to have an inquiry and, so to speak, dig the Departments up by the roots to see how they are growing, we shall impede the course of that return to normal conditions which we want. I am bound to say I agree with Sir John Lang in what he said, that there has been nothing, so far as the Treasury are concerned, in the Admiralty during the war to suggest a lack of financial

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control, and in fact, I would like to point out that in paragraph 10 it is reported that the Treasury did then assent to the conclusion of the report of the Departmental Committee that there was nothing lacking in the system of Admiralty financial control. We did go into it then, and we found nothing generally lacking. There were these instances of conversion of ships, but I rather agree with Sir John Lang that these occurred in a very narrow and very difficult field, and I do not think any very general deductions can be drawn from them. The Treasury certainly would not seek to draw any deductions. We feel that an inquiry just now would be an extraordinarily inconvenient thing, but if we in the Treasury felt that there was something really wrong with the Admiralty, we should have to do it, nevertheless, and put up with the inconvenience. But we frankly do not feel that there is any great urgency or cause for this inquiry, and I would, as I say, support Sir John Lang's plea, and, from what I know, I think Sir Eric Speed, if you ask him when he comes before you next week, will give the same answer, that he would like to be excused. They are engaged in the business of getting back to a proper system of accounting and financial checks, and I think the last thing we want to do is to stop them.

1400. Your view is that even though the Admiralty system may not have been so good as the War Office system before the war, they had much better be allowed time to get back to it, rather than be interfered with at the present time?—I am not begging the question at all, whether the Admiralty or the War Office system is the better. My own belief is that they are two different systems, and if you were to ask me which is the better, I would say that you are asking me which is the better, chalk or cheese. I do not know. They rest on tradition. The War Office system rests largely on the fact that the administration is very largely military in character, and there may be a suggestion that people in uniform wanted a closer financial watching and could not be entrusted with financial responsibility or imbued with any sense of financial responsibility, whereas in the Admiralty, the Admiralty is largely staffed by civilians, and the policy of the Board is to place the primary financial responsibility on the technical Departments themselves. They do, I believe, have certain financial staffs of their own, which help the heads of those Departments to carry them out, and I believe Sir John Lang's own personal financial staff do maintain a pretty close liaison with the financial staffs of those Departments. I feel that probably, if you dug down deep enough, you would find there was not a tremendous lot of difference between the two systems, although they

look different. I am not prepared to say at all or to think even that the Admiralty system is not so good as the War Office system. I have no prejudice either way, and I have no reason to think one is better than the other. All I can say is that each of them says that their own is the best for their own purpose, and I do not think Sir Eric Speed would seek to say that his system ought to be imposed on the Admiralty, or Sir John would say the reverse.

1401. Sir Frank, have you any observations to make on the statements which have been made by Sir John Lang and Mr. Blunt?—(Sir Frank Tribe): I ought to remind the Committee that the Treasury, in 1944, in their Minute of the 12th February of that year, informed this Committee that: "When the present emergency is over they would, as already agreed with the Committee, provide material for an examination by the Committee of the differing systems of financial control of the Admiralty and the War Office" and they added, quite on their own initiative, that: "No doubt the Committee would wish to consider, at the same time, the procedure followed in the Air Ministry." If, however, the Treasury now take the view that such an inquiry would not be productive of satisfactory results at the present time I, for my part, would be prepared to advise the Committee to suspend the matter, perhaps for another year, or it may be for two years, and watch results in the meantime. It seems to me, in view of the strong opinion expressed by the Treasury, that it would be rather difficult for this Committee, in the face of that expert opinion, to press for a detailed inquiry into this matter at the present time, when obviously it would be very inconvenient. (Mr. Blunt.) I do not want to give the impression that the Treasury want to run away from this. I am suggesting that as we see it there is no urgent call for it and it would be an extraordinarily inconvenient time to do it. I think it would be, at some time or other, an extremely interesting exercise. I do not know what the results would be. But I do not think we have the time for that now.

Chairman.] Are there any questions on paragraphs 8 to 12, or on paragraphs 13 to 15, which are merely an example of the general statements contained in the Comptroller and Auditor General's earlier paragraphs? We will take all those paragraphs together.

Mr. McAdam.

1402. I suppose the difficulty that arises with regard to estimating the expenditure on the conversion of ships is due primarily to two causes: firstly, to the difficulty of ascertaining at a particular time what repairs are actually needed until work is

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commenced on the ship; and, secondly, to a rise in the price of materials at different periods?—(Sir John Lang.) That is perfectly true. The predominant difficulty is the condition of the ship. The rise in prices one could always have explained by saying that wages had gone up so much and materials had gone up so much, and I think nobody could complain if the difference between the original estimate and the final cost was completely explained by a rise in prices. The principal difficulty is the condition of the ship which so often you do not know until you open her up, combined with the fact that the alterations you are going to make in a conversion, which is something that does modify the characteristics of the ship a good deal, will quite frequently lead to the disclosure of defects that were not suspected before and might well not have come to light had the work not been started.

Major Bruce:

1403. Would you state what responsibility the Accounting Officer in the Navy has for the manufacturing, expense, supply or store accounts?—He is the officer ultimately responsible to this Committee and thus to the House of Commons for the whole of those accounts.

1404. Including the expenditure on them?—Yes.

1405. In other words, when the money is spent on that account the control follows right the way down the expenditure?—Yes.

1406. Completely down the expenditure?—Yes.

1407. Because this controversy about a comparison between the Admiralty system and the War Office system goes back a number of years, does it not?—Yes.

1408. One finds that in the 1919 Public Accounts Committee almost exactly the same sentiments were expressed by the Committee as are expressed in their Report for last year; in fact the words used are almost identical. Could you say what progress has been made in the system of financial control since that time? Has there been any?—The fundamental alteration has been that the Permanent Secretary has become the Accounting Officer for naval Votes and thus responsible. Previously he was not so, in 1919.

1409. Your responsibility now does go all the way down?—Yes.

1410. And you have a fully equipped staff to be able to carry out the work?—Yes.

1411. On the question of the control of expenditure, could you say whether you are now satisfied with the control you have over subcontractors' prices?—I suggest that that does not arise out of this particular set of paragraphs because there are no subcontractors' prices in this field at all.

I am not trying to beg your question. I will answer it separately. But it does not hinge on the problem whether in the dockyards, and so on, we undertake types of work without a proper regard to the control of expenditure on them. There is no subcontractors' work in them.

1412. I was not concerned with making a detailed inquiry into your method of control of subcontractors' accounts; but of course one of the acid tests of financial control as a whole is not only control in the immediate sphere of financial operations but also control of the periphery, and subcontractors' prices as such lie at the periphery of expenditure, and I should like to know how centrally you are in a position to have any effective control over them at all?—I think I have very little control over subcontractors' prices, nor do I think any other Accounting Officer in any other government department has a greater measure of control. We hope in our new warship procedure to ensure some measure of control over subcontractors' prices because one of the proposals we have put to the warship builders is that for major subcontracts they shall be willing to give us corresponding information about the build up of the prices and so on as we are asking for the ships themselves. But that does not go a very long way. The simple answer is that until you reach a stage at which you can direct contractors to undertake work and direct them to produce to you reports of this kind you are dependent for your knowledge particularly in the subcontracting field on what you can persuade them to give you, and in the present situation when industry wants very little in the way of government contracts it is hopeless to expect the main contractors to force unwilling subcontractors into a subcontract with them on the basis of providing the ultimate government department with the information that would enable us to operate control. Actually we have not had throughout the period of the war any real control over subcontractors' prices. We have had various methods of trying to get back from subcontractors refunds over the government proportion of their work, where there has been evidence that the overall profit of the firm was high. But that is not really control of subcontractors' prices. That again is going to the subcontractor and saying: "You have made a very big profit over the whole field of your work; some portion of that work was government work. We really cannot agree that you should make that big profit out of us. Would you like to give us a refund?" We have been moderately successful in getting refunds. But that is not control of subcontractors' prices.

1413. I was using the term "financial control" in what I believe to be its correct

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accounting sense; that is to say, the overall supervision one has over the whole apparatus of expenditure, and when it comes to the control of subcontractors' prices as individual things that is using the term "control" in a different sense altogether, in terms of having a financial oversight of the magnitude of expenditure which is involved, and clearly one has to have some form of oversight of the money that is spent. You say that the way in which you exercise that measure of control is by your right, which I take it you exercise, to verify costs after the costs have been incurred. Have you exercised that right during the current year frequently?—We exercise the right in the shipbuilding field to a fair extent, but, there again, we exercise the right very largely to check the information which the firms give us; actually we find that their cost certificates and so on are accurate. We do not reckon to check every possible thing they do. To do that we should need a large body of skilled accountants.

1414. Are you represented on the Contracts Co-ordinating Committee?—Yes.

1415. In the Report of the Public Accounts Committee for 1945-46 I see that the Contracts Co-ordinating Committee was going to meet at the end of 1946. Did it meet?—I am not sure whether it met at the end of 1946. It certainly has met several times since the date of that Report.

1416. Has effect been given to any conclusions at which it arrived since its meeting?—This was explained by Mr. Blunt, the Treasury Representative, when the Ministry of Supply Accounting Officer was under examination last year.

1417. I mean in regard to any particular application as regards the Navy?—He was in fact describing the conclusions which the Contracts Co-ordinating Committee had reached on this problem of the control of subcontractors' prices.

Chairman.

1418. We pass to paragraph 16, which deals with expense and production accounts. In the final subparagraph of that paragraph the Comptroller and Auditor General says, "The practice of appending to the Navy Appropriation Account the production accounts of Admiralty establishments other than Dockyards, some of which were not prepared during the war, will also be resumed in the Account for 1947-48." What Accounts does that relate to? Will it include the trading accounts of the various factories we have been discussing on the Treasury Minute?—Yes. It includes the chart establishment, the torpedo factory, the propellant factory at Caerwent and the Sheffield gauge factory.

1419. Has any member any questions on paragraph 16? I have no questions on

paragraph 17 or 18. Has any member any questions on those paragraphs? We pass to paragraph 19, which deals with the shipbuilding conference levy. There was a question as to whether these levies were admissible in shipbuilding costs. A settlement was reached under which the conference was to refund the sum of £360,000. Now a further refund of about £190,000 has been agreed. There appears to be some question about taxation outstanding which is holding up the repayment of these sums. Is that right?—(Mr. Coxwell.) There have been developments since this paragraph was written by the Comptroller and Auditor General which perhaps I may briefly explain.

1420. Yes, quite shortly?—The Comptroller and Auditor General says in effect that we were to receive in all about £550,000 in two lots, £360,000 and £190,000. Since that paragraph was written there has been a change in the total amount which we estimate we shall receive back. It is now about £458,000. When the estimate stood at £550,000, the Shipbuilding Corporation were expecting to make a profit out of some of the last of the ships that they constructed at their two yards. We have since arranged with them that they shall not make any profit at all, i.e. that we shall pay them only the bare cost of the ships. So they will not have that profit to set against losses against which they are entitled to retain levy, and the total amount of levy they are going to pay us is thus reduced to about £458,000. It is all the same to us because we pay correspondingly less for the ships. In paying us back this money they are relying on getting back a sum of about £172,000 from the Inland Revenue Department, which represents tax which they have paid on these levies which they are going to refund to the Admiralty. Nevertheless in the last few days they have paid us a very substantial sum on account of this refund. They have paid us a quarter of a million pounds. When we bear in mind that they are only now in process of liquidating their two yards and that they are also dependent on getting back £172,000 from the Inland Revenue we feel that they have acted very fully in the spirit of the agreement which I reported to the Committee two years ago, and we think it is very satisfactory.

1421. Perhaps on paragraph 20, Sir John, you would like to make a short statement. It rather appears that warships have been given away without the usual procedure being followed of a Treasury Minute, and so on?—(Sir John Lang.) There are two halves of this problem. There are the ships which are mentioned in the whole of paragraphs 20 and 21 except the last sentence, and there are the ships which are mentioned in the last sentence. The

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facts are set out generally in the Report of the Comptroller and Auditor General and I have no complaint about that representation. The explanation is that these were all enemy vessels which had at no time been a cost on public funds, and when this question of handing the ships over was examined nobody in the division concerned so much as thought that this was an example of giving away public property; it was giving away ex-enemy property. They were supported in this misreading of the situation by the fact that at any rate so far as the French vessels were concerned it had been the intention of the British negotiators all the time that we should earmark certain of the vessels which nominally were coming back to this country in order to turn them over to France, France being a country that was not represented at the meeting of the powers deciding on the disposal of the German ships. It was only later that we discovered that this was technically the handing over of property which was in the ownership of His Majesty, and then we of course went to the Treasury and explained the facts to them with the result shown in the correspondence between the two Departments that has been printed with the Accounts. The position as regards those ships which are mentioned in the last line is that to hasten the progress of mine clearance a number of ex-German mine-sweepers allocated to the Royal Navy were operated from 1945 onwards by the Norwegian, the Danish, the Netherlands and the French navies. These vessels were maintained at the expense of these allied navies. They were at no time a cost to our public funds and as vessels they were surplus to the requirements of the Royal Navy. The allied navies, faced with the problem of rebuilding their own fleets, felt that these vessels had some value as warships. To present them to the allied navies we thought would further goodwill between them and the Royal Navy. A further consideration was that if we did take them back on loan we should only be incurring a certain amount of expense in employing men to look after them and in maintenance. We therefore went to the Treasury and arranged that when the loan terminated they should be presented to the allied navies as a gift subject to Parliamentary approval. That is the situation in which they stand today. I understand that the Treasury have in fact placed a Minute on the Table of the House and are waiting the usual period before they give their final assent, when we shall say to the allied navies concerned, "All right, those ships are now yours, Parliament having agreed." (Mr. Blunt.) I think that expires today. As from midnight they become their property.

1422. You can give the Committee an assurance that the procedure laid down will

in future be followed, Sir John?—(Sir John Lang.) Definitely. The branch concerned are well aware now that even enemy warships must be the subject of this procedure. (Mr. Blunt.) Might I say one short word in explanation as to why the Treasury took this line?

1423. If you please?—We wanted to follow very strictly the Minute procedure. The Public Accounts Committee attach a great deal of importance to that procedure. Here was a case where there was a technical irregularity. These, technically, were our property and therefore, technically, they were gifts. The Admiralty did not understand that at the time, and the gifts were made. We could not go to the House and ask for covering sanction without mentioning that fact and we did not think it was a proper procedure in the form of a Treasury Minute to go to the House and say: "There has been a technical irregularity. Please will you sanction it?" The House procedure does not seem to provide for that. Therefore we felt that we must deal with it in this way: place the facts before you, as the Public Accounts Committee, and ask you to bless the gifts.

Chairman.] Are there any questions on paragraph 16 or on any paragraphs to the end of the report?

Major Bruce.

1424. Could you tell me whether these warships which were given away were captured during the course of the war, or did they fall into our hands subsequently?—(Sir John Lang.) They fell into our hands subsequently. (Mr. Blunt.) They were allocations from the German Navy.

1425. Can we have your assurance that this has had no effect upon the pool available for distribution of prize money?—(Sir John Lang.) You do not get prize money out of captured warships. Prize money arises from the capture of merchant ships and their cargoes.

Chairman.

1426. We will turn now to the Account. Would you look, Sir John, at Vote 6, on page 17? I think we put a question or two to you last year on the question of the proceeds from the sale of charts which are shown at the top of page 17 at £217,000, which represents a substantial loss on the cost of producing charts, the cost for the production and distribution of charts, under Subhead G being £262,000?—I suggest to you it does not represent a substantial loss on the production of charts, because the receipts represent only those charts which we sold to merchant shipping owners, and so on, whereas the cost of production and distribution of charts includes the cost of charts we want for our own purposes.

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1427. You think there is no actual loss on the sale of charts?—You think the prices charged are economic prices?—I would rather answer that in this way. The prices charged for our charts, allowing for the cost of producing the chart once the hydrographic material has been collected by the surveying service, up to the stage when the chart is handed over the counter to the purchaser allows us quite a satisfactory profit. There is, however, no element in the cost of our charts for the surveying service which produces the hydro-

graphic material. We should not regard it as proper to attempt to include that in the cost of the chart.

1428. You do not think it would be advisable to increase the price of your charts?—We think it would be, in fact, inadvisable, because the Americans are now producing charts more or less on a world-wide basis, for which the charge is even lower than our figure.

1429. You have to face American competition?—We should then have to face American competition.

(New Works Statement: Secret Supplement to Navy Appropriation Account, 1946-47, forwarded in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.)

NAVY APPROPRIATION ACCOUNT, 1946-47 (continued).

Chairman.

1430. Would you look at Vote 10, on page 27, and in conjunction with this Vote we will take the documents marked "Secret" showing the particulars of new works, Subhead B of Vote 10?—(Sir John

Lang.) I have with me Sir Arthur Whitaker, Civil Engineer-in-Chief, and on the details of new works perhaps you would let him answer for me?

Chairman.] If you please.

Sir F. ARTHUR WHITAKER, K.C.B., M.Eng., M.I.C.E., Civil Engineer-in-Chief, the Admiralty, called in and examined.

Chairman.

1431. Subhead B shows an expenditure of £4,417,000 on new works, and in accordance with the procedure which has been experimentally adopted you circulated certain statements marked "Secret" to the Committee. I do not think we need trouble with the first page. There seems to be some slight discrepancy between the secret statement and the printed account. If you will look at the foot of the second page of the secret statement you will see that the sum voted in 1946-47 (it is column 2) for new works amounting to £10,000 each and upwards appears to total £5,529,000. When you look at Subhead B of the printed account you will see that that amount was the original amount voted. It was abated by a Supplementary Estimate of £600,000. Is that right?—(Sir Arthur Whitaker.) That is right.

1435. Therefore the Committee do not really require in future what is contained in the first two pages of this secret statement?—(Mr. Blunt.) In future I think that will be exhibited in the Account.

1436. I am much obliged. One question on the fifth page in regard to purchases of land and buildings. There is an error in regard to Coventry. That should be land and buildings, should it not? Otherwise the amount looks very high for the purchase of land?—(Sir John Lang.) Yes. It should.

1437. Lower down there is "Hurstmonceux: Purchase of castle and surrounding land" a figure of £76,000. That is for the office of the Astronomer Royal?—Yes, the whole of the Observatory which is to be moved from Greenwich.

1438. Why has it been moved there? Why has the Observatory been moved to Hurstmonceux?—Because of the industrialisation of south London, Greenwich is becoming less and less a suitable place for astronomical observations. There is both electrical influence and cloud interference.

1439. Could you tell me approximately how much land you acquired at Hurstmonceux in addition to the castle?—(Sir Arthur Whitaker.) I am afraid I have not that information with me.

1432. Then should not the total figure in the secret statement be £4,929,000?—Yes, that is so. (Sir John Lang.) I think it should. I am afraid we have made a mistake there.

1433. Was it not understood, Sir Frank, that in the secret documents we would only be furnished with particulars of new works in excess of £100,000?—The particulars, yes. They are given on the third sheet. (Sir Frank Tribe.) That was for new works; but for purchase of land, in excess of £10,000.

1440. You seem to have bought, or to have been in process of buying a very large number of Royal Naval Air Stations. Are those Air Stations that were put up on requisitioned land during the war?—(Sir John Lang.) Yes.

1434. New works in excess of £100,000, and land in excess of £10,000?—Yes.

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1441. Your policy now is in the main to purchase them. Is that right?—Where it is decided that they are to be retained as air stations, yes.

1442. You seem to have got on with this commendably fast, compared with some of the other Service Departments?—I am glad to hear it. Vote 10, as a whole, was very much underspent last year, anyhow.

Chairman.] Are there, first of all, any questions upon the secret paper?

Lieut.-Colonel *Hamilton.*

1443. You could not give a guess of the amount of land that was purchased at Hurstmonceaux? I happen to know the castle and certainly would not give £76,000 for it myself?—Perhaps I could send the Clerk a note within the next two days. The information is quite readily available.*

Chairman.

1444. If you please. I will see that it is handed to you, Colonel Hamilton. Subhead T, in Vote 11, on page 30 is: "Hostels." We take with this paragraph 55 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts. I should like to put one or two questions to you about this. The expenditure on hostels in the year was £131,000. The figure of receipts shown in the details of Subhead Z at the foot of that page is £99,000. These are, in the main, hostels for civil servants and not for naval personnel?—That is so.

1445. Would you agree that as a matter of policy they ought to make both ends meet?—Yes.

1446. Including whatever it is necessary to charge in order to provide for depreciation, obsolescence and capital charges?—I think it has been Government policy that those forms of expenditure should not be charged against the occupants of the hostels. The policy is to try to make running costs meet, but not the capital costs or the depreciation, and we have followed, in that line, the same policy as was set by the National Hostels Corporation, under the Ministry of Labour.

1447. Are you taking steps to try to make both ends meet on the hostels?—Yes. We have increased the scale of hostel charges from the 29th January, 1948, and we have a committee now examining the running of the hostels with particular regard to their economic administration.

Sir Frank Tribe.] I might say I had understood that the Treasury view was that these hostels should be completely self-balancing, and the charges should cover running costs, maintenance, depreciation

* Paper circulated to Members: not printed.

and interest on capital. (Mr. Jones.) That is the general position, but we expressed a limitation where the rent and rate element exceeds 5s. per head per week. Where there was an uneconomic building used for hostels purposes, some regard should be had to that uneconomic element in looking at the out-turn of hostels to compare revenue with expenditure. (Sir John Lang.) And many of our buildings, in fact, are in the uneconomical class.

1448. Are you satisfied, Sir Frank, with Mr. Jones' statement on that?—(Sir Frank Tribe.) Yes, I think so. I thought I ought just to mention that point.

Chairman.] I had intended to put a question to you on the Losses Statement but as the time is late I will now invite Members of the Committee to ask any questions they have to ask on the Account.

Mr. Cuthbert.

1449. On page 30, in Vote 11, Subhead Z is: "Appropriations in Aid" and on page 31, in the note to Subhead Z it says: "Gain on foreign exchange (£412,000) and receipts in respect of assistance to a foreign government (£527,000) for which no provision could be made." What does that really mean? That does not seem to me to tally with Subhead Z on the other side, of £1 million and a Supplementary of £350,000. Can you give some explanation of it? I particularly am wondering what was the gain on foreign exchange?—(Sir John Lang.) It is partly gain on the appreciation of Canadian dollars from 4.45 to 4.03 to the pound. That accounts for very nearly a quarter of a million pounds. Then the French, the Greek, and the Italian Governments paid us substantial sums in respect of losses incurred by the Admiralty on the devaluation of their currencies. That was another £200,000. There was a certain amount of abatement from that on a few losses that we had on things like Chinese national dollars. But the net gain by exchange ran out at just over £400,000. The second part of the item which refers to assistance to a foreign government is in respect of assistance which we had given to the Greeks. There was a general settlement made with the Greek Government about March, 1947, through the Foreign Office, and our share of that was some £527,000.

Chairman.] Does that satisfy you, Mr. Cuthbert?

Mr. Cuthbert.] Yes, thank you.

Mr. McAdam.

1450. In Vote 11, on page 30, Subhead I is: "Allowances to Ministers of Religion," for which the grant was £5,000 and the expenditure £9,890 10s. 9d. Did you receive extra value for the extra money paid for the "sky pilots"?—Yes.

20 April, 1948.] Sir JOHN LANG, K.C.B., Mr. C. B. COXWELL, C.B., O.B.E., [Continued.
and Sir ARTHUR WHITAKER, K.C.B., M.Eng., M.I.C.E.

1451. Subhead W, on page 30, is: "Polish Navy Forces," a grant of £1 million, and the expenditure was £978,634 4s. Is that likely to be considerably decreased during 1948?—Very considerably decreased, indeed. In 1946-47 we were responsible for financing the Polish naval forces, but in the coming year the greater number of those Poles have gone over to the Resettlement Corps, which is borne on War Office Votes, and our responsibility is expected to amount to only £100,000. That is in respect of people of the Polish Naval Detachment who have not gone over to the Resettlement Corps but who are awaiting repatriation; and we have got a certain amount in the way of outstanding war gratuities and release benefits to some of them.

Major Bruce.

1452. In the Losses Statement, on page 41, on Item No. 39, which is: "Insufficiently vouched expenditure in respect of certain cable traffic. Full certification was not possible owing to operational difficulties and lack of manpower," and a figure of cash lost charged to balances irrecoverable was £80,428. Can you explain what that is all about?—(Mr. Coxwell.) Yes. This is unvouched expenditure in respect of certain claims by a telegraph company for messages known as Admiracircs (an abbreviation for "Admiralty Circulars") sent to several addressees and passed over the Company's Malta-Brindisi and Syracuse cables during the whole of the period April 1944 to June 1946. We had an arrangement with this Company by which messages with identical texts intended for addressees in different places in their cable system were treated as circular messages and charged for on the basis of the charge appropriate to the furthest place. There is no reason whatever to doubt that these claims were fully an Admiralty liability. It was not possible, technically, to verify that all the messages charged for were originated by a naval authority in each case, because in the stress of things both at home and abroad, the "roughs," as they are called, of signals (that is, the rough drafts) were kept for only a few months and then destroyed and the Company, in accordance with the war-time practice which was accepted by the Admiralty, did not with their claims produce actual copies of the messages sent. That, together with the fact that the local naval authorities were not themselves required to certify the correctness of the claim, made actual verification of these items impracticable. We thought, however, that it would be a waste of time to attempt to verify these old accounts and that no useful results would be produced. We

accordingly made payment without further inquiry. The Treasury endorsed that action. The normal peace-time procedure by which the cable companies are required to produce a copy of each message with their accounts has now, of course, been restored.

1453. But we are going here into 1946. The figure covered the period, I understand, from April, 1944—?—Two years, from April 1944 to June 1946.

1454. That is ten months after the war was concluded, is it not?—(Sir John Lang.) A little more than a year after VE-Day. The Mediterranean was open, of course.

1455. You say you are completely satisfied that this expenditure was properly incurred. I do not see how you could be completely satisfied unless you have some evidence to support the claim and, if you have sufficient evidence to support the claim, then surely that is sufficient to vouch the expenditure?—The situation really is this. To vouch the expenditure you would need to have accurate evidence showing the number of messages, the places to which they have passed, the length of the messages, and so on. We have not that, because these "roughs" were not available when the Company's charges came to the Admiralty. But what we did have was evidence in the office of the Commander-in-Chief, Mediterranean and in the Admiralty itself, to a large extent through our own record of messages, which showed that the volume of traffic in these Admiracircs was quite heavy. We could not go so far as to say that it was exactly £80,000, or £10,000 more or £10,000 less, but we could say that the Company's claim, on the face of it, was reasonable.

1456. It took them until June, 1946 to get the peace-time arrangement re-established?—I do not know the reason for that long period, but I expect the explanation was this: The Admiracircs system was working quite satisfactorily on the rest of the Company's system—that is, on that part of the Company's system which was in operation through the war. This was a part that came into operation after the Mediterranean was opened and the local people, in other words, the Company's local officers did not recognise that they would have to produce all this evidence. The time that it took for the claims to come to the Company and the Company to make inquiries about where the vouchers were and then to come on to the Admiralty would have brought it, if not till June, 1946, at any rate to a late date.

Chairman.] Are there any further questions on the Account. May I take it that the Account is approved? (Agreed.)

The witnesses withdrew.

Adjourned till Thursday at 3.45 p.m.

THURSDAY, 22ND APRIL, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.

Sir Frank Sanderson.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES called in and examined:

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS II.

VOTE 14.

INDIA AND BURMA SERVICES.

Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., Permanent Under Secretary, and Sir GILBERT LAITHWAITE, K.C.M.G., K.C.I.E., C.S.I., Deputy Under Secretary, Division B, Commonwealth Relations Office, called in and examined:

Chairman.

1457. Sir Archibald, you are accompanied by Sir Gilbert Laithwaite, are you not?—(Sir Archibald Carter.) Yes. With your permission I think it would be convenient if Sir Gilbert answered questions about Burma, because I have had no responsibility, really, for Burma affairs, whereas Sir Gilbert has been associated with them continuously from the date of the Accounts now before you up till the transfer of power.

1458. Have you signed the Accounts, or are they signed by Sir David Monteath?—These Accounts are signed by Sir David Monteath, who has since retired.

1459. You accept responsibility for them?—Yes.

1460. We turn to the Civil Appropriation Accounts, 1946-47, to paragraphs 32 and 33 of the report of the Comptroller and Auditor General. As these deal with Burma no doubt Sir Gilbert Laithwaite will answer the questions. Paragraph 32 states that advances of nearly £13 million were made to Burma up to March 1946 from Votes of Credit. Then there was a Grant in Aid of £30 million by way of interest-free loan to meet expenditure on certain matters. Subsequently, by the treaty of October, 1947, £15 million out of the £43 million approximately was remitted, and taking into account the £1,100,000, which has been repaid or treated as repaid, that leaves an outstanding balance of just under £27 million. That is right, Sir Gilbert, is it not?—(Sir Gilbert Laithwaite.) Yes.

1461. The Comptroller and Auditor-General tells us that this amount is to be repaid in 20 equal yearly instalments without interest, beginning not later than the 1st April, 1952. Is that the true position under the Treaty?—That is correct. Article 6 of the Treaty of October, 1947, provides that the balance of advances outstanding will be repaid in 20 equal yearly instalments beginning not later than the

1st April, 1952, no interest being chargeable, and the amount at present outstanding is, as you say, £26 million, after allowance for the £1,100,000 receipts and the £15 million written off under the same Article of the Treaty.

1462. Can you tell the Committee or express an opinion to the Committee as to whether the prospects of repayment are reasonable?—On that, I would say that originally we had hoped to get a satisfactory settlement of a substantial portion of outstandings with Burma by 1952. As you know, there have been very long political discussions with them and the outcome of those discussions was embodied in the Treaty. The effect of that was to postpone repayment until a date not later than April, 1952. The Government of Burma have taken over a heavy responsibility. But they have been very positive and specific in their undertakings to repay and it has been our understanding that they really do want, in the interests of their own credit, to come to an honest financial settlement with us.

1463. In the third subparagraph of paragraph 32 the Comptroller and Auditor General refers to the audited accounts for the year 1946-47. Sir Frank says: "I was to be furnished by the Burma Office with audited accounts of the Government of Burma and any report thereon". Have these accounts come?—No. The position as regards the accounts is, frankly, unsatisfactory; though there are reasons for it. The latest accounts that we have received from Burma are, as stated in the Comptroller and Auditor General's report, the accounts for the period ended 30th September, 1945. We have not yet got the accounts for 1945-46. The Foreign Office who, since the Burma Office has come to an end, are the channel of communication, have been pressing for these accounts. I would say this in excuse of the Government of Burma. Their accounts department was very hard-hit by the war. They lost all their records; they

22 April, 1948.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E.,
and Sir GILBERT LAITHWAITE, K.C.M.G., K.C.I.E., C.S.I.

[Continued.]

lost a certain number of their staff, and they had to evacuate themselves to India. The civil government of Burma returned to Rangoon in October, 1945, but it was not possible, for reasons of accommodation and so on, to move the Accountant-General from India until about May, 1946. The intervening months were most unsatisfactory because there was triangular correspondence going on between London, Rangoon and Allahabad, and this naturally put them at a disadvantage. Also, when they came back they introduced a mechanical system of accounting which I think not all their people picked up very quickly. On top of that they have lost a large number of their expert Indian clerks who have left Burma consequent on the transfer of power. They have, of course, lost also one or two Europeans who were higher up, who were able to give very valuable advice. The cumulative effect of all that is to set them back very badly.

1464. Are these accounts ever likely to come in?—Yes, we assume and believe that they will come along.

1465. Will they be submitted to the Comptroller and Auditor General?—That is the undertaking, that they will be submitted to the Comptroller and Auditor General. We did recently enquire about their 1945-6 accounts and we were told that they had hoped by January of this year they would have got these accounts in, but after that they would have to be audited, which would take time. They are quite clearly going on with the work.

1466. Will they be audited here by the Exchequer and Audit department?—No, I think not. They will be audited, as I understand it, in Burma, but they will be submitted with the certificate of the Government of Burma to the Comptroller and Auditor General. It will then be open to the Comptroller and Auditor General to raise any point on them, but we shall be dealing at that date with a foreign state.

1467. Have you any observations to make, Sir Frank, upon this matter?—(Sir Frank Tribe.) No, except that it was the understanding that these accounts would have been audited by the Auditor-General of Burma before they were submitted here.

1468. If you find anything wrong with them when they do come to you, there is very little you can do about it?—I can report to this Committee. That is about all.

1469. There will be very little that this Committee can do about it.—I am afraid that is so.

1470. In paragraph 33 the Comptroller and Auditor General tells us that the provisional cost of administration by the Army was £23,500,000, and Burma agreed to pay over the proceeds of the sale of Army stores, and £3,280,000 is recorded as received on account of these sales. Is that

likely to be the total amount?—(Sir Gilbert Laithwaite.) No, there are still further sums. There is a dispute between us and Burma as to what the total amount is likely to be, but we hope there will be further receipts from that source.

1471. Of a substantial nature?—Yes, the anticipated receipts are of a substantial nature.

1472. I think we had better take the Account with these paragraphs in order to dispose of the matter. The account is at pages 105 to 107. I want to ask you about subhead G, which is "Burma: Force 136 Memorial Fund (Grant-in-Aid)"—a figure of £37,500. Would you explain to the Committee what that is?—Yes. The Committee may remember that we got very great help during the reconquest of Burma from the resistance forces in that country which had been organised largely by us and controlled to some extent by a body called Force 136, which was under a British officer. The people who principally figured in that were the people of the hills, the Karens and the Kachins. At the end of the war the man who had been in charge of this force very strongly recommended that we should do something to recognise the excellent service which these people had given. They had served at very great risk to themselves and they had been of immense value to us. It was agreed that something should be done for them, and Parliamentary sanction was obtained for a gift of £37,500. That gift was to be spent on, first of all, scholarships to the Rangoon University for people from these hill tracts; secondly, on the establishment of a hospital centre in the Karen Hills; thirdly, on a model farm to be attached to this hospital which would also be used as an agricultural experimental and training centre; and, fourthly, on the construction of certain irrigation channels and terraced fields likely to be of benefit to the people of the areas in which this force operated. The £37,500 has now been paid over to trustees who were appointed by the Governor of Burma just before Burma became independent. It has been arranged that the Deputy to our Ambassador in Rangoon shall be *ex officio* Chairman of the trustees and the other trustees will be a representative of the Karens, a representative of the Kachins and a nominee of the Government of Burma.

1473. There is a definite arrangement that we shall continue to be represented amongst the trustees?—That is right. The Ambassador's Deputy, the Counsellor or Minister (if there is a Minister later) will be *ex officio* Chairman of the Trustees. The Government of Burma accept that this is money that we have produced and they have agreed that it shall be tied up under the scheme which I have just described.

1474. So that if the trustee representing the British Government does not agree to

22 April, 1948.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
and Sir GILBERT LAITHWAITE, K.C.M.G., K.C.I.E., C.S.I.

the money being spent in a particular way or takes objection we can stop the money being spent. Is that right?—I should say that he is one of four. There are four trustees. He could take exception, but I think in practice, if I may evade your question, it is most unlikely that our man, the Karen and the Kachin would not be more or less unanimous. You might get a little jealousy between the Karen and the Kachin as to whether a particular thing was to be done which would favour a particular area, but I do not think there is much risk of that. I made contact with the head of this force and told him the point was likely to be raised by the Public Accounts Committee. He said he could not overestimate the value of these people's help. He thought the trustees who had been appointed were people of the right type. One had the D.S.O. and the M.C. (he is the Karen) in the war, and he said that if there were any question of justification for this payment he would like to make two points. May I be allowed to say this?

1475. Yes, please.—He says "First, the pay given to mobile and static levies such as these people was vastly lower, particularly when account of the expense of feeding and clothing is included, than would have been the case with an equal number of regular troops. Secondly, the sum represented, as I remember it, not more than two months' pay. In any event we did not pay out any gratuity to these levies on their discharge so that this might also be considered as an offset against the memorial fund." He was quite satisfied with the scheme, and that is perhaps evidence of its adequacy.

Chairman.] Are there any questions on paragraphs 32 and 33 of the report of the Comptroller and Auditor General, or on the Account which is at pages 105 to 107?

Sir Frank Sanderson.

1476. In paragraph 33 the Comptroller and Auditor General states: "Burma accepted as finally liquidated her claim for supplies and services rendered to the Army, and agreed to pay over the proceeds of the sale of Army stores." To whom did these Army stores belong? Did they not belong to the British Government? Did they belong to the Burmese Government?—They belonged to the British Government; that is quite right.

1477. So they presented us with something which already belonged to us?—It is hardly that. We made these stores available. They were available on the spot. If you take things like lorries, or bulky matters of that type, we should probably, in practice, have found it very difficult to get them out of Burma. The Government of Burma were allowed to operate on these. It is true it reads a little oddly,

perhaps. It may sound as if we suffered twice over on this, but we could not, in practice, have done very much about it.

1478. The fact does remain, does it not, that it was our property which was in fact sold and therefore the proceeds of the sale belonged to us?—That is so. There is no question about it that on any strict transaction the money ought to have come back from the Burmans, once they got it, to us, but naturally there are various Burmese claims against us, I think the Treasury felt, when the Treaty was negotiated, that on the whole the financial arrangements come to did protect the taxpayer here and did represent a fair, overall settlement.

1479. The point I really wish to make is that as it is stated in this paragraph the United Kingdom agreed to make no claim for the cost of administration, provisionally estimated at £23,500,000 and, as it reads here, it would appear that as an offset against that we have received £3,280,000 for stores which have been sold; whereas in fact those stores were our own and therefore what we gratuitously waived was the gross amount of £23,500,000 and not that amount less £3,280,000 received for stores which had been sold. Do you agree?—May I think for a moment about that?

Chairman.] You are really criticising the phraseology of the Comptroller and Auditor General's Report, are you not, Sir Frank?

Sir Frank Sanderson.

1480. No, not at all.—(*Sir Frank Tribe.*) Perhaps I could say something on that. I intended it to be read in conjunction with the earlier part of the sentence "Burma accepted as finally liquidated her claim for supplies and services rendered to the Army"—that is to say, she had supplied various things to our Army out there for which she had a claim against us but she waived that claim and in addition recognised our claim to money arising from the sale of certain surplus stores left out there. Part of that money has been received.

Sir Frank Sanderson.] I think it is quite clear.

Major Bruce.

1481. There is one small point I want to ask Sir Gilbert. He did say in the course of his answers to the Chairman's questions that he had some conversation with the leader or the ex-leader of Force 136 and that he told him that this matter was likely to come before the Public Accounts Committee.—(*Sir Gilbert Laithwaite.*) I wrote to the head of Force 136 and I said "This is an item in the Accounts; the Accounts are coming before the Public Accounts Committee. Can you first of all reassure me about the suitability of the

22 April, 1948.] Sir ARCHIBALD CARTER, K.C.B., K.C.I.E., [Continued.
and Sir GILBERT LAITHWAITE, K.C.M.G., K.C.I.E., C.S.I.

Trustees and that you are quite satisfied about that; and, secondly, have you any other comment? ", because I thought I might possibly be asked, when before this Committee, a question on which it would be useful to have his first hand reply.

1482. That saves me from raising a point of order. I was going to ask if any information was issued in advance as to the likely points to be emphasised before the Public Accounts Committee.—There is no question at all of that. My enquiry was based really on the fact that I might be on any of these Burmese matters cross-examined by the Members of the Committee. It was purely a precaution on my part.

Chairman.

1483. It is certainly not my practice to warn people of questions that might be put to them.—(Sir Frank Tribe.) This is a subject upon which I have had considerable correspondence with Sir Gilbert in the course of the last year and I had it in mind to report to this Committee next year if I was not satisfied that the money is finding its way to the purposes intended.—(Sir Gilbert Laithwaite.) And I was very conscious from the correspondence which had passed between us that this point might be raised.

(Sir Archibald Carter, Sir Gilbert Laithwaite and Sir Eric Bamford withdrew.)

Mr. D. F. C. BLUNT, C.B., called in and examined:

CLASS VI.

VOTE 16.

MINISTRY OF CIVIL AVIATION.

Sir ARNOLD OVERTON, K.C.B., K.C.M.G., M.C., Permanent Secretary, Ministry of Civil Aviation, called in and examined:

Chairman.

1486. Sir Arnold, you are the Accounting Officer for the Ministry of Civil Aviation?—(Sir Arnold Overton.) Yes.

1487. I trust that the three witnesses from the Airways Corporations are now in this room?—Yes.

1488. We turn first to paragraph 87 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-47. That paragraph just sets out the position under the Civil Aviation Act, 1946. There are one or two matters I think we ought to have quite clear. In the first sub-paragraph the Comptroller and Auditor General tell us that the Accounts of the Corporation are certified by auditors appointed by the Minister and are laid by him before Parliament. That means, does it not, that the Comptroller and Auditor General has no right of access to these accounts?—That is so.

Lieut.-Colonel Hamilton.

1484. Am I to understand that they have not yet begun to spend this money, that the Trustees are now about to begin spending it; or is it actually in process of being spent?—The money went into the hands of the Trustees at the end of last year. I am afraid I cannot say how far they have got in the three months since Burma became independent. That is just the point the Comptroller and Auditor General has been pressing us about, that we should see there is no delay in giving effect to the intentions of Parliament; but I have not the information and I should rather question, as they have been so busy getting started, whether they would have got very far in the three months since the beginning of the year. By the time the next reports come in we ought to be in a position to say definitely.

1485. It is very important that it should be started soon, or otherwise people will not relate what we have done to what this Force did?—Exactly.

Chairman.] Are there any further questions on the two paragraphs or on the Account? May I take it the Account is approved? (Agreed.) That concludes your evidence, Sir Archibald. You have got off rather easily today.

1489. Therefore he has no responsibility for them at all?—That is so.

1490. In the second sub-paragraph Sir Frank tells us that the Act provides for grants from the Exchequer towards meeting losses incurred by the three Corporations and for the initial period of eight months the grants must not exceed £10 million in all?—Yes.

1491. Then in the next sub-paragraph the Comptroller and Auditor General tells us that for the subsequent eight years the grants are to be limited to £8 million a year. Is that right?—Yes, after 1947-48.

1492. Are these amounts of £10 million and £8 million overall sums, in that they cannot be exceeded after you have set off the profit made by one Corporation against losses made by the other?—I do not think so, no. These are the maximum grants which may be made to such Corporations as make a loss.

22 April, 1948.] Sir ARNOLD OVERTON, K.C.B., K.C.M.G., M.C.

[Continued.]

1493. Supposing two of the Corporations were working at a profit, it would still be possible, in theory, to make up the whole of this sum to the other Corporation, which was working at a loss?—Out of subsidy, yes.

Chairman.] Are there any questions on paragraph 87 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts?

Sir Frank Sanderson.] Is there any charge of interest in the accounts?

Chairman.] We will come to that on the accounts. Some of the Corporations have issued stock and some have not.

Mr. Cuthbert.

1494. In the second sub-paragraph of paragraph 87 the Comptroller and Auditor General states that for the initial period from the 1st August, 1946, to the 31st March, 1947, the grants from the Exchequer towards meeting losses incurred by the three Corporations may be up to the amount of the actual excess of expenditure

Mr. G. T. MELLER, C.B.E., Administration Director of the British Overseas Airways Corporation, called in and examined.

Chairman.

1497. Mr. Meller, you are Administrative Director of the British Overseas Airways Corporation?—(Mr. Meller.) That is so.

1498. Paragraph 88 of the report of the

Annual Report and Statement of Accounts of the British Overseas Airways Corporation for the year ended 31st March, 1947.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 16.

MINISTRY OF CIVIL AVIATION (continued).

Chairman.

1499. At this stage it would be as well to take the Accounts of the British Overseas Airways Corporation, copies of which have been circulated. The balance sheet for the year ended 31st March, 1947, is at pages 26 and 27 of their Account. Looking at the liabilities side first of all, you have borrowing powers up to £50 million?—(Mr. Meller.) Yes.

1500. And you have issued stock to the value of £20 million?—Yes.

1501. There are three stocks, namely, 3 per cent. Airways Stock, 1960/70; 2½ per cent. Airways Stock, 1971/76, and 2½ per cent. Airways Stock, 1977/82, all guaranteed by the Treasury?—Yes.

1502. On the opposite side of the Account we see that the whole of that money has by no means been expended. First of all, to take the second item on the assets

over revenue for that period provided they do not exceed £10 million in all. What if all three Corporations lost £10 million? Who would pay the final £30 million?—The total amount which may be paid by way of subsidy is limited to £10 million for the eight months ended March, 1947 (that is the initial period under the Act), to £10 million for the year 1947-48 (that is the first full year), and to £8 million in each of the succeeding years for a period of eight years. That is as far as they go ahead.

1495. You cannot go any further than that?—No.

1496. There may be bigger losses than that actually?—The Corporations certainly may incur greater losses than that. That would appear in their balance sheets.

Chairman.] As we are now going to take a paragraph in the report of the Comptroller and Auditor General on the Civil Appropriation Accounts which deals with the British Overseas Airways Corporation, perhaps Mr. Meller, the Administrative Director of the Corporation, would come forward.

Comptroller and Auditor General is merely narrativel, except that in the last sub-paragraph he informs us that the audited accounts for the year to 31st March, 1947, show a deficit of just over £8 million?—That is correct.

side, there is a capital redemption fund to provide for the redemption of these stocks at the due dates which amounts to something over £1 million. It is £1,150,000. Then the bottom item on that page is: "Current Assets" under which one sees: "Bank Balances and Cash," a figure of £8½ million. It looks, on the face of it, as if you had issued rather more stock than was necessary for the purposes of the business?—Yes, I think that is so. We were, of course, providing for aircraft to be delivered. Delivery was delayed. We had not to pay for aircraft or progress payments on that aircraft so soon as we had expected.

1503. You seem to have taken advantage of the cheapness of money to issue the stocks at a low rate of interest, but then you seem to have put £8½ million, or nearly £8½ million (£7¼ million) on deposit at the bank. I take it you get only ½ per

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[Continued.]

cent. on that?—Yes, a very low rate of interest on the money placed on deposit. I think it is due, largely, to the fact that the aircraft programme has not been settled. We had expected, as I said, to have to make considerable payments for aircraft delivered by the Ministry of Supply, which did not in fact materialise. We had reason to believe that they would be delivered in time. (Sir *Arnold Overton*.) The fact that these aircraft were not delivered is reflected in the Ministry Accounts as well, and so the expenditure and receipts under that heading were very small.

1504. This Account runs only to the end of March, a year ago. Perhaps Mr. Meller can tell us whether there has been some fall in the amount of your bank balances and deposits in the subsequent 12 months?—(Mr. *Meller*.) There has been some reduction and there have been advances also to the other two Corporations.

1505. You have in the last 12 months advanced money to the other Corporations?—Yes.

1506. At a rate of interest?—Yes, at a rate of interest.

1507. What sort of rate?—(Sir *Arnold Overton*.) $1\frac{1}{2}$ per cent.; halfway between the bank loan charge of 2 per cent. and what they would get on deposit, $\frac{1}{2}$ per cent.

1508. That money being repayable at reasonably short notice?—Yes.

1509. Looking at the top of the page, your aircraft and spare engines cost just over £3,395,000. The provision for obsolescence and depreciation was approximately one-third of that sum.—(Mr. *Meller*.) Yes.

1510. That is the proper rate for depreciation of aircraft and spares, is it?—Yes. The rates vary, depending on the expected life of the aircraft. With modern civil transport aircraft we have estimated the life as seven years. On other types, which are intermediate types, we have taken a shorter period because they are merely stop-gap aircraft which are being used pending delivery of the aircraft for which we are looking.

1511. But the true rate on a new machine would be lower than this one-third?—Yes. Given a modern aircraft we would normally expect to take a life of seven years.

1512. And write off one-seventh of its value each year?—Yes.

1513. There is no element of insurance in this provision against crashes, or anything of that sort?—No, nothing under the heading of "obsolescence". The fleet is itself insured.

1514. That is a separate risk which you place with insurers?—Yes, which we place with insurers.

1515. I see the third item under "Fleet" is "Aircraft and engines under construction," which cost £2,461,000; and on the

opposite side of the Account, amongst the current liabilities, there is an item: "Amount due for aircraft and engines under construction", a figure of £1 million. Do you make payments as the contracts are being proceeded with in advance of delivery?—Yes. We normally make progress payments in accordance with the work done on the aircraft.

1516. The present arrangements are, are they not, that you buy the aircraft from the Ministry of Civil Aviation. The Ministry of Civil Aviation buy the aircraft from the Ministry of Supply?—(Sir *Arnold Overton*.) If I may intervene, that is the arrangement as regards aircraft ordered before September, 1946. The Ministry of Supply place the contracts and the Ministry of Civil Aviation do not pay the Ministry of Supply until the aircraft are delivered. They do not pay on account. When the aircraft are delivered, then we re-sell them to the Corporation. As regards aircraft ordered subsequently to September, 1946, the aircraft corporations will arrange direct through the Ministry of Supply with the manufacturers.

1517. You will be cut out as an intermediary from that date?—Yes, on all new orders.—(Mr. *Meller*.) This particular liability was in respect of Constellation aircraft for which the Corporation was permitted to place its own orders direct with the American manufacturers.

1518. The amount of the deficiency for the year comes under "Deficiency Grant Account". The excess of expenditure over revenue for the year was £8,076,000?—Yes.

1519. At the top of page 29 could you tell me what is the item headed: "Intangible Assets"? Is that something in the nature of goodwill?—Yes. That goes back to the date of the formation of the Corporation on the 1st August, 1940, and represents the difference between the value of the assets taken over and the price paid to the shareholders of Imperial Airways, and is being reduced by any odd capital profits which arise from time to time.

1520. I suppose that is an item which ought to be eradicated from the balance sheet as years go on?—Yes. From the accounting angle I think we should be glad to see it eliminated.

1521. Page 35 shows how the deficiency is arrived at in detail, and it shows, with admirable clarity and, I believe, in accordance with the practice laid down by the new Companies Act, exactly what the remuneration of the chairman and the members of the board is, does it not? In fact, I take it you have tried to follow the practice laid down in the Companies Act as far as possible, have you?—Yes. The form is, in fact, prescribed by the Minister.

Chairman.] Those are all the questions I have on the British Overseas Airways

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[Continued.]

Accounts. Has any Member of the Committee any questions on those Accounts?

Sir *Frank Sanderson*.

1522. In regard to the amount of bank balances, £8,500,000, can you give the Committee any idea as to when you expect that capital will be required?—I should think almost certainly during the current financial year.

1523. So soon? I have one other point and that is in regard to the obsolescence account. Could you tell the Committee whether you have any special provision for obsolescence? That is to say, is it based on a percentage of cost per annum, or is it based upon what it is thought at any given time machines should be written down to, quite irrespective as to any particular percentage for depreciation per annum?—The normal procedure would be for the estimated life of the aircraft to be assessed before the aircraft came into service. As soon as it comes into service we then start making provision for obsolescence over whatever period may have been decided. Normally, with a modern efficient aircraft it is seven years, and it would be written off in equal instalments over that period.

Major *Bruce*.] Could you say whether the figures for obsolescence included on the balance sheet at page 27 (that is to say, the £1,148,928 in respect of aircraft and spare engines and the £951,703 which includes spares) all arose in the period covered by these accounts, or whether there is any part of it that ought to have been written off before but has only just now been brought into this account? It seems rather a large amount, that on aircraft valued at £8,321,673 there should be obsolescence and depreciation to an amount which is a little over one-third the cost of the aircraft, all during one year.

Chairman.

1524. I thought you explained in answer to me, Mr. Meller, that this high rate of depreciation was largely due to the fact that you had had to take over so many partly obsolete aircraft?—It was very high in respect of certain types of aircraft. That is the normal provision for the year but the periods taken for the life of the aircraft have varied. In some cases it was two years only, and therefore there was a very high charge in this particular year.

Major *Bruce*.

1525. I of course appreciate the point the Chairman made on this. What I was driving at was whether it could be explained in simpler terms: whether you are satisfied that the unusual figure for depreciation and obsolescence which amounts to over £2 million in respect of the operating assets of the Company in fact all properly arose within this period, or whether,

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in fact, there is any element of hangover in it, in terms of obsolescence or depreciation which ought to have been written off before, but has now been put into the account in order to put the whole thing right?—Certainly there is nothing in respect of any previous periods. To some extent it may be anticipating the future, because the life of the particular type is short.

1526. Now I want to go to this intangible asset: "Balance of consideration for acquisition of vendor undertakings," a figure of £465,595, which I understand represents an actual profit made by the previous shareholders on the acquisition of the undertaking from Imperial Airways. Could you say what that figure of £465,595 originally was? I observe that is a balance only. Presumably that is after the writing-off of certain other capital profits. What was the figure originally?—My recollection is that it was something of the order of £600,000 in 1940.

1527. I understood you to say that although the form of the accounts had been laid down by the Minister, nevertheless you were satisfied that it conformed, broadly speaking, to the provisions of the Companies Act, 1947?—Yes. The form has been produced ("evolved" perhaps I should say) in consultation with the Ministry and embodies the views of the Corporation as to the appropriate form.

Major *Bruce*.] I have not had an opportunity of looking through the text in any great detail. I wonder if you could tell me where the expenses of the Board, as distinct from the remuneration of the Board, are stated? Under the Companies Act, 1947, as you know, it is of course required that the expenses granted to directors should be stated separately from the actual remuneration they receive.

Chairman.

1528. You will see it at the top of page 32. On page 35 there is the remuneration of the Board and at the top of page 32 you will see an item: "Remuneration of members employed by the Corporation", £5,243. That is additional remuneration received by members of the Board, is it?—By whole-time executives. By members of the Board who are acting as whole-time executives.

Chairman.] I think that is the point you want, is it not?

Major *Bruce*.] Not quite, Mr. Peake, if I may say so. The amount on page 35 is the remuneration of the Chairman, the Deputy Chairman and of members in their capacity as such. On page 32, to which you were good enough to refer me, it says: "Remuneration of members employed by the Corporation other than as members thereof". The point I am really after is this: Does this figure include the expenses

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payable to the members of the Board as distinct from their remuneration? I am on this point you raised yourself, on the Companies Act, 1947, where it is laid down that the two amounts in respect of salary or fees and in respect of expenses shall be separately set out.

Sir Frank Sanderson.

1529. But the new Companies Act provision would not apply to accounts of the year with which we are dealing, if I may say so. It would apply to the next year.—The answer is that the remuneration of the Chairman includes not only his salary but his expense allowance which has been made public recently. That is in the figure on page 35.

Mr. Cuthbert.

1530. At foot of page 26 there are two notes, and note (2) states: "Assets and liabilities in foreign currencies have been converted into sterling at the rates of ex-

change ruling at 31st March, 1947". Could one be told how much of this balance sheet is represented by assets and liabilities in foreign currencies which have been converted into sterling? Are there large sums which you have to collect in foreign currencies?—Not very large sums. They would normally be current balances at places overseas, at overseas stations. They are kept to a minimum.

1531. You would say that there are very small amounts which would be incurred on either side of this balance sheet in foreign currencies?—Yes.

Chairman.] Are there any further questions on the Annual Report and Statement of Accounts of the British Overseas Airways Corporation for the year ended 31st March, 1947? I think the most convenient course now would be if Mr. Meller withdrew and Mr. Wood, who represents the British European Airways Corporation, came forward.

(Mr. Meller withdrew.)

Annual Report and Statement of Accounts of British European Airways Corporation for the period from 1st August, 1946, to 31st March, 1947.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 16.

MINISTRY OF CIVIL AVIATION (continued).

Mr. J. V. Wood, Managing Director of the British European Airways Corporation, called in and examined:

Chairman.

1532. What is your full title, Mr. Wood?—Managing Director of the British European Airways Corporation.

1533. Will you turn to paragraph 89 of the Report of the Comptroller and Auditor General, which records that the Accounts for the initial period of 8 months to 31st March, 1947 showed a deficit of £2,157,000 plus such part of a deficiency of £359,000 from Associated Airways Joint Committee on Operations 1st April, 1946 to 31st January, 1947 as pertains to the period from 1st August, 1946. Could you explain to the Committee why there is this additional amount of deficit on Associated Airways Joint Committee operations part of which has to be debited to your Corporation?—British European Airways Corporation came into being in August 1946 and they acquired what had been known as the A.A.J.C. The deficiency of the operations of that organisation for the period 1st April, 1946 to 31st January, 1947 amounted to £359,868. This was prior to their absorption into the British European Airways.

1534. What is known as A.A.J.C. had been in existence for a good many years?—During the war.

1535. And had it not up to about 1946 been profitable?—I am told it had, yes.

1536. I was wondering how it came about that it made such a considerable loss during this year, part of which seems to be a millstone cast around your neck at the very outset of your career as a separate Corporation?—I suppose the A.A.J.C. was a product of the war and it had outgrown its strength.

1537. Before I ask you any questions on your accounts I would like to put a question to you on paragraph 29 of the Report at page 15. That paragraph is headed: "Priorities." It states: "Under arrangements which existed when B.E.A. commenced operations the Priorities Board had control over most of the seating capacity on the routes operated, and these arrangements have persisted in lessening degree throughout the existence of B.E.A. As a result of the priority system the B.E.A. has incurred a substantial loss—amounting to £26,000 for the period under review—as the priority seats were paid for only if occupied, the unsold seats were generally released too late to enable them to be resold, and the Board have intimated" (that is the Priorities Board, I take it) "they are not prepared to pay

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[Continued.]

for these unsold seats. Consequently, the charges have been written off as an irrecoverable debt." Does that system still hold good today?—It has held good for this last year, 1947/48, but we have just about reached the stage now where the priorities have been let up I think on every one of our services except the Berlin service.

1538. The Priorities Board's field of operations is very much narrower than it used to be?—Yes. As it affects B.E.A. it affects only one service now.

1539. The Priorities Board was simply a system of arriving at who should occupy a seat, according to their merits, was it not?—That is so.

1540. You could not ever have looked to the Priorities Board to make a payment for an unoccupied seat?—If we had, shall we say, 15 seats on one service we may have had 10 of those seats which we could have sold commercially and the Priorities Board required the balance.

Chairman.] For V.I.P.s, as they are called.

Major *Bruce.*] Or military personnel.

Chairman.

1541. Yes. Perhaps Sir Arnold can answer the question. It is perhaps fairer to put it to him. It seems a little hard on the Corporation that these seats should have been held until the last minute and then not occupied and not paid for by the Government Department responsible for their reservation?—(Sir *Arnold Overton.*) It is a remanet really of the war-time system I think under which it was necessary to reserve quite a high proportion of the seats on these air routes for priority passengers including not only officials and military people but Members of Parliament as well. That was all very well under war conditions, but after the war, particularly with competition coming from competing airlines, foreign airlines (Dutch and Belgian, and all the rest of them) this became an increasingly irksome position from the commercial point of view and it has been progressively tapered off, and now, as Mr. Wood says, I think it is confined in the case of B.E.A. purely to the military control routes to Berlin and Austria.

1542. On most of your routes seats are available for the public at reasonably short notice. Is that the position?—(Mr. *Wood.*) At the moment, on all routes.

1543. Your balance sheet is at pages 18 and 19. You have maximum borrowing powers of £20 million but you have not, so far, raised any permanent capital at all?—No, not yet. We have to do that this year, I believe.

1544. Your capital, so far as you can call it capital, appears to consist of a loan from Barclays Bank, guaranteed by His Majesty's

Treasury, of £2 million?—At that stage that was so. Since, we have been borrowing from B.O.A.C.

1545. I have no doubt you had to pay Barclays Bank something more by way of interest charges than you are now paying to B.O.A.C.?—That is correct.

1546. You had to pay probably something in the nature of 3½ or 4 per cent.?—Yes. We are paying B.O.A.C. 1½ per cent. (Sir *Arnold Overton.*) That is the figure that was mentioned before.

1547. Yes. I was asking what was the rate of interest paid to Barclays Bank for the overdraft when it was guaranteed by His Majesty's Government?—(Mr. *Jones.*) It was 2 per cent. It was covered by a Treasury Minute.

1548. Now the money is being obtained at 1½ per cent., is it?—(Sir *Arnold Overton.*) Yes, at 1½ per cent.

1549. There is again an item, as there was in the accounts of the British Overseas Airways Corporation, on the right-hand side of the balance sheet, for intangible assets: "Premium paid on acquisition of shares in subsidiary companies," a figure of £305,000. We are referred to paragraph 24 of the report. That tells us that this figure: "represents the excess of the cost of the shares in the A.A.J.C. companies over the estimated value of the net tangible assets of those companies as at the date of acquisition. It should be stated that the purchase price of the shares, £550,000, was agreed between the vendors and" the Ministry of Civil Aviation. This item also really represents nothing for which you hold any value?—That is so.

1550. That is to say, the tangible assets taken over from the A.A.J.C. companies represented £550,000 less this figure of £305,000?—(Mr. *Wood.*) Yes. I should make it clear that that is our estimate.

1551. It is your estimate of the value of the assets?—Yes.

1552. There seems to be a fairly wide disparity between the actual value of the assets taken over and the figure to which your Ministry agreed for the purchase of the shares?—(Sir *Arnold Overton.*) Yes, because it was agreed that the purchase should be on its basis as a going commercial concern, taking account of probable profits at a certain number of years purchase.

1553. You think you made a fair bargain?—We were sorry so much money had to be spent, but we think it is reasonable in the circumstances.

Chairman.] Has any Member of the Committee any questions on the Annual Report and Statement of Accounts of the British European Airways Corporation for the period from the 1st August, 1946, to the 31st March, 1947?

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[Continued.]

Mr. Thurtle.

1554. With regard to the change in the position of the A.A.J.C., they were making profits during the war, and then they proceeded to make quite a considerable loss. May I take it the reason for that was the falling off of the special war traffic?—(Mr. Wood.) That is so.

1555. Those profits made during the war were largely the result of the special traffic?—Really of unnatural traffic.

1556. On the question of the reservation of seats by this Priorities Board, it was the practice of the Priorities Board, was it, or, rather, the right of the Priorities Board, to reserve a certain number of seats without any financial obligation at all?—That is so.

1557. That is surely a very unusual position in the commercial world? You would not get a theatre to do that, or any other commercial organisation?—That is quite true. I should make it clear that if they returned the seats to us within 48 hours we did not expect any fee. We eventually got that agreed, but the difficulty was that we, ourselves, could not sell these seats at such short notice.

1558. Therefore they were frequently left empty?—They were frequently left empty.

1559. You got no compensation at all?—We have tried to get compensation.

1560. Is that system prevailing to any extent now?—At this moment it has practically gone. It is true to say that it is no embarrassment to us now. (Sir Arnold Overton.) If I may add to that, it was the practice to deliver up from the Priorities Board unwanted seats 48 hours before the time when the aeroplane was due to start, so there was this 48 hours' notice. But naturally that was rather short notice to fill up with commercial passengers.

1561. Suppose they did not keep to that bargain and did not deliver the seats back to you within 48 hours of taking off, what happened then? Was there still no payment?—They were paid for then. If they were reserved for somebody and that person did not travel, they were paid for.

Major Bruce.] I want to ask a question about your method of depreciating your assets. On page 19 I see that depreciation on aircraft and spare engines is reckoned to be £55,809 and on aircraft spares and engine spares, £150,000. That, I take it, is from the period 1st August, 1946, to 31st March, 1947?—(Mr. Wood.) For the eight months, yes.

1562. I would like to know whether you depreciate your aircraft and spares on the same basis as B.O.A.C., because of course on your aircraft and spare engines your rate of depreciation works out at somewhere round about 15 per cent. or 16 per

cent. for the whole year. In the case of B.O.A.C. it looks as if it works out at about 33½ per cent. for depreciation and obsolescence. I wanted to know what the reason for the difference was?—As Mr. Meller said, the life of the aircraft is estimated, and from the time you take delivery of the aircraft so you obsolesce the thing. It is the fact that it varies, dependent on the type of aircraft you have. You will see we have some Junker aircraft. Those were only in operation for a few months and they had to go straight out.

1563. They would tend to swing the figure the other way. Your figure is considerably less than the figure for B.O.A.C.?—We say that seven years is a normal rate for a modern aircraft. We hope it will be a little longer.

1564. As regards the figure for intangible assets of £305,529, I gathered, did I not, that that was the excess of the amount which you paid over the tangible assets you took over, and that roughly speaking it represented the capitalised profits of the undertaking which you took over, capitalised on so many years' purchase price of the average working profits of the previous concern. Am I correct in assuming that is the method?—(Sir Arnold Overton.) Yes, if I understand your question, that is correct.

1565. Could you, then, tell me whether the profit upon which this figure was based was the figure after including the old subsidies which were paid to the old aircraft companies which were taken over?—It was an estimate of the net maintainable revenue for the future.

1566. After having taken into account previous Government subsidies?—No, an estimate for the future of the net maintainable revenue multiplied by so many years' purchase.

1567. Net maintainable revenue is based upon the past. The fact that certain of the operating companies did in fact make profits in the past was of course due to the fact that they had received grants from the State. They could not have existed otherwise in many instances. Is that not so?—No, excuse me: the net maintainable revenue was based on an estimate for the future, not on the past.

1568. You estimate your future revenue upon your past earning potential. Is that so?—(Sir Frank Tribe.) I understand that this relates entirely to the A.A.J.C. My understanding is that they did not receive any subsidies for some years before B.E.A.C. took them over.

Major Bruce.] That answers my question.

Chairman.] I think that is all we require from you, Mr. Wood, thank you very much. We can release you for the day.

(Mr. Wood withdrew.)

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[Continued.]

Annual Report and Statement of Accounts of the British South American Airways Corporation for the period 1st August, 1946, to 31st March, 1947.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 16.

MINISTRY OF CIVIL AVIATION (Continued).

Mr. J. W. BOOTH, Chairman of the British South American Airways Corporation, called in and examined:

Chairman.

1569. Mr. Booth, you are the Chairman of the British South American Airways Corporation?—(Mr. Booth.) Yes.

1570. There is a short and happy paragraph in the Report of the Comptroller and Auditor General in the Civil Appropriation Accounts in relation to your Corporation. He says that your Account for a period of eight months to the 31st March, 1947, showed a surplus of £20,507 and he adds "No payments in respect of deficiency grant were required." You have before you a copy of the Annual Report and Statement of Accounts of the British South American Airways Corporation, have you?—Yes.

1571. Would you turn to the balance sheet which is at pages 14 and 15? You have maximum borrowing powers of £10,000,000. The stock issued was nil and there is not even a bank overdraft?—No. The situation really was that at the time of this balance sheet we had not paid for the aircraft we had bought. We had not received bills from the Ministry of Civil Aviation for the aircraft. We had not received accounts from the Ministry of Supply and the Air Ministry for the spare parts and so on that they had supplied to us.

1572. The absence of any capital item is explained by the large sum of sundry creditors, of £835,000. Is that it?—Yes. Those have since been paid.

1573. So that you now have some capital?—We have borrowed money from B.O.A.C., as has already been stated.

1574. At 1½ per cent.?—Yes.

Chairman.] I do not think I have any questions on these accounts. Has any member of the Committee any questions on the Annual Report and Statement of Accounts of the British South American Airways Corporation for the period 1st August, 1946, to 31st March, 1947?

Sir Frank Sanderson.

1575. I have one question in respect of the nominal capital. Do you anticipate in the near future issuing any capital, any of the £10 million?—Yes we do. In fact we expect to issue some very shortly. We have an overdraft at the moment or,

rather, a loan from B.O.A.C., and we are expecting to get delivery of more new aircraft, and that will require capital.

1576. To whom will you issue the capital?—(Sir Arnold Overton.) The National Debt Commissioners have taken up earlier amounts.

1577. Have you any idea what rate of interest you would pay upon the loans from the National Debt Commissioners?—(Mr. Booth.) On the Airways stock issued?

1578. Yes?—I think that really depends on the current market rate for Government borrowing.

1579. What I have in mind is this. At the moment you are able to borrow from B.O.A.C. at a rate of interest of 1½ per cent. It would not appear likely that you would be able to borrow more cheaply or as cheaply from the National Debt Commissioners.—No. We are taking advantage of the temporary position which enables us to finance our operations very cheaply.

1580. May I take it that you will continue to take advantage of that so long as it is agreeable to B.O.A.C.?—B.O.A.C. will need this money when they get their new aircraft delivered to them and we are well aware that when that day arrives we shall have to finance ourselves in the orthodox manner.

Lieut.-Colonel Hamilton

1581. I do not see any reference to accidents in your Report. Does that mean that you did not have any?—There is a reference to accidents in the Report somewhere, I think you will find. (Sir Frank Tribe.) Towards the bottom of page 4 there is reference to one of the Lancastrians which became a constructive total loss. (Mr. Booth.) Yes, on page 4.

Lieut.-Colonel Hamilton.] Yes, I saw that. You mention that two machines were lost. Those are all the accidents you had?—In the period under review, yes.

Chairman.

1582. Thank you Mr. Booth. I am sorry we have kept you so long to ask you so little. I have just one further question. Do you anticipate equally satisfactory or more satisfactory results for the year ended 31st March last?—No.

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and Mr. J. W. BOOTH.

1583. You do not?—No. The position is that we were fortunate in this year in developing the routes to South America before most of our competitors got busy. The situation now is that we are flying Lancasterian and York aircraft, whereas our competitors are flying Constellations and D.C.4's, which are much more economic. We have much more competition, and we have these superior aircraft competing. The inevitable result is I am afraid a loss.

1584. I need not ask the question I was

(Mr. Booth withdrew.)

Chairman.

1586. Sir Arnold, one or two questions arise which are general to all these three Corporations, which I think you can answer better than the individual witnesses. How do you account for the astonishing discrepancies between the various Corporations? B.O.A.C. have lost 70 per cent. of the earned revenue. B.E.A.C. have lost 180 per cent. of the earned revenue. B.S.A.A.C. have a surplus of 2 per cent. on net revenue. The results seem to show such very striking discrepancies?—(Sir Arnold Overton.) Mr. Booth has just explained the reasons why there was a small profit earned by B.S.A.A.C. in that year and has said that that, unfortunately, will not recur in the year just finished. There is provision for an estimated loss in the next year as well. As regards B.O.A.C., the Chairman does summarise the reasons for the trouble in the last paragraph of his report.

1587. That is Sir Harold Hartley's report?—Yes.

1588. I have looked at that. Proportionately the loss on British European Airways is heavier than it is in the case of B.O.A.C., I think, is it not?—That is so; it is a higher proportion of the total turnover. In this particular year British European Airways had great trouble with the Vikings which were brought into service. Before they had been fully brought into service they had to be grounded because of icing troubles, and they were forced back on to the other types, including Junkers, which have been mentioned, which are extremely uneconomical. The loss on the internal services, as distinct from the European services, was very high indeed, and we have been specially watching that because it did seem that if economies are to be achieved they could best be achieved on the internal services where, after all, in most cases there are alternative means of good rail transport, rather than on the external services where all sorts of other considerations arise. Now the policy is being pursued of cutting down the internal routes apart from the overwater ones, and what you may call social service routes, to the Scottish Islands, and places of that kind, where it is necessary to maintain these air services in order

going to ask, which evidently will not arise for some time to come as to what you would do if you found you made a really substantial profit.—Write off our losses in the intervening years.

Chairman.

1585. It is a hypothetical question.—(Sir Frank Tribe.) The estimate for 1948-49 of the Ministry provides for a grant of £400,000 to the British South American Airways Corporation.

to serve the local population, there being no adequate alternative means of communication. But undoubtedly the internal services, London to Liverpool and Manchester, for example, show no signs whatever of paying, and it is thought now that the best thing is to reduce all those sorts of services.

Chairman.] Does any Member of the Committee wish to ask Sir Arnold Overton any questions?

Sir Frank Sanderson.

1589. Is there any reason why there should not be a consolidated profit and loss account and balance sheet of these three Corporations, so that the profit which might be earned by one Corporation could be offset against the losses of the other two?—That is not laid down in the Act. We operate under this Act which provides for the separate accounts and all the rest of it of each of these three Corporations.

Sir Frank Sanderson.] Probably it is a matter for the Comptroller and Auditor General.

Chairman.

1590. It is a matter of Government policy, and the problem of dealing with a large profit on any one of the Corporations has not arisen yet. Sir Arnold will have to deal with that when it arises?—I shall be very glad to do so when it arises.

Mr. Thurtle.

1591. If there were any advantage to be gained, surely the Government would take action?—There is provision under section 13 of the Act for dealing with any profit of any of these Corporations. The first charge is to provide any desirable reserve and then the next change is, in effect, to repay any subsidies which have been paid in previous years under this Act by the Government.

Sir Frank Sanderson.] I think it is point of substance, though it will not be opportune now to discuss it further.

Chairman.

1592. It may arise in the future. As the hour is getting late we had better pass on to paragraphs 94 to 96, dealing with Heath Row Airport. In paragraph 95 the Comptroller and Auditor General records the

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[Continued.]

recent history. The initial work was estimated to cost £3 million. The main contract thereunder was placed with the contractor who submitted the lowest tender. What was the name of the firm?—The firm is Wimpey.

1593. Could you tell the Committee what was the basis of the contract? Did it provide for a fixed price, or for a price that varied according to changes in cost of materials, labour and so on?—There was the usual variation clauses for cost of materials and cost of labour.

1594. Was there to be a percentage profit on the cost?—It was a fixed contract, I think, subject to those variations.

1595. A fixed price contract, subject to variation in the cost of labour and materials?—Yes.

1596. The Comptroller and Auditor General tells us: "Accordingly, in February and August, 1946, further orders to a value of over £1,500,000 for work on a fourth runway and a portion of a fifth, comprising sections of the ultimate development scheme, were placed, without competition, with the contractor as extensions of the original contract." No tenders were invited with regard to this extension?—No.

1597. The orders were placed with Wimpeys without any tenders being invited?—Without any tenders being invited from other firms. It was thought necessary to maintain the continuity of this job at this time.

1598. That was a fixed price contract with a variation clause for the cost of labour and materials?—Yes.

1599. Then Sir Frank. Tribe states: "Early in 1947, further works estimated to cost £7,500,000 were approved and tenders were invited from selected contractors." Why was the practice changed there?—This was a large piece of work for a new stage, so to speak, of the whole development of the airport. The first stage was the R.A.F. scheme, under which you had three runways, one in each direction. That scheme is now in operation. Then the next stage, what we will call stage two, was to construct the dual runway system (this is all south of the Bath Road) and this was the main contract for the work on the runways, and so on, in connection with that second stage. It was therefore thought desirable to open the contract to suitable firms.

1600. In fact, you did not accept the lowest tender?—That is so. As a matter of fact, the firm which submitted the lowest tender got into the list by mistake. It was meant to be a short list of firms capable of doing a very big job of work of this kind. This firm tendered, but it had in fact never undertaken work of this magnitude, and it had not the necessary plant to do the work, and was technically not suited, in the opinion of our professional advisers, to undertake the work.

1601. Who did the contract then go to? Did it go to Wimpeys again?—To Wimpeys, who were the next lowest tenderer.

1602. What was the difference in amount between them and the other firm?—Of the order of 5 per cent. or rather less.

(New Works Statement: Supplement to Civil Appropriation Accounts, Class VI, Vote 16, 1946-47, forwarded in compliance with paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

Vote 16.

MINISTRY OF CIVIL AVIATION (continued).

Chairman.

1603. In the list circulated to us of new works you put the revised estimate for the total work at Heath Row at £26 million?—(Sir Arnold Overton.) That was a revised estimate made in January, 1947.

1604. I think we were told by this Committee about a year ago that the latest figure then was £28 million?—That is an addition of this £26 million and about £2 million or £3 million which the Air Ministry had spent before. This £26 million is the estimated amount falling to the Ministry of Civil Aviation.

Chairman.

1605. I am much obliged. Are there any questions on paragraphs 94 to 96 of

the report of the Comptroller and Auditor General in the Civil Appropriation Accounts, 1946-47? We pass to the Account which is at page 344. Sub-head E is: "Civil Aircraft and associated equipment." The grant was £15 million and the expenditure just over £5 million. Is that all for payments made to the Ministry of Supply in respect of aircraft?—Yes.

1606. The footnote to Subhead E tells us why the sum was so much less than expected. I would like to ask a point about the £300,000 which is stated in the footnote not to have been required for research and development. Do your Ministry actually make any payments for research?—No, not separately. All research on

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[Continued.]

aircraft and on appliances is done by the Ministry of Supply.

1607. There was put into these estimates for 1946-47 a figure of £300,000, to cover research and development, which was not subsequently used?—I am informed that that was because subsequently the Ministry of Supply adopted a system of loading part of the cost of research on to the actual aircraft and that had not been agreed at this time, so there was this separate provision.

1608. Subhead F is "Works, Buildings and Land." This is the New Works Statement. This is not secret, is it?—No.

1609. In fact, even fuller particulars of this statement, or corresponding statements, appear in your Estimates now, do they not?—They have appeared in the past but they are not going to appear in the future.

1610. Are they not going to appear in the Estimates in future?—I am sorry. They are not going to appear in the Civil Appropriation Account.

1611. No, they will not appear in the Civil Appropriation Account. I understand that. But they will appear in the Estimates, will they not?—Yes.

1612. Subhead K, on page 345 is "Subsidies and Grants." Does that include a payment to the Air Registration Board?—Yes.

1613. Could you tell me the amount of that?—£40,000.

1614. What does the Air Registration Board do?—The Air Registration Board has various functions in connection with certifying the airworthiness of aircraft and issuing certificates to ensure that aircraft are kept in proper condition.

1615. Does it charge fees?—Yes.

1616. To the manufacturers or to the owners of aircraft?—To the owners of the aircraft.

1617. It has to be subsidised, has it?—Yes. It is an old-standing arrangement. Before the war I think the arrangement was that four-fifths of its net expenses after taking account of its fees were met by the Air Ministry and one-fifth by the other interests concerned, the insurance interests, the manufacturers and operators. It has not been possible to keep to that proportion in these later years.

1618. On page 346 there are the details of receipts and there are receipts from the sale and lease of aircraft, which were estimated at £8½ million and came out at only £1,080,000. I take it this refers to the old system, under which you sold aircraft to the three Corporations?—Yes. That is the other side of the counter, so to speak, to Subhead E on page 344. You will see there the expenditure was nearly £10 million below the grant and here the amount

realised is about £8 million below the grant. It is simply that the aircraft were not coming through.

1619. Can you divide that figure up between aircraft sold and aircraft leased?—Yes, I can. The figure of aircraft sales was £152,000 and the figure for the lease of aircraft was £85,000 and the sales of spares £819,000.

1620. The figure for spares is much the biggest item?—Yes.

1621. Three lines lower down there is an item "Housing and landing fees," on which the amount realised was £154,000. Those are charges made at your aerodromes to aircraft for landing, are they?—Yes.

1622. There is no fee for taking off? One pays just for landing, does one?—One pays on coming in, yes.

1623. Are those fees calculated on a basis designed to cover the cost of the airfield?—No. I am afraid there is a very large element of subsidy.

1624. Is that unavoidable?—Yes, it happens all over the world, and of course it is not only British aircraft that benefit but foreign aircraft as well.

1625. You mean the traffic would not stand for an increase in the rates. Is that right?—Yes. As a matter of fact we are reviewing the rates at the present time and we hope to make some changes that will involve reductions in the very short distance internal routes where the present charge is a very high proportion of the traffic revenue and some increase in the longest distance inter-continental routes where the charges are low in relation to the revenue.

1626. I think I have seen in the Press that you are contemplating trying to make the airfields pay better by using them as places of public recreation and entertainment. Is not that so?—That has been found to be a useful help in the United States and when building materials and labour can be made available for these purposes then we are considering trying to make revenue in the same sort of way; but very little can be done while building and so on is limited to essential requirements.

Chairman.] Are there any questions on the Account or on the new works statement?

Sir Frank Sanderson.

1627. At page 344 subhead F "Works, building and land" a grant of £6,380,000 and expenditure £3,600,000, showing that £2,780,000 less was expended than was granted. The note to subhead F states "Savings on purchase of land and buildings due to the slow progress of nationalisation." Does that refer to the slow progress of nationalising this industry or does it refer to the slow progress due to the fact that

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the aerodromes have been nationalised?—It is the former. It took some time to decide which aerodromes should be nationalised, and then the process of permanent acquisition inevitably takes a long time.

Lieut.-Colonel *Hamilton*.

1628. On this new works statement, I am not quite clear what columns 9 and 10 mean. Those columns are headed "Revised estimate for total work." That would convey to my mind that it is an estimate of the whole cost of the works from start to finish. If that is so, then I do not follow (b), the Hurn airfield, on which £1½ million has actually been spent and the revised estimate for the total work is said to be half a million pounds in 1948/49?—It is not quite as clear as it might be. The explanation of that is that it is the revised estimate for total works falling to the Ministry of Civil Aviation.

1629. The revised estimate—?—Of total works falling to the charge of the

Ministry of Civil Aviation. That is those last two columns.

1630. What happens to the rest of it?—Up to the Spring of 1946 all this expenditure was borne by the Air Ministry. That is column 6.

1631. So the rest of this will be borne by the Air Ministry?—No. The Ministry of Civil Aviation took over afterwards.

1632. I follow. The rest has been borne by the Air Ministry. Is that it?—Yes.

1633. So it is not really quite clear what the actual total cost of the work is?—Yes. A lot of the work done by the Air Ministry was probably quite unremunerative from the point of view of civil aviation. It was war work done for the Royal Air Force.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed*) That concludes your evidence, thank you very much, Sir Arnold.

The witnesses withdrew.

Adjourned until Tuesday next at 3.45 p.m.

TUESDAY, 27TH APRIL, 1948.

Members present:

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.
Mr. Haworth.

Mr. McAdam.
Sir John Mellor.
Mr. Thurtle.
Mr. Wadsworth.

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

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. D. F. C. BLUNT, C.B., and Mr. C. E. I. JONES, called in and examined.

TREASURY MINUTE ON THE SECOND REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Sir ERIC SPEED, K.C.B., K.B.E., M.C., Permanent Under-Secretary of State, War Office, called in and examined.

Mr. *Benson*.

1634. Will Members first turn to the Treasury Minute on the Second Report of the Committee of Public Accounts, 1946-47? Sir Eric, have the War Office replied to the Treasury Minute?—(Sir *Eric Speed*.) Yes.

1635. Are the Treasury satisfied with the steps which have been taken by the War Office?—(Mr. *Blunt*.) Yes; I think they are about the most the War Office could be expected to do.

1636. Have there been any further serious infringements of the Regulations?—(Sir *Eric Speed*.) Of the Regulations which are touched upon in this Treasury Minute?

1637. Yes, with reference to currency?—There have been no further infringements of the kind which resulted in the mark losses which were taken by this Committee last year; but the Treasury Minute refers to a rather different aspect of illegality.

1638. To barter?—Yes, to barter, mainly.

1639. Have you succeeded in stamping out barter?—No, I would not say we have. It is very difficult to say whether we have stamped it out or not. My opinion is that it has been reduced to reasonable proportions. These transactions can take place anywhere and at any time between individuals, and it is obviously very difficult for

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[Continued.]

the War Office to be even aware of them, let alone to stop them. The inference from our information is that they are not widespread.

1640. Have any courts martial resulted, or has disciplinary action been taken?—I cannot say, but the number will be small. There will be a certain number of summary punishments in units, but I have not thought it necessary or useful to have the whole of the courts martial which have taken place in Austria and Germany examined in order to isolate these particular offences, as I did last year in the case of the mark losses.

Mr. Benson. Has any Member of the Committee any questions on the Treasury Minute on the Second Report of the Committee of Public Accounts, 1946-47?

Mr. Cuthbert.

1641. There is no question of any exchange in this at all. The barter does not affect that in any way?—No. It is plain barter.

Mr. Thurtle.

1642. You are anxious, I take it, when you do discover these cases, to make examples of the people you have found out?—That is so.

1643. As a result are the summary punishments awarded fairly severe?—I do not know at first hand that they are severe, but we did ask the Commander-in-Chief in Germany in particular to see that they were severe.

Mr. Benson.] Are there any further questions on the Treasury Minute on the Second Report of the Committee of Public Accounts, 1946-47?

ARMY APPROPRIATION ACCOUNT, 1946-47.

Mr. Benson.

1644. Will Members turn to the Army Appropriation Account, 1946-47, to the report of the Comptroller and Auditor General? We will take first paragraphs 1 to 5. On paragraphs 1 and 2, in future will the A.T.S. be included in Vote A?—(Sir Eric Speed.) Yes.

1645. They will be shown separately?—Yes. May I just verify whether they will be shown separately? (*The witness perused the Estimate.*) I should have said "No" to that latter question. They are not shown separately.

1646. Paragraph 3 of the Comptroller and Auditor General's report is on the form of the Account. The form is changed as compared with pre-war. Have the Treasury any views on the present form, and as to any possible modifications?—(Mr. Jones.) The general structure of the Account will remain in its present form, except that in 1947-48 and later years there will be printed with the Account the detailed statement of new works over £100,000, which has been circulated as a paper to the Committee for 1946-47. I have misled the Committee on that: the statement to be printed with the Appropriation Account will detail expenditure on new works as shown under the items in bulk headings in the Estimates for 1947-48—broken down between such items as "Barrack Accommodation," "Workshops" and so forth.

1647. Broadly speaking, the form of the Account will remain as it is now?—Yes. This discussion largely relates to the various appendices, some of which were printed before the war but which have not yet been resumed. One is the appendix showing the cost accounts of certain activities of the Army such as laundries, bakeries and electricity generating stations which were printed before the war. So

far the War Office have told us that they are unable, with their present staff difficulties, to resume the preparation of these cost accounts. That question is now under consideration by the Treasury. (Sir Eric Speed.) With your permission, may I go back to the question about the A.T.S.? The Comptroller and Auditor General has kindly pointed out that although the women's numbers are not shown separately in Vote A in the current Estimate there is a footnote which shows the numbers included in the gross numbers. So that both my answers were correct.

1648. That is a very happy state to be in. Are there any questions on paragraphs 1, 2 and 3? I think we can pass to paragraph 6, which deals with debtor balances on soldiers' accounts. I see that those have increased from £170,000 to over £450,000. You attribute that to the lower efficiency of your office units. Is there any method of doing what the Public Accounts Committee recommended, namely, dropping other less remunerative work and paying more attention to this? Have you considered that point?—There is an opportunity of dropping less remunerative work in favour of more remunerative work, but in point of fact the process has been exactly the opposite. That is to say that in the regimental pay offices in the year of account 1946-47 the tendency was to drop the strict rigidity of procedure which governed the debtor balances in favour of what was then more urgently important work, which was the crediting of the release benefits to the million odd soldiers who were released in that year. I should like to make it clear that these debtor balances, or the value of the debtor balances which is struck on a particular day in the year, represents the debtor balances known to be in existence at that date. It must not be assumed that they are all in fact debts. Many of them,

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[Continued.]

on further investigation, turn out not to be debts at all. Nor is it to be assumed that those which are established as debts are wholly irrecoverable. On the contrary, quite a large value of them is in fact recovered.

1649. It is?—Yes. I have taken out figures for the whole number of men released up to the 31st March, 1947. At that date we had released 2,631,000 persons, and the actual write-off of irrecoverable debts was £429,000. That works out, for what it is worth, at an average write-off per individual of 3s. 4d. It represents, possibly, in a pay entitlement of £800 million an over-issue of rather less than half a million pounds. Those are the facts, and it seems to me that the facts are fairly satisfactory. But I should like to make it quite clear that I expect the facts to be worse in the next year of account and not better. That 3s. 4d. will be worse this time next year.

1650. Why is that?—The run-out programme affected the Pay Corps itself. They lost their most experienced officers and N.C.Os. It also affected the units, and it is very difficult to get an officer, who is expecting to be released within the next six months, to take a great interest in the amount of pay which he issues to the men under his Command. Officers ought to do so; but some do not do so. That is particularly noticeable in transit units. I have brought with me an example of a unit called "a Homeward Bound Trooping Depot" in India. I have a statement here that an officer of that depot, who shortly afterwards sailed home to be released himself, issued on one day (these are examples) £58 to a battery quartermaster sergeant, £25 to a trooper, £36 to a corporal and £27 to a sergeant. There is no evidence that they are not entitled to those large sums but, on the face of it, it is extremely probable that they were not, and, of course, that particular case we are following up, and that officer, if anything is proved against him, will be court-martialled. But the issues have been made and debtor balances, as I think, will result; though I have no evidence in this particular case.

1651. Would it be possible to increase the efficiency of these units?—It will be possible to assume an increase in efficiency when they become regular units as they were before the war. These particular units, the transit units, will not exist at all in peace-time, of course.

Mr. Benson.] Has any Member of the Committee any questions on paragraph 6?

Mr. McAdam.

1652. On the question of recruitment for the Army Pay Corps, are you attempting to recruit now on the old basis; that is from regular regimental staffs and, say, a private who is transferred to the Army Pay

Corps has about 12 months probation before he is adopted as a member of the Pay Corps? Are you carrying on that old procedure?—We are returning to that procedure, particularly in the case of officers.

Lieut.-Colonel Hamilton.

1653. The Comptroller and Auditor-General, in the last sentence of paragraph 6 states: "The Paymasters are making further efforts, not always successful, to secure units' compliance with existing instructions and the arrangements for regulating units' cash issues are to be improved." Non-compliance with instructions is definitely a disciplinary matter, is it not?—Yes.

1654. I wondered to what extent the attention of commanders of the higher formations is brought to these matters, with a view to their emphasising the importance of them and taking some action from a disciplinary point of view?—The Commander is helped, as you know, by a Command Paymaster. I have not examples here, but the process of reminding the staffs is pretty continuous. In addition we have a team of visiting paymasters who visit the Commands and visit those units which have been found by experience to be the worst. Beyond that, I cannot answer your question in detail.

1655. There is intimate touch (that is really what I am getting at) between the Financial Department and the Command?—Yes. We have either a Financial Adviser or a Command Secretary, as he is called, in every important Command and he, with the Command Paymaster, has the duty of looking at this sort of thing. He has many other duties as well, of course.

Mr. McAdam.

1656. Might I ask another question arising out of that reply? The practice which used to be in operation, I think, was for the Pay Sergeant of a particular unit to submit his return to the local Pay Office. Is that practice still in operation?—His return of what? His debtor balances return?

1657. His pay sheet?—His Acquittance Rolls go forward every week.

1658. The practice used to be that once a month he submitted his balance sheet to the local Pay Office and the local Pay Office went through the balance sheet?—That, I think, would be his Imprest Account, in which he accounted for the cash with which he had been issued, but the Acquittance Rolls, which is a list of the individuals concerned and the amounts advanced to them on each pay day are forwarded at the time.

1659. To the Unit Pay Office?—To the Regimental Pay Office.

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[Continued.]

Mr. *Thurtle*.

1660. I take it that in some way or other these officers who are about to leave the service and who have the responsibility for issuing advance payments are notified that their responsibility for being cautious remains right up till the end of their service?—Yes, that is true. They are.

1661. If they are sort of reckless in their disbursements they are likely to incur certain punishment?—Yes, and some have; but that does not recover the debtor balance.

1662. I quite see that. This difficulty, anyhow, is a diminishing one?—Yes, I hope so; but I made it clear that in the next year of account this figure is likely to be more than £450,000 and the actual over-issues are likely to be greater.

1663. May I ask, in the form of a question, if you realise that your explanation today in advance of next year's accounts probably will not avail much because we shall have forgotten all about it and we shall ask you about it again?—That is quite true, but if I had said that everything in the garden was lovely, someone in this room would have remembered that I had said it.

Mr. *Benson*.

1664. We pass to paragraph 7 "Relation between Receipts for the services of prisoners-of-war and their cost." I see that there is a difference of about £5½ million there between your receipts and your costs?—Yes.

1665. How does that arise? Is it due to the fact that you have a considerable number of prisoners-of-war who are not employed, or does this figure apply only to employed prisoners-of-war?—The figures included in this calculation are the prisoners who actually worked, who averaged 183,000 during this year of account, the camp staff concerned with those prisoners, who were 34,000, the sick protected personnel and prisoners-of-war undergoing detention were 22,000. The temporary unemployed (for reasons outside my control) were 34,000 and there were about 6,000 at one time in transit camps. That is 282,000 altogether. They were prisoners and they had to be guarded, and their camps were in small pockets in order to get them near the scene of their work. If we had been keeping prisoners merely for the pleasure of keeping prisoners, we should have kept them in much larger camps and the camp staffs would have been proportionately smaller.

1666. There were 282,000 prisoners nominally available for work?—There were 282,000, which included 184,000 who actually worked. The others, broadly speaking, were looking after them or were sick.

Mr. *Benson*.] Are there any questions on paragraph 7?

Lieut.-Colonel *Hamilton*.

1667. The Comptroller and Auditor General states, with regard to the labour employed on agricultural work, that the War Office derived about two-thirds of the receipts. What happened to the other one-third?—The cost of transporting the prisoners from their place of residence to their work was deducted by the user departments, mainly the Ministry of Agriculture, before they handed over to us the net receipts.

1668. That accounts for that one-third?—I think that accounts for it, yes.

1669. It seems a high proportion?—I do not know whether Sir Frank has any better information. I think that is right.

Mr. *Benson*.

1670. Are there any further questions on paragraphs 7 and 8? We pass to paragraph 9. Where is this particular workshop situated?—It is at Ashford, in Middlesex. It was originally at Feltham in Middlesex.

1671. What kind of work is it doing?—It is almost all repair work which is unsuited to piece rates. The unit is a heavy repair shop.

1672. What types of vehicles are they?—Bedfords, jeeps and now guns. They are lorries, jeeps and guns.

1673. Have you any other workshops doing analogous work?—Analogous work, but not on piece rates. This is the only Army shop which is on piece rates.

1674. What is the general relation between the piece rate earnings and time rates?—At that time those who were earning piece rates (I think it states this in the report) were earning up to £20 a week. The time rates realised about 102s. for skilled men and 95s. for unskilled men.

1675. The piece rates, then, were approximately four times the time rates?—Yes.

1676. What about the quality of work done and the quantity?—It is very difficult to say, but during the war the men were working very long hours, as you know, like everybody else was. They were working about 60 hours a week. It was generally considered at the time that the production of the shop was good in quality and quantity and, as you remember, the Government's policy at that time was not to probe too deeply into the earnings of those in civil or Government occupations on the general lines that men were working very hard and the most important thing was production. There is not reason to believe that during that period the production was indifferent either in quality or quantity; rather the contrary, I should say.

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[Continued.]

1677. What about the position in the last 12 months?—There is every reason to suppose that in the last two years there has been a great deal the matter with this depot. The directing staff have not laid out the work well and the control of the employees has been extremely indifferent. It has been better in the last nine months. But there is still a good deal to be done.

1678. Is it under civilian charge or military?—Military.

1679. There is a military officer in charge?—Yes.

1680. Has any disciplinary action been taken?—No. The main complaint is that the piece rates were fixed over high. As the Committee knows, piece rates are fixed by agreement between the management and the employees. The main charge against the Commandant who left in 1946, if there is a charge at all, is that he was too easy in his agreement to the workers' suggestions as to what the piece rates should be. It is very difficult to say that that was an "offence," for which you could court martial him, and in fact he was not court martialled, and returned to his business in 1946.

1681. Under whose charge is the workshop at the present moment? Is it under a civilian or a military officer?—A military officer.

1682. According to the report of the Comptroller and Auditor General, at the end of 1947 58 per cent. of the work was still being paid for at rates fixed on the old basis?—Yes.

1683. What would be typical earnings at those rates if they had been left unchanged?—Now?

1684. Now?—I think the average earning now is about £9.

1685. Can you check up the output you get for that comparatively with other work anywhere else, or with civilian work? Have you any idea whether you are still overpaying?—I have no doubt that on that 58 per cent. of work which is still being remunerated at the piece rates which are the subject of this report we are overpaying for the output, and our remedy is to introduce new jobs into the shop in regard to which a new piece rate has to be agreed between the management and the workers. We cannot interfere with the already agreed piece rates because they cannot be upset without agreement between the workers and the management, and the workers will not accept any reduction of those piece rates. The remedy, therefore, is to introduce gradually new jobs in regard to which new rates have got to be negotiated, and I hope that by the end of the next six months and probably sooner all that 58 per cent. of jobs which are at present being remunerated on the old piece rates will have disappeared and their place will have

been taken by new jobs for which piece rates have to be negotiated anew. The new piece rates are being negotiated under the general direction of the Principal Technical Costs Officer of the Ministry of Supply who is accepted by the Government at any rate as being an expert on the matter, and I hope therefore that the cost of the operations there will come down to reasonable proportions.

1686. You can, of course, strike out anything from your evidence that you like. You may not want this to go in?—I think it is a little difficult, although as a matter of fact the trade unions are well aware of this.

1687. I presume they are?—The immediate job is the remanet of the programmes of Bedfords and jeeps. The overhaul of them will be finished within six months and we have no intention of putting more Bedfords and jeeps into Ashford.

Major *Bruce*.] I want to raise a point of order in regard to the point you have just made about the witness being permitted to strike out any evidence he feels should not be included. I take it that is subject to the final consent of the Committee or the Chairman?

Mr. *Benson*.] It has always been part and parcel of the procedure of this Committee that if a witness gives evidence which he thinks it is undesirable to make public, he shall be permitted to strike it out.

Major *Bruce*.] Presumably with the concurrence of the Chairman?

Mr. *Benson*.] Subject to the Chairman's consent. There are very many questions we ask the answers to which one would not desire to have made public, and, if negotiations are going on, quite obviously one does not want the Government to show its hand.

Sir *John Mellor*.] On that point, it is only where it would be contrary to the public interest, and not merely where it is inconvenient to the Department?

Mr. *Benson*.

1688. Oh, no. Quite a lot of answers are inconvenient to the Department?—May I answer more precisely a question the answer to which I could not find before? You asked me what they are earning now. The average piece work earnings for the week ended the 5th March last were £9. In January, 1947, they were £11 10s.

Mr. *Wadsworth*.

1689. I think this is absurd; but I ought to make it clear that I for one, am very grateful to Sir Eric for being so frank. Here is a situation where we have a number of men employed in a factory, true under Army supervision, but in a factory, who have refused to accept a new piece rate, and where it is acknowledged that the

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piece rate is unfair and far too high. The remedy apparently suggested is that instead of sending the same type of work that is being sent at the moment, that work will be directed to other factories—?—Well, there will not be any, as a matter of fact.

Mr. *Wadsworth*.] —and that a new type of work for which a fairer remuneration will be fixed will be done in this factory. This is a case where it is acknowledged that a mistake has been made by the Commandant who was in charge in 1946, and surely here is a case where more direct action should be taken than that. If that happened in a private business one would not tolerate it for five minutes. Why should we, as a Committee? I think the Committee should take this matter up further and recommend that the whole question be gone into from the point of view of fixing a fairer remuneration. Surely we should do something about it, rather than tolerate a situation of this kind?

Mr. *Benson*.] All we can do is to report. We may convey to Sir Eric our views by our questions; but our only official action is by our report to the House.

Mr. *Wadsworth*.] I am guided by you. I think something should be done.

Mr. *Benson*.] We can always, if we think fit, make an interim report on any specific topic that comes up.

Mr. *Wadsworth*.] I should be in favour of making an interim report here. I think it is our duty to do so.

Mr. *Benson*.] I think perhaps as Sir Eric will be responsible for the negotiations, we might hear what he has to say about it. Ultimately the baby has to be carried by Sir Eric.

Mr. *McAdam*.

1690. Before Sir Eric replies, might I put one or two questions to him? As far as the fixing of piece rates is concerned, those will be fixed between responsible Army authorities and the responsible trade union concerned, will they not?—Under the general direction of the Ministry of Supply Technical Costs Officers.

1691. In paragraph 10 in the last three lines the Comptroller and Auditor General says: "The War Office, however, intend in 1948 to review the question of its future" (that is, R.E.M.E.) "in the light of the results of the recent re-organisation of the system of remuneration." The point I want to make there is that the R.E.M.E. workshops will be doing the work previously performed in pre-war days by the Army Ordnance Corps and the Royal Engineers?—By the Army Ordnance Corps.

1692. And by the Royal Engineers. Some of the work was previously performed by both those units?—Yes.

1693. Is it the intention to continue R.E.M.E., or is it the intention of the Army authorities to abolish R.E.M.E. and to leave the Army Ordnance Corps and the Royal Engineers to carry on as they carried on in pre-war days?—This, of course, is the report of the Comptroller and Auditor General. I do not think that sentence means that we are reconsidering the existence of R.E.M.E. We are certainly not, and it is the intention to leave R.E.M.E. as they are. I think this sentence means that we were reconsidering the question of the future of this particular workshop. (Sir *Frank Tribe*.) Yes. That is what I intended to convey.

Mr. *Haworth*.

1694. Can you say whether the existence of these high piece work rates is reflected in an increase in output?—(Sir *Eric Speed*.) No, I cannot. The Chairman asked a similar question to begin with. I can say that during the war, when output was of great importance, there was no reason to think that the output was not in relation to the earnings, by and large. The output was very rapid and very successful and there was a continuous stream of work into the workshop which made piece work possible. I do not say that now the situation is so satisfactory. I shall hope to be able to say so in time.

Mr. *Haworth*.] In view of Mr. *Wadsworth*'s question, I think we should be careful about this, because in some industries, like the building industry, a great attempt is being made to get the trade union to agree to a payment by results system, and one of the big criticisms on the part of the trade unionists is: "If we have a payment by results system and we give good results our pay packets are fairly high, and immediately the employer reduces the rates."

Mr. *Benson*.] I think we must realise that we cannot argue this matter. Our function is primarily to ask questions at the moment. We can only argue and discuss the matter when we are considering a draft report.

Mr. *Haworth*.] I should not have said what I did if Mr. *Wadsworth* had not said what he did.

Lieut.-Colonel *Hamilton*.

1695. My experience of these matters is that when piece rates are being fixed they are fixed in the first instance by the military officer concerned in negotiation with the men, but they have to be confirmed by higher authority. Was that not so in this case?—They were not confirmed by higher authority in detail, no.

1696. The local military commander was given a completely free hand to fix them?—He was given the general principles,

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based upon the Arbitration Award which said that "piece work prices shall be such as to enable a workman of average ability to earn at least 27½ per cent. over basic time rates." He interpreted the words "at least" rather freely.

1697. He did not really follow his terms of reference, then?—I do not think he did, no.

1698. Was he regarded as having failed in his duty in that respect, and was that brought home to him in any way?—No, it was not, because this was during the war, and many things which would have been pursued in peace-time were not pursued in war-time. I think I ought to say that the real failing in my Department's opinion is that at the head, or near the head of the business, there was no civilian with skilled management experience; and that is a failing which we propose to remedy.

Major Bruce.

1699. I was going to ask Sir Eric a question which had a bearing on that. I see, in paragraph 9 of the report of the Comptroller and Auditor General, he says: "The charge hands responsible for certifying the work done and the examiners who passed the work drew this bonus themselves and, as the general workshop and office control was also lax, it was possible for men paid 'on average' to be actually doing work for which the piece workers were paid" etc., etc. The question I want to ask is this: I want to know who was the immediate superior commander of the officer concerned? I do not mean his name, but his actual function and rank?—The War Office. The establishment is a War Office controlled establishment.

1700. Directly under War Office control?—Directly under War Office control.

1701. So these things were happening, and had obviously been going on for some little time, without anybody in the War Office knowing anything about it at all?—I do not think it is true to say that they did not know about it. The question during the war was whether to take active measures about it.

1702. But we are now speaking about a date after January, 1947?—Yes; I beg your pardon, this is 1946-47. Steps were taken, as I think the report says. I am trying to find the exact date.

1703. If I may help you the Comptroller and Auditor General, in his report, says: "After discussions in January, 1947, with the trade unions concerned, the War Office decided that it would be impracticable" etc?—Before that, in 1946, we sent an officer from the War Office to examine the state of affairs, and his report was adverse.

1704. Was there any reason why you should have been prompted to do that?—Yes, because we knew what the earnings were.

1705. Did you know what the output was at any time?—Yes, we knew the output.

1706. Did you know the output during the war?—We knew what was sent into the shop and we knew what came out.

1707. Could you classify the output at all?—Not without notice.

1708. I mean, were you able in the War Office itself to classify the output?—Undoubtedly.

1709. You knew the number of men employed?—Yes.

1710. At any time during the war, then, it would have been quite possible, if there was a reasonable time check, to have made some quite easy check upon output?—Yes, there was such a check.

1711. Upon the output per man?—Yes, you could have translated it into output per man. We knew all along through the war that the earnings were excessive, as I have already said.

1712. I think the words you used were that you "had no reason to suppose"?—I had no reason to suppose that the output was not satisfactory in relation to the number of hours worked.

1713. In view of the fact that you do know the output, that you can classify it, that you know the number of men employed and, if you have proper time checks, the time they were employed, can you explain why no comparison could be made between this particular workshop and other R.E.M.E. workshops?—Does the report say that?

1714. Yes. The report says: "There are no statistics or direct evidence available for judging whether production at this workshop is now more economical than it would be at time rates, nor can any comparison be made between its results and those of the other R.E.M.E. workshops"?—I suppose it is the difficulty of comparing like with unlike. The efforts of one repair shop are concentrated, as in this case, upon Bedfords and Jeeps. Another workshop will be concentrating on heavy guns or medium guns, automatic weapons, and so on. I suppose you can make a comparison between like and unlike, but it is not easy.

1715. Would you explain why "There are no statistics or direct evidence available for judging whether this workshop is now more economical than it would be at time rates"?—The Comptroller and Auditor General wrote this report. What you are asking is why we cannot say that it would be better to have time rates at this shop than the present piece rates. Are you asking that question?

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1716. No; I am asking the question I put to you?—Why there are no statistics?

1717. The Comptroller and Auditor-General says: "there are no statistics or direct evidence available for judging whether production at this workshop is now more economical than it would be at time rates." I am asking you why?—I do not know whether any statistics could answer a hypothetical question of that sort. I do not know quite what the Comptroller and Auditor General had in mind. (Sir Frank Tribe.) It seems to me impossible to draw a comparison between this depot at the present time and what it would have been if it had never been on piece rates. It has always been on piece rates and the other ones have been on time rates. Without actually transferring this depot from a piece rate to a time rate basis you could get no statistics to show what the result would have been. (Sir Eric Speed.) It might have resulted in a stoppage or a slow-down in production.

1718. I did not quite catch that?—I say it is quite obvious that if we had taken the economical measure of taking the men off piece rates and it had resulted in a strike, the first effect would have been no production at all.

1719. Why?—There was a strike for two days when we took any action at all.

1720. Do you mean in time of peace or during the war?—In 1947 when we stopped people who were not entitled to piece rates at all getting them there was a stoppage. I am merely suggesting that if you had taken the whole shop summarily off a system of payment which they had enjoyed for 25 years, it is possible there might have been a stoppage and no production at all.

Major Bruce.] I think my question was misunderstood. I was not endeavouring to infer any judgment in any way upon the propriety of the actual rates. What I was concerned with principally (and I think the Comptroller and Auditor General's statement has a bearing on it) was, first of all, the availability of statistical information at the War Office, which I consider you should have had and, secondly, the logical consequences that flow if you have not the statistical information available. That is the point I was concerned with.

Mr. Thurtle.

1721. I take it the reason why you did not break these agreements in regard to the piece rates was because if you had broken them there would have been a "head-on collision", as it were, between you and the workers? These are long-standing agreements in regard to piece rates which you were apparently dealing with in a Machiavellian way by changing the nature of the piece work so that in time

this difficulty will be overcome and you will be able to introduce lower rates?—I do not think it is Machiavellian. It is the fact that the particular jobs for which the piece rates were agreed are disappearing. The Bedford overhaul programme is finishing, and will be finished in about three months. So will the jeeps. I disclaim the Machiavellian part of it.

1722. In any case, if you had made a stand and said: "We cannot allow these rates to go on" there would have been productive trouble?—Yes, there would have been.

Sir John Mellor.

1723. I suppose in the agreements themselves there is provision for their termination or for notice, is there? Do you remember what provision there is?—I am afraid I do not. I should remember, but I do not.

Mr. Benson.

1724. We pass now to paragraph 11: "Army Kinema Corporation." Who audits this Corporation's accounts?—A professional firm, DeLoitte, Plender, Griffiths and Co.

1725. Will the Comptroller and Auditor General have access to the accounts?—He will have access to the extent that the Army Kinema Corporation provides services for the Army on payment which means, of course, in practice that he will see all their accounts. If I may say so, he is entitled to see those parts of the Corporation's accounts which affect public Votes.

1726. Are there any questions on paragraphs 11 or 12? We pass to paragraph 13: "Purchase of land: Payment of interest pending completion." This piece of land seems to have been under negotiation for a very considerable time. What was the exact date when the price was fixed?—December, 1942.

1727. The Comptroller and Auditor General is correct, then?—Yes.

1728. What is the reason for the delay, and what is the unusual complexity? It is not usual for a conveyance to take some seven or eight years?—The delay lies between the vendors' solicitors and surveyors and the Treasury Solicitor. I am told that the delay arises from the great difficulty in producing the title to this land, which goes back 300 or 400 years. It has now been concluded, by the way. It was concluded on the 31st March.

1729. Is the Treasury Solicitor asking for a 300 years' title?—I do not know. The reason which I am given for the delay is that it is mainly on the part of the vendors' solicitors and that it is due to the difficulty of producing title. The negotiations are outside my own hands, I am glad to say.

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1730. Do the Treasury know anything about it?—(Mr. *Blunt*.) No, this is in the hands of the Treasury Solicitor.

Mr. *Benson*.] Are there any questions on paragraph 13?

Mr. *MacAdam*.

1731. In the first sub-paragraph of paragraph 13 the Comptroller and Auditor General states: "The War Office undertook to pay interest at 4 per cent. on the agreed purchase price from the dates of occupation, pending completion of the purchase. . . . Interest payments on the agreed purchase price for the period from October 1939 to March 1947 amounted to £34,422 18s. od. and are still continuing." Could you tell me the reason for paying interest at 4 per cent., particularly during the war years when the Government itself was borrowing at 3 per cent.?—(Sir *Eric Speed*.) No, I cannot say why 4 per cent. was chosen. I took the burden of this criticism to be why interest was paid at all.

1732. The point does arise that at that particular time the Government itself was borrowing from the general public at 3 per cent. and apparently the War Office undertook to pay interest at 4 per cent.?—(Mr. *Blunt*.) The legal rate, as I understand the matter, would have been 5 per cent., and 4 per cent. was a reduction which was secured by the War Office. They were paying 1 per cent. less than they strictly might have been made to pay. The rate of interest laid down in the Lands Clauses (Consolidation) Act is 5 per cent., and the War Office were paying 4 per cent.

Mr. *Haworth*.

1733. I do not know whether we can elicit by question and answer how it comes about that we are paying interest on this large amount of money to a man because he cannot prove that it is his?—The War Office tried, naturally, to get out of this and the Treasury Solicitor advised that there was no way of getting out of it. (Sir *Eric Speed*.) The quick answer to your point is that we took possession. We were using the place.

1734. You have been having the use of this land since 1940?—Yes. I have here a note of the Treasury Solicitor's advice. He states: "Short of giving back possession to the vendor there does not seem to be any way of discontinuing the payment of interest." It struck me as an odd statement.

Major *Bruce*.

1735. What would have happened if you had just stopped paying it?—I suppose he would have gone to court. I do not know what would happen. We have, as a matter of fact, stopped paying interest because the deal is now finalised. I may say that the estimated value of this property was

put at a larger figure originally by our own valuer, and we got it for £122,000, so as far as the actual purchase is concerned, we seem to have done well.

Mr. *Benson*.

1736. Are there any further questions on paragraph 13? We pass to paragraphs 14 and 15: "India Defence Expenditure." Have the 1945-46 Accounts been reviewed yet by the Indian Public Accounts Committee?—We have received a report by the Auditor General of India on those Accounts. But does that mean they have been considered?

1737. No, I think not?—Then the answer is "No." I was not aware of that.

1738. You have not received them?—We have received the report of the Auditor General in India, but I do not know whether the Accounts have been before their Public Accounts Committee.

1739. With regard to future expenditure and the expenditure in the current year, have you any idea what is likely to happen with Pakistan and Hindustan as to their Public Accounts Committee?—We have had a letter from the Government of India saying that one Account for the Defence Services will be compiled for 1946-47 and that it will be audited; but it is not clear whether the audit will be carried out by the Auditor General of India alone or whether some Pakistan audit authority will be associated with him. We have had another letter from the Government of India which says that "owing to constitutional changes no Public Accounts Committee of the Legislative of either Dominion is competent to examine the Accounts of the undivided Government; consequently these Accounts will not be examined by any Public Accounts Committee." That is 1946-47.

1740. Will there be any further Accounts beyond 1946-47 which would, under previous conditions, have fallen to be examined by the Public Accounts Committee of India?—I think the answer to that is "No." Will the Comptroller and Auditor General verify that? (Sir *Frank Tribe*.) I understood there was likely to be some continuing expenditure and adjustments with India. (Mr. *Blunt*.) But not under this Plan. This Plan finished at the 31st March, 1947.

1741. Are there any questions on paragraphs 14 and 15? We pass to paragraph 16: "Arab Legion." Are there any British officers employed in this legion?—(Sir *Eric Speed*.) Yes, there are some British officers seconded from the Army and, I believe, the other Services. There are some Palestine Government officials and there are one or two British citizens who were never officers who have been specially employed because they understand Arabic.

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1742. Are there any arrangements for the current year, 1948-49?—Yes. We have provided a sum of £300,000 in the Estimates to clear up the first few months while the balance of the Arab Legion crosses over into Transjordan, and leaves our control.

1743. How far have we any control over expenditure?—In the past?

1744. Yes?—The British Minister in Amman receives, as it were, the funds, and hands them over to the Transjordan Government and he is responsible for ensuring that the money is spent on the purposes for which it is issued, and the Accounts are submitted to him and from him to the Foreign Office and ourselves. We also receive estimates at the beginning of each year as to what the charge would be under the various headings specified by ourselves.

1745. Is the British Minister's control reasonably tight?—Yes, I think it is.

1746. In view of the statement that appeared in today's paper that this Arab Legion is to be used actively in Palestine, would it be for you to refuse any further assistance?—No, that would be for the Foreign Office. (Mr. *Blunt*.) They take the subvention. The War Office are only interested in this to the extent to which they hold some part of the Legion for Palestinian purposes. (Sir *Eric Speed*.) That is so.

1747. You are not really financially concerned?—We have never paid for the whole of the Arab Legion, but only that part of it which is in excess of what Transjordan needs for its own internal security. Now we have discarded that excess and the whole business falls to the Foreign Office. (Mr. *Blunt*.) The subsidy proper falls on the Foreign Office.

1748. Then we do not ask you any questions about current politics, Sir Eric?—(Sir *Eric Speed*.) No.

Mr. *Benson*.] Are there any questions on paragraph 16?

Mr. *Wadsworth*.] It is rather amusing—perhaps "amusing" is not the correct word—

Mr. *Benson*.] You may ask him if it is amusing, but you may not state it.

Mr. *Wadsworth*.] What I meant was the implications in your words are certainly intriguing. I have no questions.

Mr. *McAdam*.

1749. In the second subparagraph of paragraph 16 the Comptroller and Auditor General says: "In view of Transjordan's temporary inability to contribute to the cost of these forces, the Treasury have agreed that the full cost from 17th June, 1946, to 31st March, 1948, shall be borne by the United Kingdom." The point I want to bring out here is that these forces can only be used in accordance with the

express desire of the Treasury. As far as we are concerned that responsibility finishes on 31st March, 1948, and any subsequent action taken by Transjordan from the 31st March, 1948, is something for which we have no responsibility. (Mr. *Blunt*.) No, that is not right. There will be a subsidy in the current year of £2½ million.

1750. In his report the Comptroller and Auditor General states: "The Treasury have agreed that the full cost from 17th June, 1946, to 31st March, 1948, shall be borne by the United Kingdom"?—Yes, but he goes on in the next sentence to say: "The position in 1948-49 is to be considered in the light of possible changes in the size and employment of the forces." It has been considered and there is a continuing subsidy.

1751. That is controlled by the War Office?—It is not the War Office. It would be on the Foreign Office.

1752. These forces are those under War Office control. I am referring to those who are not under War Office control?—But, as I say, it has been considered, and there is a continuing subsidy for the force which now, in a few weeks, I suppose, will be no longer under War Office control in any shape or form.

Mr. *Benson*.

1753. You mentioned a subsidy of £2½ million in the current year. I want to compare it with the complicated figures we have in paragraph 17. Does that mean that the cost of this year is likely to be heavier?—There has been a reorganisation, I think.

Mr. *Haworth*.

1754. Is it possible to say in a few words the purpose for which the funds were issued?—If you will look back to the beginning of paragraph 16 you will see that it refers to the treaty of alliance and under that treaty the two sides agreed to keep themselves in a state of mutual defence. The Arab Legion was required for that purpose and in so far as they are not financially able to keep it up we come to their assistance.

1755. So that we can be perfectly satisfied that no British money will go towards a war in Palestine fought by the Transjordan forces?—(Mr. *Blunt*.) This is not really my subject at all, but I am trying to help the Committee. Another branch of the Treasury does deal with this. It comes under the Foreign Office and I do not touch the Foreign Office, so I have to be specially careful. All I can say at the moment is that there is to be a subsidy in 1948-49. What will happen in a certain event I do not know.

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[Continued.]

Mr. Benson.

1756. Are there any further questions on paragraphs 16, 17 or 18? I have no questions on paragraph 19. Has any Member of the Committee any questions on that paragraph? We pass to paragraphs 20 and 21, which deal with Civil Affairs. Are there any matters outstanding which have not yet been settled, other than Burma?—(Sir Eric Speed.) Yes. There are British Borneo, Hong Kong and Malaya. Those financial arrangements are under discussion by the Treasury and the Colonial Office by whom they will be settled, I understand.

1757. How far, again, do the announcements in to-day's paper relate to Hong Kong and Malaya?—I am sorry, but I have not seen them. (Mr. Blunt.) The result of that is that we are waiving the claim for the cost of the civil administration, but the question of getting back the money received for supplies is still open. There are two questions outstanding here, in the last part of paragraph 20. One is the costs of civil administration. That is settled. We waived those. The other part remains open, and that is still being pursued.

1758. On paragraph 21, the administration of enemy territories cost about half a million pounds in the year of account. How far have the Borneo and the Far Eastern territories involved us in a financial loss? Have you any idea?—I think the Borneo figure is of the order of only £220,000, excluding what has been written off.

1759. Do you mean the gross figures or the loss?—The amount written off is about £220,000, I think. I think the Treasury know more about this than I do. I think the figures for Malaya and Hong Kong are larger. (Sir Frank Tribe.) The full position in regard to Malaya and Hong Kong was given in a written answer, which appears in yesterday's Hansard, by the Secretary of State for the Colonies.

1760. I was referring only to Borneo. The answer is, I think the answer that Mr. Blunt has given us?—(Sir Eric Speed.) I have not a figure for Borneo. There was some expense in the year of account, but I have not the figure.

1761. I have no further questions on paragraph 20 or 21. Has any Member of the Committee any questions on those paragraphs?—We pass to paragraphs 22 and 23, which deal with expenditure in Japan. I see it is suggested that major changes are likely to take place in the respective shares of this country, Australia and New Zealand. Has any arrangement yet been come to?—As to the percentage costs of the whole Occupation, in February, 1947, the United Kingdom bore 32 per cent., and it had fallen by the 1st September of that year to 27 per cent., and as we are now withdrawing the

United Kingdom contingent except for a few Army and Air Force men the percentage will again fall, but I do not know by how much. It is related to the number of persons in each contingent.

1762. What about the pool accounts for stores? Has any arrangement been come to there?—No arrangement has yet been finalised, but each of the contingents contribute something in the way of stores and the pool account is formed and we are given credit for that part of the stores which we do not use ourselves. (Mr. Blunt.) I think that arrangement is functioning, and functioning quite satisfactorily. (Sir Eric Speed.) Yes, I think it is.

1763. Are there any questions on paragraphs 22 and 23? We pass to paragraph 24 which deals with N.A.A.F.I. How much has N.A.A.F.I. contributed to the Army Benevolent Fund?—Just under £4½ million.

1764. Have you any idea of the contributions to the three Services?—Yes, £7½ million, including Dominions, Colonies and Allied Armies who use the canteens.

1765. You had some messing arrangements which are about to be altered. Can you give us any information on that? The Comptroller and Auditor General says: "I understand that the peace-time arrangements are under discussion?"—They are beginning to be discussed. They affect the Air Force very much more than the Army because the Air Force have continued the pre-war system of cash messing, whereas the Army reverted to a Field Service Ration during the war and has not yet departed from it. The Air Force will have to consider whether the pre-war arrangements are to be continued in the post-war period, having been interrupted by the war period, with the Treasury's consent. We shall have to do so as well, but the problem for us at the moment is very small because the cash element in our ration is just under 5d. per day per head.

Mr. Benson.] Are there any questions on paragraphs 24 to 27?

Major Bruce.

1766. Could you say when these discussions commenced? I gather the peace-time arrangements are under discussion?—I have just had a word with the Chairman. That is as far as it has got. They will be retroactive, whatever the result is. We are not losing money in the process.

Mr. Benson.

1767. We pass to paragraph 28. I see for purposes of efficiency the Accounting Officers have delegated certain financial powers. What has been the result?—Part of the result is stated here. Do you mean in the way of receipts?

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[Continued.]

1768. Has it worked satisfactorily in practice?—Yes. We have great confidence in the local organisation which is headed by an officer who has had, I think, 30 years experience in Egypt, previously having been employed by the Sudan and Egyptian Governments and from my point of view it is extremely satisfactory, except that the sums receivable are not so satisfactory.

1769. What about this looting?—I have given evidence before on that subject. The main depot at Tel-el-Kebir is 17½ miles in circumference. As the report says, it is extremely difficult to stop even daylight raiding. In Palestine recently two camps which were for disposal disappeared completely during the night.

1770. What exactly does a camp include?—The huts, windows, the doors, electric lights and wiring—everything completely disappeared in one night. That is, of course, rather unusual.

Mr. McAdam.

1771. I suppose there was nobody inside when they were stolen?—We had withdrawn from them. We were about to sell them when they disappeared.

Mr. Benson.

1772. Have you attempted to sell them before you leave?—Yes, we have.

1773. With what success?—We are speaking of Palestine?

1774. To anywhere in the Near East the same question would apply?—In Palestine, quite naturally, one side is unwilling to buy anything because they think they are going to lose it by force of arms (I will not specify which side) and the winning side say: "There is no need to buy them because they will be there when we have won," so the receipts are minimum ones.

1775. In Egypt, pilfering is equally great?—It is pilfering in Egypt. That relates to stores. These are fixed assets referred to in this report which means buildings, huts, water installations, electric installations and those sorts of things. Those do not disappear overnight in Egypt because they are guarded.

1776. With regard to the relationship between the market value and the price you get, can you give us any indication as to how you are doing when you negotiate sales?—The figures given by the Comptroller and Auditor General show that we have realised 80 per cent. of our own valuation. Our own valuation is based upon market value, which is taken to mean the price as between a willing buyer and a willing seller today.

1777. Does that cover the whole of your sales?—It covers all except East Africa. We are talking solely of fixed assets, not stores.

It covers all except East Africa. If you include East Africa the disposal valuation is £4,740,000. The gross disposal receipts are £3,900,000, which gives you a percentage of valuation of 82.6.

1778. Which might be regarded as very good?—I should say it is good. The valuers are entirely independent from the disposals side, so that there is no collusion.

1779. With regard to the assets which were handed over to the Egyptian Government, how are the negotiations going along?—I think the less said about it in your Minutes the better.

1780. Certainly.—We hope the Treasury will include these assets which are of very great value in any negotiations for an overall financial settlement of sterling balances, and so on. (Mr. Blunt.) They are not in sight, at the moment.

1781. The Government has the assets?—They have the assets. They realise they are due to pay for them.

1782. What approximately is the value of the assets, in very round figures?—(Sir Eric Speed.) A rough estimate given to me in March 1947 involved a large sum.

1783. They are comparatively small in relation to the Egyptian economy?—Yes, very small.

1784. Taking paragraph 29 as well, how many of the various governments owe us money on these assets?—The Lebanon owe us the balance in respect of the railway which is referred to here. The sum there was only £1 million. Persia owe us £300,000 and Iraq £173,000, and Syria £189,000. They are all small sums.

1785. With regard to your purchases, I take it that the comparatively small realised price is purely due to the fact that the property is in the Lebanon?—You are referring to the railway?

1786. Yes?—It is mainly due to the fact that it was built in war-time conditions, in a great hurry. It was badly surveyed. Parts of the track had to be taken up and relaid elsewhere. The estimate for building the same track today is £1,200,000. It is not, from that point of view, such a bad thing. In addition the Lebanese have undertaken to pay all expropriation sums due, which are estimated to cost about half a million pounds which otherwise we should have had to pay. (Mr. Blunt.) I think it would have had more value if it had not been just a coastal railway. If it had fed inland it would have been worth more, I think.

1787. Owing to shipping competition?—It has no communication with inland. It is just a coastal railway.

1788. Are there any questions on those paragraphs? Paragraph 30 deals with stores. Have your store keeping arrangements ever been submitted to the criticism

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[Continued.]

of a professional accountant?—(Sir Eric Speed.) Yes.

1789. You have called in external advice?—Yes. They have on many occasions in my experience been submitted to a professional accountant. Recently an examination was completed by a firm of commercial accountants called Whinney, Smith and Whinney. Sir Charles Palmour, who unfortunately died recently, was the Chairman of it, and he conducted an investigation with his senior partner.

1790. How are you getting on with the clearing of accumulated deficiencies? In the third subparagraph of paragraph 30 the Comptroller and Auditor General tells us that the figures for 1946-47 "reflect partly the progress made in clearing accumulated deficiencies on accounts over a number of war years"?—It is a rather difficult one for me to answer. I think what is intended by that paragraph is to show that plainly, on the figures, we are getting on with it. The fact is that if you exclude arson and incidents of the Service from this figure which is quoted in the Comptroller and Auditor General's report, the net loss figure is about £1½ million, and of that about £900,000 worth is in respect of previous years. That leaves £600,000 worth for 1946-47, which compares, I think, with £897,000 in the previous year. Purely arithmetically, we are getting on in that proportion.

1791. With regard to arson, I take it that is owing to native action?—Yes. An incendiary bomb was put into this place I was talking about, Tel-el-Kebir. It is noted as Loss 114 in the Losses Statement appended to the Account, a loss of over £500,000.

1792. Tel-el-Kebir is in Egypt?—It is a base ordnance depot.

1793. Was there any particular motive for the arson?—I do not know. There is no evidence.

1794. Paragraph 31 deals with thefts. Have you any melancholy tales to tell us in that regard? The Comptroller and Auditor General tells us that there have been organised looting and pilfering of stores by armed bands?—I cannot say any more than I have already said about that.

1795. Paragraph 32 is: "Comparison of issues with consignees' receipts." The Comptroller and Auditor General refers to the Third Report of the Committee of Public Accounts, 1947, on the question of the issue of vouchers and receipts from consignees. That applied mainly, I think, to India. How are you getting along with the arrangements?—With one large exception (and that is Chilwell, up near Nottingham) the position is, generally speaking, satisfactory. Chilwell is not satisfactory, but we are working on it to get it better,

partly as the result of Sir Charles Palmour's report.

1796. What is happening at Chilwell?—You are talking about a comparison of issues with consignees' receipts, are you not?

1797. Yes?—It is merely that the re-introduction of that system has gone more slowly at Chilwell than anywhere else.

1798. I may be wrong, but, if I remember rightly, our 1947 report referred to conditions in India. You sent off goods from one part of India to another and nobody ever knew whether they have arrived?—If referred mainly to dispatches from England to all theatres of war, including India, and no voucher was at that time sent to the recipient and returned because it was a matter of chance where the particular consignment ultimately went. It might start off for Hong Kong and go to an entirely different station.

1799. Is Chilwell's trouble still related to dispatch overseas?—Yes. I ought to say that in the Middle East the position is entirely different. The violent evacuation of Egypt and other places means that the stores have got to be evacuated as best they can be.

1800. We pass on to paragraph 33. You are now taking stock of stores limited to future use. At the top of page xii the Comptroller and Auditor General says: "There is to be a new stocktaking limited to stores required for future use"?—That is abroad.

1801. Do you feel that that is going to be effective?—I think it is the only thing we can do. We had 200,000 tons of stores at Abbassia depot and we had 600,000 tons of stores at Tel-el-Kebir. We have had to move the base ordnance depot at Abbassia on evacuating the Delta. I think the best we can do is what is described in the Comptroller and Auditor General's report.

1802. That is, to attempt?—To check what we want for our own purpose.

1803. When you have done that under new circumstances, will you be able to control the pilfering which seems to be indigenous?—Under a new arrangement we shall presumably have our store depot where we mean to stay, where we can make it a good depot and where we can have troops to guard it. But where that will be, I do not know.

Mr. Benson.] Are there any questions on paragraphs 30 to 34?

Mr. Cuthbert.

1804. I suppose the same thing might happen to this depot of 17½ miles as you were mentioning about the other camps? It might disappear in the night? That is more or less what you are saying. You have no control?—No. Once you have gone you are finished.

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[Continued.]

Mr. McAdam.

1805. In paragraph 34 the Comptroller and Auditor General says: "A number of accounts have not yet been allowed by the Army Audit and others have been abandoned as unreliable after reference to my office. In one of these cases contractors had to be paid for substantial quantities of stores which could not be certified as received owing to the unreliability of the account." Is it not possible to find proof from the supplier of the stores that the stores have actually been delivered? Does not a contractor ask for a delivery note and receive a signed delivery note?—Proof from the contractor was forthcoming for statement of delivery. The trouble was that by a regrettable breakdown in the accounting arrangements on our side there was no statement that the material, in this case timber, had in fact been received. The contractor said he delivered it but he had nothing to show that he had done so except the timber, which was in stacks. I have no explanation of this. There is every reason to suppose that we received the timber and we have paid for it, but there is no evidence that we had received it.

1806. Surely the contractor himself when he delivered the timber would have a delivery note to be signed that the timber was delivered?—That is so.

1807. Could you not produce that delivery note?—He has not done so.

1808. So he might not have delivered it at all?—All I can say is that the quantities of timber which are found on the spot far exceed all claims by the contractors for delivered timber. I make no excuse for this. It seems to me to be a most regrettable affair; but the balance of evidence is that we did receive the timber for which we have paid.

1809. Surely it is slackness on the part of the contractor to deliver timber and not have his delivery note signed and not be in a position to produce that when called upon to do so?—My trouble is that I must defend the Department for having been even more slack, which I am attempting to do.

Mr. Benson.

1810. Where is the timber? Is it in England?—No, abroad. It was Mombasa.

Major Bruce.

1811. Could you tell me the number of accounts involved, in paragraph 34?—It is the usual carry-over. I understand the number was 169.

1812. Out of a total of how many?—I do not know. I understand it is a formal entry. There are always accounts outstanding at the end of the year. I do not think the Comptroller and Auditor General mentioned it as meaning that there were too

many. (Sir Frank Tribe.) It is usual to make a formal report on this point.

1813. Yes, but it is always nice to know what is involved?—(Sir Eric Speed.) The number is 169. I do not know what the value of them is.

1814. And the ones abandoned?—I cannot give you the number which have been abandoned. I have a statement of what they were. Fifteen accounts were abandoned as unreliable, but I have not the value of the accounts, I am afraid.

Mr. Benson.

1815. On page 1 we come to a note by the Accounting Officer and in paragraph 4 of your note, Sir Eric, you refer to the waiver of adjustment in respect of services. What are those services?—The most important is the Control Office for Germany and Austria, where no recovery was made for the pay and allowance of soldiers that we lent to them; nor for supplies which we issued for the use of the personnel of the Control Commission themselves. We did recover for the supplies which we provided for the German civil economy. The other one was the Ministry of Transport, where no charge was made for the cost of movements in vessels operated by them, which covered most of the troop movements, though not the store movements in commercial vessels for which we paid.

Mr. Benson] Are there any questions on this note by the Accounting Officer?

Lieut.-Colonel Hamilton.

1816. On paragraph 3, I think admittedly this arrangement is not good from an accounting point of view in that we do not know, really, what the Army, the Navy and the Air Force cost us. We see, for example, that clothing apparently cost only £2 million, but it must have cost a great deal more. Would you tell us whether it is contemplated that at some fairly early date the old arrangement will come into force by which whatever the Army gets from the Ministry of Supply will be shown as an Army expense?—It is now.

1817. That has already been introduced?—Yes. There is provision in the Estimate for a repayment from Army Votes to the Ministry of Supply; there was in last year's Estimates, too.

Mr. Benson.

1818. We turn now to the Account. Will you turn to page 10, details of Subhead Z, receipts? Have you any comment to make on No. 5: "Receipts from Control Office Germany and Austria." It seems to be a round sum. Many of the other sums seem to be taken down to pence. This one seems to be taken to the nearest hundred thousand?—It was a round sum because it was settled on the estimated figure and not on the actual figure.

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[Continued.]

1819. That was a settlement, not an actual receipt?—The Control Office paid us that sum which was the figure in the Estimate, not the actual sum due because as between two parts of the machine it seemed to be a waste of time to come down to actuals.

1820. On page 21, the footnote to Sub-head Z states: "A large unexpected advance payment (£700,000) was received from the Palestine Government in respect of works services in Cyprus for Jewish illegal immigrants." What actual arrangements did you have with the Palestine Government in connection with the housing of the illegal immigrants and the general handling of them?—The arrangement was that the Army built the camps and billed the Palestine Government.

1821. Did that also include the keep of the camps while they were in Cyprus?—(Mr. *Blunt*.) Yes, it included the maintenance as well.

1822. The total cost is to fall on the Palestinian Government?—(Sir *Eric Speed*.) Yes, but you will not find it in the Account separately, I think.

1823. Is there any likelihood, in view of the disturbed state of affairs, that anything will fall on the British taxpayer—any cost of handling these illegal immigrants?—Because there is no recovery from the Palestine Government? I do not know. If there is a sum outstanding I think the War Office will expect to receive it from the Colonial and Middle Eastern Services Vote. So far as my own accounts are concerned, the answer to your question is "No."

1824. It would be more satisfactory to receive it from the Palestine Government?—There must be a chance that we may not receive all the sums due from Palestine.

1825. Will you turn to page 22, Vote 11. I want to refer to Subheads C and CC, which refer to the cost of Poles who are here. What is the present position? What kind of progress are we making with regard to the liquidation of the Polish liabilities?—I have not made a great study of this. You may have seen the first report from the Select Committee on Estimates which was printed in February of this year and contains a long statement on the Poles.* That statement says that the total number of Poles enlisted in the Polish Resettlement Corps was 107,000 and of those 67,000 have been passed on into industry and are no longer in the Polish Resettlement Corps. There is a great deal of other information in this report that is available.

1826. I do not think we need cover that ground.—I hoped you might not want to do so because the Select Committee has already covered it fully.

* H.C. (1947-48) 62.

Mr. *Benson*.] There is no point in our covering what the Estimates Committee have done. We will take the whole of the Account and the Appendices. Are there any questions?

Major *Bruce*.

1827. I have one question on page 47 in Appendix 1, in the Stores Losses Statement. Item 144 is "Loss occasioned by leakage of petrol through a faulty gland during unloading operations at a storage depot abroad." The sum involved is £4,392 19s. 2d. Could you tell me how much you pay per gallon for petrol?—No, I could not, without notice.

1828. If you pay 2s. 0½d. per gallon, this works out at a loss of approximately 40,000 gallons of petrol.—I have now a note before me which tells me that "this loss of petrol, amounting to 80,000 gallons, occurred during unloading operations at a district petrol installation in Germany in December, 1945. A total of 6,000 tons of petrol were unloaded over a period of three weeks from 17 barges into a large tank, the contents of which it was impossible to check during the filling because at least 24 hours' standing is required before an accurate dip check can be made. This is due to surging in the liquid which in the case of a tank of these dimensions would indicate an apparent discrepancy of as much as 100 tons with only a 3-inch surge. When the contents were checked at the end of discharging it was apparent that a leak had occurred and a faulty gland was discovered which was allowing petrol to flow into the gallery which surrounds the tank between the steel shelter and the outer concrete wall. Such a leak would not be apparent externally. Efforts were made to salvage this wasted petrol by floating it out with water and pumping, but were largely unsuccessful. There was at the time a grave shortage of petrol installations and unloading operations could not be delayed while the tanks were checked for leakage. It was not considered that the situation warranted any disciplinary action against individuals." 80,000 gallons into £4,392 is the sum.

Mr. *Benson*.] About 1s. a gallon.

Major *Bruce*.

1829. Was it the normal practice in those days to check the installation prior to the petrol being unloaded?—I imagine it was the normal practice that when the installation was built it would be checked, but I do not know how you check for a faulty gland. I perceive that you know more about it than I do.

1830. No, I do not. I am seeking for enlightenment.—I am afraid I do not know.

1831. It is a pretty hefty lot of petrol to lose in one go, is it not?—Yes, it is.

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Lieut.-Colonel *Hamilton*.

1832. On page 31, Item 11 refers to three cases of debtor balances. In the third case the N.C.O. was released from service before the fraud came to light. Does that make it impossible to take proceedings against him?—That depends upon a judgment of the Divisional Court which is now being considered by the Law Officers of the Crown, and whether the answer to your question is "Yes" or "No" I do not know until the Law Officers of the Crown have given an opinion.

Major *Bruce*.

1833. May I put a question on Vote 10E, this small paper attached to a letter

(The witnesses withdrew.)

Adjourned till Thursday next, at 3.45 p.m.

Thursday, 29th April, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.

Mr. McAdam.
Sir Frank Sanderson.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES, called in and examined.

TREASURY MINUTE ON PARAGRAPH 41 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Sir WILLIAM DOUGLAS, K.C.B., K.B.E., Secretary, Ministry of Health, and Sir GEORGE HENDERSON, K.B.E., C.B., Secretary, Department of Health for Scotland, called in and examined.

Chairman.

1836. Sir William, you are the Accounting Officer for the Ministry of Health?—(Sir *William Douglas*.) That is so.

1837. The Committee thought it would be convenient if you were accompanied by Sir George Henderson, who is Accounting Officer for the Department of Health for Scotland. Perhaps I may inform you, Sir William, that your Minister's Parliamentary Private Secretary, Major Bruce, who is a Member of this Committee thought it would be perhaps a little embarrassing if he were present at the meeting this afternoon. So he is not going to be here. Will Members turn to the Treasury Minute on paragraph 41 of the Third Report of the Committee of last year? We made some comments in that paragraph about the standardisation of fittings for the housing schemes. In the last paragraph of the Treasury Minute which is in the form of a letter to the Ministry of Works, the Ministry of Health and the Department of Health for Scotland, the

signed "C. E. Key," dealing with purchases over £10,000? I see we have spent £20,092 on some land at Khayat Beach for Barracks?—Yes.

1834. What is going to happen to this land?—It falls into the general story of selling our fixed assets in Palestine. It has been touched on. So far we have realised a sum of under £400,000 cash.

1835. Shall we get this back?—I do not know, I am afraid.

Mr. *Benson*.] Are there any further questions? May I take it the Account is approved? (*Agreed*.) I think that concludes our examination of you, Sir Eric. Thank you very much.

Treasury say: "My Lords would be glad to be informed of the extent to which it has been found possible to require local authorities to conform to national standards in this matter." Have you sent an answer to the Treasury on this point?—Yes. We wrote to the Treasury in April, 1948, and told them that we had circularised local authorities giving them a long list of products which were standardised and which were very suitable for use by them in their house-building operations. We gave them a list of something like 136 products of a very varied character and we have every reason to think that the local authorities have adopted our advice in this matter. We are always extending this list and we are looking at it with a view to sending out some more advice.

1838. Are you in a position to enforce standardisation upon local authorities?—Not exactly to enforce it, but I think as a rule local authorities are only too anxious to help us in those matters. We have

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pointed out the advantage of it from the point of view of price and speed in the acquisition of these goods.

Chairman.] Are there any questions on the Treasury Minute on paragraph 41 of the Third Report of the Committee of Public Accounts, 1946-47?

Mr. McAdam.

1839. Is it not possible to enforce the position upon local authorities in view of the fact that they are dependent upon Government subsidies?—It raises a rather difficult question of how far a central Department can enforce matters upon a local authority which is, as it were, a partner of the central Department. We prefer to act by means of peaceful persuasion; and we have very seldom any difficulties.

1840. If peaceful persuasion is not successful cannot you use the big stick?—It is always in reserve.

1841. You can apply it if necessary?—If it were absolutely necessary, yes, we should do that.

TREASURY MINUTE ON PARAGRAPHS 76-80 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.] We pass to the Treasury Minute on paragraphs 76-80 of the Third Report of the Committee of Public Accounts, 1946-47. These deal with the advances and loans to local authorities in the London County Council area. It appears from the last paragraph of the Treasury

Chairman.

1842. I should have asked you, Sir George, whether you have also circularised local authorities in Scotland?—(Sir George Henderson.) Apart from the fact that we have not yet replied to the Treasury our position is substantially the same as that of the Ministry of Health. We do encourage local authorities and we did issue to the local authorities a set of standard plans which the Institute of Architects prepared for us, along with specifications, and these specifications included as many of the standardised items as were available at the time we issued these specifications. That is generally our policy; to encourage the local authorities to standardise their products as far as possible. Of course, there is one thing about it, and that is that with the shortages of materials some standardised products cannot be obtained at a particular time and we do find, however anxious local authorities may be to accept the standardisation, they are driven in some cases and at some times to use an alternative which is not a standard product.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS V.

VOTE I.

MINISTRY OF HEALTH.

Chairman.

1843. We pass to the Civil Appropriation Accounts, 1946-47, to paragraphs 47 to 53 of the report of the Comptroller and Auditor General. Paragraph 47, Sir William, deals with the question of houses requisitioned by local authorities for the accommodation of persons inadequately housed. That is a service the cost of which falls entirely on the Exchequer?—(Sir William Douglas.) Yes. The net cost falls on the Exchequer.*

1844. "In July, 1945," the report tells us, "the prior consent of the Senior Regional Officer of the Ministry"—that is the consent, I take it, to the requisition of any particular property?—That is so.

1845. "... was dispensed with, but local authorities were still required to furnish that officer with particulars of the houses requisitioned." What was the purpose of abandoning the necessity for the prior consent of the Regional Officer?—It was in the interests of flexibility and speed of

Minute that "the whole of the excess payments of about £2 million will, in effect, have been recovered by the end of 1947/48," so I think the Committee can regard this matter now as satisfactorily closed. Does any Member of the Committee want to ask a question on this Minute?

administration, and from the fact that the local authorities themselves were getting used to this operation we did not feel it was necessary for them to have to come in advance every time, but we got information *ex post facto*.

1846. So that whilst the Exchequer had to find all the money the local authorities had all the power?—The Clerk was acting as our agent.

1847. But acting under the instructions of his Council, I suppose, as regards requisitioning?—Yes, but in the light of the broad lines laid down by the Ministry.

1848. In the second subparagraph the Comptroller and Auditor General tells us that the examination by the District Auditor of a claim for reimbursement by a metropolitan borough showed that in this particular area 325 properties had been requisitioned but "had not been adapted and made available for occupation. Of these, 62 had been requisitioned or released from occupation by other services during

* See also Appendix 4.

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1945, and 126 during 1946. The amount of compensation payable in respect of these properties from the date of requisitioning, or release from other user, up to 29 September, 1947 was estimated to be more than £19,000 and there was a further substantial charge for rates. In October over 100 properties had been de-requisitioned." What is the name of the authority concerned?—Islington.

1849. Was this case unique or exceptional?—I think it was exceptional in this sense, that in Islington the housing problem was extremely acute; they had had a great deal of bomb damage and a lot of the property they took over was of a rather out of date sort—a type that required a great deal of adapting before it could be used.

1850. This matter came to light as a result of investigations by the District Auditor?—That is so.

1851. The District Auditor is a servant of the Ministry of Health, is he not?—He is on the pay roll of the Ministry of Health, but he is, in acting as Auditor, acting in an independent capacity.

1852. In getting his report as regards Islington, did you ask whether similar circumstances had arisen in other metropolitan boroughs?—Yes, we did. We sent out and got a return in which showed that the position was not on the whole unsatisfactory at all. If I may give you an idea of it, of the replies which we have got in from 14 authorities which have among them nearly 21,000 houses under requisition, an analysis shows that in 52 per cent. of those cases the work is completed or nearly completed, or substantially in progress; awaiting agreement with the War Damage Commission or the Ministry of Health, 15 per cent.; going to tender about 18 per cent.; under review, including possible de-requisition, about 10 per cent.; and there is a miscellaneous category of 5 per cent., which makes up the 100 per cent. That is in connection with the property which has been requisitioned which is vacant, so that in respect of more than half of such property work is actively in progress.

1853. Did I understand you to say that there were 21,000 houses under requisition in the London area?—No; those were the returns which we happened to have collated from the authorities which have already replied. I think the figure at the moment is something like 97,000 properties which are under requisition up and down the country. The majority of course are in the London area.

1854. Do those sample figures which you have got out show any indication of what proportion, say, of the 97,000 which have been requisitioned have never been occupied since requisitioning?—Of the 21,000, 453 were not occupied.

1855. That is quite a small proportion of the total?—Yes, very small.

1856. At 31st October, 1947, in Islington alone it appears there were 325 properties which had not been adapted and made available for occupation?—Yes, that number is down by 127 now.

1857. When you gave me the figure of 453 not occupied out of the 21,000, to what date does that relate?—The 18th April, 1948.

1858. Let us put it in another way. If at the end of August last there were 325 properties unoccupied in Islington which were under requisition, what proportion of the Islington property would that represent at that date?—I am afraid I cannot give you that right away. It would not be a big proportion, certainly.

1859. Now let me ask a question about the rates on these properties. We are told that in relation to these Islington properties the amount of compensation (that is, compensation rent) was estimated to be more than £19,000 and there was a further substantial charge for rates. How does a local authority come to charge rates upon property which has never been occupied?—For various reasons. First of all, it is not clear that because a property is unoccupied there is no beneficial occupation in the sense in which lawyers use that term on which rateable value is chargeable. Secondly, of course, if the property had not been requisitioned it is just possible that a private owner might have continued to carry on in those premises although they were damaged in some cases, and paid rates.

1860. Surely a property cannot be requisitioned unless it is standing empty, can it?—That is so, in the ordinary way.

1861. At any rate, it would not be the practice to requisition a property which was occupied?—No. It is empty property that is requisitioned. If it had not been requisitioned or put under notice that it was going to be requisitioned it is possible that the owner or some private individual might have occupied it and paid rates on it.

1862. It seems to me a little unsatisfactory that the Exchequer should have to bear the cost of paying rates to local authorities when the local authority has actually requisitioned the property but has never put anybody to live in it. That is what it amounts to, does it not?—When you say "has never put anybody in to live in it," it is a question of time. It is endeavouring to do so. It is held up by a series of difficulties from doing so.

1863. We have here mentioned in the report of the Comptroller and Auditor General a clear case of 325 properties which have been requisitioned which have not been adapted or made available for

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[Continued.]

occupation, and upon which a substantial sum of rates is apparently going to be claimed by the Islington Borough Council?—Yes, and it is perfectly clear that it would be a rather serious thing for the local authority if on all types of empty property no rates were to be paid. A lot of property has been requisitioned by other Government Departments of all kinds. It would be a rather serious matter for the local authority if in that case they were debarred from claiming rates from the Department which had requisitioned that property.

1864. In the ordinary way, I take it, the Government Department which has requisitioned does not pay rates; it makes a contribution in lieu of rates?—It makes a contribution in lieu of rates.

1865. But in those cases where the local authority itself requisitions property and the Exchequer has to find the expense for so doing, the liability for the amount of the rates does fall on to the Exchequer immediately, in full, does it not?—Yes, that is so.

1866. Perhaps you could tell the Committee, since the prior consent of the Regional Officer does not have to be obtained to this requisitioning process, to what extent you do, in fact, control the activities of the local authorities in this matter?—First of all, it is the general Government policy that those properties should be requisitioned. That has been enjoined upon the authorities as a matter of public policy, in order to help out with the extraordinarily difficult housing position. Therefore, on the whole, the authorities are doing what we wish them to do if they requisition that empty property where it is feasible to recondition it and make it habitable. There is a *prima facie* assumption that they do not require control when they are doing those things which we have asked them to do, but we get regular returns from them of all the property which, in fact, is requisitioned in this way, and it is a steadily mounting figure.

1867. Do you inspect at all to see that they are not requisitioning properties which are quite unsuitable for housing ordinary people?—No, we do not inspect. These are local authorities with responsible officers, engineers, surveyors and architects and in accordance with usual practice, when we entrust a job to an agent, we think he is capable of doing it without too much detailed supervision.

Mr. Cuthbert.

1868. Am I right in saying that on properties that have been requisitioned but are still empty and not occupied you pay rates as well to the local authority?—Yes, that is so.

Mr. McAdam.

1869. I was interested in the question put by the Chairman in regard to property requisitioned and requiring reconditioning. Does your reply mean that that property is also liable for rates when it is not habitable and requires reconditioning?—Which requires reconditioning?

1870. And the local authorities charge the Government?—Charging rates on it.

1871. It seems to me a pretty ridiculous position that on a house unfit for occupation you have nevertheless to pay rates?—The house is being made fit as quickly as possible.

1872. But at the time it is being made fit, nevertheless you are paying rates?—That is the position.

Mr. Benson.

1872A. Am I right in saying that special rating regulations apply to London and that empty property is rateable in London but not elsewhere in the country?—I do not think so. I think it is a general position we take up, not especially with regard to London.

1873. In Manchester, for example, a property that is not occupied is not liable to the payment of rates, no matter how long it is empty and the local authority never attempt to assess rates on empty property.—I think the view the Ministry have taken about it is that from the moment of requisition, as it were, the Crown is in occupation of it. That is the legal way round the difficulty; although it is empty it can be in occupation or even beneficial occupation.

1874. May I ask why you want to get round the difficulty? Here is a property which is empty and which is not attracting rates. The property is requisitioned, and then you adopt a liability which the local authority does not exact from any other owner. If I rent a property in Manchester and keep it empty I am not liable for rates, and if a property becomes empty the rates are apportioned for the time that the property is occupied and an allowance is made for the time it is empty, even if it only a house which becomes empty for one week, except for very small properties where there is a composition rate where the owner is liable for the whole. I ask why do you feel any obligation to pay rates when any other person who has the legal right to possession does not pay rates if he does not occupy the house or the property?—I understand that in those properties they have mostly been requisitioned by some other department before, and rates have been paid on them and we are merely continuing paying the rates.

1875. In other words, the Government is put in a worse position than a private—I will not say owner—but a private person who has the right to occupy?—Yes. Also,

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I should imagine, on the broad question of policy, it is our endeavour to get the local authorities to requisition those properties, and it would give them an interest—to put it no higher than that—to acquire those properties, if they felt they were going to get rates on them from the earliest possible moment.

1876. Undoubtedly you give them an interest. You give them a direct incentive to requisition every cowshed and broken down building within their boundaries, because immediately they requisitioned the property which is incapable of occupation you say “Right, we will pay you rates on it”?—They are not incapable of occupation. The whole idea is to get those properties for occupation. There is little fear that they would occupy property which would not be converted easily to something which would have to pass a proper standard of habitation once it had been requisitioned.

1877. In London you give them an incentive to requisition property, which is incapable of occupation at the moment, far ahead of the time when they can put it into condition—before they can recondition it?—The figures do not support that view. There is, as we have seen, a small proportion of the property which falls into that category because it is big and requires a good deal of adaptation, but for most of the property that is requisitioned in this way it is used at once, with very little bother.

1878. Your plea is that the “housemaid’s baby is a small one”?—It is a very small one.

Lieut.-Colonel *Hamilton*.

1879. You said that local authorities submitted to you the number of properties requisitioned. Do they also show whether they are occupied or whether in course of adaptation and so on?—They do.

1880. Do you call for explanations when there is evident delay?—Now that we have seen that there are delays, we arrange with the local authority saying “Had you not better give up this one, which looks as if it is going to take too long a time, and concentrate on property which can be more easily put into order?”

Sir *Frank Sanderson*.

1881. In respect to properties which are requisitioned, who is responsible for assessing the amount of compensation?—Compensation to the owner, that is?

1882. Yes. Who is responsible for assessing the amount of compensation payable to the owner?—I think it would be the District Valuer.

1883. Has the owner of the property no redress in the event of his not being satisfied with the amount of compensation offered?—I think in those cases where the

District Valuer makes an offer there is provision for arbitration if the person is not satisfied.

1884. There is an arbitration clause?—Yes.

Mr. *Thurtle*.

1885. I take it that all these emergency measures (particularly in London) to requisition were taken because of the immense problem of homeless people—of overcrowding?—That is so.

1886. Even in the cases where the properties were requisitioned and they were not put into habitable condition straight away, the motive behind the local authorities’ action was that these places were suitable for reconditioning, but at the moment they had not the necessary labour and materials to put them right, but they hoped to have them soon, and if they were not to requisition at that given time they might have lost the right to requisition, because they might have been put to some other purposes?—That is so.

1887. Yes, I thought that was so. I take it it can also be justified, apart from the question of there being masses of homeless people in these boroughs, from the point of view of maintenance of a decent standard of health, because is it not a fact that in these boroughs in particular like Islington and Shoreditch and the East End generally, there was terrible overcrowding existing which was very prejudicial to the maintenance of good health?—Yes. The conditions were very bad in the East End.

Chairman.

1888. One further question. On the question of rates upon the properties, I take it that generally speaking when houses are requisitioned in this way the compensation rent payable to the owner exceeds the amount of revenue which the local authorities get from letting the property to the tenant. That would be the usual position, would it not?—Yes.

1889. In arriving at a rateable value for the purpose of collecting the rates, I assume they take the compensation rent payable to the owner of the property as the basis of the rateable value, rather than the amount of the rent collected from the families rehoused?—That is usually the case.

1890. We pass to paragraphs 48 to 50. This affects both the Ministry of Health and the Department of Health for Scotland. These paragraphs relate, do they not, to permanent houses of a prefabricated character. Is that about right?—Yes, what we call the non-traditional methods.

1891. Does that mean constructed of any material except bricks? Would that be correct?—That is about it. Sometimes

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brick does enter into it, but for the most part they are cement or steel-frame or timber.

1892. These houses, as I understand it, attract not only ordinary grants over a period of years, but the Exchequer also bears the difference between the cost of building by these exceptional methods and the cost of building by ordinary bricks and mortar?—That is so.

1893. That is the basis of it?—That is the basis of it.

1894. We are told, at the beginning of paragraph 49. "A number of types of house of normal size have been approved at prices ranging from about £1,170 to £1,330." What is meant by the phrase "of normal size"? What is the size of these houses? Do you know?—It is our normal size, I think, from the point of view of the house size laid down by the Minister of Health,—about 1,000 superficial square feet.

1895. When it speaks of the aluminium bungalows in the next sentence or two, that says that they are considerably smaller in area than the types mentioned above. What sort of superficial area have the aluminium bungalows?—It is about 650 square feet.

1896. They are very small houses?—They are small.

1897. We are told in paragraph 48, at the foot, "the estimated total commitments . . . amounted to some £30 million." That is for these special grants for paying the excess costs of these houses over the normal methods?—That is so.

1898. Perhaps you can give me some later figure than the £30 million can you, that was in July, 1947?—I do not think I have any later figure here.

1899. Let me put it in this way. That is about the total commitment, is it not, because you are not now entering into further commitments under this Housing Act?—That is so.

1900. May I be told how much of the £30 million commitment is undertaken in England and how much in Scotland?—It is about £24,500,000 in England and Wales and the balance will be Scotland. (Sir George Henderson.) I am sorry, but my figure does not square with that.

Chairman.

1901. Let us have your figure?—My figure of total commitments as estimated at the moment is £2½ million.

1902. How can we make this add up correctly, Sir Frank? They are £24½ million for the English commitments and £2½ million for the Scottish?—(Sir Frank Tribe.) Perhaps you would like me to give you my figures. I understood that the latest figure for commitments was just over

£31 million. Of that, apart from aluminium houses, the commitment was about £15½ million in England and Wales and £5½ million in Scotland. That leaves £10 million commitment for aluminium bungalows which is spread over both England and Scotland. I have not the split-up for the aluminium bungalows. (Sir William Douglas.) That agrees with our figure.

1903. Sir George, there seems to be a discrepancy between the £2½ million you say is your total commitment and the £5½ million which Sir Frank gives us as the commitment on housing other than aluminium. (Sir George Henderson.) Yes. I think I must correct my figure. I notice it is only in connection with a certain number of houses over which a check has been taken. I think if we take, say, £4 million or perhaps £4½ million for the other types and rather over £1 million for the aluminium types that is about the figure.

1904. To go back to your figures for a moment, Sir Frank, you gave us £21 million as the commitment on non-aluminium houses and £10 million on the aluminium houses. Is that right?—(Sir Frank Tribe.) Yes.

1905. I do not know whether I can be told what is the total number of houses which qualify for these grants?—The figures corresponding to the figures I gave you would be 15,000 aluminium bungalows for the two countries; 88,500 other houses for England and Wales and about 30,000 other houses for Scotland (Sir George Henderson.) Yes, Scotland is just under 30,000 houses.

1906. Is that excluding the aluminium houses?—That is including the aluminium houses.

1907. That would give us something over 100,000 houses for England, I think, Sir William, would it not?—(Sir William Douglas.) Yes, about that.

1908. That is a total of about 130,000 houses of which, according to Sir Frank's figures, 15,000 are I think aluminium?—(Sir Frank Tribe.) Yes. My figures would show that £10 million of the £30 million was in respect of aluminium houses, but there were only 15,000 aluminium houses out of a total of 133,000.

1909. Sir William, would you agree with these figures?—(Sir William Douglas.) Yes, I think, roughly, we would agree with them.

1910. That is to say, the liability on the aluminium house is very much heavier than it is on the non-aluminium?—Per house?

1911. Per house, yes?—Yes, very much. It is somewhere about £750 per house.

1912. It is the difference between the figures given in paragraph 49 of the Report of the Comptroller and Auditor General—the £850, which is the cost of a comparable

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brick house and the £1,500 odd which is the cost of the aluminium house?—Yes, that is right, it is about £750. (Sir *George Henderson*.) The figure I have here is that the aluminium house is likely to cost about £750 per house. The other types of non-traditional houses are likely to cost an average (because they vary a great deal) of £165 per house as compared with £750 for the aluminium house. (Sir *Frank Tribe*.) The aluminium house is about two-thirds the size of the other.

1913. Yes, the aluminium house is a much smaller house?—(Sir *William Douglas*.) Yes, that is so.

1914. What is the justification for this very large subsidy on these aluminium houses? Is it a matter of speed in erection?—Yes, it is a question of speed of erection. The aluminium house, I think, of all these houses, is the only one which you could say was a prefabricated house. It is a factory built house and comes in four or five sections on to the site, and is put up very quickly. We were doing all we could to get houses built by ordinary methods and by non-traditional methods; we were still not meeting the great request that there was for houses in a hurry in the mining districts. We turned to this aluminium house which could be built in the factory and erected very quickly without the use of ordinary building labour in anything like the same way.

1915. I do not know whether this has come to your ears, but we have heard on this Committee before that the price of aluminium is to some extent subsidised by the Government. Are you aware of that?—Yes, that is in it.

1916. So that the loss on these houses would be even greater if the full price of the aluminium were charged?—I think for the latter part of our construction we are going to pay the market price for the aluminium so as to bring that out.

1917. Are these aluminium houses all erected now? Is the scheme concluded so far as they are concerned?—It is not concluded in the sense that they are all erected. The demand has been finalised.

1918. What are the other types of non-traditional houses referred to at the beginning of paragraph 50?—Paragraph 50 refers to the Swedish house, the timber house, and the Howard house, which is a steel-framed house with asbestos cement cladding.

1919. How do the Swedish houses work out financially? Do they qualify for a big subsidy, too?—They are expensive I am afraid and it looks like about £500 on the average. There are different types but it averages out at just slightly under £500.

1920. What would be the total cost of a Swedish timber house erected here?—About £1,400.

1921. All these figures in these paragraphs I take it exclude the cost of the site, the cost of the sewerage and services?—It includes the cost of the site and sewerage and all that.

1922. These figures are inclusive?—Yes.

Chairman.] Are there any questions on paragraphs 48 to 50 of the report of the Comptroller and Auditor General?

Mr. McAdam.

1923. With regard to the aluminium house, are there any temporary ones being built, or are they all permanent?—Those are permanent houses.

1924. All permanent?—Yes.

1925. Could you tell me what is the normal life?—I am not quite sure. This is a new type of house, but when we think of a thing as permanent we think in terms of 50 or 60 years.

Mr. Benson.

1926. In view of the very much lower cost of your brick house, can you give us any indication as to how the proportion of brick houses is moving, as compared with your total number of houses?—The commitments for these new non-traditional houses have finished now to all intents and purposes and we are going now on to traditional houses.

1927. By "traditional" you mean brick?—Yes. There are certain traditional types of cement building which are well-known to the trade. We are including those as well.

1928. Before long you will be building nothing but brick and cement houses?—That is so. We have one particular type, which is going on for a bit longer but for the most part they will be ordinary traditional houses.

1929. What is the relative cost as between your brick houses and your cement type?—There is very little difference. Brick and cement are competitive.

Sir Frank Sanderson.

1930. With regard to the subsidised houses, do they belong to the local authorities exclusively, or do they belong to local authorities and also to private owners, such as, let us say, a mining company?—For the most part those are local authority houses.

1931. They are the local authority houses. Is that subsidy provided through the Vote of the Ministry of Health?—Yes.

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1932. Can you tell the Committee how that is accounted for in the Ministry of Health Accounts? Is it merely written off as a loss? You have got the £30 million. Is that £30 million regarded simply as an expense incurred by the Ministry of Health during the year against which there is no asset?—Yes, that is so.

1933. One other question. Are the houses let at what is regarded as an economic rent or is the cost of the houses taken into account at all?—The cost of the house is not taken into account by the local authorities in fixing the rent. It is done in other ways.

1934. They are let at what is regarded as an economic rent?—Yes.

1935. By an economic rent, of course, I mean from the tenant's point of view?—Yes, from the tenant's point of view. It is not an economic rent necessarily.

Chairman.

1936. Paragraphs 51, 52 and 53 deal with other matters. In paragraph 51 I understand that what is known as the Spens Committee reported in favour of an increase in the capitation fee for panel doctors. Is that right?—That is so.

1937. From January 1st, 1946, it was increased from 10s. 6d. a patient to 15s. 6d.?—There were two steps—from 10s. 6d. to 12s. 6d. and then from 12s. 6d. to 15s. 6d.

1938. That was done administratively. There was no statutory authority sought?—No, it was done administratively.

1939. And so far no one has complained about that, least of all the doctors?—I think the doctors have made it clear now that it is not quite enough.

1940. We are told "these capitation fees are normally chargeable against National Health Insurance Funds, and the Minister of National Insurance was able to accept 2s. of the 5s. increase as admissible against such funds under the statutory powers conferred on him to meet conditions arising by reason of the war." I know you cannot answer for the actions of the Minister of National Insurance, but why was it that only 2s. out of the 5s. increase was charged against the insurance funds?—I think you get it two ways. I think in the Spens report it is said that there should be a betterment in the sense that the pre-war capitation fee should be made up to take account of the increased cost of living and that sort of thing. He also said "Over and above that, we think that if we do get back to the pre-war position they should have something more than they were getting," and I think the Minister of National Insurance felt that 2s. would be a fair representation of the increase due to war conditions and I think also that is about

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as much as their moneys ran to. They had certain moneys in their funds and those two things balanced out, and we regard the 3s. as due to an uplift in the conditions of the doctors.

1941. The balance of 3s. a patient has to come, I suppose, from the Exchequer and be borne on your Vote. Is that right?—It is borne on our Vote from the Exchequer and is accounted for here.

1942. I assume you argued as strongly as you could that as much as possible should come out of the insurance fund?—We did represent that fact, yes.

1943. But the 3s. part of the increase really represents an improvement in the doctors' standard over pre-war?—That is so.

1944. It is the contention that the capitation fee was too low before the war?—That is so.

1945. The same thing, I assume, has occurred in respect of Scotland?—(Sir George Henderson.) Precisely.

1946. We will take these three paragraphs together. On Nurseries, paragraph 52: "The arrangement under which the Health Departments met the whole of the local authorities' net expenditure on the maintenance of wartime nurseries ceased on 31st March, 1946. Some of these nurseries (about 280 in England and Wales and less than 20 in Scotland) were taken over by education authorities." Could you tell me upon what terms they were taken over? Did the education authorities pay anything for them, or make any contribution towards the capital cost?—(Sir William Douglas.) I do not think there was any adjustment as between the Ministry of Health and the Ministry of Education about the capital cost. As it were, they belonged to the Government and they were just transferred to the operation of the Ministry of Education.

1947. You mean to say that the equipment and so on had been purchased by the local authorities at the expense of the Exchequer, and was simply transferred to the Ministry of Education?—That is so.

1948. Similarly in respect of the majority, mentioned in the next sentence (about 900 in England and Wales and 80 in Scotland), they were retained for use as day nurseries for children under five years of age by local welfare authorities, as part of their maternity and child welfare services?—That is so.

1949. I take it these local authorities took them over as going concerns with any equipment they had and so on without making any repayment for it?—When the local authorities took them over they paid. When they were established in huts supplied by the Ministry of Works, local education

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authorities and local child welfare authorities were asked to purchase the huts; and if they stand on leased or requisitioned land, to lease the land by arrangement with the Ministry of Works; or in default of purchase to pay an appropriate rent to the Ministry of Health.

1950. That does not quite answer my question about equipment. I take it these nursery schools would have a certain amount of equipment in the form of furniture, cooking utensils and so on. That had all been purchased by Exchequer money, and I wondered if any repayment had been made when it was transferred to the local authorities?—The equipment was bought and paid for by the local authority on a valuation basis.

1951. Paragraph 53 deals with interim grants to certain hospitals. "The Minister of Health gave an assurance in the House of Commons that if, during the period prior to the 'appointed day'—is that the 5th July forthcoming?—Yes.

1952. "... a voluntary hospital fund found that its efficiency was likely to be impaired through financial conditions over which it had no control"—that is a euphemism for a falling off in voluntary subscriptions, I suppose?—That is one way of putting it.

1953. "... it could apply to him for assistance"?—Costs were rising. Costs of hospitals have been rising very greatly.

1954. Up to the end of 1947 advances totalling something over £5 million were made to 279 hospitals, but we are told "Assistance given as a result of this assurance is based on a critical examination of the hospital's accounts and estimates, and the hospital is required to undertake, *inter alia*, that its existing bank-overdraft will be frozen, that any free funds will be used to meet current expenditure and that authority will be sought for any proposals involving substantial or capital expenditure." I take it that your officers have made a critical examination of the accounts of the hospitals applying for assistance?—Yes. The procedure is for the hospital authorities and the treasurer to go to the Ministry of Health with their books and go through them with our accountants.

1955. Again, in respect of these grants, no statutory authority exists other than the Appropriation Act?—That is so.

Chairman.] Has any member of the Committee any questions on these three paragraphs?

Mr. Cuthbert.

1956. On paragraph 51, on this question of the difference of 2s. and 5s. which the funds of the national insurance could not go to, shall we say, would that point to the fact that the contributions to the National Insurance were too small to create a fund

out of which they could have paid the full 5s.?—Certainly if the contributions had been greater the fund would have been proportionately greater, and they would have been able to bear that.

1957. In other words, the contributions were too small and they could not cover the full 5s. extra?—Yes, that is so.

Mr. McAdam.

1958. On paragraph 52, "Nurseries," it says "Pending the operation of the National Health Services the welfare authority receives from the Health Department a grant of about 50 per cent. of net approved expenditure." That replaced the 100 per cent. grant made during the war years. Does that mean that once the National Health Service comes into operation the Minister of Health will again be responsible for 100 per cent., or is it passed on to the Ministry of National Insurance?—Those will be run as a service by the local authorities under Part III of the National Health Service Act and there will be a special grant of 50 per cent. to the local authorities for running them.

1959. 50 per cent. will still remain?—It will still remain in that respect.

1960. Have you had any approaches made by the local authorities for the 100 per cent. grant to be reinstated?—No.

Mr. Benson.

1961. Could you say how many children this £723,000 represents?—Approximately how many children are in these nurseries?—At 31st March, 1946, there were, in England and Wales, a total of 63,000 places for the two nursery groups—nothing to 2 years and 2 to 5 years. It is not possible to say how many were actually in occupation at that time. I have not got the figure.

1962. What exactly is the function of these, in the maternity and child welfare service? During the war, I believe, they were run for the purpose of enabling mothers to engage on war production. Is that not so?—That is so.

1963. Now what is their function?—There is still a great deal of that, and for the rest of it, it is I think where an extra baby is coming along and that sort of thing and the home circumstances are very difficult.

1964. Again, speaking from memory, the cost per head of the children who were looked after during the war was extremely high. Is it not desirable that we should know roughly how much per head it costs to keep a child in these places?—It is about 27s. a week—that is the average gross weekly cost per place in London—and 23s. elsewhere.

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1965. That is the cost per place, but what does that represent per child? Your children's home may only be one-quarter full?—Yes. I have not the figure corresponding to this particular date, but I think that it will be far more than one-quarter full.

1966. Even if they are only half-full it means 54s. per child. Could you find that out without a lot of trouble?—We could try to find out, at a comparable period what percentage of places were filled. Scotland has some figures which might help you, if you could assume a similar experience in England.

1967. What percentage of places is filled in Scotland?—(Sir George Henderson.) If I may answer all your questions, the number of places in the 80 nurseries which were in operation at the end of 1947 was 3,282. The number of children on the rolls was 3,364, rather more than the number of places. The average daily attendance, excluding Saturdays (so very few go in on Saturdays, of course) was 2,828—86.5 per cent. of places. The gross average cost per child day (not per place) was 5s. 10½d. per day, the average receipts 11½d. The net average cost per child day was 4s. 11d.

1968. Is the function to look after the child for the day?—(Sir William Douglas.) They are day nurseries.

1969. As a matter of fact the Scottish figures do not coincide with my memory during the war. I should be glad if I could have the figures?—I will do my best. It means trying to get some sort of figure. (Sir George Henderson.) Our figures are very much the same as our war-time figures—rather up because of the increased cost of food and so on.

1970. What contribution is made in England, per day?—(Sir William Douglas.) It is 5s. 6d. per place week. The contribution from parents averages about 5s. 6d. per place per week.

1971. That is 5s. 6d. as against 27s.?—27s. in London and 23s. elsewhere.

1972. In paragraph 53 it says that 279 hospitals applied for grants. What percentage of the total hospitals in the

country is that, or is that a figure you cannot possibly get?—Perhaps you will give me time to do a sum.

1973. If it is difficult do not bother?—It is a rather difficult one.*

Lieut.-Colonel Hamilton.

1974. In paragraph 53 it states that if a voluntary hospital applies for assistance it must satisfy you that it is not making inroads on its capital. Do you lay down anything for hospitals in general, that they should maintain their capital intact, or would it be possible for a hospital that was not going to ask you for a grant to finance its current expenditure out of capital?—If they have free funds they have got to use them.

1975. Can they make use of capital funds?—Yes, they can, provided it is not tied up by some trust deed or something like that.

Sir Frank Sanderson.

1976. In respect to the capitation fee payable to doctors for their services under the National Health Insurance Act which was increased from 10s. 6d. to 15s. 6d. on January 1st, 1946 (that is over two years ago) could you inform the Committee whether there has been any alteration—any increase or decrease—since that date?—There has been no increase or decrease since that date.

Mr. Thurtle.

1977. Does this capitation grant compare with the payment which is going to be made once the new Act comes into force?—We are negotiating with the doctors as to what the fee should be for the new service. It will not be the same as this.

1978. They are still not satisfied?—It is rather a different service, perhaps, is the better way to put it. It is not strictly comparable with the old National Health Insurance.

* Paper circulated to Members; not printed.

CLASS IX.

VOTE 1.

EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, ENGLAND AND WALES.

CLASS V.

VOTE 1.

MINISTRY OF HEALTH (continued).

Chairman.

1979. Now we turn to the Account. We will take also Class IX, Vote 1, "Exchequer Contributions to Local Revenues, England and Wales." Class V,

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Vote 1 contains, under a number of sub-heads, the whole of the expenditure of your Ministry except for the General Exchequer contributions under Class IX, Vote 1?—(Sir William Douglas.) That is so.

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[Continued.]

1980. Is there any reason Sir Eric, for having the separate Vote—Class IX, Vote 1, for the Exchequer Contributions to Local Revenues, which is accounted for by Sir William Douglas—and for the Scottish Exchequer Contributions? I should have thought, as a matter of convenience, it might be considered whether that should be brought into the expenditure of the Ministry of Health?—(Sir *Eric Bamford*.) There will be a change under the new legislation. This classification, as the Committee know, was based on recommendations of the Select Committee on Estimates. I am afraid my recollection of the exact reasoning is rather faint.

1981. I recognise the status of the Estimates Committee in this matter, but I did think that from the point of view of the Public Accounts Committee these two Votes might be more conveniently arranged?—You are suggesting that this Class IX Vote should be amalgamated with the Ministry of Health Vote?

1982. I should have liked to see, at the beginning of the Ministry of Health Vote, the administrative charges of the Ministry, which now come towards the end?—(Sir *Frank Tribe*.) The administration and incidental charges are in Subheads A to D on page 222.

1983. I should have thought if we could have seen the administrative charges set out first and then have had the remainder of the Vote divided into the headings of Health, on the one hand and Housing on the other and the contributions to local authorities in the third place, it might have tidied it up a great deal in that way and would have been much clearer. I do not know whether you might, perhaps, give a little consideration to that, Sir Eric, or discuss it with the Comptroller and Auditor General?—(Sir *Eric Bamford*.) We should be very glad to consider that, Mr. Chairman.

1984. I quite agree the Estimates Committee would have to be consulted about this. Sir Frank Tribe, have you some views on this question?—(Sir *Frank Tribe*.) I rather feel it might help the Department in future. Under the 1948/49 Estimates of the Ministry of Health they have submitted a new Vote, Class V, Vote 2, for the National Health Service. Under the 1948/49 Class IX there is still to be continued, apparently, a Class IX Vote, although the new Local Government Bill is the basis of the grant. It might help both the Estimates Committee and this Committee if in future there were one Administrative Vote, in the way there is for the Foreign Office or the Colonial Office, followed by separate Votes for Health, Housing, and then contributions for local authorities, but it is a matter that needs exploration, certainly.

1985. Perhaps you might discuss that with the Treasury?—And the Department?

1986. And the Department, yes, to see if something rather more convenient than this form of Account can be reached?—Yes.

1987. On the Account itself, the first question I want to ask you is on page 227, "Miscellaneous services arising out of the war and transitional services," Subheads W.1, 2 and 3. Subhead W.1 is "Salaries and Travelling Expenses," a sum of £760,000.—(Sir *William Douglas*.) Those relate to the emergency medical service which is by far the biggest item in Subhead W.1. There are certain evacuation services and travelling and subsistence allowances there.

1988. In the main it is salaries paid to doctors under the E.M. Service?—Yes, under the E.M. Service.

1989. Those were whole-time paid doctors in the service of the Ministry?—Some were part-time specialists and some whole-time, but they were all in the E.M. Service.

1990. And that is coming to an end, or has come to an end?—It is just finishing.

1991. Subhead W.2 is "Emergency Hospital Scheme," an expenditure of £10,261,000 in the year of account. Why was it necessary to spend over £10 million in the year of account, mainly, I understand, in payments to local authorities for reserving beds in hospitals? Is that right?—The actual running costs included the maintenance of patients—that is the big item. In these E.M. Service hospitals we are still looking after Service casualties, and air raid if there are any remaining. There are some very long stay cases. Interned aliens are still being looked after, A.T.S.; blood donors; civil nursing reserve; evacuees; Irish agricultural workers; Women's Land Army; some Ministry of Pensions cases and prisoners-of-war; repatriates from Palestine, India and the Far East; Ministry of Labour trainees and the Polish Resettlement Corps.

1992. In respect of all those persons you have to pay the hospital fees?—We are paying the hospital fees, for the hospital treatment.

1993. Subhead W.3 is "Emergency Housing, etc., Accommodation." Is that sum of £15 million related to the previous matter we were discussing, about housing?—Yes.

1994. Subhead W.9 is "Advances and Loans to Local Authorities" an expenditure of £3,386,000. What is that?—That is advances for financial assistance to local authorities whose rate income was affected by war conditions.

29 April, 1948.] Sir WILLIAM DOUGLAS, K.C.B., K.B.E., and
Sir GEORGE HENDERSON, K.B.E., C.B.

[Continued.]

1995. You were still giving assistance to coastal resorts and so on, were you?—Yes, and some of the London boroughs as well, that were badly damaged and suffered.

1996. I take it that has come to an end now?—It is coming to an end.

1997. It is much reduced, at any rate?—It is much reduced.

Chairman.] Are there any questions on the Accounts?

Lieut.-Colonel *Hamilton*.

1998. On page 224, Subhead G.II is "Grants to Hospital Authorities for the maintenance of Hospitals transferred from the War Office." Nothing appears to have been done in regard to hospitals transferred from the War Office. Could you tell the Committee how that situation stands generally—what progress it is hoped to make or how soon it is hoped to make progress? Only £5,000 out of £250,000 was spent, apparently.—We were proposing to put at the disposal of the hospital authorities huttred premises previously used by the American authorities. The authorities were to use the premises and equipment free of charge. We were going to give some assistance but, due to rather lengthy negotiations with local authorities and shortage of materials and labour for adaptation work, no scheme for the expansion of civilian hospital accommodation in this way reached the point at which assistance had to be given by the Department in the year under consideration, except one small payment.

1999. What is the situation now, and how is it going to develop? That is really what I was getting at?—Now, hospitals transferred from the War Office on the 5th July will come under the direct purview of the new Service.

2000. So this will really be in the hands of the new Regional Committees?—That is so.

2001. It is up to them to make what use they can of them because my experience is that they are very well equipped?—Yes.

2002. It would be a pity if they were allowed to lapse and become neglected?—That will not be allowed.

Sir *Frank Sanderson*.

2003. On page 224, Subhead G.7. "Grants under the Rural Water Supplies Act, 1934, and the Rural Water Supplies and Sewerage Act, 1944," the amount of

the grant was £207,000, of which only £2,600 was in fact expended. Can you tell the Committee the cause for this money not being expended? Was it due to the shortage of the necessary materials or to other causes?—We had hoped, as you will see from the amount that we took in provision, that there would be considerable progress, but owing to the shortage of materials and labour, and so on, we have not been able to make as rapid progress as we anticipated.

2004. In other words, you were held up due to shortage of materials?—That is so, and it is now gradually beginning to get under way.

Chairman.

2005. There is one other question I should like to ask you on page 231, under "Receipts in respect of disposal of stores and equipment surplus to the requirements of the emergency hospital service, evacuation scheme, &c." I see you have realised £2 million there, much more than you anticipated. It is the fourth item on page 231. These, I take it, were stores in the hands of the local authorities, were they?—They were stores in the hands of the local authorities, which they had kept as reserves during the war period for use for different purposes. They have been gradually making arrangements to liquidate them.

2006. How were they disposed of, generally? Was there a sale—open tenders?—As a rule there were local sales. We did it every way—tenders and local sales—whichever seemed to be the best way of getting them used.

2007. But they were not disposed of by private bargain?—No. I am excepting, of course, the hospital equipment, which we handed over to hospitals. That was a private arrangement.

2008. You are satisfied that the arrangements for realising this property resulted in the best possible results being obtained?—Yes, I am. I go further, and say that I think it was about the only way in which we could have got the goods which were lying up and down the country into circulation quickly again. The tendency was for them to lie in dumps and be neglected.

Chairman.] Are there any further questions? May I take it that these Accounts are approved? (*Agreed.*) We can release you, Sir William, at this point. There are a few more points on Scotland which Sir George can answer for us.

Sir William Douglas withdrew.

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Sir GEORGE HENDERSON, K.B.E., C.B.

[Continued.]

VOTE 14.

DEPARTMENT OF HEALTH FOR SCOTLAND.

HIGHLANDS AND ISLANDS (MEDICAL SERVICE) FUND.

Chairman.

2009. Will you turn to paragraphs 66 and 67, dealing with the Scottish Special Housing Association? It appears that a total capital expenditure in the Accounts up to March 31st a year ago amounted to £2,819,000 and the amount outstanding by way of advances made by the Exchequer was about the same figure?—(Sir *George Henderson.*) Yes.

2010. Is there any arrangement for these advances to be repaid?—Yes; they are repayable in various ways, according to the precise act under which the advance is made.

2011. In the meantime, are you getting interest on the money?—Yes.

2012. The Exchequer is getting interest on the money?—Yes, we are getting interest.

2013. You anticipate that the advances will be repaid?—Yes.

2014. We are told the advances include £120,000 "to provide the Association with working capital to enable it to develop its direct labour organisation for the purposes of building its own houses on a large scale and of executing work on behalf of local authorities." Obviously the Association had simply been a means of financing the building of houses. Is that right?—Yes. They put jobs out to contract in the ordinary way.

2015. Now they are going to have their own labour force and build houses themselves?—That is the intention; but they will not build the houses entirely by themselves; they will still place the majority of the work out to contract.

2016. Will their labour force be what is known as mobile? Will its employees have to be prepared to move from one part of the country to another?—It is intended to make a certain part of it mobile, so that they can send it to the spot where assistance is needed.

2017. When it speaks of executing work on behalf of local authorities, I suppose that means the smaller local authorities, because I suppose the larger authorities would prefer to build their own houses rather than have this Association do it for them?—I think that is probably so.

2018. The Treasury, we are told, have approved this arrangement subject to the condition that not more than £600,000 should be outstanding at any one time. Trading accounts are to be kept. Will the Public Accounts Committee see the trading accounts of this concern?—I think

they can do so. I am not sure that they will be part of the Departmental Accounts, but the Committee can see them.

2019. They will not be laid before Parliament?—They will not be laid before Parliament.

2020. Will you see them, Sir Frank? I take it you will not?—(Sir *Frank Tribe.*) I understand the accounts are to be audited by a professional firm of accountants. I shall not have access to the books but I understand that I shall see the accounts as presented to the Department. (Mr. *Jones.*) I think that the right of the Comptroller and Auditor General to have access to the books of the Association was reserved in an agreement between the Department and the Association. (Sir *George Henderson.*) I think that is so. (Mr. *Jones.*) It was our intention that access to the books of the Association should be given to the Comptroller and Auditor General if he wanted to exercise that right. (Sir *Frank Tribe.*) I am sorry I made a mistake.

Chairman.] Are there any questions on paragraphs 66 and 67 of the report of the Comptroller and Auditor General?

Lieut.-Colonel Hamilton.

2021. Is this housing association an old standing organisation?—(Sir *George Henderson.*) It was set up as a housing association to operate in the Special Areas—the Distressed Areas—10 or 11 years ago. It has since been developed into a much wider organisation to cover substantially the whole of the country in areas specified by the Treasury. It is no longer confined to the Special Areas.

2022. To what extent was it publicly or privately financed?—It has always been publicly financed, as far as possible; first of all the Commissioners for the Special Areas before the war, when it was a Special Areas Association, and since that by the Exchequer.

Chairman.

2023. Paragraph 67 deals with the Emergency Hospital Service in Scotland. You are still running seven emergency hospitals?—Yes, until 5th July.

2024. Do you regard the staffs of these hospitals as civil servants?—I think not as civil servants—not in the ordinary connotation. They are employed by the Department but I think the Treasury would not consider them to be civil servants. In any case, they are temporary.

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Sir GEORGE HENDERSON, K.B.E., C.B.

[Continued.]

2025. Could you give me the figure of the cost since July, 1946, the date mentioned in the second subparagraph, of maintaining these hospitals?—I can give you the cost per patient. The cost of maintaining a bed as distinct from occupying a bed is approximately 10s. 1d. per day.

2026. Per bed per day?—Yes, but all these beds are not staffed and therefore the more reasonable figure to quote is the cost of maintaining a staffed bed per day and that is 17s. 4d. To each of these figures has to be added 4s. 1d., the cost of maintaining a patient in the bed. That makes the two figures I have given in total 14s. 2d. and 21s. 5d., 21s. 5d. being, I think, the appropriate figure to quote to you as the cost per day of maintaining a patient in a bed for which there is staff. It is £7 10s. per week, approximately.

Mr. McAdam.

2027. Could you tell me where the seven hospitals are situated?—They are pretty well scattered over the country. There is one in Selkirkshire, one in Ayrshire, one in Stirlingshire, one in Perthshire, one in Inverness-shire and one in Angus.

2028. In respect to the staff; some of the staff I anticipate will be R.A.M.C. personnel—Queen Alexandra's Imperial Military Nursing Reserve?—No.

2029. They are all civilian?—Yes; they are all civilian.

Chairman.

2030. The Account is at pages 264-270. Subhead F.7, on page 266 is: "Emergency Housing Services," for which there was an expenditure of £194,000. What does that cover?—That is mainly the cost of requisitioning houses; also the cost of adaptation of certain other properties which were required.

2031. In Scotland you do not have the same system as they do in England, do you, of auditing local authorities' accounts?—The accounts of local authorities are audited by private chartered accountants appointed by the Secretary of State for Scotland for the purpose.

2032. You heard earlier in the discussion this afternoon in regard to the Borough of Islington, that the researches of the District Auditor had brought to light certain facts with regard to requisitioned property there?—Yes.

2033. Are you satisfied that your system of using professional auditors in Scotland would bring to light a similar case if one were to occur in Scotland?—I think so, but in addition to that, when we knew about this criticism in the report we did make our own inquiries and we could not find anything similar, and that is not surprising, because the circumstances of requisitioning in Scotland, I think, were quite different. They arose very largely in the ordinary

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course of events, properties becoming vacant, all properties having been requisitioned by one or other Service Departments and no longer being required by them. There was not nearly the same number of big blocks of flats damaged by war action.

Chairman.] I have no further questions on the Account. Has any Member of the Committee any questions?

Mr. McAdam.

2034. Following up that question with respect to Islington I think you will agree that the rating system in Scotland is entirely different from the rating system in England?—Yes.

2035. On vacant property the owner still requires to pay the rates?—I should explain to the Committee that in the Scottish system the rates are divided into two parts. One part is payable by the occupier and one part is payable by the owner. If property is vacant there is no charge for occupiers' rates but the owner still continues to pay the rates so long as the roof is on the house; so long as it is habitable in that sense.

2036. So that if the local authority took over as proprietor the local authority would be required to pay the rate as the owner?—Yes. That is recovered from the Government. That is all part of the Account.

2037. So that in Scotland you recover from the Government just the same as in England?—In so far as owners' rates are concerned. I am not sure about the position in regard to occupiers' rates where property has been requisitioned by another Department and transferred to the Department of Health for housing purposes.

2038. If the Government took over and requisitioned the property and became the owners of the property they might become the occupiers as well; so they would pay both owners' and occupiers' rates?—Once the house is occupied.

Lieut.-Colonel Hamilton.

2039. On page 266, in the footnote to Subhead F.7 it is stated that the excess was due "to the fact that gross expenditure on requisitioned buildings was charged instead of net." What was the reason for that change? I suppose by "net" is meant after allowing for rents paid by tenants?—Yes. You will find that rents are shown in the receipts, with a reference to the same footnote. The explanation, I think, is simply that we adopted the wrong method in presenting the Estimate. We thought it was more appropriate to put a net figure in. The Treasury took the other view; that it ought to be shown in full, that the gross figure ought to have been in the Accounts and the rents in the receipts. (Mr. Jones.) We thought it would be better to show the rents collected as a separate figure—as an appropriation in aid. (Sir George Henderson.) That means, of course, that we have considerably overspent on the

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Sir GEORGE HENDERSON, K.B.E., C.B.

[Continued.]

Estimate and we have got a great deal more than we estimated in the way of receipts.

Chairman.

2040. Can you give the Committee the figure of the loss on the requisition of houses in Scotland?—We have recently taken a sample test of rather more than 10 per cent. of the requisitioned houses and the figures in regard to current expenses. The net deficit payable by the State is rather under £2. If you add to that an assumed loan charge over 20 years at 3 per cent. you owed rather less than £4, making it rather less than £6 per annum per house in all. That is the net cost to the State.

2041. That is on the requisitioned houses?—Yes.

Sir Frank Sanderson.

2042. On page 269, the receipts in connection with Emergency Hospital Service

were estimated at £70,000, but it was found in practice that, due to the contributions made by and in respect of patients treated, the amount realised was £144,000?—Yes.

2043. That is a very formidable increase. It is over double. Is there any special cause why the amount contributed was so very extensively in excess of that which was anticipated?—I do not think so. It is simply that we did not expect to get so much. I could not say that there is any special reason why it should have been so much more than our estimate. It is just faulty estimating.

2044. Was it due to a larger number of patients than anticipated?—Not materially.

Chairman.] That is all on the Accounts. May I take it the Accounts are approved? (*Agreed.*) Thank you, Sir George. That completes your examination.

Sir George Henderson withdrew.

VOTE 13.

MINISTRY OF TOWN AND COUNTRY PLANNING.

NEW TOWNS ACT, 1946, ACCOUNT.

Sir THOMAS SHEEPHANKS, K.C.B., K.B.E., Permanent Secretary, Ministry of Town and Country Planning, called in and examined.

Chairman.

2045. This is your first appearance before the Committee of Public Accounts?—(*Sir Thomas Sheepshanks.*) It is.

2046. We turn now to paragraph 65 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-47. This deals with the New Towns Act, 1946. It tells us that under section 2: "the Minister may make advances to the corporations, from sums issued to him out of the Consolidated Fund, for the purpose of enabling them to defray expenditure properly chargeable to capital account. These advances are repayable by the corporations over such periods and on such terms as may be approved by the Treasury." Has the Minister also power to make grants to those corporations?—Yes.

2047. Could you tell the Committee for what purpose he may make grants?—For their revenue expenditure. They are broadly rather analogous to a local authority. They need staff, premises and various things of that sort, and provision for that is made out of the Vote of my Ministry.

2048. That is to say that the advances from the Consolidated Fund are for the construction of the new town, the purchase of the land, the building of roads, and so on?—Yes.

2049. But the grant has to cover the administration expenses of the Corporation?—Yes, and of its officers.

2050. But I take it that these grants will be made only until the corporation

has got on its feet, so to speak?—Yes, but that must inevitably take a very long time.

2051. But the grant is intended to cover the salaries of the board of the corporation?—Yes.

2052. And the employment of executive officers by the corporation?—Yes.

2053. It is not proposed that these grants should be repayable?—No, except that to begin with, as it is still very much in the development stage, part of any revenue deficit can be treated as capital in the early stage. The capital advances have got to be repaid.

2054. "Section 13" we are told "provides that the accounts of a development corporation shall be audited by an auditor to be appointed annually by the Minister." Will those accounts be laid before Parliament?—Yes. There is a requirement in Section 13 of the Act that "On or before the 30th November in each year the Minister shall transmit to the Comptroller and Auditor General the account prepared by him under the last foregoing subsection"—that is in respect of the capital advances—"together with the report of the auditor thereon; and the Comptroller and Auditor General shall examine and certify the account prepared by the Minister and lay before each House of Parliament copies of that account together with his report thereon, and copies of the audited accounts prepared by the development corporation."

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Sir THOMAS SHEEPSHANKS, K.C.B., K.B.E.

[Continued.]

2055. This is rather a different form from the provisions of the Acts of some of the other boards. In this case the accounts of the corporations have to be sent direct to the Comptroller and Auditor General?—Yes.

2056. And it is his duty to lay them before Parliament?—Yes.

2057. I do not know whether you can answer this question, but is it the intention that these development corporations should ultimately become self-supporting?—Yes, in the sense, I suppose, that a local authority would be. In other words, it could never be self-supporting without the subsidies that a local authority would get and of course without the provision a local authority would get from the rates for things like sewerage and so forth.

2058. It is intended that they shall not be a permanent charge on the Exchequer?—That is the intention and the hope.

2059. Do you think that will be achieved, or should be achieved?—It should be, but I think inevitably it must take some time.

2060. I take it that the development of the new towns is bound to be slowed down a good deal, is it not, by the recent curtailment of capital expenditure?—The London ones, yes. There are two, in the north, in Durham, which are specifically to help concentrate the provision needed for coal. That is to say one of them is. The other is really to bring people from these derelict Durham mining villages to the old Royal Ordnance Factory at Aycliffe. Those two are to go on as fast as they can.

Chairman.] Are there any questions on paragraph 65 of the Comptroller and Auditor General's report?

Mr. McAdam.

2061. In regard to the development of the new towns, what is the position of Fifeshire coal fields and East Kilbride?—My writ does not run in Scotland.

Mr. Benson.

2062. What financial arrangements do you visualise as the town outgrows the development corporation and becomes a municipal community?—The intention is that ultimately the corporation should be wound up and its assets should be transferred to the local authority on a valuation. That will be a good many years ahead.

2063. Until then you will continue to make grants. They are 50 per cent. grants, are they, or total grants, for the administration?—They are total grants. I think I said that in the very early development

stage it has been accepted by the Treasury that half of the deficits might be charged to capital.

2064. Those which are charged to capital will be repayable?—Yes.

2065. Will they be rating authorities drawing rates from the occupants?—No. The local authority for the district would do that.

2066. Would the local authority contribute to the costs?—To this extent, that it is, of course, strictly the statutory duty of the local authority to provide sewers, for example, but if you got a very small parish council and it was being developed into a large town, clearly the sewerage provision and things of that sort would be far beyond the capacity of the local authority and the intention is that the corporation has power to make a contribution to the local authority. That has still got to be worked out. Clearly as the town grows and the rateable value grows the local authority could reasonably carry a greater part of the cost of those public services.

2067. In other words, putting it the other way round, you make a grant to the local authority which presumably diminishes as the rateable value of the local authority grows?—That would be a fair way of putting it.

Chairman. The Account is at page 261. I have no questions on the Account. Has any Member of the Committee any questions?

Sir Frank Sanderson.

2068. I have one small point to raise, on page 263. Advances from the Consolidated Fund amounted to £15,000, of which £5,000 was spent on Stevenage and £5,000 on Hemel Hempstead. Since I understand no development has in fact at this time taken place there, to whom is this money paid?—That is to these two corporations. Although there is no great development, there has been a certain amount. They have had to acquire, for example, some small amount of land.

2069. At that date?—That was the purpose, yes. (*Sir Frank Tribe.*) The Committee might be interested to know that up to the latest date I have authorised advances out of the Consolidated Fund up to £390,000 for England and Wales and £9,000 for Scotland.

Chairman.] Your Accounts will get longer and your evidence will perhaps take longer on other occasions. So far as the year of account is concerned we can conclude the proceedings now. May I take it that the Account is approved. (*Agreed.*) Thank you very much, Sir Thomas.

The witnesses withdrew.

Adjourned till Tuesday next at 3.45 p.m

TUESDAY, 4TH MAY, 1948.

Members present:

MR. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.

Mr. Haworth.
Sir John Mellor.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES, called in and examined.

HOUSING (TEMPORARY ACCOMMODATION) ACT, 1944, ACCOUNT, 1946-47.

Sir HAROLD EMMERSON, K.C.B., Secretary, Ministry of Works, and Mr. F. C. MUSGRAVE, C.B., Under Secretary (Air), Ministry of Supply, called in and examined.

Chairman.

2070. Sir Harold, I understand it would be most convenient if we take first item (c) on the agenda, which is the White Paper: "Housing (Temporary Accommodation) Act, 1944, Account, 1946-47," because Mr. Musgrave from the Ministry of Supply is with you?—(Sir Harold Emmerson.) That is so.

2071. The report of the Comptroller and Auditor General is on page 3. Paragraph 1 tells us that the programme was 157,000 houses, of which 143,000 were completed by the end of February of this year. When will the programme be completed?—In England and Wales it should be completed this summer, probably about June. In Scotland I am afraid it will not be until the end of the year because of difficulties over sites. But the whole programme should be completed this year.

2072. Paragraph 2 gives us the latest estimate of the total cost of the programme, about £216 million. That excludes, I take it, the cost of land, road and service charges?—Yes, that is so.

2073. On paragraph 3, out of the total expenditure of £60 millions shown in the Account for the year under review, just under £3 million (the fourth item) is for: "Expenses and remuneration of management contractors." That would appear to be about 5 per cent. of the total expense in the year. Could you tell the Committee what services are rendered by the management contractors in respect of that expenditure?—The services vary with the type of house. Generally they were concerned with the management of the whole process of placing of contracts, the progressing of the contracts and the distribution of the houses. In the case of the non-aluminium house they also were responsible for the management of the distribution centres which were used as depots for the collecting of parts and, in some cases, assembly. That was the general position. In one or two cases the management contractors were also themselves directly placing the contracts as well as looking after and progressing the contracts which had been placed by the Ministry of Works.

2074. Could you sub-divide the figure at all between the actual expenses incurred by the management contractors and the fee for mere management, if you follow my distinction?—I am afraid I cannot give a total figure for the fees but in the case of the Uni-Seco House we agreed on a remuneration for the managing contractors of a fixed fee, which worked out in total at £163,500. It is possible there will be a further fee payable to them, but it will not exceed, I imagine, about £2,000. That is quite apart from the cost of running the distribution centres for which they were responsible. The expenses of Uni-Seco in connection with the distribution centres amounted to £822,296 in the year.

2075. That gives us a picture. It would appear that the management fee is about one-fifth of the expenses?—In that case it is, yes.

2076. In that particular case?—Of course, the management fee included expenses which could not be isolated and allocated to a particular part of the service. It covered items such as the remuneration of the managing director and senior personnel of the firm, as well as an item of profit.

2077. I think you have given me sufficient detail on that. Just tell me this: Are the payments to be made to the management contractors now finally agreed?—They are finally agreed, except for certain extensions of services which will be necessary because of the delay in finishing the programme. (In other words, they were agreed up to a certain date in the case of Uni-Seco, which I mentioned; they were agreed up to 31st March, 1948, but they are still acting as management contractors at one distribution centre and it will be necessary in that case to pay them a further fee.

2078. Paragraph 4 gives us the average cost per house; exclusive of land, etc.; £1,610 in respect of aluminium houses?—Yes.

2079. We learned last week, that the Ministry of Health had undertaken a programme of permanent aluminium houses and the figure given us there for the total cost, by Sir William Douglas, was between

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Sir HAROLD EMMERSON, K.C.B., and
Mr. F. C. MUSGRAVE, C.B.

[Continued.]

£1,505 and £1,534. Those, I think, are small houses of 650 square feet super. How is it that the cost of these which are described as temporary houses is £1,610?—(Mr. Musgrave.) This form of house and the form of construction is completely novel, and one would expect that the initial production would cost more than production that came along after 54,000 houses had been produced. The figure of £1,610 is the average cost of the first 54,000 houses. The Ministry of Health, in getting a lower price, have benefited from the experience which we have gained.

2080. They came along later, is that it?—Yes, they followed after our 54,000.

2081. But is their type of house the same as your own?—I think there is very little difference. There is slightly more cement in the walls.

2082. Are yours bungalows or two-storey houses?—Bungalows.

2083. Are theirs bungalows?—Yes.

2084. These are all bungalow types?—Yes. There is very little difference between them.

2085. There are not any two-storied aluminium houses?—No.

2086. Can you tell me to what extent, if any, the aluminium for them was purchased at a subsidised price, that is to say, at a price below the market price for aluminium at the time the aluminium was bought?—In neither case. The aluminium was sold for a while at a price that was below the market price, but adjustment has been made under which the temporary housing fund has paid to the Ministry of Supply a sum of £610,000, which re-instates the price at the full market price throughout the programme.

2087. This figure here in the fourth paragraph, of £87 million odd for 54,000 houses includes the amount paid to make up for the full price of the aluminium?—Yes.

2088. In paragraph 5: "Capital Assistance to Contractors," we are told: "The remainder of the capital expenditure was in respect of plant, etc., for the manufacture of kitchen-bathroom and other fittings by manufacturers and by Royal Ordnance factories." Is any comparison available between the cost of these fittings as built by manufacturers, on the one hand, and the Royal Ordnance factories on the other?—No exact comparison is available at the moment. The order on the Royal Ordnance factory was completed within the last few days and the costs for the complete order have not yet been got out. Any provisional figures that were obtained would be approximate only, because of the impossibility of assessing work in progress with great accuracy.

2089. In fact, you cannot really give us any comparison, at all?—It looks as though the price at the Royal Ordnance factories will be greater than the average price payable to outside contractors.

2090. You cannot say to what extent?—No. I cannot give a figure.

Chairman.] Are there any questions on the report of the Comptroller and Auditor General, or on the Account? I have no questions on the Account.

Mr. Thurtle.

2091. I have one point to raise. I understand that further managerial fees or payments will be involved because the contract had not been completed in the specified time. You said that as the houses had not been completed in a certain time it would be necessary to pay more fees?—(Sir Harold Emmerson.) The extra fee is really in respect of the distribution centres, and not the manufacturing end.

2092. I wondered whether on the other side there was any penalty attaching to the fact that the scheme had not been completed within the specified time?—I am afraid not, because it would be a penalty falling mainly on local authorities. The cause of the delay in the extension of the scheme has been the difficulty in getting the sites ready to take the temporary houses. That has meant that the distribution centres have had to be kept going much longer than was expected and therefore we have had to continue the services of the management contractors. Where, of course, there is fault on the part of the contractor, where he has failed to carry out the contract, the ordinary contract conditions would then apply. The real reason for the extension of the programme is the difficulty at the other end, at, as it were, the delivery end.

2093. Through no fault of the contractors?—There have been cases where there have been faults on the part of the manufacturers, but the reason for the extension of the programme as a whole is the difficulty in getting the sites ready.

Major Bruce.

2094. To what do you principally attribute the increase in the estimated cost of the programme? This figure of £30 million odd which is in paragraph 2?—That is a long story. The Committee will no doubt be familiar with the White Paper on the Temporary Housing Programme which was submitted to the House in January. One would have to take each individual house and go through the figures. I think the general cause has been the very great difficulty in the distribution system, the assembly of the particular items, and inevitable delays, first of all in site preparation, due partly, of course, to the very bad weather conditions

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of February and March, 1947, and difficulties that I suppose were inevitable with a new, highly-original scheme of this kind. But the White Paper which analyses the costs did show that apart from the aluminium house the increased cost per house on the basis of weighted average over the 1945 estimates was not appreciable.

2095. Could you say, in relation to Item 2 in paragraph 3, the £15,895,772, whether these fittings were in general fittings of a unique type, or were they of a standard type which could be used in the ordinary housing programme?—In most cases the fittings covered by this expenditure were specially manufactured for this particular programme. They included what is known as the kitchen-bathroom unit. In some cases, for instance, in the case of the cupboards, the fittings could no doubt be used or adapted for permanent houses. But in many cases the fittings were specially made for this programme, particularly the kitchen-bathroom unit.

2096. Was there any particular reason why that should be so, why you should have a special series of fittings for houses of this kind? Would not it have been quite easy to have adapted fittings that were used in the ordinary housing programme?—I think the main point about the temporary house fittings was the very great economy that was needed in space and the economy that was achieved by this particular method of fitting the kitchen and bathroom, as it were, back to back, and using the common fittings. I think one of the big contributions that the temporary house scheme has made has been what is really an engineering component, a combined kitchen-bathroom unit. Some of the fittings, electrical fittings, for instance, were the ordinary standard fittings. There was nothing very special about them.

2097. It is true, is it not, that had it been possible to have used standard fittings in these houses the figure of £15,895,772 would have been somewhat lower? Obviously if you are going to adopt new standards you have to pay more?—Yes, and there is the point that I think the Committee discussed last year, and that was the variation in the different types of temporary house. There were variations, for instance, in the size of the bath, between one type of temporary house and another, which made it impossible to have interchangeability, and apart from anything else it did result in delays in getting the houses completed.

2098. This amount of £2,999,181: "Expenses and remuneration of management contractors": did I understand you aright to say that that included the profit of the management contractors?—It includes an item of profit, yes.

2099. Do you know how that profit figure was assessed?—It was a negotiated figure to cover certain expenses which, as I said earlier, could not be allocated, and also a profit item. The profit item was not worked out on any particular percentage because, of course, the kind of service given varied from one contractor to another, according to whether, as in the case of Uni-Seco, the firm were themselves placing the contract or, in the case of the Arcon House, the Managing contractors were merely progressing and supervising contracts which had been placed by the Ministry of Works. So it was not possible to fix a figure as a reasonable percentage for all management contractors. It was a case of negotiation separately in each case.

2100. Could you say how many management contractors there were?—Altogether, there were five.

2101. Their functions were quite separate and distinct from those of the ordinary contractors who were of course engaged in the work of production and delivery of the houses?—Yes, they were, in a sense, acting as agents for the Department in managing the scheme, including distribution as well as the progressing of the contracts, and in some cases, as in the case of the Uni-Seco house, the actual placing of the contracts.

2102. Were they required to employ any capital in the undertaking themselves?—Where they were acting purely as agents as in the Arcon House, they were not involved in any capital expenditure. In the case of the Uni-Seco they would be.

2103. So there is no question of their remuneration or their profit being based on capital employed in the business?—No.

2104. Can you say how much of this £3 million odd was actually attributable to profit?—I am sorry, but it is not possible to give that, because, as I said, the actual negotiated fee of each contractor included not only profit but also some element, at any rate, of headquarter expenses which could not be separated out.

2105. I understood you to say that the manufacture of kitchen-bathroom units and other fittings by Royal Ordnance factories came out slightly more expensive than in the case of manufacturers. Did I understand you aright?—(Mr. Musgrave.) The final figures of the cost of manufacturing in Ordnance factories have not yet been prepared, but the indications are that the cost will be shown to be more than the average cost of the private contractors.

2106. It would be possible, would it, to submit a paper showing an analysis of costs, in order that the Committee might be able to compare both methods?—Yes.

2107. That would be possible?—Yes, in due course. The actual manufacture was

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only finished in the last few days and the costs will now be got out at the Ordnance factories.

Major Bruce.] I should like to have that at a not too late stage.

Chairman.

2108. How soon would it be possible to furnish a comparison?—I would not like to bind myself without referring to the accountants, if I may be allowed to do so. I could, however, promise it at the very earliest opportunity.

Chairman.

2109. If it could be done in the course of the next month or six weeks, it would be convenient because it could be considered this Session.

Major Bruce.] And could it be in such a form as will enable an effective comparison to be made?—Yes.

Mr. Benson.

2110. You said, on the Tarran Houses, the remuneration, etc., of management contractors was £150,000 or thereabouts. How much per house did that represent?—(Sir Harold Emmerson.) The figure I have in mind is about £2 per house, but I should like to check that.

2111. So that Tarran erected something like 75,000 houses?—There are two types of Tarran House. The total number of Tarran Houses ordered was 19,000.

2112. So it came up to nearer £8 per house; that is, near enough?—I should like to confirm that.

2113. How did you appoint these management contractors and who were they? You had one manager, I think, for each type of house I take it?—I mentioned five cases of management contractors; Uni-Seco was one; they managed their own house. The Taylor Woodrow Construction Limited managed the Arcon House. Sir Lindsay Parkinson was another firm, and then Tarran Industries Limited who, again, managed their own house. Then there was a miscellaneous group. It was a small item, I have not the names. In some cases the firm manufacturing the house was itself competent to undertake this rather elaborate system of distribution, including the management of a distribution centre. If the firm engaged in manufacture was not considered competent then it was a case of going to a well-established outside firm, such as Taylor Woodrow or Lindsay Parkinson and getting them to come in and act as agent.

2114. With regard to the kitchen-bathroom fittings referred to in paragraph 5; you say you do not know the cost. How were your contracts let? On a cost-plus

basis?—(Mr. Musgrave.) It is the cost at the Royal Ordnance factories that is not known.

2115. Did you let on a cost-plus basis?—No; a contract would not be let on a particular price to the Royal Ordnance factory. It would be manufactured at the Royal Ordnance factory and careful records kept of the expenditure on that job, which would be costed out and the actual cost obtained after the event.

2116. You felt that the Royal Ordnance factory did not require the stimulus of having to work to a price?—The Royal Ordnance factory was brought in largely to supplement the existing capacity in the industry.

2117. So that really it was doing work that it was not particularly cut out to do?—Yes.

2118. They helped you out, as it were?—Yes.

2119. From what I gathered (I do not want to press the point) the difference does not appear great?—I would rather not anticipate the auditors' investigation.

2120. I will not ask you to do so. With regard to the private manufacturers, they were on a fixed price, were they?—The basis of the contracts for the private manufacturers has varied in different cases. They have not been finalised in every case. Generally speaking, the contracts were let on the basis of a maximum price, subject to investigations of costs after the event. The figures have been finalised in most cases, though in one or two instances costs of certain sub-contracts have still to be investigated.

2121. Can you give us some idea of the spread of price for identical articles between the various contractors?—It is exceedingly difficult, for the reason that this group of manufacturers were feeding each other with parts. Some were doing pressings for others. Parts of the units were being transferred from one manufacturer to another and the settlement that has been reached is an overall settlement in the case of each manufacturer to cover all the activities which he undertook on our behalf.

2122. So it was a group activity rather than an individual activity?—Yes. In preparing this Paper for which the Committee are asking, we will endeavour to disentangle the costs and present a fair comparison as between them.*

Mr. Haworth.] Command Paper 7304 is referred to in this document. Is it before us?

Chairman.] Yes.

Mr. Haworth.] I want to ask a question on it. I am particularly surprised at items 5 and 6, in paragraph 5.

* Paper circulated to Members; not printed.

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[Continued.]

Mr. Benson.] On a point of order: do I understand that the White Paper "Temporary Housing Programme" is also before us?

Chairman.] It has been issued as a White Paper.

Mr. Benson.] Is it before us now for discussion? I assumed that we were dealing only with the Accounts.

Chairman.] Yes, but this Paper has been referred to. I do not know what Mr. Haworth's question is going to be, yet.

Mr. Haworth.] The White Paper is referred to in the report of the Comptroller and Auditor General.

Chairman.] It is, indeed. I do not want you to go into a long examination of the witness on the import merit of this White Paper at this stage. What is the question you are going to put?

Mr. Haworth.] Will there be a later stage?

Chairman.] No, there will not be.

Mr. Haworth.] It is this increase of 200 per cent. in transport and distribution charges that I wanted to ask about, which is referred to in paragraph 5 of the White Paper.

Chairman.] I think that is in order.

Mr. Haworth.

2123. I have read the explanation on page 6, but I am still at a loss to understand why this large increase appears. Transport charges are referred to as having increased, but they have not increased by anything like the extent of 200 per cent.—(Sir Harold Emmerson.) I would be glad to help the Committee in any way I could on this Paper, although I think there is very little I can add to what is on page 6 of the White Paper. On transport charges, the main point, I think, is that the original estimates were based largely on the assumption that most of the transport would be done by rail.

Chairman.

2124. I think we did hear something about this a year ago, when you were here?—Yes.

2125. Because we went into the question of the special vehicles which were built for carrying these aluminium houses?—That was the aluminium house. I was rather assuming the question related to transport charges generally for all the programme.

Mr. Haworth.

2126. Yes, it does?—The aluminium house was a special case. I think in that case it was inevitable that the section should go by road because of the size. But in the other case, the original estimates were based on the assumption that most of

the traffic would be rail traffic. In fact, there were these restrictions on rail traffic and we had to transfer a great deal of it to road, which is certainly more expensive. The other element, that is, distribution, is as again stated here, the great difficulty of getting these centres. In some cases they had to be specially provided. They had to be retained much longer than was anticipated because of the delays in production, mal-adjustment of production; one item not keeping pace with another; and some of the places, as mentioned in paragraph 14 (these airfields) were a long way removed; they were not intended, of course, as distribution centres; they were inconvenient and they did add very considerably to the cost.

Chairman.] Are you satisfied, Mr. Haworth?

Mr. Haworth.

2127. No. I was in railway transport, and our principal complaint was that road people were competing with us by quoting lower charges. Most of the traffic that the road people got was because they were able to quote lower rates than rail rates. I am surprised to find that there is this big increase in road transport charges over rail charges. Is that correct?—That is my information, that because of the diversion from rail to road traffic it did cost more. Of course, the diversion was at the request of the Ministry of Transport, because of rail conditions.

2128. There is only one carriage, presumably? I suppose the increase in distribution charges is accounted for by the extra length of time taken. It still remains that the goods are only carted once, from the manufacturing place to the building plots, I imagine?—No. In most cases (apart from the aluminium house, which goes direct to the site) the various bits and pieces making up the house were conveyed from the manufacturer to the distribution centre. In the case of some items a certain amount of assembly was done at the distribution centre. Then from the distribution centre a complete house was sent out, a particular house made up of all the various bits and pieces. The complete house would probably take four or five lorries, and the whole purpose of the distribution centre was to enable a complete house to be conveyed to a site which, of course, was very often an isolated site, and that was one of the main functions of the centre. So there was a double carriage.

2129. I agree, but I assume that was anticipated. I presume in the original estimate it was realised that there would be distribution centres and that the goods would come from the manufacturer to the distribution centres and would go from there to the building site. There has not been any extra carriage over and above the

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estimate, but it has gone up from £52,000 including transport and distribution, to £135,000?—That is so.

Mr. *Haworth*.] With all the explanation, I am at a loss to see why there should be that difference. I do not think we can get any further with it here.

Chairman.] No.

Mr. *Cuthbert*.

2130. On paragraph 3 of the report of the Comptroller and Auditor General, under: "Expenses and remuneration of management contractors," we have had various questions. I was wondering, as the percentage is something like 20 per cent. of the cost (I at first thought it was a very high figure for management fees, but we are told there is a certain amount of profit in that) is it possible to get a breakdown figure and separate the profit from the managerial fees? I presume, from the answer to another question, that there was a certain amount of capital of some management contractors in this business. Is it possible to get a break-down figure as to what was profit and what was actual fees?—It would be possible to break this down into actual recognised expenses (that is, the expenses, for instance, in the management of the distribution centre), and what has been described as the management fee, but as I explained earlier the management fee did include, as well as profit, some allowance for certain expenses such as part of the remuneration of senior staff who were engaged on other work as well as this particular programme. In so far as staff were wholly engaged on this programme, then, of course, that cost would be shown as part of the expense, so that it would be possible to get very near to the amount of this total figure which represents profit.

Mr. *Cuthbert*.] That is all we want; something approximate.

Chairman.

2131. Perhaps you could furnish us with a short statement on it?—I will certainly do so.

(Mr. *Musgrave* withdrew.)

TREASURY MINUTE ON PARAGRAPHS 10 AND 11 AND 40 AND 41 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

2134. We turn to the Treasury Minute, on paragraphs 10 and 11 and 40 and 41, the Third Report of the Public Accounts Committee. I do not think anything arises on paragraphs 10 and 11. Paragraph 41 deals with our recommendation regarding standardisation of fittings. I should like your view with regard to the last paragraph of the Treasury Minute, which states: "My Lords would be glad to be informed of the extent to which it has been found

Mr. *Benson*.] Might I ask you this: when Mr. *Cuthbert* mentioned the management costs, I understood you to say they 20 per cent—

Chairman.] He was speaking of the subdivision of the £3 million, which Sir Harold explained in answer to me. The expenses appear to be about 4/5th and the management fee about 1/5th of this total figure.*

Mr. *Cuthbert*.

2132. If I may I should like to ask one question to finish with. In paragraph 4 we are told: "On the basis of the latest estimate . . . of £1,610 as the average cost per house, exclusive of land, road and service charges . . ." Would it be within the province of our witness to give us what the cost of the land roads and service charges were, so that we shall have some idea of the total cost of that house?—I do not think it would be possible. Obviously there are very considerable variations according to the cost of the land.

Mr. *Cuthbert*.] Quite; but you have taken an average in one case. If we get an average of the cost of the site and the land and the other services it would give us an average figure of final cost.

Chairman.

2133. That is more a question that the Ministry of Health could answer?—It is a local authority responsibility, of course, and it is their expenditure. The cost falls on them. Perhaps I could see what information we have and include it in the statement for which you have asked, Sir.

Mr. *Cuthbert*.] Thank you.

Chairman.] That concludes that Account. May I take it that the Account is approved? (*Agreed*.) We can release you, Mr. *Musgrave*.

* Paper circulated to Members; not printed.

possible to require local authorities to conform to national standards in this matter." This affects both the permanent and the temporary houses. I wanted to know whether you had found local authorities co-operative in this question of standardisation?—(Sir *Harold Emmerson*.) Yes. This action is primarily, of course, a matter for the Ministry of Health, who are responsible for the approval of housing schemes submitted by local authorities. The Ministry of Health have made it obligatory on local

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authorities to observe a number of standards which have been recommended by the British Standards Institute. That obligatory list of items now covers about 140 of the items. Of course, it does not prevent a local authority from finding a substitute for any particular item; but it does mean that where the local authority has included a particular item in its specification, it must conform to that standard. The number of items on that list is being gradually extended as the British Standards Institute bring out new standards. I believe that in general the local authorities have been co-operative and they have accepted the desirability of this.

2135. To the question whether progress is being made on this matter of standardisation, the answer would be "yes"?—Certainly, yes.

Chairman.] Are there any questions on these paragraphs of the Treasury Minute?

Mr. Thurtle.

2136. I take it there is constant pressure to increase the number of standardised articles and to induce the local authorities to make use of these standardised articles?—That is so, but it is rather a slow process (or rather, the first part of the process is slow; that is getting the items standardised) because a large number of interests have to be consulted, including the professions as well as the industry, the manufacturer and the user, but there is now no delay on the part of the Ministry of Health in getting the item considered, at any rate for inclusion in this compulsory list, and steady pressure is being put on local authorities to do that. Perhaps I should also add that through the licensing procedure (this now concerns the Ministry of Works) we are, wherever we can, drawing the attention of architects, surveyors and other people to the desirability of adopting these standards.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VII.

VOTE I.

MINISTRY OF WORKS.

Chairman.

2137. Will Members turn now to the Civil Appropriation Accounts, 1946-47, to paragraph 97 of the Report of the Comptroller and Auditor General. This deals with what is called the Mobile Labour Force. These are the Commando troops of the Ministry of Works, are they not?—(Sir Harold Emmerson.) They might be so called.

2138. Could you tell me the actual strength of the Mobile Labour Force at the present time?—Yes; at the present time the total strength is 8,600, of which about 5,000 represent the mobile part of the force; that is, the men who do move about. The balance of 3,600 will be the men who are recruited locally.

2139. Is there any reason why this number should not be shown in the Estimates in the same way that other Departments show the strength of their industrial civil servants or the Service Departments show the personnel required for the services?—We do show in the Estimates the non-industrial part of the Mobile Labour Force; that is to say, the professional and technical headquarters strength. As regards the industrial force of the Ministry of Works, of course this is only part of a very considerable industrial labour force which the Ministry of Works has and has had for many years. The total industrial force of the Ministry of Works is probably about 30,000. That includes all the industrial staff employed at maintenance depots, places like the House of Commons, and so on.

2140. Are their numbers not shown in the Estimates?—No, not separately. But in reply to your question, the practice first of all has not been to show the industrial labour force separately. This is in a sense, simply the mobile part of a total industrial force. The cost of the industrial force has been apportioned and allocated to the particular item according to whether the work is being done for royal palaces or public buildings, and so on.

2141. In the latter part of the first subparagraph of paragraph 97 the Comptroller and Auditor General states: "The force is available for work on housing and other building and civil engineering work of high priority in areas where the available building labour is inadequate." Are there such areas to-day?—There has been a change of policy since the comparatively recent cut in capital investment with regard to the use of the force. But perhaps I may explain, as this is of course related to 1946-47, that in 1945 the Ministry of Works was still operating the Special Repair Service which was created to deal with the flying bombs. That service which at one time amounted to over 12,000 men had fallen to about 2,000 early in 1946. It was then decided that in view of the very special needs of certain areas—blitzed areas like Plymouth, Portsmouth, and so on—outside help would be needed, and that the Government through the Ministry of Works could provide that help. This period of the Accounts, 1946-47, was really a transition period from the old Special Repair Service

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[Continued.]

to the present Mobile Labour Force, which is a highly efficient body with a very high tradition of service.

2142. You told me that the present strength of the force was about 8,000?—8,600.

2143. Is it about stable at that figure, or is the force being gradually demobilised?—The force has probably passed its peak and will steadily be reduced, particularly of course following the cut in the capital investment programme and the changed basis on which it is now employed.

2144. Are there still areas where the available building labour is inadequate?—Very definitely, and one has only to look at the existing programme of the Mobile Labour Force to see where they are employed; and I think it will be obvious that without the use of outside labour the jobs would not be done.

2145. Am I not right in thinking that there are a good many unemployed persons in the building industry at the present time?—No, I do not think that is the case. Until the recent cut in the capital investment programme, most jobs, or many jobs, were seriously undermanned; that is, the available labour force was spread over too many jobs. The immediate effect of the cut in the capital investment programme has been that jobs have been better manned, and there has been a considerable reduction in the number of vacancies unfilled; but there has not been any noticeable unemployment in the building industry.

2146. Can you tell me where the largest number of this Mobile Labour Force is employed at the present time and on what sort of jobs? Are they spread about in handfuls all over the country?—If one looked at the figures I think they would show first of all that there is quite a substantial number employed in London, which may seem rather odd, but that is probably the biggest concentration. The reason for that is that as jobs are finished in one part of the country men are brought into London to do certain work, particularly air raid damage on schools and hospitals which would not otherwise be done or could not go forward at a very fast rate; in other words, London, which incidentally is where they are centrally recruited, is a kind of buffer depot. But outside London they are scattered very widely, because the whole purpose of the force is to deal with these rather isolated jobs for which ordinary contractors are not available. Probably the biggest concentration is on the Ministry of Supply research establishments, atomic research establishments, which, in nearly every case, are in very isolated parts of the country. Large numbers have been employed on the conversion of houses to be used as training colleges for teachers. Some have been employed in places like Stornoway in connection with temporary housing, because of

the difficulty, again, of getting local labour. But in the main I should say outside London the biggest concentration is at these research establishments for the Ministry of Supply.

2147. I think the main criticism made by the Comptroller and Auditor General is that there is no means of his ascertaining from the Accounts, at any rate without great difficulty, what are the costs of this force; there are so many indirect costs which are charged to different overheads. In the last sentence he says: "I understand that a full costing system has been instituted in 1947-48." That has been done, has it?—Yes, a new costing system was introduced as from April, 1947. It has been at the cost of increased staff, of course, and additions to the overheads of the force itself. That is no doubt inevitable. But in this period, the 1946-47 period, the Department was really gaining experience and building up a new system.

2148. Will these cost accounts be available to the Comptroller and Auditor General for the year 1947-48?—Certainly they will be available. We had not it in mind to show them in the published Accounts, because the cost of the work has to be distributed between the various services; but the information is there and of course the Comptroller and Auditor General can have full access to it.

2149. As things stand at present it is impossible, is it not, for us (I do not know whether it is possible for you) to form a comparison of the cost of this type of labour with the cost of ordinary building labour employed on ordinary terms?—Certainly on the information we have now and have had for the past few months it is possible to make some kind of comparison. Indeed now on the present system every job is priced before it is started. There is a very careful check kept on the cost by the quantity surveyors.

2150. Can you tell the Committee, as a result of the figures you have got out yourself, by what percentage the labour cost of building is added to through the use of a force of this character?—On our present estimates and analysis of costs what one might call the mobile cost (that is the extra due to the use of labour brought in from outside) is between 20 and 25 per cent. of the total cost of the job. That represents probably an increase of about 60 per cent. on the ordinary wages bill. That does not mean of course 20 to 25 per cent. over and above what an outside contractor would charge, because an outside contractor on these jobs would himself have to bring in foreign labour and mobile labour and would have to incur part, though not the whole, of this extra cost. I say "not the whole" because the terms for this Mobile Labour Force are better than those observed by an outside contractor.

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[Continued.]

2151. Such as for example?—They have such additional benefits as protective clothing which is issued to them, better holidays with pay, a guaranteed week, better welfare conditions and better standards of comfort in their lodgings.

2152. Do they get travelling expenses?—Certain arrangements for transport to the nearest village once or twice a week are usually made for them.

2153. If there is a married man in the force does he get free week-end travel home every now and again?—Yes, he has certain privileges as regards visits home. All that is provided for in the industrial agreement of course.

Chairman.] Are there any questions on paragraph 97 of the Report of the Comptroller and Auditor General?

Major Bruce.

2154. Could you say when the directorate of this Mobile Labour Force was first instituted?—It grew out of what was left of the Special Repair Service, and I should say the change took place round about April, 1946.

2155. With regard to this Special Repair Service which you had, how many personnel did that comprise?—At its peak it comprised 12,300 men, but by March, 1946 (that is after the flybomb period and the clearing up period), it had fallen to about 2,000, and that 2,000 became the nucleus of this Mobile Labour Force.

2156. You are quite sure of the dates, are you, 1945 and 1946?—Yes.

2157. I was wondering why it was necessary to create a new directorate at all if this old Special Repairs Service functioned without a special directorate. Why was it necessary to create a new one?—It was not entirely a new one. The name was changed, but many of the staff engaged in the supervision were retained.

2158. Roughly how many people are covered by this £247,360 which was the estimated cost of the salaries of the directorate?—The professional and technical staff would be about 540 people. In addition there are about 430 clerical staff.

2159. So it is a directorate of about 1,000 to direct a force of approximately 10,000?—Yes. I have been handed the Estimates for the 1946-47 year. At that time the numbers were 284 for 1946; that is of the supervisory grades, excluding clericals. The present figure is what I have given, 540 excluding 400 clerical, which is the number related to this £247,000.

2160. I take it that that staff looks after all the welfare facilities?—Certainly. It is perhaps a little misleading, because it includes foremen and all the supervisory people, camp wardens, welfare officers, technical officers, and so on. It is all the people who can be said to be whole-time engaged on this Mobile Labour Force.

Chairman.] Are there any further questions on paragraph 97? I am going to take next paragraphs 98 and 99 of the Report of the Comptroller and Auditor General, and then paragraph 100 of his Report, and then come back to the whole of the Accounts later.

VOTE 6.

PUBLIC BUILDINGS, GREAT BRITAIN.

Chairman.

2161. In the third subparagraph of paragraph 98 of his Report, the Comptroller and Auditor General states: "The present Account includes, under subhead (a), a charge of £1,400,873 for this service" (that is the provision of school accommodation) "as the first instalment of a programme for spending from the Vote for public buildings, a total of £10,500,000." Some of those buildings are temporary and some are permanent, are they not?—Most of this programme is hatted accommodation.

2162. The £10,500,000 will nearly all be spent upon huts?—Almost entirely prefabricated huts.

2163. For that no charge will be made against Ministry of Education Votes? That will all fall on the Ministry of Works' Votes, will it?—The whole of this is charged to the Ministry of Works in the first place.

2164. I beg your pardon; I have it the wrong way round. My question really referred to the £16 million mentioned in the beginning of paragraph 99, which amount was financed from the same Vote for providing school meals buildings. That will all be borne by the Ministry of Works' Vote?—Yes, because that was a 100 per cent. service. But in the other case there is a charge on the local authority, and the local authority payments will be made to the Ministry of Education, and the Ministry of Education and of course the Department of Education for Scotland will make this annual payment out of their Vote moneys to cover the cost of the programme which is borne in the first place on the Ministry of Works.

2165. That is a rather unusual method, is it not, of charging the Ministry of Education with the cost of these huts?—In a sense it has been treated as a recoverable service. I think this method was adopted

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[Continued.]

for convenience. It is perhaps rather unusual.

2166. They will pay you for the huts over a period of 10 years by annuities at 2½ per cent. interest?—Yes.

2167. The more usual way, Sir Eric, would have been for the Ministry of Education to have repaid the actual expenditure of the Ministry of Works, would it not, in regard to each year?—(Sir *Eric Bamford*.) The scheme has unusual features, but this arrangement was devised in order to show Parliament exactly where the incidence of cost lay. The Ministry of Works was treated as the landlord who put up the

accommodation and charged it to their Vote. The Ministry of Education had the benefit of the huts and their Vote was charged, as you said, with recovery over 10 years at 2½ per cent. Then the local authorities pay 8 per cent. on the capital cost to the Ministry of Education for so long as this accommodation is used, and they get on the other hand the normal education grant on their payments. It is a very complicated system, but I think it does fairly distribute the onus all round.

Chairman.] Are there any questions on paragraphs 98 and 99 of the Report of the Comptroller and Auditor General?

VOTE 10.

MISCELLANEOUS WORKS SERVICES.

Chairman.

2168. We pass to paragraph 100 of the Report of the Comptroller and Auditor-General. This paragraph is largely narrative, but it seems to show that £686,000 will be paid into the Exchequer after negotiation with the cement manufacturers. Is that right?—(Sir *Harold Emerson*.) Yes. That was the final balance. The account has now been closed and the money has been paid.

2169. That was for the account up to the end of December, 1945?—Yes, and that was the end of this arrangement. Since then the basis of control has been quite different. This at the time was a convenient way of controlling the profit.

Chairman.] We will not go into that. Are there any questions on paragraph 100?

Major Bruce.

2170. I see that £982,632 was charged against the suspense account and was repaid to the cement manufacturers first "in reimbursement of increased costs of production which would otherwise have had to be passed on to the consumer in higher prices in 1944 and 1945," and then secondly "to meet a claim that the industry's financial position had been seriously affected by the fall in production in 1944." Could you say whether you had at your disposal at that time the information which has now been revealed in the Report of Lord Simon of Wythenshawe in relation to the set-up of the cement industry?—On the first point we had of course full information about the financial position of the industry. The industry has given us throughout full facilities for examining their accounts. As regards the reference to the Simon Committee's Report, that is I should say entirely another matter. There was a committee which went into cement costs known as the florde Committee, but the Simon Committee has been concerned solely with the distribution system, primarily of course

the position of builders' merchants. I should say we had full information about the system in the cement industry whereby prices are fixed by the Cement Makers' Federation, and those of course are delivered prices. They are different from, say, brick prices. But this withdrawal from the fund for the credit of the industry was based on a very thorough investigation at the time of the financial position of the industry.

2171. The Simon Report refers, does it not, apart from the distribution side, also to the composition of the producer industries, and it makes some comments, does it not, upon their organisation?—It refers to them incidentally. I do not recollect any special reference to cement.

2172. There is an appendix to the Report in which it is discussed in some detail. The point I am driving at is this: In the Simon Report it refers to the profits made by the producers of certain building materials which it says by and large, to take the general average, are much higher than it considers to be right. I did not know whether your Ministry were in possession of the information that would enable it to assess, within the accounting period to which you are now referring, the amount of profit on the capital employed in the business by the cement ring itself?—Yes, and this calculation which was the basis of this negotiation was on that evidence and on the actual examination of the accounts and the financial position of different firms in the industry.

2173. Could you say what the amount of profit on the total capital employed finally turned out to be in the cement industry?—The figure normally taken at that time was about 10 per cent. on capital employed, but the cement makers have always rather challenged the Department's assessment as to what is capital employed, and in fact there is an outstanding question with the cement makers at the moment in relation to current prices.

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[Continued.]

2174. You are satisfied that this £982,000 was actually properly repaid after a fair return?—I have no reason to think otherwise.

Chairman.] Are there any further questions on paragraph 100 of the Report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-47?

VOTE 1.

MINISTRY OF WORKS (*continued*).*Chairman.*

2175. We now pass to a series of accounts, the first of which is Vote 1, "Ministry of Works," at pages 378 and 379. I want to put a question to you, Sir Harold, on these various Votes for which you account. There is a large number of them. Vote 1, I think, is mainly administrative costs. Then Vote 2 is "Art and Science Buildings, Great Britain." Vote 3 is "Houses of Parliament Buildings." Vote 4 is "Miscellaneous Legal Buildings, Great Britain." Then we have a series which consists of Vote 5 "Osborne," Vote 8 "Royal Palaces," Vote 9 "Royal Gardens Parks and Pleasure Gardens," and so on. I was wondering whether it would not be possible to devise some grouping of these which would obviate a number of Votes for comparatively small amounts, such as "Art and Science Buildings, Great Britain," "Osborne," and so on. I suppose these Votes have grown up for historical reasons?—(Sir *Harold Emmerson*.) I think there is probably an explanation in each case. It may be that some previous Public Accounts Committee has asked to have the particular items shown. I agree that there is now a lack of proportion between the different Votes and a degree of fragmentation which hardly seems appropriate. I should certainly welcome an examination of this question to see if some simpler method of presentation could not be devised.

2176. What is your view, Sir Frank?—(Sir *Frank Tribe*.) I agree with the view of the Accounting Officer. It would mean, of course, consultation with the Estimates Committee and with the Treasury, if this Committee would like us to get together to see whether we could suggest a possible revision.

2177. Sir Eric, have you any objection to this matter being looked at?—(Sir *Eric Bamford*.) The form of the Estimates is a Treasury responsibility subject to consultation with the Public Accounts Committee and the Estimates Committee. One has to bear in mind that the present form was adopted for what seemed in the past good and sufficient reasons after a good deal of examination in most cases by the appropriate Committee. There is always the difficulty that any frequent or capricious changes upset the comparisons with previous years, which are of importance for financial control. Subject to that, circumstances change and we would very willingly

look into the fragmentation of these particular Votes which could, I hope, appropriately be changed. We shall be glad if the Estimates Committee could be carried with this Committee in any changes.

2178. If the Committee so desire I will consult the Chairman of the Estimates Committee as to whether he agrees that this would be a desirable procedure. It does seem on the face of it unnecessary to have a Vote of £138,000 for miscellaneous legal buildings, for example, and a much smaller sum, I think, for Osborne, which is a separate Vote. We will look into the question?—(Sir *Harold Emmerson*.) Thank you.

2179. Subhead A of Vote 1 at page 378 is the charge for salaries, approximately £8½ million. Have you any comparison at all between the cost of administration and salaries on the one hand and the cost of the various works for which you are responsible on the other?—We have of course constantly in mind and under examination the relationship of the numbers of staff and their cost for the work we have in hand. Our difficulty has been, certainly in the last two years, that we have not had enough, particularly of qualified professional staff, for the heavy programmes that have been put on us. I do not know whether you have in mind particular figures?

2180. I wondered if you had made any comparison with, say, before the war? The cost of the works which you have now to execute is many times greater than it was in pre-war days, and similarly no doubt the cost of your administration has increased. I wondered if you had made any comparison as to the relationship between the two at the different periods?—We have. We have full information (I am afraid I have not got it with me) about the cost of the professional staff. I think a distinction must be made in making any comparison between the different duties carried now of course and those which were carried before the war. This item of £8,418,000 for salaries includes the cost of staff engaged on controls and licensing of building and materials, and so on, services which were non-existent before the war. The more direct comparison would be between the cost of the Directorate of Works (that is, the architects, engineers, surveyors and so on, and the allied services) in the two periods and the actual cost of building. That comparison has been made and can probably be judged by what the Treasury require as regards the percentage addition

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[Continued.]

which is applied to a recoverable service. That is, if we are carrying out a service the cost of which is recovered from another department, we add an establishment charge, and that percentage has been on the increase. It is at present 10 per cent., but it will not necessarily stay there. I understand before the war it was about the same. But over a longer period of years it has increased.

2181. You say the right comparison to make would be between the costs of the Directorate of Works and the actual work carried out?—Yes, the Directorate of Works and the allied services, which would probably include the division known as the Directorate of Lands and Accommodation. That is the division concerned with the acquisition of land. We might have to include, too, the Controller of Supplies, who is concerned with the furnishing of buildings which are put up or converted by the Director of Works. Perhaps it would

be better to put it this way, that we should exclude the additional services which the Ministry have taken on as a result partly of wartime controls and partly as the extended functions of the department, and that would be perfectly possible.

2182. Could you without much difficulty prepare a short statement on that point?—Certainly.

2183. So that we get a comparison between the pre-war and post-war proportion of the administrative costs to the actual buildings?—Yes. The figures are readily available. I am sorry I have not them with me.*

Chairman.] I have no further questions on Vote 1. Has any member of the Committee any questions on this Account? May I take it that Account is approved? (*Agreed.*)

* Appendix 8.

VOTE 2.

ART AND SCIENCE BUILDINGS, GREAT BRITAIN.

(On this Account no questions were asked.)

VOTE 3.

HOUSES OF PARLIAMENT BUILDINGS.

Chairman.

2184. The Account is at pages 383 and 384. I think the Committee would be interested to hear, Sir Harold, when you expect the completion of the work on the new House of Commons?—(Sir *Harold Emmerson.*) We have every hope that it will be completed by the date forecast, which was 1950. There have been difficulties in recruiting masons, as Members of the Committee will no doubt be aware; but we have recently been able to recruit an additional number of men.

2185. Do you expect to complete in two years' time?—Yes, in 1950.

2186. Have you a final figure now of the total cost?—We have a final figure. It is probably given in the statement of new works. The total figure is given in the Estimates as £1,779,050. The expenditure

Sir ERIC DE NORMANN, K.B.E., C.B., Deputy Secretary, Ministry of Works, called in and examined.

Mr. Benson.

2189. Does the total figure given in the Estimates of £1,779,050 include the Cloister?—(Sir *Eric de Normann.*) Yes.

2190. Can you say off hand what was the original cost of the building?—I am afraid it has gone out of my mind. It was many times Barry's estimate. I have forgotten for how many years the service lasted; I think for 20 years. In the end the total cost was found very greatly to exceed the estimate. (Mr. *Jones.*) I think the total cost was just over £2 million.

Mr. Benson.] That is the figure in my mind. The cost of building the whole

(Sir Eric de Normann withdrew.)

to 31st March, 1948, was £258,200, and the Vote for the current year is £430,000, leaving something over £1 million after 1948-49.

Chairman.] Are there any questions on Vote 3?

Mr. Thurtle.

2187. Do I understand that that estimate includes the restitution of the 1914-18 War Memorial which was destroyed?—No, that is a separate item. This expenditure is on the reconstruction of the building itself.

Mr. Benson.

2188. Does that include the Cloister?—May I ask Sir Eric de Normann, who is present, to answer that?

Chairman.] Yes.

place was not much more than the cost of rebuilding our Chamber.

Mr. Cuthbert.

2191. Was there any insurance which covered the loss of the old chamber? Is there any insurance scheme at all?—(Sir *Harold Emmerson.*) I imagine the usual arrangements applying to Government property would apply to the House of Commons; that is, that there would be no insurance.

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

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[Continued.]

VOTE 4.

MISCELLANEOUS LEGAL BUILDINGS.

(On this Account no questions were asked.)

VOTE 5.

OSBORNE.

Mr. Benson.

2192. What is the daily average population of patients in Osborne? Can you tell me that?—(Sir Harold Emmerson.) In this year, 1946-47, it was 32.

2193. The cost is over £1,000 per annum per head. Is not Osborne a bit of a white elephant?—I do not think the number of patients can be related to the total cost of Osborne which, of course, provides certain other services in addition to the convalescent home. The average cost per patient in 1946-47 taking the figure of 32 was £671.

2194. What is the cost in ordinary convalescent homes?—We did make a comparison with the cost of some of the service convalescent homes. Comparisons are difficult because of the different services provided; but, on the comparison we made it appeared that the Osborne figures compared fairly favourably.

2195. What overheads did you allow for the maintenance of Osborne itself? Did you allow anything?—For the maintenance?

2196. Does this £36,000 gross total grant include the cost of the patients or is that only the cost of Osborne apart from the patients? There are victualling and medical comforts. Assuming you abolished the convalescent home part of it, does that mean that the bulk of your cost here would be reduced?—I should say that the convalescent home is the bulk of the cost, but we have a statutory obligation to maintain Osborne partly of course for the convalescent home and partly for the maintenance of the State apartments. May I call the Committee's attention to the note at the foot of the account which gives the apportionment of net expenditure between the convalescent home, the £21,000, and the grounds and State apartments. That is out of this total figure of £28,000 given as expenditure in this year.

2197. Does the £21,000 include all the cost of medical attention and everything else in the convalescent home?—Yes.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (Agreed.)

VOTE 6.

PUBLIC BUILDINGS, GREAT BRITAIN (continued).

(New Works Statement.)

Chairman.

2198. This is a more substantial Vote. The grant was £16½ million and the expenditure just under £11 million. It seems a common feature, looking through the explanation of the causes of variation between the expenditure and the grant, that there was less progress made than was expected owing to shortage of labour and materials?—Yes. In other words, there was far too much on the plate.

2199. Can you give me any idea of what proportion of this work was let out to contractors and what proportion was carried out by the Ministry itself?—Practically the whole of it was let out to contract. There was very little of the new work done by the Ministry itself through the Mobile Labour Force.

2200. The staff you referred to earlier in your evidence of 30,000 is not engaged upon new construction?—No. Of the 30,000 I mentioned (that is the present figure) about 22,000 would be maintenance staff looking after the buildings in the possession of the Government; and the only staff engaged on new work would be the balance which is at present about 8,600.

2201. Practically all of this work is let out to contractors?—Yes.

2202. And I take it that you call for, if you can obtain them, competitive tenders?—Certainly.

2203. Do you find there is in practice any effective competition at present?—There is certainly effective competition in the ordinary straightforward job. The real difficulty is in these isolated areas. In some cases the job is a very big job like the Ministry of Supply research establishments and it is difficult to find anybody in that area who is competent or has the resources to do the job. In other cases, say small jobs like houses for the Forestry Commission, again the area is usually a very isolated one, and in that case it is sometimes difficult to find anyone who is prepared to tender because of the difficulties of access to the site, and so on. But on the ordinary straight-forward job there is I should say effective competition.

2204. There is more competition today than there was two years ago or a year ago?—Certainly more than there was a year ago because of the cuts in the capital investment programme which have had an effect of course on new work.

2205. Would you turn to page 390, to subhead E "Compensation in respect of requisitioned land, etc.: Hire of chattels,

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[Continued.]

etc." on which the expenditure was £4,900,000. Can you tell me offhand whether, when you requisition houses for office purposes, you pay rates on those houses as long as they remain empty?—We are not concerned directly with that question, because we rely entirely on the services of the Treasury Valuer, but I believe it is his practice (and it is certainly our policy) that if it can be claimed that there is no beneficial occupation of the house no rates are paid; but ordinarily of course with the pressure on accommodation I should not expect that the property would remain empty for very long. There is always some empty property but it is usually in process of allocation to some service which is clamouring for more accommodation. On the point as regards payment of rates we should leave that entirely to the Treasury Valuer, but, as I say, I believe it is his practice to avoid payment of rates if he can claim that there is no beneficial occupation.

2206. I want to put another point to you on this: Do you requisition property for the use of public boards, such as the National Coal Board?—No. We have powers to requisition, but we do not exercise them at all if it can possibly be avoided, and I know of no case where they have been used on behalf of the Board of a nationalised industry.

2207. You have requisitioning powers and before a building is derequisitioned you naturally consult other Departments as to whether they require to use it?—Yes.

2208. But the Coal Board is not in on those arrangements?—Perhaps I ought to say that it is possible that a building which has been under requisition for some time and becomes available might, on the representation of the Department concerned, be used to accommodate the Board of a nationalised industry; but it would have to be at the special request, in the case of the Coal Board of the Ministry of Fuel and Power, of course. If they made a strong case for our services in providing accommodation for the Board, then it is possible that the accommodation we had to offer would be accommodation which had been requisitioned at some earlier period, but we are not using our powers of requisition to take new accommodation.

2209. I quite appreciate that, but there are cases where properties which have been held on requisition and would otherwise have been derequisitioned have been handed over to a public corporation for offices, or whatever it may be?—I do not know of any case, but I should say it is quite possible that has happened because of the pressure on accommodation.

2210. You would not express any view upon the legality of that—at any rate perhaps not without taking advice?—I would not care to do so.

2211. Let us take Hobart House for example. That is where the Coal Board is

now, is it not?—Yes. The powers are derived from the Supplies and Services Act. I think they are very wide powers.

2212. You would not claim that you could requisition property and then hand it over to a private individual or an ordinary company?—I think it is a question of the interpretation of those words in the Act which relate to essential services.

2213. At any rate you have not had a challenge upon this question so far?—No, we have not. We have had it represented that the powers have been used to take new accommodation, but in fact they were not.

2214. One further question on page 392. Amongst the details of receipts there is an item of £2,300,000 from the Ministry of Fuel and Power, the National Service Hostels Corporation, etc., in respect of hostel accommodation. Do you get paid the full economic figure when you provide hostels for other Ministries?—The practice there is according to the Ministry and the service. If it is one of the Service Departments we should recover the full cost. In the case of a civil Department like the Ministry of Agriculture, we should regard this as an allied service and we should bear the cost of providing the hostel on our Vote. In the case of the National Service Hostels Corporation an arrangement has been made (I believe on Treasury instructions) that we should charge them a figure to cover the cost of the service, and that figure does I believe represent an economic charge. There is a different figure for industrial hostels and for miners' hostels. The same arrangement applies to one or two of the other hostel associations. The London Hostels Association is a case in point.

Chairman.] Has any member any questions on this Account or upon the New Works Statement, which has been circulated and which we are taking with this Account? I have no questions on the New Works Statement.

Sir John Mellor.

2215. One point on the question of the derequisitioning where there is a property which you have had under requisition and which you would be able to set free, but which another Department represents that it desires to have. Does your Department exercise an effective discretion in the matter? Of course you have the responsibility of taking a decision, I take it?—Yes.

2216. But do you exercise a discretion in the matter or do you simply conform with the wishes of the applicant Department?—We have to try to do both. It is our duty to meet the needs of the Department concerned, but we must of course have a definite policy with regard to derequisitioning and we must follow the policy which has been laid down by

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[Continued.]

Ministers which is of course to derequisition houses and flats as quickly as possible and not to use powers of requisitioning new property (that is, taking over additional buildings) if it can be avoided. A Department is free to reject an offer of accommodation and say that it is not suitable; and it may be that we should have to persuade them to reconsider it, and to accept it. We cannot force them to accept it. So that it does rest with the Department in that sense; but another Department of course could not insist on our keeping a particular building. They could not insist on our waiving the derequisitioning in their interests. If we said "It is in accordance with policy to derequisition this building" we should do so. Does that answer your question?

2217. Yes, I think it does, thank you. In fact I take it you often have derequisitioned properties notwithstanding that another Department or Departments have desired to have them?—Certainly, and we attach very great importance to the derequisitioning particularly of these priority classes, small houses and flats.

Major Bruce.

2218. On the construction of public buildings generally and work upon them, does your Ministry decide in what priority the work is to proceed?—As between different departmental programmes?

2219. As between different Departments?—No, not entirely. The priorities are governed largely by decisions taken by Ministers. In some cases, for instance the public offices for the Ministry of National Insurance we have to work to a fixed statutory date and we have no option in the matter. It is a case of agreeing with that Department the minimum number of offices they want by a certain date and then we have to provide them. In other cases where there is no statutory date there is a certain element of discretion left to us which is influenced by the degree of shuffling in the queue and so on. But each Department thinks that its own programme is more important than anybody else's, and we have to try to hold a balance, having regard to resources, and so on. But we do ourselves, so far as we are able, indicate to the Directorate of Works the very broad priorities, which are usually obvious from the nature of the service.

2220. You did say, did you not, that the general position was that the contractors by and large had more contracts on their hands than the existing labour and materials supply would permit them to proceed with?—Yes, that was the position, and then within our own discretion and as far as we could we had to indicate both to our own professional men who were overloaded—architects and so on—which services were to have precedence.

2221. May I refer you to item 15 on page 389 and to page 5 of the New Works Statement. The Ministry of Labour and National Service presumably made considerable representations to you departmentally as to the priority to be accorded to work on the provision of new training centres?—Yes.

2222. I take it that you assessed them by and large as having a high priority or otherwise one would not get, on page 5, the total expenditure one has incurred so far during this year?—This was a decision taken during the war period with regard to the very ambitious scheme of training centres, a large part of which was designed for the building industry and a very large number of centres were built which are very fine buildings. That represented, of course, a very considerable expenditure. At that time, when this programme was framed, it was expected that the building industry would go on expanding, that there would be this tremendous demand, as indeed there was until a few months ago, for additional recruits, and we were very successful in meeting so large a part of the total programme. The cut in the capital investment programme has meant of course that many of those buildings which were intended as training centres have had to be converted or turned over to other use.

2223. There are a good number of what we might call "white elephants" amongst this lot of training centres, are there not?—We had to provide them with training centres, and I should say that good use has been found for them. Anyhow, it was not the concern of the Ministry of Works as to the needs of the programme. We were simply required to provide the buildings. (Sir Frank Tribe.) The Committee will have an opportunity of examining this on Thursday when they are taking the Ministry of Labour Vote.

Mr. Benson.

2224. Do you build for the Prison Commissioners?—(Sir Harold Emmerson.) Yes, we have built houses for the Prison Commission at Lewes; that is one of the cases where we had to use the Mobile Labour Force. We have also been building houses for the staff at Broadmoor.

2225. That is under the Board of Control?—Yes.

2226. Have you done any building for the Prison Commissioners at Sheffield?—I do not think we have had any at Sheffield.

2227. They build some themselves?—I understand ordinarily they do the building themselves, but we were asked to come to their help with the Mobile Labour Force at Lewes and we did so.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.)

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[Continued.]

VOTE 7.

PUBLIC BUILDINGS OVERSEAS.

VOTE 8.

ROYAL PALACES.

VOTE 9.

ROYAL PARKS AND PLEASURE GARDENS.

(On these Accounts no questions were asked.)

VOTE 10.

MISCELLANEOUS WORKS SERVICES *(continued)*.*Chairman.*

2228. I want to ask a question on sub-head A, "Experimental and demonstration building." Particulars of these are given in the New Works Statement. You build considerable numbers of experimental houses. What happens to them eventually? Are they sold or occupied?—(Sir *Harold Emmerson*.) They are occupied of course on completion, but they will be ultimately disposed of to the local authorities.

2229. They remain your property for a time?—They remain our property until the completion of the experiment, the collection of data, and so on.

2230. I suppose the experiment may go on for some years if you want to see what the lasting quality of a material is?—In most cases we shall be able to arrange with the local authorities for inspection and visits to the houses and so on, and we have already begun negotiations with a number of authorities in areas where these houses were built say a year or more ago with a view to the local authorities taking them over.

2231. They would not pay you what they cost, of course?—I am afraid not.

2232. They would pay you something less?—The normal arrangement is the cost of a traditional house, but I think it will have to be negotiated in each case.

2233. On page 402, subhead O is "Building materials industries—assisted travel schemes" on which only £7,700 was spent out of a grant of £100,000. What is an assisted travel scheme?—That was a special arrangement made at the time when there was a tremendous shortage of labour in some of the building materials industries, particularly the clay industries, bricks, tiles, and so on. This was an arrangement to recruit men living at a distance from the brickyard or the claypit by the payment of part of their fares and an arrangement with the employer whereby there is a contribution made to the cost of travelling.

2234. This is really a small subsidy to the brickmaking industry?—Yes. It was a principle that was fairly freely adopted during the war of course, and applied in a number of industries. At this time there was tremendous pressure to increase the labour force of these industries, so as to bring them

back into production, and this was one of a number of emergency measures that was adopted.

Chairman.] Has any member of the Committee any questions on this Account?

Major Bruce.] On page 402, subhead J is: "Expenses incurred in employment of building trade apprentices." Could you tell me how that scheme is going on?

Chairman.] There was not any expenditure in the year under review.

Major Bruce.

2235. I know. I wondered why?—The schemes for which this grant was intended are known as the Master Apprenticeship Schemes. A number of schemes was started in 1946-47, in the financial year, but no expenditure was incurred because the schemes were not finished and the accounts presumably were not presented. The scheme generally is going well. The principle is, of course, that instead of boys being apprenticed to an individual employer they are brought together under one so called Master Apprentice, who acts as an instructor, and they are engaged in actual productive work. Experience so far has shown that the scheme is much more expensive than was certainly hoped for, and we have had to limit the number of schemes to see what can be done to reduce the cost. But as regards the principle of the scheme it has certainly been very successful and very well accepted by the industry and very strongly supported by the industry.

2236. Are you finding that the apprentices after training are being absorbed into the industry?—Certainly. There is no difficulty about the boys who have been through the course getting employment and being accepted as fully trained apprentices.

2237. I ask that because we have had difficulty in Portsmouth in getting local contractors there to accept them?—On completion of apprenticeship or during the scheme?

2238. Both. But that is not general?—I think the experience in the north of England—they have had some schemes of this sort in Lancashire—has been very favourable, and also I believe in South Wales.

4 May, 1948.]

Sir HAROLD EMMERSON, K.C.B.

[Continued.]

Chairman.

2239. In the brick charges account at page 406 I note that there were payments to producers towards cost incurred in the abnormal stacking of bricks?—Yes. There was not a great deal of abnormal stacking in that year. I imagine these payments were made in respect of abnormal stacking in the earlier period; that is the war period, when of course there was very little demand for bricks.

2240. Those payments relate to an earlier period?—They must do, because there was a steady reduction in the brick stocks in 1946-47.

2241. What is the future of the balance of £361,039 standing to the credit of the brick charges account?—It is a little uncertain. We had every reason to believe a few months ago that we could close this account, and we had opened negotiations for that purpose, but with the cut in the investment programme and the reduced demand for bricks there have been suggestions that we may have again to come to the aid of the brick makers. At any rate it means that we are not yet able to come to a final settlement on this account.

Chairman.] Are there any further questions on the Account or on the Brick Charges Account on page 406? May I take it the Account is approved? (*Agreed.*)

VOTE 10A.

VICTORY CELEBRATIONS.

Chairman.

2242. Are there any questions on this Account?—(Sir Harold Emmerson.) I ought perhaps to say that with regard to the reference in Note 1 to £4,000 further expenditure in 1947-48, that at that time in November, 1947, it was estimated at £4,000, but it is now likely to be more than £4,000. I think

the figure is £14,000, because of an additional £10,000 which was incurred in connection with the entertainment of visitors from India and the Far East.

Chairman.] Are there any questions on the Account?—May I take it the Account is approved? (*Agreed.*)

VOTE 15.

WORKS AND BUILDINGS IN IRELAND.

*(On this Account no questions were asked.)**Chairman.*

2243. I think it would be convenient to adjourn at this point. We shall have to take the Building Materials and Housing

Act 1945, Account, 1946-47, which we have not yet taken, on another day. We will try to fix a time that is convenient to you, Sir Harold?—(Sir Harold Emmerson.) Thank you.

*The Witnesses withdrew**Adjourned till Thursday next at 3.45 p.m.*

THURSDAY, 6TH MAY, 1948.

Members present:

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Mr. McAdam.

Sir John Mellor.
Sir Frank Sanderson.
Mr. Thurtle.

In the absence of the Chairman, Sir Frank Sanderson was called to the Chair.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES called in and examined:

Sir Frank Sanderson.] The first item on our agenda to-day is the Treasury Minute on paragraphs 36 to 39 of the Third Report of the Committee of Public Accounts, 1946-47. I think it would be better if we

took that Treasury Minute later, when Sir Thomas Phillips is here, because it is a matter which really is relevant both to the Ministry of Labour and National Service and the Ministry of National Insurance.

6 May, 1948.]

Sir GODFREY INCE, K.C.B., K.B.E.

[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS V.

VOTE 4.

MINISTRY OF LABOUR AND NATIONAL SERVICE.

(Report and Accounts of the National Service Hostels Corporation, Ltd., 1946-47.)
 (Report and Accounts of the Disabled Persons Employment Corporation, Ltd., 1946-47.)
 (Reports and two Accounts of the National Institute of Houseworkers, Ltd., covering the period 25th June, 1946 to 31st March, 1947.)

Sir GODFREY INCE, K.C.B., K.B.E., Secretary, Ministry of Labour and National Service, called in and examined:

Sir Frank Sanderson.

2244. Will Members turn to the Civil Appropriation Accounts, 1946-47, to the report of the Comptroller and Auditor General? We will take paragraphs 54 and 55 together. These paragraphs deal with the National Service Hostels Corporation Limited. In the second subparagraph of paragraph 54 the Comptroller and Auditor General states: "For the year ended 31st March, 1947, the Corporation's accounts include charges (£1,759,418) in respect of works services at hostels and headquarters. They show a deficiency of £1,974,503 as compared with £726,145 in 1945-46. . . ." This increase is a very substantial one. I was wondering, Sir Godfrey, whether you could inform the Committee who decides on the opening and closing of hostels and also whether you have any policy for closing a hostel when the number of occupants falls below a certain figure? In other words, do you have regard to the local facilities which are offered in the way of local lodgings?—(Sir Godfrey Ince.) The Ministry of Labour decide whether a hostel should be either opened or closed in a particular area. There is no specific rule about closing it depends, really, on the circumstances in the district. It may well be that there are not a very large number of workpeople in a hostel, but the effect of closing it down might be very serious on an important industry in the district. Therefore, each case has to be looked at individually to see whether, in fact, the closing down of the hostel, if it is not by any means full, would have a serious effect on the labour position in the district. I am, of course, speaking in respect of the hostels for which the Ministry of Labour have responsibility. The figure of the deficit of £1,974,000 includes other hostels as well as those for which we have responsibility. Might I say one thing in respect of that deficiency of £1,974,000 as compared with £726,000 in 1945-46? I think the figures are not comparable because in the £1,974,000 there is included a Ministry of Works charge in respect of rent, maintenance, heating, etc., which was not included in the previous year in the £726,000. The Ministry of Works charge was £1,753,000, so that, if I might suggest

it, comparing like with like, there has been a substantial reduction in the deficiency.

2245. You do have regard to the local lodgings which are available in considering what facilities exist?—Yes.

2246. To what extent were your hostels used during the year?—At March, 1946 the percentage of residents to capacity was 69 per cent., and in March 1947 it was 75 per cent. The latest figure we have, at February 1948, is 77 per cent. That is the percentage of residents to capacity.

2247. For what workers are industrial hostels provided?—They are provided for workers who are required in the essential industries of the country, mainly the undermanned industries, such as coal, (for which now the National Coal Board are responsible) agriculture, the textile industry. In fact, they are provided for all workers who are needed in an area to man an essential industry.

2248. In whose hands is the power to admit workers to the hostels? Who has the say in regard to who shall or shall not be regarded as eligible to enter the hostels?—It rests in the hands of the Department, because we are the Department that transfers the worker to the district where he is required, and therefore we decide that, but the Hostels Corporation have the power to turn him out of the hostel if, in fact, his conduct is so unsatisfactory that they cannot keep him in the hostel.

2249. Are local workers working for private industries eligible?—No. They are for transferred workers from other districts.

2250. They are not eligible for the industrial hostels which you provide?—No.

2251. Am I to take it that no local residents working for private firms would be eligible for these hostels?—No, because, being local residents, presumably they have already got accommodation.

2252. I may be under a misapprehension, but I was rather under the impression that workers in private firms were, in fact admitted to these hostels?—The fact that they are in private firms is irrelevant. The point is they are transferred workers from another district. They are transferred to private employment in a particular district

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Sir GODFREY INCE, K.C.B., K.B.E.

[Continued.]

and there is no lodging accommodation for them and no possibility of getting them lodging accommodation, so that they then have to go in the hostel.

2253. When there is no other accommodation available, workers working for a private firm are permitted to use these hostels?—Yes.

2254. If that is so, can you suggest any reason why the firm should not be responsible for the payment? What I am concerned about is why the cost should fall upon the Government, and why firms should not bear their own responsibility and find the necessary accommodation, even though it be at these hostels? Why should the firm not foot the bill, as in the case of the Coal Board?—The firm does foot the bill in respect of their own employees if they transfer their own employees from one of their works in one district to another district. But in transferring new people to a firm the system of hostels which was established during the war has been carried on because the workers in a hostel are not merely people for one firm only but are workpeople transferred for a whole number of firms in the district, usually. If there is only one firm in the district that is needing workpeople, and we transfer workpeople to that one firm only, we would not provide a hostel. We would say to the employer: "That is your responsibility"; but the hostels which are provided do house workers for a very substantial number of firms.

2255. That still does not quite answer my question, I am afraid. What I am concerned about is why the firm should not be responsible for the charges incurred in bringing these workers to the factory? I have in mind a case for which I am personally responsible where, due to a very severe shortage of labour, we are only too willing to pay the costs which are incurred in order to secure the workers?—I think the principle is that this difficulty of accommodation arises through lack of houses, and it is considered that the lack of houses is, at any rate to some extent, a Government responsibility. Therefore, the Government takes the responsibility of putting up what is, in effect, temporary housing accommodation, namely, a hostel.

2256. Could you tell the Committee how the charges compare with the charges made by local landlords, and so on?—The charges, which were increased during this particular year, are 30s. for men and 25s. for women, and are a bit below what I think is generally charged by landlords.

2257. Could you say whether the charge has been increased since?—Not since it was increased to 30s. It has not been increased again.

2258. The present rent charged is an uneconomic rent, is it not?—Yes.

2259. In other words, losses are sustained?—Yes.

2260. In the third subparagraph of paragraph 54 the Comptroller and Auditor General states: "Since the close of the year 1946-47 the Corporation has undertaken the management of hostels for European volunteer workers and for Poles transferred from the Resettlement Corps into civilian employment." Could you state how many hostels have been opened for European volunteer workers and for Poles?—There have been 11 opened for Poles and 14 for European volunteer workers. Those were the figures at the 25th February of this year.

2261. I take it these are to be subsidised, are they not?—Yes.

2262. In other words they are to be run on a no-profit basis?—The European volunteer workers (and it is their hostels for which we have a responsibility) are housed in these hostels free of charge.

2263. Is there any likelihood in the future, do you think, of these hostels being run at a profit, or to balance?—I should not have thought so. Taking the hostels for British industrial workers, if you exclude the Ministry of Works charge then I think they are just about running even at the present time.

2264. You think they are?—Yes, at the present moment.

2265. That being so, you would regard it as not necessary to increase the charge in order to make the account balance? You rather feel, do you, that it will balance in course of time?—I think it is balancing at the present time, as I say, excluding the Ministry of Works charge.

2266. Paragraph 55 deals with hostels not controlled by the Corporation. The Comptroller and Auditor General informs us that the excess of payments over receipts was £80,000. I want to ask the Treasury a question in regard to paragraph 55. In view of the charges to the Votes mentioned in this paragraph, it rather looks as though the industrial workers and civil servants using these hostels are generally being subsidised from public funds. Can you say what is the general policy?—(Sir *Eric Bamford*.) It is now the Treasury policy to make the hostels for civil servants self-supporting except where the standing charges are excessive by comparison with other places in the country. For example, you may have a very high-cost hostel necessarily in London. In those cases I think the Exchequer would have to be prepared to bear a small deficiency. The general policy is that they should now be self-supporting.

2267. The Comptroller and Auditor General informs us that the available records do not show the full cost to the

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[Continued.]

Exchequer. Is it not possible to devise some uniform system for recording the full cost of these hostels?—(Mr. Jones.) We have that under consideration. It was only in January of this year that the policy of making the hostels for non-industrials on this self-supporting basis was laid down, and we have under discussion with the Departments concerned now whether it is possible to prepare accounts on an income and expenditure basis to conform to a uniform standard.

Sir Frank Sanderson.] Are there any questions on paragraphs 54 and 55 of the report of the Comptroller and Auditor General?

Mr. Cuthbert.

2268. First of all, to follow up your questions on paragraph 54, Sir Frank, with regard to the deficiency of £1,974,000 in the National Service Hostels Corporation Accounts for the year ended 31st March, 1947, am I right in thinking, Sir Godfrey, that you told us the position was very much better than in 1945-46, because a sum of something like £1,700,000 of Ministry of Works charges was not in the previous year?—(Sir Godfrey Ince.) Yes, that is so.

2269. So that you had a smaller deficiency in 1947?—Yes.

2270. May we be told what is represented in this charge of £1,700,000 from the Ministry of Works? Is it the cost of huts or hostels, and so on?—It is rent, equipment and maintenance.

2271. Then we would be right in thinking that the charge to the people who do use these hostels at 30s. and 25s. is purely for the cost of food, and the cost of servicing that food, but does not include anything for rent?—That is the effect of it.

2272. In other words, there is really no comparison with the ordinary fee that they would pay to a lodging house keeper who has to fix her charges to include rent, and so on?—No.

2273. That is the point I wanted to get at. One further question. You have this uneconomic rent of 30s. Who is it who authorises a change in order to put it on a paying basis?—The Cabinet.

2274. That is decided right up at the very highest level of the Cabinet?—Yes. They decide this rate.

2275. You have no say whatsoever in the matter, although no doubt you watch it from time to time and report?—Yes.

2276. You would report if you thought a change were desirable?—Yes. It would be our duty, if we thought a change was desirable, to suggest to our Minister that he should put in a memorandum to the Cabinet.

Major Bruce.

2277. Are the people who are using these hostels people who normally transfer voluntarily from one place of work to another?—Yes, apart from just a very negligible number, all these people are voluntary transferees.

2278. The bulk of the people in respect of whom this deficiency is incurred are people in the main who have gone from their normal homes and their other place of work voluntarily to work in another locality?—Certainly.

2279. It therefore could be said, could it not, that, to the extent to which a deficiency is incurred, in comparison with any economic rent that it might be considered desirable, in the normal way, to charge, what is in fact happening is that an extra inducement is being offered by what amounts to a Government subsidy to people to transfer from one district to another or, in some circumstances, from one occupation to another?—Yes, it might be put in that way, although there is this on the other side, that most people do not like living in hostels.

2280. Quite; I was coming to that point in a moment. There are other reasons, no doubt, for charging a lower fee. But in general it could be said that it was a kind of social service to aid the voluntary transfer of people from one district to another or from one job to another?—Yes.

2281. In so far as the economic rent is concerned, it is true to say, is it not, that even though the price paid for these amenities is a little lower, possibly, than that which obtains in the outside world, there are also certain rules to be complied with? Although the food may be very wholesome and the accommodation very good, nevertheless there are certain rules and regulations in these hostels which do mark them off from the normal freedom which an ordinary boarding house or hotel would have. Is that so?—Yes, to a limited extent.

Mr. Cuthbert.] May I add to that, because that followed up my question? I quite agree with that, but that is at the cost of other taxpayers of the country? They pay for this, in other words?

Mr. Thurtle.

2282. I gather, from what you said in reply to earlier questions, that the over-riding consideration is the provision of accommodation for workmen when no other accommodation exists, so that they may be engaged in an essential industry in which you want increased production?—Yes.

2283. If the accommodation were not available you would not get the increased production?—That is so.

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[Continued.]

2284. There is one answer you gave which did not seem consistent with that. You said if one large firm in a district wanted the labour, then the onus would rest upon them to provide the accommodation for the new labour. Supposing that were a firm engaged in something very essential, in which you wanted increased production? What is the logic in making a distinction between one firm and a number of other firms?—I do not think it is completely logical, but the policy is not really to provide a hostel for one firm only. It is felt that in those cases the firm itself should provide the hostel. I agree it is not entirely logical, but the general policy is to provide a hostel really in lieu of housing accommodation which is not available for firms in the area.

2285. So even if there were a great national need for increased production in that given industry, if there were only one firm engaged in it you would not stretch a point and let them have the accommodation?—We might stretch a point, but we should in that case say that we must reserve the right to put anybody we like into the hostel.

Sir Frank Sanderson.

2286. Are there any further questions on paragraphs 54 and 55? We pass now to paragraphs 56 to 59, which we can take together. These paragraphs deal with training, rehabilitation and resettlement schemes, and with training at Government training centres. In paragraph 56 there is mentioned an item: "Interrupted Apprenticeships Scheme," £1,122,455 expenditure. Could you describe briefly to the Committee the Interrupted Apprenticeships Scheme?—Yes. This is a scheme to enable young men whose apprenticeship was interrupted by being called up to the Forces during the war to complete their apprenticeship when they come back, and the scheme provides that the period of the unexpired apprenticeship should be reduced when they come back, so that if a boy has spent four years in the Forces and comes back at, say, the age of 21 (having done one year's apprenticeship) he has not to do the full four years. The period is reduced by one-third of his period of service in the Forces, provided that one-third is not greater than one-third of the unexpired period of his apprenticeship. So that it reduces, in effect, his period of apprenticeship approximately by one-third in most cases.

Up to the period when his initial apprenticeship would have expired he is paid by the employer the rate which he would have been paid for that period if he had not gone in the Forces, and by the time he comes to the end of that period or at the age of 21, he is then paid ten-twelfths of the journeyman's rate for half the unexpired period and eleven-twelfths for the

remaining half, until he completes his apprenticeship and goes on to the journeyman's rate. The employer receives from us, during this period of unexpired apprenticeship, a subsidy of one-third of the journeyman's rate.

2287. I can appreciate that the cost could not very well fall upon the apprentice himself as an individual, but it seems to me that the amount of £1,222,000 is a very formidable one, and I was wondering whether you could give any cause why this expenditure should fall on the Exchequer, rather than on the industries who, after all, derive benefit from the scheme?—The employers in the industry have in fact lost the services of this apprentice during the war years and when he goes back after leaving the Forces he cannot start at the stage at which he was when he left. He has to go back again to relearn some of the things which he had learned previously. It is considered that it would not be fair on the employer or the industry for them to have to pay for this additional training which he has to be given as a result of his going into the Forces. Furthermore, of course, the boy is some years older and the employer therefore has to pay a substantially higher rate during the rest of the apprenticeship than he would have paid to the apprentice if the apprentice had not been called up.

2288. Your view is, I take it, that it is a cost that should rightfully fall on the shoulders of the Exchequer, and that poor industrialists' shoulders are not broad enough to bear the burden. Is that so?—That is the Government view, if one may say so. I might say this scheme covers 43,000 apprentices who have taken advantage of it so far.

2289. In paragraph 57, dealing with training at Government training centres, the Comptroller and Auditor General, in the third line, states: "In particular, plans had been prepared in the light of the 1943 White Paper on Training for the Building Industry which proposed a short-term scheme of intensive courses for some 200,000 men during the first three or four years after the war to meet the expected deficiency of skilled building workers." I see that this was a short-term scheme. It was expected to last, apparently, for three or four years?—Yes.

2290. In the light of subsequent events, 200,000 men seems to have been much too high a number. What should the figure have been, to the best of your knowledge?—I do not know whether I can answer that question. If the housing programme had not been reduced and there had not been cuts in capital investment, and the industry had expanded at the rate to enable it to do the whole of the work that wants doing in the building industry it

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[Continued.]

would undoubtedly have required the 200,000 men.

2291. Subsequently the figure was very materially reduced, was it not?—Yes, as a result of the capital investment cuts and the cutting down of the housing programme.

2292. What were the prime causes which led you to reduce so drastically the numbers admitted to training courses in 1947?—Cuts in the capital investment programme.

2293. You had met the requirements of the industry, had you?—We had not. The industry was expanding. The industry is now being cut down, and because the industry is being cut down we had to stop the entry of trainees into our training centres.

2294. Could you tell the Committee the approximate cost of six months' training?—I have the cost per trainee-week. The trainees' allowances in the Government training centres in 1946 were 79s. 9d. per week. Then the staff costs on top of that were 34s. 3d. That makes a total of £5 14s.

2295. The building industry derive great benefit from this scheme, do they not? Could you inform the Committee whether any attempt was made to collect any part of the cost from the building industry?—This was an agreement negotiated with both sides of the building industry. Under the scheme it was agreed that we should train a man for the first six months and that the industry should then take the man for the next fourteen months, and during that fourteen months they paid the man's wages and got a small fee from us during that period of training. They paid from 85 per cent. up to 95 per cent. of the journeyman's rate during those fourteen months. They bore the main cost of the training for fourteen months while we did it for the first six months.

2296. In paragraph 58 the Comptroller and Auditor General states: "The number of instructors employed at the centres was 2,962 in February and 1,506 in November, 1947. The increase in the ratio of instructors to persons in training from 1:8.8 in February to 1:4.5 in November reflects the effect of the change in building trades training policy during the year." This is a considerable increase, is it not?—Yes.

2297. Could you inform the Committee whether the instructors were skilled building operatives who would otherwise have been employed on productive work had they not been doing this instructing?—Yes.

2298. The instructors would have been otherwise employed on productive work?—Yes, presumably so.

2299. What would you regard as the proper ratio of instructors to persons under

training?—Probably a ratio of about one to ten, I should think. For the whole of that particular year it was not very far from that. As a round figure I should say probably one to ten would be a satisfactory figure.

2300. The figures shown here are 1 to 4.5 in November?—That is since they have been cut down, and while a cutting down is going on you lose your trainees but you have still to carry on most of the class and therefore you cannot discharge your instructors at the same rate that you can get rid of your trainees.

2301. You would agree, would you not, that there was a very serious decline?—Certainly.

2302. Could not that decline have been foreseen with a view to reducing the staff much more quickly?—Even assuming that it had been completely foreseen I do not think it would have been possible, for the reason that it was not a question of closing down a number of centres completely and keeping others going. It was a case of the trainees completing their training (because those who were in the centres were allowed to complete their training) in all the centres, and the centres gradually running down. That did mean that a substantial proportion of the instructors was still required all the time.

2303. Have you the figure of the total number of staff of all kinds at centres in, say, February and November, 1947?—The total staff in post in March, 1946, was 2,469, of whom 1,031 were instructors. In April, 1947, the total staff was 6,813 of whom 2,990 were instructors, and in March, 1948, the total staff was 3,000, of whom 794 were instructors.

2304. The figures are rather disappointing. It does seem to me that there should have been an opportunity very materially to cut down the staff much earlier than it was done. I think it would be very useful to the Committee if you could let them have a paper giving the numbers and ratios of (1) total staff and (2) instructors only to the numbers of persons in training at three-monthly intervals from the beginning of the scheme to the latest date for which figures are available?—Certainly.

2305. Perhaps you would let us have that at your convenience?—Certainly.*

2306. There is one question I should like to ask the Treasury. You have heard the statements which have been made this afternoon. The impression left, certainly upon my mind, is that there was much room for a reduction of the staff in advance of the time when it was in fact done. I wondered whether you could state whether you have

* Appendix 9.

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[Continued.]

watched the staffing of these centres and prescribed any ratio to the Ministry of Labour?—(Sir *Eric Bamford*.) We were consulted at the early stages about the number of staff and instructors required, but so far as I am aware at present we were not in touch with the situation throughout.

2307. Would you agree that it is rather serious, this number of instructors?—Changes of plan on this scale always have rather catastrophic results when preparations have been made on an entirely different basis.

2308. On paragraph 59, could you state why it was necessary to have such costly and permanent structures for what was generally accepted to be a short training scheme?—(Sir *Godfrey Ince*.) It was necessary to have training centres established and built because there was no other accommodation of any sort or kind that could be obtained for the purpose, and it was thought that if good training centres could be put up not only would they serve the purpose of training for the building industry, but that, when that phase had passed, a number of them would be required permanently for training in other trades and particularly for the training of disabled persons; those which were not required for training would then be available particularly for industry as factories.

2309. Would you not agree that it would have been better to have provided a simpler and cheaper form of building which could have been more quickly constructed, and at a much lower cost, bearing in mind that it was appreciated that it was a temporary scheme?—I should have thought in the long run that it would have been a much more wasteful thing as far as the taxpayer is concerned.

2310. In other words you feel satisfied that the policy which was pursued in putting up these costly permanent structures was an expedient one, do you?—In my view it was, yes.

2311. Can you tell the Committee how many of the new centres you actually used for training and how much use you did get out of them before they were closed down?—I do not know the new ones, but in April, 1946, we were using 36 training centres and a year later, in April, 1947, we were using 78. I cannot tell you how many there were of the new ones that had been specially built. So far as the numbers in training are concerned, they went up from 9,100 in April, 1946, to just on 24,000 in April, 1947.

2312. Could you ascertain and let the Committee know the approximate number of building labour man-weeks employed in the construction of these centres?—Yes; we can get that from the Ministry of Works, I assume.

2313. I think it would be very useful to the Committee to have that information. It does seem to me (and I would like to know whether you are of the same opinion) that there was a great deal of waste of staff and money, which I would have thought would have been put to very much better account had they been used for building houses for the people?—I am afraid I would not agree with that because the number which were built was strictly in accordance with the numbers of skilled people it had been agreed with the industry were required in order to carry out the building programme of the country; and you cannot build the houses until you have the skilled people trained to build them.

2314. I am speaking now for myself, but, as I read the report, quite frankly I think it makes rather sorry reading. I see that in 1948-49 the Ministry of Works estimate the cost of works services on the training centres at £6,449,000 and the probable expenditure to the 31st March, 1948, at £6,010,000. This apparently would appear to exclude the cost of tools and equipment. So the net amount will be, of course, increasingly more?—Yes.

2315. Could you ascertain the approximate cost of these?—The cost of tools and equipment?

2316. Yes?—We can go to the Ministry of Works and ask them.

2317. I think it would be useful to the Committee if we could have that information. Perhaps you could supply the Committee, at the same time, with a statement giving the approximate cost borne on all Votes concerned in 1946-47 and 1947-48 for the building training scheme, and the numbers trained in those two years?—Yes, we could do that.

Sir *Frank Sanderson*.] Has any Member of the Committee any questions on paragraphs 56 to 59?

Mr. *Cuthbert*.

2318. Owing to the alteration in the building programme you have got as far as the reduction of staff and that sort of thing. The cost of all these places for training has been so much. Are they empty at the moment and, if so, what use are they going to be put to?—A number of the training centres have been closed down as training centres. The number of centres we have at the moment, on 1st March this year, is 37, whereas on 1st April, 1947 the number was 78. They are being used for a number of purposes. Some are being used as factories.

2319. That is all I wanted to know, that they are not empty. They are being used?—One or two might be empty at a particular moment because they may not yet have been allocated.

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Sir GODFREY INCE, K.C.B., K.B.E.

[Continued.]

2320. But that is the object, to see that money spent on these will not be wasted, that these centres will not just remain empty and deteriorate?—Yes.

Mr. McAdam.

2321. On paragraph 56, with regard to the item: "Interrupted Apprenticeships Scheme," the Chairman rather suggested that as far as these apprenticeship schemes were concerned industry itself might have been called upon to pay some of their cost?—Yes.

2322. Could you tell me how that logic could be applied to your other training schemes, such as technical colleges, resettlement grants, further education and business training schemes, etc.? If you were to obtain money necessary from industry for the apprentice schemes, where are you going to obtain the money necessary for these other training schemes? To whom would you make the application today, according to the logic put to you by the Chairman?—I do not think we could have done so.

Mr. McAdam.] Exactly.

Major Bruce.

2323. What was the original purpose of this series of training centres that you have in the country?—When they were established before the war?

2324. The idea, as I understood it, in the war was that you would have to have a certain number of training centres after the war for certain specific purposes. What was the conception, shall we say, in 1943?—The first conception was the resettlement of the ex-Service men who had either had their training for a career interrupted by their period in the Service or had had no training whatever for a career because they had been called up just on the threshold of it. That was the first conception of it. It was thought that the centres, therefore, would be required for a number of years for that purpose to start with. Then, furthermore, it was considered that training would be an essential part of the full employment policy because you would always have some industries which were declining and others which were expanding, and in a declining industry you have redundant people who need to be retrained for the expanding industries.

2325. It was anticipated, was it not, that there was going to be fairly large-scale unemployment in the unskilled trades of the country?—It was thought there might be.

2326. In the light of pre-war experience of 1 million unemployed?—Yes; it was thought there might be some unemployment in those categories.

2327. And that it would be necessary to retrain for other trades?—Yes; and then

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there is the other category which it was thought would require training always namely, the disabled persons; because it is not just a question of training men disabled in the war, but there are all the industrially disabled, those disabled by street accidents, and so on, and the congenitally disabled.

2328. You were not concerned only with the building industry as such?—No, not at all. We train in a very large number of trades in addition to the building industry.

2329. The actual centres that you used as training centres were, broadly speaking, of two categories, namely, those which were existing buildings of one kind or another and those centres that you had to construct in order to bring the number up to that required?—Yes.

2330. Could you say, taking the thing globally now, how many trainees you thought you would have to take at any one given time, in total?—Originally we thought that we might have somewhere between 60,000 and 70,000, because of the building programme, of the 200,000 mentioned in paragraph 57. It was considered that we should at one time reach a peak of 60,000 in training, and then in addition there might be from 5,000 to 10,000 persons training in other trades.

2331. So that would make a total of 77,000?—Or a peak figure of somewhere round about 70,000.

2332. Of which about 60,000 would be accounted for by building industry trainees?—Yes.

2333. So it is true to say that even when the housing programme was at its peak and before any question of capital cuts arose (those only arose out of the accounting period) your peak number had by no means been reached?—That is so.

2334. And in fact it would not be entirely correct to say, if it were ever intended to say it, that the under-use of these particular training centres was due to the actual cuts in capital expenditure. Even when the capital expenditure programme was at its peak you were still well under the peak that you originally anticipated?—Yes. We had not reached the peak, and we should, in fact, have wanted substantially more centres than the 78.

2335. Could you say how many old centres you had in existence and how many new ones had been completed at 31st March, 1947, at the end of the accounting period?—I am afraid I have not that figure. The total of the two is 78, but I have not it split up between the two.

2336. You would agree that on 31st March you had work either in a fairly advanced state, nearing completion or, at

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Sir GODFREY INCE, K.C.B., K.B.E.

[Continued.]

any rate, under construction, in respect of 30 centres in the country?—That is so.

2337. That information is given in the details of the Ministry of Works Estimate. Could you say how many of these are completed now?—I am afraid not. I just do not know.

2338. I would like to find this out, if possible, because I think it is rather germane to the information which the Committee, as a whole, is trying to arrive at. If, therefore, we could have a paper in which it could be stated in respect of each of the 30 centres on which large sums of money have been spent in what condition they are, whether they are completed, under construction or projected and, if they are completed, to what purposes they are now put, I think that would be of considerable help?—We can get that information from the Ministry of Works. Of course, in respect of centres which have not yet been completed, and in the completion of which we may have no interest whatever, in view of what has happened, although they were being built originally for centres, that is a matter entirely, now, for the Ministry of Works and for the organisation that allocates them. We may very well have said: "In respect of this training centre which is being built, we shall not now need it," and therefore we would not know when it was going to be completed. But we will get the information you want.*

2339. It is quite clear that a number of even the new ones that are going up are redundant to your needs, are they not?—Yes, as training centres.

Sir Frank Sanderson.

2340. You will give us the information as far as you possibly can?—Yes.

Mr. Thurtle.

2341. Your Ministry was pressed, even before the end of the war, was it not, to take elaborate measures in order that ex-Servicemen coming back from the war might be given training?—Yes.

2342. I take it the broad lines of the scheme you have been now carrying out were laid down even before the end of the war?—Yes, they were, and the building scheme was negotiated with the employers and the unions before the end of the war, and was agreed, and the arrangements were all put in hand before the war came to an end.

Mr. Thurtle.] And so to suggest that schemes had been too elaborate or anything of that sort really is a reflection, if it be a reflection, upon the Government which existed before the end of the war?

Sir Frank Sanderson.] I should not like to think that any Member of the Com-

mittee was approaching the matter from a political point of view. The figures are rather a serious matter.

Mr. Thurtle.] I wondered if there was any suggestion of that kind, that too much money had been spent upon this work for the ex-Servicemen, and I was simply anxious to establish that if there had been too elaborate a scheme the responsibility for it does go a long way back.

Sir Frank Sanderson.] Until we get these statements for which we have asked it will be difficult for any of us to arrive at a right decision.

Mr. McAdam.] You, yourself, have expressed an opinion that, as far as the expenditure is concerned, it is out of all proportion. So you have expressed an opinion before the information is actually in front of us.

Sir Frank Sanderson.

2343. We will take paragraphs 60 and 61 together. We have before us the Report and Accounts of the Disabled Persons Employment Corporation Limited. I have very little to ask here. Can you state whether it is intended that this Disabled Persons Employment Corporation should in time become self-supporting?—I would not think there was any hope of that. This Corporation is dealing with men who are very severely disabled, and even if factories are established for them I think it is clear that their output cannot possibly approach that of fit people.

2344. Can you state what kind of contracts the factories are securing at the present time? Do the Corporation accept only contracts which are remunerative, or do they accept any contracts, remunerative or otherwise? Are they finding it difficult to get production orders?—The answer to the last part of the question is that they are finding it difficult to get production orders. Their aim is to get remunerative contracts. I do not think they will take on any contract that they can just get hold of. The contracts which they are getting are of quite a varied nature. The making of furniture is, for example, one of the kind of contracts which they take on. Then there are contracts for brushes, clothes, electric blankets and commodities of that kind.

2345. Will you turn for a moment to the Accounts of the Disabled Persons Employment Corporation Limited? I have only one question. The Income and Expenditure Account for the year ended 31st March, 1947, shows brought down a net deficit on trading, including the cost of training disabled employees, of £36,165. I was wondering whether you could tell the Committee what sorts of things they are producing in this factory and how the goods are marketed?—The sorts of goods are those which I have indicated, namely, furniture, electric blankets, clothing and brushes.

* Appendix 9.

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Sir GODFREY INCE, K.C.B., K.B.E.

[Continued.]

2346. Are they all light articles?—Yes, I think they must necessarily be light, in view of the type of person they have in the centres.

2347. Are the men encouraged to seek other employment?—In so far as those running the centres or these workshops think that it is possible for the man, after his training and his period of employment, to hold his own outside, yes; but the numbers are comparatively few, because the men who are admitted are *prima facie* men who have no hope of getting employment in outside industry because of their severe disability.

2348. They are permanently-disabled men?—Yes, they are men who, many of them, have to be wheeled about, men who have lost both legs in the war; some of them have lost both arms and we have one man who has lost both arms and both legs; there are other men who suffered from infantile paralysis and who have to be wheeled about everywhere, and we have paraplegics and men of that kind.

2349. It is very courageous of men of that type to attempt to work at all?—Yes.

Sir *Frank Sanderson*.] Are there any questions on paragraphs 60 and 61, or on the Report and Accounts of the Disabled Persons Employment Corporation Limited, for the year ended 31st March, 1947?

Mr. *Thurtle*.

2350. I have one or two questions. Sir Godfrey, have you any idea of the number of people on your books who want training of this kind?—I am afraid I can only make an estimate, because the Corporation are contemplating establishing 100 factories for these disabled persons; and that number of factories has been based on the number of people that it is estimated do need this type of employment. I think that would mean about 15,000.

2351. I think the Minister told me, some time ago, that there was a very long waiting list?—There is; there is no doubt about it. There is a long waiting list. At the moment the number of employees in these factories is 800. With probably a total of 15,000 there certainly is a big waiting

list of these men at the present moment. I do not know how big it is but it is certainly some thousands.

2352. Arising out of that, it looks rather, from the report, as though the attempt to establish new factories is going rather slowly, and I wondered if there was any particular reason for that?—There are two reasons. One is the great difficulty of getting any accommodation. It is extremely difficult to find accommodation. If I may give you one instance, in Glasgow we have had the very greatest difficulty to get any accommodation. The only place that has been found is an old tramway depot, and we have had to take one floor upstairs and it is extremely difficult to get the disabled men up there, but that is the only place we can possibly find. That is one reason. The other reason is because the establishment of these factories has been hit on the head to some considerable extent by the capital investment cut.

2353. One other point. I know disabled men who have been looking forward to the possibility of being given some kind of homework because that promise was held out to them. I gather from paragraph 61 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts that very little has been done yet in that respect?—The Corporation have only just started on that. It is quite small so far.

2354. It is going to be pushed, is it?—Yes, it is part of the policy.

Sir *Frank Sanderson*.] Are there any further questions on paragraphs 60 and 61 of the report of the Comptroller and Auditor General? We turn to the Account, which is at pages 237 to 243. With the Account we take also the Report and Accounts of the National Hostels Corporation Limited, 1946-47, the Report and Accounts of the Disabled Persons Corporation Limited, 1946-47, and we have also the Reports and two Accounts of the National Institute of Houseworkers Limited, which cover the period from 25th June, 1946 to 31st March, 1947. I have no questions on any of those Reports and Accounts, which are before the Committee; nor have I any questions on the Account, Class V, Vote 4. Has any Member of the Committee any questions? May I take it the Account is approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS V.

VOTE 5.

GRANTS IN RESPECT OF EMPLOYMENT SCHEMES.

(*On this Account no questions were asked.*)

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Sir GODFREY INCE, K.C.B., K.B.E.,
and Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

TREASURY MINUTE ON PARAGRAPHS 36 TO 39 OF THE THIRD REPORT OF
THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.Sir THOMAS PHILLIPS, G.B.E., K.C.B., Secretary, Ministry of National Insurance, called
in and examined:Sir *Frank Sanderson*.

2355. We turn now to the Treasury Minute on paragraphs 36 to 39 of the Third Report of the Committee of Public Accounts, 1946-47. This is dealing with the administration of insurance schemes. Sir Thomas, could you inform the Committee if you have yet acquired the 1,000 premises which you said last year you would need by next July, or have you found that you can do with a less number?—(Sir *Thomas Phillips*.) We have not acquired the number of 1,000, although that is still the minimum which we think necessary. At the end of April the number of offices actually open was 780. We expect that there will be a considerable addition to that number before the 5th July, although we shall not have reached the total of 1,000 by that date.

2356. Can you state in how many cases you have found it possible to share accommodation with the Ministry of Labour and National Service or the Assistance Board?—Taking the Ministry of Labour and National Service first, it has, of course, been our policy and, I think, the policy of the Ministry of Labour and National Service that, wherever possible, we should use the same set of premises for these offices. At present the number of places at which we are both housed in the same set of premises is 42. There are another 50 places at which we are going to get accommodation on an exchange for just one or two officers, thereby enabling them to receive calls from members of the public; but that will not be, properly speaking, an office of ours.

2357. Do I take it that an effort is made to share in common, also, certain staffs between the three Departments?—The offices are not unified. They are separate offices.

2358. Do you make any attempt to synchronise the three staffs?—It will be our aim to do that. You will understand we have only just started, and there has not been opportunity to test that out yet, but it certainly will be our aim, wherever it is possible, to help one another out. You asked also about the Assistance Board. We propose to find accommodation for officers of the Assistance Board in 487 of our local offices. In addition, there will probably be something under 50 places where we shall set up a joint call office with the Assistance Board, with one officer or two of theirs and one or two of ours at particular places.

2359. There is one question I should like to ask the Treasury. I see that last year's Public Accounts Committee recommenda-

tion met with the whole-hearted support of the Treasury, who promised to keep the matter under close review. Can you tell the Committee the result of the year's activity in this direction?—(Sir *Eric Bamford*.) The Treasury Minute gives the picture as well as we can give it. We were entirely in agreement with the Committee's view on this. We watched very carefully and have kept in close touch with the Departments concerned, and we are satisfied that they have done everything that can be done in this very difficult situation that we have at present to comply with the recommendation.

Sir *Frank Sanderson*.] Are there any questions on the Treasury Minute on paragraphs 36 to 39 of the Third Report of the Committee of Public Accounts, 1946-47?

Mr. *McAdam*.

2360. In respect to the ability to obtain accommodation, I think you will recognise that as far as employment exchanges are concerned there is very little room in employment exchanges for the Ministry of National Insurance staffs. They are pretty tightly held at the present time. When it comes to the question of the Assistance Board staffs, the majority of those are housed in town council chambers and you will, again, have difficulties there, so far as getting your staff into those particular offices is concerned. Your real problem will be to get special accommodation suitable to yourselves. Could you tell me, on that point, in what cities you are finding a particular difficulty at the present time?—(Sir *Thomas Phillips*.) I have not brought that particular information with me, but I know that among the places which were very difficult were Glasgow, parts of London, Bristol and, in addition, a considerable number of towns of moderate size.

2361. Are there any towns or cities in the United Kingdom where you have been unable to secure offices at the present time?—I think there is no town of considerable size in which we shall not have some office accommodation which, while not all what we should like it to be, will be sufficient to enable us to make a start.

2362. So far as the establishment of your offices is concerned, to take, for example, the city of Salford, is it your intention to establish in, say, the city of Salford, offices in each of the three Parliamentary Divisions? Is that a principle on which you are working throughout the country?—I could not answer as regards the Parliamentary Divisions without looking into the

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Sir GODFREY INCE, K.C.B., K.B.E.,
and Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

details, but the general principle is that we should have an office within reasonable reach of any considerable number of insured persons, and I imagine that in Salford, if we can find the accommodation, we should want several offices.

2363. I am citing Salford as an example. What I am trying to get at is this: As you are aware, a city or town is divided into different Wards; you may have four on the north, four on the south, four on the east and four on the west, and to travel from, say, the south to the north may impose considerable hardship on those who are required to attend at the offices. Is it your intention to cover a geographical district such as that?—Shall I say

(*Sir Godfrey Ince withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS V.

VOTE 6.

MINISTRY OF NATIONAL INSURANCE.

Sir Frank Sanderson.

2365. Will Members turn to the Civil appropriation Accounts, 1946-47, to paragraph 62 of the report of the Comptroller and Auditor General? I have no questions on paragraph 62. Has any Member of the Committee any questions on that paragraph? Will Members turn to the Account, which is at pages 245 to 249? On page 247, under "Family Allowances," Subhead K is: "Payment of Allowances," on which your expenditure was nearly £6 million less than your estimate. Was this a £6 million error in estimating the number of children within the scheme, or were there other reasons? I should like to say that in raising the point I am merely asking for information. I have no intention whatever of being critical.—(*Sir Thomas Phillips.*) This was an entirely new scheme, and the data for enabling the actuary to estimate the number of families with two or more children, which was the information required, were pretty scanty. The figure put down for the estimate, namely, £38 million, was the amount which the actuary estimated would be required, and covered 4,500,000 children in receipt of allowances. I can give you some figures to show how the thing actually worked out. The number who received money from the start was 3,870,000; that was in August, 1946. By the end of March, 1947, that figure had gone up to 4,100,000, which was still 400,000 below the actuary's estimate; and that accounts, in the main, for the £6 million underpayment; that is to say, even at the end of the financial period the number in receipt was 400,000 less than the number estimated. The latest figure for children in receipt of allowances is 4,427,000, so that

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ultimately? At present the difficulty of getting any sort of accommodation is so great that we have had to make do with what we can get; and I am bound to say that very often it is not at all in the place we should like it to be; but we just cannot help it.

2364. Is the estimate of 1,000 that you ultimately aim at likely to be sufficient to meet your purpose?—I think it is very likely that the 1,000 is rather a minimum than a maximum.

Sir Frank Sanderson.] Are there any further questions on the Treasury Minutes on paragraphs 36 to 39 of the Committee's Report of last year? I think that is all, *Sir Godfrey*, thank you very much. I am sorry we kept you so long.

even today the figure has not quite reached the original estimated total. That is partly due, I think, to the fact that a considerable number of parents did not claim at the start, but they have been coming in very substantially since.

2366. Could you state whether family allowances are payable in addition to other forms of assistance in respect of the children, unemployment benefit, widows' pensions, and so on?—In general, no. To take unemployment benefit, for instance, the allowance is paid for the second and subsequent children and no unemployment benefit allowance; whereas the unemployment benefit allowance is paid for the first child. That will be the system under the new scheme. There are a few exceptions, but in general that is the position.

2367. I take it you are reasonably satisfied that the machinery for preventing double payments of this nature is functioning efficiently?—I think so. In the case of unemployment benefit it works out easily enough because payment is only made for the first child, and payment is made separately for the other children.

2368. Could you tell the Committee how many fraudulent claims have been discovered?—I understand that on family allowances we had five prosecutions in the nine months up to March, 1947. That is some indication of the number. I think I can say there is nothing in the nature of any substantial fraud.

2369. You are satisfied, are you not, that the present scheme is more or less as water-tight as manpower considerations will permit?—Reasonably so, I think.

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

2370. I think in view of the fact that you are dealing with a new scheme the result is very commendable.—Thank you.

2371. On page 245, Subheads A-D: "Administration": the grant was £3,784,000 and the expenditure £3,923,000. I see that for 1948-49 you estimate your Administration at over £30½ millions, with a staff of over 30,000. Do you anticipate that will be the completion of your expansion programme?—That is rather a difficult question. It is an estimate, at present, of what we shall require for administering the new scheme which comes into full force next July. It is hard to say whether it will be enough or too much. We have to gain experience from the actual outcome. You will understand, of course, that it is to a considerable extent a transfer of work from approved societies to the State scheme.

2372. On page 246, Subhead D is: "Incidental Expenses" and in the note to Subhead D it is stated: "Excess due to increased charges for postage in connection with Contributory Pensions (£25,800), and emergency expenditure on staff accommodation (£15,300) partly offset by a saving of £12,100 on miscellaneous items." Can you explain what is meant by the emergency expenditure on staff accommodation?—This was part of the arrangement in connection, principally, with the pensions scheme. In October, 1946, the rate of pensions was increased. That meant a very heavy addition to work at Blackpool, where that work was being done. At the same time we had to be building up our organisation at Newcastle, to which the work is to be ultimately transferred, and this particular item was the use of a holiday camp at Blackpool in order to accommodate staff which had been engaged at Newcastle and had to be brought to Blackpool to be trained and subsequently taken back to Newcastle. The available accommodation in Blackpool was already used up and this was the only way in which we could find accommodation for them.

Sir Frank Sanderson.] Are there any questions on the Account, which is at pages 245 to 249?

2373. Mr. Benson.] With regard to Administration, things did not work very smoothly at Blackpool as far as the pensions increase was concerned?—We put too heavy a burden on a machine which was not able to stand it; that is to say, the increase of pensions was introduced in October, 1946, and, as things were, we had to try to administer it through a wholly central machine. That resulted in a great many difficulties which we could only solve by introducing local administration in a temporary way.

2374. Did you, as a result of your difficulties, make any examination and did you overhaul your administrative machine, or did you allow the tide of additional work to have its way?—We certainly made a good many changes and overhauls at Blackpool. We were overhauling and building up a machine which was going out of existence. The new machine is at Newcastle. We did a good many things at Blackpool—not only at Blackpool but throughout the country—in order to enable the payment of pensions to be carried out. I think I can say we learned something from it for future experience.

2375. That is what I was wondering, if you did find the additional pressure enabled you to strengthen your machine for future use?—I think the lesson we learned (perhaps we knew it already) was that this sort of thing cannot be operated centrally without a local organisation to back it up. We did not possess the local organisation at the start. We shall have it in July.

Mr. Thurle.

2376. I take it you would not care to give a firm pledge that your estimated expenditure on administration in 1948-49 will never be exceeded?—I should not.

Sir Frank Sanderson. Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.)

NATIONAL HEALTH INSURANCE FUND ACCOUNTS, 1946.

(National Health Insurance Funds). (National Health Insurance Funds: National Debt Office Investments Statements for the two years ended 31st December, 1946 and 1947).

UNEMPLOYMENT FUND ACCOUNTS, 1946-47.

Sir Frank Sanderson.

2377. We turn now to the National Health Insurance Fund Accounts, 1946. I think it would be for the convenience of the Committee if we had a general discussion on these several Accounts. Sir Thomas, can you inform me whether I am right in assuming from these papers that you are responsible for the capital investments

of the National Health Insurance and the Unemployment Funds, the Treasury being responsible for the investments of the Pension Funds?—(Sir Thomas Phillips.) The great bulk of the investment is not done by us but by the National Debt Commissioners under the Treasury. There are certain small items which the Ministry of National Insurance do invest for National Insurance; but that is only a trifle.

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

2378. You are responsible, are you not, for the capital investment of the National Health Insurance and Unemployment Funds?—No.

2379. Are you partly responsible?—No, the money is passed over to the National Debt Commissioners, who invest it on our behalf.

2380. In the National Health Insurance and Unemployment Funds there are capital investments of over £600,000,000. Can you inform the Committee whether these are set out at cost?—Are you referring to the list of investments? There is the White Paper entitled "National Health Insurance Funds" which gives those investments.

Mr. Benson.] Is this the paper, this single sheet?

Sir Frank Sanderson.

2381. Yes.—There are two separate matters. So far as the investment by the National Debt Commissioners of the National Health Insurance Funds is concerned, there is this paper from the Comptroller-General giving a list of the actual investments, the nominal amounts. That is not the cost price but the nominal amounts. There is a corresponding list in the Unemployment Fund Accounts.

2382. Will these form the main capital resources of the new Insurance Scheme?—The whole of these Accounts will be transferred to the Accounts of the new scheme.

2383. Is there any Government guarantee as with the Post Office Savings Bank of the capital funds?—There is no guarantee beyond the nature of the fund itself. They are mostly Government stocks of one kind or another.

2384. I see that at the end of 1946 nearly half the capital of the National Health Insurance Funds was invested in local loans 3 per cent. stock?—Yes.

2385. The National Debt Commissioners invested practically all this money, some £65 million, in undated 2½ per cent. Treasury stock, 1975 or after. You explained last year, I think, that you leave the investment of this capital to the National Debt Commissioners. Do they consult you about the investment of your money?—Yes, as a matter of courtesy they do consult us.

2386. Who would be primarily responsible for investing the funds from the sale of these local loans in 2½ per cent. irredeemable stock?—I take it it would be the National Debt Commissioners. The decision rests with them.

2387. The responsibility falls upon the National Debt Commissioners. Can you inform me whether the National Debt Commissioners are more than brokers acting on your behalf, and are you satisfied that they

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put your interests first in their management of your money?—I think I should be right in saying that they are not our brokers. Under statute the obligation is laid upon the National Debt Commissioners to invest this money, and strictly, I suppose, we have no say in the matter. But in fact there are consultations between the representatives of the National Debt Commissioners and the Ministry of National Insurance as to the general lines of investment and any particular point that arises. But let me emphasise that the decision rests with the Commissioners.

2388. Would you regard it as more important to secure an extra quarter or half per cent. or even 1 per cent. than be assured that the capital is intact? In other words, do you look at it from the point of view of income or rather from the point of view of capital safety?—It depends upon circumstances. Are you speaking now of the Unemployment Fund, to which this more particularly relates?

2389. Yes?—When the amount of money available was small and might easily be required quickly it was of considerable importance that it should be available at short notice and, as far as could be foreseen, that there should not be such liability to capital loss. That is to say, we wanted a short-term investment rather than a long-term one. When the money became larger that consideration became less important. The present position of the Unemployment Fund is that there is a grand total of £531 million. The arrangement under the new scheme is that £100 million should be put in what you may call a working capital account to be drawn upon quickly if necessary and that the balance should be, in effect, an investment. Clearly in the investment part what we look at is the interest, in the hope that we shall not have to realise. But on the £100 million which is there possibly to be realised, we want it to be liquid and be available.

2390. In principle, would you not agree that as with the individual, so with the Government Department, it is more important to conserve one's capital than to get some fractionally higher income?—I am afraid I am rather out of my depth here, but I should be inclined to say that as regards the £100 million to which I have referred what matters is the capital.

2391. That the capital should remain intact, you mean?—That we should be able to realise it without loss when we needed it, but that as regards the balance—that is, as it happens to be, £430 million—what matters is the annual interest.

2392. The market value seems to have fallen some £16½ million and some fall has also occurred on the Unemployment Fund investments?—That is so.

2393. You agree, do you?—Yes.

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

2394. In the Statement of Balances you show these investments at cost. In so far as market values of investments have depreciated, does the Statement of Balances represent, in your view, a true picture of the finances of the funds?—In both these tables the figures are given in the form of nominal amounts and therefore do not represent market value which is in excess in a number of the investments or may be a reduction. I do not know what they would look like if they were given as cost price. (Sir *Frank Tribe*.) I think, Mr. Chairman, you were referring to the statement of balances in the printed Account of the National Health Insurance Fund for England, pages 10 and 11. The main assets item there is: "National Debt Commissioners for investment," which is presumably the "at cost" price. That is at the top of the right hand page.

2395. Yes. I am particularly concerned about the Unemployment Fund because there, as it seems to me, this is not Government money. This money belongs to the people. It belongs to every man and woman who is insured against unemployment. Would you not agree that it is a grave responsibility on the part of whoever may be responsible for the investment of those funds to see that the capital is conserved?—(Sir *Thomas Phillips*.) Yes, but it is not the responsibility of the Ministry of National Insurance as the law stands. (Sir *Eric Baileford*.) The market value of the securities is shown on page 7 of the Unemployment Fund Accounts. I should say that the Treasury is responsible for the general policy of the investment of these funds. The National Debt Commissioners carry out the day-to-day work on the advice of the Government Broker, and the general layout of these investments is agreed by the Treasury. As Sir Thomas has said, we usually see that the Ministry is informed, and, provided there is adequate cover in liquid funds, the view taken has been that the funds should be invested for yield. Securities go up and they go down, and a great many of these have appreciated since they were bought. In the view of the Treasury there is no reason why a core of permanent investment in non-redeemable stocks should not be held.

2396. In other words, I gather from you that you regard it as just an investment which is rather unfortunate?—Not in the least. I regard it as an investment.

2397. You do not put it as high as saying it is unfortunate?—Not in the least.

2398. I only wish to say that I am afraid I do not subscribe to that view, this being, as I say, public money and not money belonging to a Government Department, and I consider it was the duty of whoever was responsible for the changing of one security to another, as was done in

this case, when 3 per cent. local loans were sold and the money was put into 2½ per cent. irredeemable stock, to have seen that it was put into a short-term stock. That is all.—That is completely different from our point of view.

(Sir *Frank Sanderson*.) That is all I have to say. Are there any questions?

Mr. *Benson*.

2399. This 1975 and after stock was a re-investment of money held in local loans?—Local loans which were irredeemable.

2400. Could you give me any idea of the price that you paid for these local loans?—They date back a number of years. I am afraid I could not, without notice.

2401. Was it not somewhere in the neighbourhood of 50 or 55 that that money was invested?—They varied down to about 50 at various times.

2402. If you take the policy of investing your money in long-term stock, if we are to judge of total results we must take it over a long-term period?—I agree.

2403. And in all probability the effect of the Treasury policy of always investing in long-term stock over the last 30 years owing to the drop in the rate of exchange has been very materially to increase the capital assets of the funds under their control?—I could not say that the investment policy is solely to invest in long-term stock.

2404. I am referring to such proportion of the funds as you put into long-term stock?—If we deal with the portion which has been invested in long-term stock, that may very well be so.

2405. And had the total amount of the investments been put into short-term stock there would not have been any capital appreciation commensurate with what there has been?—That is possible.

Mr. *Thurtle*.

2406. I want to ask the Treasury representative one question. I take it, Sir Eric, you would not admit that this temporary loss of capital in connection with the investment in gilt-edged means that the National Debt Commissioners, with the acquiescence of the Treasury, have really been putting the money of the Ministry of National Insurance into speculative stock?—No.

2407. These fluctuations may quite well go the other way at some time. They might be in excess of the purchase price as well as below it, and you reckon to ignore those temporary fluctuations?—Those fluctuations are quite immaterial when there is no prospect, as far as one can see, of realisation being necessary at the present time.

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

Sir *Frank Sanderson*.

2408. On that very important point in regard to fluctuations, should risks be taken with money which is public money? Should they surely not invest in a short-term security where any depreciation is not possible?—No.

Mr. *Thurtle*.

2409. I have not quite finished. I was going to ask you if you were to adopt the expedient of investing in short-term securities, you would thereby incur a very considerable income loss, would you not?—The investment is, as we have said, very largely made for yield purposes as well as for capital security.

Sir *John Mellor*.

2410. Might I ask this question, also of Sir Eric? I think the explanation for holding the 2½ per cent. Treasury undated stock in the National Health Insurance Fund was that it was the result of the conversion of local loans?—It was a counterpart of the previous investment in local loans.

2411. Which was, of course, also an undated stock?—Yes.

2412. There would be no similar explanation in the case of the very large increase in the holding of the 2½ per cent. Treasury stock in the Unemployment Fund? The holding of 2½ per cent. Treasury stock by the National Debt Commissioners for the Unemployment Fund on the 31st March, 1947, was nearly £25 million. It was as near as may be £25 million. On the 31st March, 1948, it has risen as near as may be to £80 million; that is the 2½ per cent. Treasury stock?—That is so.

2413. There is no question of conversion there. It is rather significant that if one compares the holdings on 31st March, 1947, with those of 31st March, 1948, one finds that all the short-dated stocks have been undisturbed and have not been added to. The amounts of all the short-dated stocks remain constant?—That is natural.

2414. That is correct, is it not? But the increases in investments for the Unemployment Fund are confined to the 2½ per cent. Treasury stock, which has increased from £25 million to £80 million, and 3 per cent. Savings Bonds, which increased from £82 million to £96 million, and British Transport stock, which increased from nothing to £8 million. I feel we ought to have some explanation as to why the increase in the holdings by the National Debt Commissioners has been confined to long-dated stocks?—Given that the short and medium stocks are sufficient to provide for any likely eventuality, any accretions to the Fund would naturally be invested in long-term or irredeemable stocks. These accretions were so invested.

2415. Would not one expect a proportion of the new money to be invested in short-dated stocks? A proportion in long-dated and a proportion in undated, possibly, but surely one would at least have expected a proportion to be invested in short-dated stocks?—I do not see why.

2416. Do you not? Is it not rather remarkable that the particular stocks which were purchased (that is, the 2½ per cent. Treasury stock and 3 per cent. Savings Bonds, 1965-75 and, of course, subsequently, British Transport stock) were stocks which the Government were most anxious to maintain at a high level having regard to the vesting dates for, first of all, the British Transport stock and then the Electricity stock?—That may be a coincidence, but the facts remain that this Fund is invested for yield and that there is no other content in the decision.

2417. You say it was coincidence?—You say that these things are things in which the Government were particularly interested. I say: if so, that is a coincidence.

Sir *John Mellor*.] I want to be quite clear about this. You say this was purely a coincidence that the acquisition of these stocks, on which the value of compensation stocks necessarily depended, is not in any way dictated by Government policy?

Mr. *Benson*.] On a point of order, are the representatives of the Treasury here in a position to answer for Government policy?

Sir *Frank Sanderson*.] I quite agree.

Sir *John Mellor*.

2418. May I address myself to that point of order? Surely one of the functions of this Committee with regard to these holdings is to be sure that the investments made on behalf of these Funds are made solely with a view to the financial solvency and stability of the Fund?—I have assured you that these investments—

Sir *John Mellor*.] I was raising a point of order, if I might,—and were not dictated by any other consideration whatsoever?

Mr. *Benson*.] My point of order is this, that the representatives of the Treasury are not in a position to answer as to Government policy. I think it is perfectly within our scope to query whether their investments have been wise or otherwise, but I do not see that we can ask them to answer on points other than that.

Sir *Frank Sanderson*.] It does seem to me that Sir John was not considering Government policy but was considering the manner in which certain funds have been invested, as to whether they have, in fact, been invested to the best advantage or not.

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

Mr. Benson.] No; I suggest Sir John was really raising motive.

Sir John Mellor.] Yes, I was.

Mr. Benson.] Exactly. Then subject to your ruling, Mr. Chairman, I maintain that motive is entirely out of order.

Mr. Thurtle.] I would like to support that point of order. I do think there was, implicit in what Sir John said, the imputation that these investments had been influenced by political considerations.

Sir John Mellor.] I am not disputing at all that if there was an inference to be drawn from what I said it was that the selection of investments (this was my point) for the Unemployment Fund was not made solely out of consideration for the interests of the Fund but for certain other reasons which were closely connected with Government financial policy.

Mr. Benson.] I suggest that is entirely out of order at the Public Accounts Committee, and is more proper for the floor of the Chamber.

Sir Frank Sanderson.] Yes. I think we must consider the investment policy on its merits.

Sir John Mellor.] May I put my question in this form (and perhaps the witness will not answer until you have ruled whether it is in order or not). May we have your assurance that the selection of these investments was dictated solely from the point of view of the stability of the Fund?

Mr. McAdam.] On a point of order, arising out of that, that, again, is an inference that as far as the Treasury is concerned they are controlled by the policy of the Government at the particular time, and I am going to suggest to you that that question is out of order.

Sir John Mellor.] I am afraid I did not hear your point. May I hear it?

Mr. McAdam.] My point is that again the question put to the Treasury is an inference that so far as the Treasury are concerned they are only investing in accordance with Government policy.

Sir John Mellor.

2419. I ask for your ruling, Mr. Chairman. Am I entitled to ask the question as to whether the selection of these investments was dictated solely out of regard for the interests of the stability of the fund?—I am prepared to throw myself on the mercy of the Committee, Mr. Chairman, and say, categorically, that there is a distinction drawn quite clearly between the Savings Bank Funds which are guaranteed by the Treasury and these Unemployment and National Health Insurance Funds which are not guaranteed by the Treasury, and that in the case of the Savings Bank Funds there is an element of monetary policy in the invest-

ment and in the case of the Unemployment and National Health Insurance Funds they are, to the best of our ability, invested solely with a view to yield and capital security in accordance with the advice of the brokers given to the National Debt Commissioners from time to time.

2420. That is a straight answer. That is a clear answer. I do not think many other points arise, except this. You say these investments are selected on the advice of the Government Brokers. Again, I just want to be sure on this point. The Government Brokers are all in one firm, are they not?—Yes.

2421. There are three partners in one firm which are the Government Brokers. Is that not so?—I am not sure, there, of my ground. I rather think all the partners are not Government Brokers.

2422. That is correct. What I meant was that all the Brokers (I think there are three) are in one firm?—Yes.

2423. That firm does all the Government broking and all the purchase of gilt-edged stocks for Government Departments is done by that one firm?—I believe there are some Departments which do not invest through the Government Brokers.

2424. But the Government Brokers do the great proportion of it?—They do the great bulk of the work.

2425. Therefore they are in very close touch with Treasury policy throughout?—Yes.

2426. It would be extremely difficult for them in giving advice to one Government Department to disentangle from their minds general Treasury policy?—I cannot answer for their minds.

Sir John Mellor.] Speaking in the ordinary way of business it would be extremely difficult for a Government Broker to distinguish between the interests of a particular fund and Government financial policy in general?

Mr. McAdam.] I suggest we should call the Government Brokers here to answer that question.

Sir John Mellor.

2427. I am asking a question about the system under which these investments were made?—With respect, I should have thought it was perfectly easy: the Government Broker would be well accustomed to investing funds for yield or for capital security. That is his daily bread. That would be the first thought that would come to his mind, I should have thought. I should imagine there would be no difficulty at all in his dealing with them.

2428. It was Sir Thomas Phillips who said. I think, that the £100 million of this

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

fund could be regarded as working capital and the balance could be regarded as invested capital which in no probable circumstances would be required. Could Sir Thomas say when that doctrine first arose with regard to Insurance Funds?—(Sir Thomas Phillips.) That is provided in the scheme. There are two funds. One is the one into which the £100 million can be paid and which can be drawn upon as required. The rest of the money is put in another fund and no money can be drawn out of that except with rather special formalities, including Parliamentary authority, I think.

2429. Were those laid down by Regulation, or are they in the Act of 1935?—They are in the Act.

2430. In the Act of 1935?—Of 1946.

2431. I have only one further question and that is on the question of management. Sir Thomas repudiated any responsibility for the management of the Unemployment Fund, but section 58 (1) of the Act of 1935 commences in this way: "For the purposes of this Act, there shall be established, under the control and management of the Minister, a fund called the 'Unemployment Fund'" ("under the control and management of the Minister") "into which shall be paid all contributions payable under this Act by employers and employed persons and out of money provided by Parliament, and out of which shall be paid all claims for benefit and any other payments which under this Act are payable out of the fund." I recognise that in subsection (3) it says that: "Any moneys forming part of the Unemployment Fund may from time to time be paid over to the National Debt Commissioners and by them invested, in accordance with regulations made by the Treasury, in any securities which are for the time being authorised by Parliament as investments for savings banks funds." I think there is an ambiguity there. I want to be quite clear what the view is which you and the Treasury hold. First of all it says that the control and management of the fund shall be under the Minister. Then it says that moneys shall be paid over to the National Debt Commissioners and invested by them in accordance with regulations made by the Treasury. It says: "in accordance with regulations made by the Treasury." The interpretation I should have put upon those two subsections was that the management of the fund was the responsibility of the Minister but within the limits prescribed by the Treasury regulations, still under the direction and control of the Minister, the National Debt Commissioners could invest the money. May I have your reaction to that?—I did not mean to repudiate the management of the fund. That, clearly, as you have pointed out, is the responsibility of the

Minister of National Insurance; what I meant to say was that when it was a question of investing any moneys belonging to the fund, that was an operation performed by the National Debt Commissioners and that, while they consulted our Ministry, the decision as to how they invested any particular sum of money rested solely, as far as we were concerned, with the National Debt Commissioners.

2432. The words you used were that "as a matter of courtesy" the National Debt Commissioners consulted you. My suggestion is that it is rather more than a "question of courtesy." The Minister is responsible for the control and management of the fund. The money is paid over to the National Debt Commissioners and invested by them within the limits prescribed, if I may put in an interpretation, by Treasury regulations, but within those limits the Minister is still responsible for the fund and responsible for the investments, and therefore it would not be only a "question of courtesy" but the National Debt Commissioners should obtain the approval of the Minister before selecting investments?—That may, of course, be a possible interpretation of the section, but it is not the one which we have, hitherto, placed upon it.

Mr. Thurtle.

2433. One question arising out of all this. Assuming the interpretation put upon the section by Sir John is the correct one, have you ever differed from the advice of the National Debt Commissioners and the Treasury as to the way in which this money should be invested?—The advice has come from us. That is to say, when we had certain views we passed them on to the National Debt Commissioners and they, no doubt, took them into consideration.

Sir Frank Sanderson.

2434. On page 7 of the National Health Insurance Fund Accounts for the year ended 31st December, 1946, there is the Abstract of Cash Receipts and Payments of the National Health Insurance Fund (England). I observe that payments by the Ministry of Health for insurance committees increased by over £3 million as compared with the previous year. Was this due to the increase in doctors' remuneration?—Mainly to the increase in doctors' remuneration. There was also some additional charge for the chemists.

2435. I understand that the Minister of National Insurance was able to accept liability for 2s. of the 5s. increase and that the balance had to be found from the Exchequer. Sir William Douglas told the Committee, if I remember rightly, that he thought that you had not the money to meet the full obligation; but I see that your balances with the National Debt

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

Commissioners for investment rose by over £4 million in the year. Panel doctors have always, I believe, been paid in the past for treating insured persons by grants from these funds. Perhaps you could explain to the Committee why you were unable to accept full liability?—The position is briefly this. The payments to the doctors were supposed to be covered by certain proportions of the weekly contributions paid. The present payment to the doctors I think is 15s. 6d. per patient, and the arrangement is that 3s. of that 15s. 6d. shall be paid out of the Ministry of Health Vote, the balance of 12s. 6d. being borne out of the National Health Fund. Now, the money which is in fact allocated for that purpose under the scheme, namely, the proportion of the contributions, is not enough to cover that 12s. 6d. and it has in fact been obtained by drawing on the Central Fund. If you will look at page 20, which is the Central Fund of the National Health Joint Insurance Committee, you will see an item at the top of the left-hand side: "Transfers to the N.H.I. Funds: To meet deficiencies on medical funds," a figure of £4,600,000. In fact, what has been happening is that we have met the deficiency by drawing on the funds which are available in the Central Fund but which would not, in fact, continue to be available for many years. You will see from the figure that the balance was down pretty considerably. But it will last our time, as it were. It will continue and it will last until the new scheme comes into force.

2436. The total amount of funds accumulated approximates to £180 million, and the whole of this, I take it, will come into the new Insurance Fund at the beginning of July, will it not?—Yes.

Sir *Frank Sanderson*.] Has any Member of the Committee any further questions?

Mr. *McAdam*.

2437. With regard to that 3s. from the Central Fund to meet the doctors' fee of 15s. 6d., what effect would that have in respect to subsidiary benefits under the National Health Insurance Scheme?—In ordinary times it might have had a substantial effect, but as things stand now valuations are not taking place and therefore it would not, in fact, have affected it. But the money was not there under the legal provisions.

2438. Nevertheless, an insured patient was being deprived of extra benefit he might have had because of having to pay that 3s. from the Central Fund?—Not in fact, because, as I say, the valuations were not taking place and therefore—

2439. I mean, when the ordinary valuations took place?—Had the scheme continued on the old basis, yes.

Mr. *McAdam*.] That is the point I want to get at. We will come back to the Unemployment Fund Accounts, 1946-47 later.

Sir *Frank Sanderson*.] Are there any further questions on the National Health Insurance Fund Accounts? May I take it the Accounts are approved? (*Agreed*.)

WIDOWS', ORPHANS' AND OLD AGE CONTRIBUTORY PENSIONS ACTS,
ACCOUNTS, 1946-47.

TREASURY PENSIONS ACCOUNT.

PENSIONS ACCOUNT.

PENSIONS (SCOTLAND) ACCOUNT.

TREASURY SPECIAL PENSIONS ACCOUNT.

SPECIAL PENSIONS ACCOUNT.

SPECIAL PENSIONS (SCOTLAND) ACCOUNT.

Sir *Frank Sanderson*.

2440. I have only one point which I desire to raise. There must surely be a great temptation to conceal the fact of employment and draw the pension in full. Can you tell the Committee whether there are many cases of this character?—(Sir *Thomas Phillips*.) That is the provision, I take it, by which, if a man earns more than £1 when he is in receipt of a retirement pension, the excess over £1 is to be deducted from his pension. We require each applicant to sign a statement each time, either that he has not earned more

than £1 or, if he has, to specify it, and some thousands of pensioners are, in fact, stating that they are in receipt of more than £1; but whether others who are in receipt of it are not stating it I could not say.

2441. Would you say that on the whole you can rely on a pensioner's declaration, or do you have any other special means of check?—We have not instituted any elaborate check as yet and in fact we do, at present rely in the main on the honesty of the applicant.

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

2442. Could you tell the Committee why it was that retirement was assumed where a supplementary pension was being paid? I can only speak from my own experience, but I find it is quite a common thing for a pensioner to believe that he can, in fact, work and that he will not in any way suffer by reduction in his pension.—What that meant was this: when October, 1946 came the question was whether the existing 10s. pension should be converted into a 26s. pension. That depended on whether the person concerned had retired or not, not whether he was working or not, but whether he was retired or not, because a person who had retired might still do a little work. In order to avoid a tremendous amount of work otherwise, it was felt that we might fairly assume that if a pensioner was in fact receiving money from the Assistance Board as a supplement, then he was not in regular work; that is to say, he had retired. The £1 rule will, of course, apply to him, having had his pension.

Sir Frank Sanderson.] Are there any questions on these Accounts?

Mr. McAdam.

2443. Is not that point covered by the fact that if an employer engages a workman, even supposing he pays him no more than £1 a week, he is entitled to stamp his National Health Insurance card?—He has to stamp the employer's share.

2444. That means that the man's position is perfectly safeguarded from that standpoint. There is no possible chance of his being let down?—The stamp does not indicate how much wages he earned, does it?

2445. Nevertheless, the fact that his National Health Insurance card is stamped by his employer is a guarantee, as far as you are concerned?—That gives us notice that he was working.

Sir Frank Sanderson.] Are there any further questions on the Accounts? May I take it the Accounts are approved? (Agreed.)

UNEMPLOYMENT FUND ACCOUNTS, 1946-47 (continued).

Sir Frank Sanderson.

2446. We return to the item on our agenda, the Unemployment Fund Accounts, 1946-47. Can you state, Sir Thomas, why it is that the cost of administration has more than doubled and has risen by more than £3 million in the last two years? Is there any special significance in that?—(Sir Thomas Phillips.) The cost, as you will see from the note at the foot of page 3, is divided up among a number of Departments at present. So the reason would differ according to the particular branch. In the case of the Ministry of National Insurance which during this year was bearing only a comparatively small part of the total cost, the increase was due to work we had to do at our record office at Acton. During the war years the work of entering up the Accounts from the contributions paid and the benefits drawn had not been done and in preparation for peace-time arrangements we had to put a lot of people on to the work of bringing that up to date. That was the main reason for the increase in the cost on this side of the work at the Ministry of National Insurance. There was, I think, a large increase in the charge made by the Ministry of Labour, and that was due, as compared to the previous year, to the increased unemployment, which was very low in the previous year. It is still low this year, but it is considerably higher.

2447. Would not you agree that it is somewhat high in relation to the benefits paid?—The benefit being at a low level, it may be a considerable proportion of that, but it is a very small proportion of the total contribution. We have to keep the

machine in existence, although the number of claims may be small.

2448. You are reasonably satisfied, are you, that the administrative costs are kept to a minimum?—We do our best.

2449. On the first subparagraph of paragraph 4 of the report of the Comptroller and Auditor General on page 8, does this mean that the Statutory Courts of Referees act in a dual capacity?—Yes, they act as tribunals for this purpose, but there are probably separate meetings.

2450. Do you find in practice these two functions are disposed to clash?—I do not think we have had any reason to suppose so.

2451. One further point. I have read section 69 of the National Insurance Act, 1946, which is certainly not easy for a layman to interpret, but the main purpose, as the Comptroller and Auditor General states in paragraph 4 of his report seems to be to facilitate the introduction of the new system of insurance. Can you explain how the introduction of a system of extended benefits 17 months in advance achieved this object?—There was to be a system of this sort under the new scheme, and just as in the case of pensions, arrangements were anticipated by an even longer period, so this particular provision was put into force before the day on which it was inevitably due to come.

2452. Could you inform the Committee how much money has been paid out of the fund under this regulation?—During this financial year there was a period of about

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Sir THOMAS PHILLIPS, G.B.E., K.C.B.

[Continued.]

two months during which it was in operation. The estimated cost for a full year was £5 million. So while I have not the precise figures, I should think probably half a million pounds would cover it.

2453. Since such a serious charge on the fund was involved, were you satisfied with the Departmental Solicitor's opinion, or did you take the formal opinion of the Law Officers of the Crown?—We did take the opinion of the Officers of the Crown.

2454. Could the Committee be supplied with a copy of the legal advice which was given?—I imagine so.

2455. It would be treated confidentially?—I do not know whether that advice is made available. Perhaps we might be allowed to consider that and communicate with the Committee?

2456. We will take an opportunity to discuss it with the Chairman of the Committee?—Thank you.

2457. Only one further question. Can you state why there were so many applicants, including boys and girls, in need of assistance in these days of manpower shortage when we are all so very anxious to get hold of any form of labour which is available?—They are nearly all of them in pockets in one or two areas, and consist largely of men who are disabled in one form or another; a considerable proportion of them in South Wales, I think also in Liverpool and in one or two other places.

[Sir Frank Sanderson.] Are there any questions on the Unemployment Fund Accounts, 1946-47? May I take it the Accounts are approved? (*Agreed.*) That concludes our programme. I apologise for keeping you so long, Sir Thomas.

(The witnesses withdrew.)

Adjourned till Tuesday next at 3.45 p.m.

TUESDAY, 11TH MAY, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Lieut.-Colonel Hamilton.

Mr. Haworth.
Mr. McAdam.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 13.

MINISTRY OF TRANSPORT.

HOLYHEAD HARBOUR ACCOUNT.

CALEDONIAN CANAL ACCOUNT.

CRINAN CANAL ACCOUNT.

MERSEY CONSERVANCY ACCOUNT.

Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C., Secretary, Ministry of Transport, called in and examined.

Chairman.

2458. Sir Gilmour, you have recently returned, I understand, to the Ministry of Transport after a sojourn elsewhere?—(Sir Gilmour Jenkins.) Yes.

2459. You signed the Accounts although you were not the Accounting Officer for the year under review?—No, I was not.

2460. Will Members turn to the Civil Appropriation Accounts, 1946-47, Class VI,

Vote 13, the Ministry of Transport. I have a question on the footnote to Subhead C, which tells us that the excess on Subhead C was due to certain matters, but was partly offset by savings on contributions to the Central European Inland Transport Organisation. Can you tell me if that organisation is still in being?—No. The organisation was wound up at the end of last year. All that is being done just now is to clear up the accounts of the organisation.

11 May, 1948.] Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

2461. I take it that our contributions in the year under review were smaller than had been expected. Is that right?—No, in the year under review the organisation was going for the whole of the year.

2462. Yes, but it appears that there was a saving on contributions to the organisation in the year?—I think that was because we had made our contributions at an earlier stage and they were offset so that the actual contributions that we had to make during the year were less than they would have been had we not made our contributions earlier.

2463. Can you tell me if the other subscribing countries did pay up their contributions, or whether, as we so often find, we were the only party to honour our obligations in full?—The other Governments who certainly made their contribution were France, the United States, Czechoslovakia and Belgium.

2464. They paid up according to what was due?—Yes. The organisation is in fact in debt to all those countries, as well as to us.

2465. On the next page, 329, amongst the details of receipts, Item 8 is: "Miscellaneous," and the amount realised was far larger than estimated. Footnote (c) tells us: "Surplus largely due to resumption of statutory fees for the licensing of public service and goods vehicles." This resumption of charging licence duty came into operation during the year, I take it, did it?—It came into operation during the year. It replaced the system of permits which were issued without charge during the war. That system was reinstated and was gradually extended during the year, as and when the licensing authorities could do the work.

2466. Is the issuing of licences done locally or regionally?—It is done by our licensing authorities who are 10 in number, as far as I remember. It is done by each in his own region.

2467. As from the appropriate date did they all resume the collection of licence fees?—They all resumed the replacement of permits by licences to the extent to which they were able to do it. The permits are for a period. In places where there was very great pressure of work it was not possible to do more than replace permits as they fell in by licences. In other cases the work proceeded more quickly. Each one of them did the best he could to change over from permits to licences with the greatest possible speed but, of course, it was a very big job. It would have required a very large staff to do the thing suddenly.

2468. Is this the case, that in some offices the enforcement of the payment of the licence duty came into operation more quickly than it did at others?—Yes. It has

all had to be done by stages, in all cases, but it proceeded more quickly in some cases than in others.

2469. You cannot tell me what extra amount you would have collected if everybody had resumed the collection of licence duty at the appropriate date?—I could not. I could try to get that figure, but I think it would be very academic, because it would have been quite impossible to do it without an enormous staff which simply was not available.

Chairman.] Are there any questions on the Account?

Mr. Benson.

2470. I notice you have tabulated on page 330 a number of loans outstanding at 31st March, 1947. How are your debtors behaving themselves?—In what way?

2471. Are they paying their interest and amortisation regularly?—They are paying interest and amortisation, so far as amortisation comes in, regularly, yes.

Mr. McAdam.

2472. On page 328, Subhead K is: "Reimbursement to Railway Companies of payments to temporary railway employees in respect of overlapping Income Tax payments." Could you explain what "overlapping income tax payments" mean?—As you will notice, we took a sum of money for that, but in fact we did not spend anything during the year. It is entirely a revenue matter; it is not a Ministry of Transport matter. The general public had been paying their income tax in arrear, and when P.A.Y.E. came in the general public were given a tax holiday. But in the case of the Civil Service, for example, and also in the case of most railway employees, the deductions for income tax had already been made currently, and no income tax holiday was allowed in their cases, but it was thought that possibly there might be temporary railway employees, just as there were temporary Civil Servants, who were due to have that tax holiday. We had not any idea of the extent of it and as a matter of administrative convenience it was arranged that if claims should come in the railways should pay them and we should account. It was purely a Revenue matter. There may be a few claims in the next year; but they are very small.

2473. On page 330, amongst the loans outstanding at the 31st March, 1947, there is an amount of £42,250 against the Southampton Harbour Board: "To enable the Board to meet certain liabilities, mainly in respect of dredging. Interest-free until 1st January, 1948, when terms of interest and repayment of capital will be reviewed." Could you tell us what agreement has been reached since 1948?—The arrangement that has been made is that the balance of the loan will continue free of interest until the

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[Continued.]

1st January, 1950, when the loan will have been fully repaid. That is the new arrangement.

Chairman.] On pages 332-335 there appear accounts of the receipts and payments for the year ended 31st March, 1947, in respect

of Holyhead Harbour, the Caledonian Canal, the Crinan Canal and the Mersey Conservancy. Has any Member any questions on those? Has any Member any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

VOTE 14.

ROADS, &c.

Chairman.

2474. Will Members turn now to paragraph 86 of the report of the Comptroller and Auditor General? This paragraph is a formal one which is invariably included in your report, is it not, Sir Frank?—(*Sir Frank Tribe.*) Yes, every year.

2475. The only feature of it is that it

shows the highest figure for proceeds from motor vehicle duties ever recorded. Is that not so?—(*Sir Gilmour Jenkins.*) Yes, I think that is so.

Chairman.] Are there any questions on paragraph 86 or on the Account, which we will take with the paragraph? The Account is at pages 2-5. May I take it that the Account is approved? (*Agreed.*)

ROAD FUND ACCOUNTS, 1946-47.

Chairman.

2476. We turn now to the Road Fund Accounts, 1946-47. The report of the Comptroller and Auditor General is at page 6 of the Accounts. The Comptroller and Auditor General, in paragraph 2, states: "From 1st April, 1946, the rates of grant from the Fund towards expenditure by local authorities on road improvement and maintenance were simplified and standardised, according to the class of road concerned, and at the same time were generally increased. The revised rates are 75 per cent. of the cost of approved expenditure on Class I roads, and 60 per cent. on Class II roads, the previous rates being normally 60 per cent. and 50 per cent. respectively." Then he goes on to say: "In addition there was instituted from the same date a new category of roads termed Class III roads" (of which, it appears, there were about 48,000 miles) "which became eligible for grant at 50 per cent." Can you tell the Committee why these increased burdens were placed on the Exchequer in relief of the rates?—(*Sir Gilmour Jenkins.*) That was not the only relief. There were more Class I roads, classified as trunk roads, on which we took 100 per cent., so that in addition to these reliefs that you have indicated there was the further relief that the State took on trunk roads. The general answer, apart from the sweeping away of a lot of anomalies in order to make the thing simpler, is that it was in recognition of the fact that these roads were much more than of local significance. They were roads serving the community as a whole and not serving to anything like the same extent the local area through which they ran. It was a recognition that the roads were a national responsibility to a greater extent than had been recognised before.

2477. Could you give the Committee the approximate mileage of the different classes? We have, in the report of the Comptroller and Auditor General, the mileage given for the new Class III roads.

Could you give us the mileages of Trunk, Class I and Class II roads?—Trunk roads were increased from 4,500 miles to 8,160. I do not think I have, under my hand, the mileages of the other roads. I have not that information here but I will let the Committee have that if they would like it.

2478. If you please?—(*Sir Frank Tribe.*) I think I can supply the information if the Committee want it.

2479. Yes, please, Sir Frank?—Class I roads, 19,500 miles and Class II roads, 17,770 miles.

2480. Those are the increased figures, after the changes were made?—No; those are just the mileage of these classes of roads. (*Sir Gilmour Jenkins.*) The new mileage. (*Sir Frank Tribe.*) The 19,500 miles is after the transfer of a certain mileage to the trunk road category.

Mr. Benson.

2481. Does Class I include trunk roads?—(*Sir Gilmour Jenkins.*) No.

Chairman.

2482. Could you give the Committee any idea, do you think, of the proportion of total road expenditure which was borne by the Exchequer and by the local authorities respectively, first of all before these changes were made; and, secondly, afterwards?—I think that would have to be worked out for each class of road. I could do that. I have not the information with me.*

2483. I think it would interest the Committee to see the upshot of it in terms of the proportion of expenditure borne by the two parties respectively?—Yes, we could classify it under each class of road and make a total of it, too.

2484. In paragraph 5 of his report, Sir Frank states that £360,000 was spent on the Road Safety Campaign, and of this sum nearly £245,000 was paid to the Central Office of Information, mainly for Press and poster advertising?—Yes.

* Appendix 7.

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[Continued.]

2485. Are you satisfied that the expenditure on Press and poster advertising has any appreciable effect upon the number of road accidents?—Yes. We are quite satisfied and the Royal Society for the Prevention of Accidents, who are very interested in this, are also satisfied that the expenditure is justified but, of course, it is quite impossible to bring any proof. We feel convinced that road accidents would have been very much greater and the loss to the community through road accidents would have been very much greater if this money had not been expended.

2486. You do not think that motorists' attention is diverted from the roads in order to look at the advertisements?—I very much doubt if that is so. The motorist looks at an advertisement in the underground stations when he has not his car, we hope.

2487. In his spare time! As regards the grant to the Royal Society for the Prevention of Accidents of £74,000, this is not a percentage grant of their expenditure, is it? It is a deficiency grant?—It is a deficiency grant. We pay their deficiency; that is, their approved deficiency. We keep an eye on what they are doing. All their activities are supervised and a lot of them are conducted in consultation with us.

2488. Would not it have been a little easier to have had only one source for the advertisements, that is to say, either the Central Office of Information or this Society? Why employ both?—They do different things. The Royal Society concentrates mainly on the safety of children and on work with the local authorities, and on local work generally. The poster campaign is a nation-wide campaign on quite a different basis. The Royal Society is useful because it mobilises a great deal of private interest, the enthusiasm of private individuals, in a way which an ordinary Government organisation could never do.

2489. Does it spend money in ways other than on Press and poster advertising?—Yes, it produces films; it organises exhibitions and that kind of thing, and it lends its material out to local authorities. It produces a fair amount of material itself, which it lends.

2490. You exercise a reasonably good control of the expenditure of the Society, do you?—Not in detail, but we are in very close touch with their activities. We know just what they are doing, and they work in very close touch with us and in very close touch with the local authorities, too. I think we could say that we were sure they are not wasting money.

2491. If they get a deficiency grant (which means that anything they spend beyond any funds of their own is going to be met automatically) they have no inducement to economy other than the watchful eye of the Minister, have they?—Of

course, there are two checks on that. The first is that we are in very close touch with them and they are a body actuated by very high principles. The other is that they have no certainty that we are going to continue to make up their deficiency.

2492. You can imagine circumstances in which you might disallow part of their expenditure?—Yes, I think so. It has not happened, but I can quite imagine it might if our policies diverged.

2493. Have they any funds from voluntary subscribers?—Yes, they get private subscriptions, and they obtain a good deal also, by the hire of their material to local authorities. The local authorities pay them for that, of course.

2494. You do not know what the amount of their subscription list would be?—No, I do not know how much they derive from each source.

2495. They employ a number of salaried officers, I take it?—Yes.

2496. Over and above this, the Ministry has agreed to recoup local authorities 50 per cent. of their approved expenditure on local campaigns, we are told?—Yes.

2497. This began in the year under review, and amounted to only a small figure. Can you give me the figure for a later year, either for the year 1947-48 or the estimated expenditure for the current year under this heading?—The estimated expenditure for subsequent years for local authorities?

2498. Yes?—The amount included in the Estimates for 1946-47 was £300,000; for 1947-48 it was £250,000 and for 1948-49, £230,000.

2499. Is it exactly similar work to that which the Central Office of Information does, or is it something different?—No, they do their own work locally and, of course, each local authority—

2500. This is the putting up of a notice "Please Drive Slowly Through" whatever the name of the borough may be. Is that right?—It is not that. A tremendous lot is in connection with schools, for example. They work with the Royal Society in dealing with school children and with police authorities. They have their own local campaigns. One or two, for example, have produced their own safety films showing their own particular problems, their own locality, their own mayors and councils and that kind of thing. Many of the local authorities show themselves very prolific in good ideas for local campaigns of one kind and another. They, again, cover quite different ground from the central campaign.

2501. I have only one question on the Account, which we will take together with the paragraph. What is the position now about the Dartford-Purfleet Tunnel, which

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[Continued.]

is referred to on pages 4 and 5 of the Accounts?—The Dartford-Purfleet Tunnel is in the same stage as it was last year. It is on care and maintenance. The pilot tunnel has been driven. Nothing is being done to extend the work. At the moment it is completely stopped.

2502. The scheme has been suspended?—The scheme is suspended.

Chairman.] Are there any questions on the report of the Comptroller and Auditor General on the Road Fund Accounts, 1946-47 or upon the Accounts?

Major Bruce.

2503. What has happened to the North Orbital Road? Is that indefinitely suspended now?—Yes, that is suspended.

2504. Is it going to be suspended for long?—That depends on the capital investment programme. That, like all the major road improvements, has had to be held up because of the lack of materials and manpower.

2505. This particular road has been in project for many years?—Yes. My Minister was very hopeful some months ago that he would be able to get on with it, but all these things have had to be cut down and we have had to take away 20,000 men from the local authorities on road maintenance and new works. Instead of extending we have had to cut down very drastically.

2506. I have one question to ask you on paragraph 5 of the report of the Comptroller and Auditor General. Is it the policy of your Minister to encourage local authorities to the utmost extent to incur expenditure on local campaigns? What is the attitude of your Minister towards local campaigns?—Yes, we want local authorities to be very active in road safety campaigns.

Major Bruce.] Is it not rather surprising that the figure amounted only to £4,700 for 1946-47. That means a total expenditure of roughly £9,400, does it not?

Chairman.

2507. This was the first year in which the scheme started.—That was the start of the campaign.

Major Bruce.

2508. It has gone up considerably since then, has it?—Yes.

2509. Are you in any way responsible for the expenditure on these big placards one sees on the sides of the roads: "X marks the spot of an ex-driver," and that kind of stuff?—No.

Chairman.

2510. The Central Office of Information design the posters?—Perhaps I have got the particular poster wrong?

Major Bruce.

2511. These are wooden boards put on the side of the road, presumably by the

local authority?—I do not think we make any contribution towards that.

2512. They have a notice "Harrow Welcomes Careful Drivers"?—That would be ours.

2513. You do pay towards those?—Yes, but there are some where we would not, I think.

Lieut.-Colonel Hamilton.

2514. With regard to the payment to the Royal Society, what say has your Ministry in the appointment of members of the executive of the Society, if any?—We do not interfere with that.

2515. The criticism is made of this Society (I am not saying whether it is justified or not) that the motoring interests are very strongly represented in it and that, as a result, the Society concentrates its attention on such things as you mentioned, namely, the training of children, and so on, to the exclusion of any actions which would in any way incommode motorists, such as the imposition of speed limits and such like. In other words, the criticism is that the Society diverts attention from what might be one of the main causes of road accidents, namely, unduly high speeds, and concentrates all its attention in other directions because it is so strongly representative of motoring interests as opposed to others. I would just like to know whether you have any evidence to refute that, or what your answer would be to such criticism?—I do not know. I have not heard that particular criticism, but if it were true that the Society was largely representative of motorists I should regard that, on the whole, as being a good thing, because the more conscious motorists were of the needs for road safety, the better it would be. I do not think that the Society itself could influence public opinion in the direction in which you suggest it might be directed, that is, to speed limits and things of that kind. The function of any private body of that kind (and, I think, the function of a local authority) is to try to safeguard the people as far as they can, to influence motorists to drive carefully and to influence pedestrians to be careful and reasonable in their use of the road, too. I would not regard it as a bad thing if it were the fact that the Society were mainly composed of motorists.

2516. Would not you agree that if it is mainly representative of motorists, motorists, being human beings, would naturally not be, shall we say, enthusiastic about any measures which would cause them any kind of discomfort and therefore they would have a very natural tendency to concentrate on other types of measures?—That might be so, but if the measures on which they concentrated were right measures there would not be very much to be said against it, and I think it is a good thing to teach children, for

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[Continued.]

example, not to run across the road without looking, to teach them road drill and road sense. Whether or not it is right to put restrictions on motorists in other ways is another matter. I think that might be a right thing, also, but it is not a matter on which the Royal Society could influence Parliament effectively. They could not influence Parliament against taking other steps to safeguard pedestrians.

2517. I am sorry to be so insistent on this but I would like to put it in this way: If the Royal Society could influence public opinion and, perhaps, Parliament, indirectly, to think that road accidents were caused not by speed but mainly by the folly of children and elderly pedestrians, that might surely be actually having a harmful effect?—Yes, I think it might. I have seen no evidence that that is the direction of their propaganda. The direction of their efforts, so far as I have seen them (and I think it is borne out by my staff, who are in much closer touch) have all been in the right direction; that is, to teach everybody to be careful, including motorists.

2518. Have they made any effort towards speed restriction, as such?—Not so far as I know. I would not regard a propaganda campaign to influence Parliament as being one of their proper functions.

2519. But you agree that they should influence all classes of individuals, public opinion generally?—Their function, as we see it, and, I think, as they see it themselves, is to get at the individual, to say to each motorist "Be careful; these are the things that will happen if you are not"; to every cyclist "Be careful; do these things to save your own life and the lives of other people"; and to every pedestrian "Do these things." I have seen no evidence that they are trying (nor do I think it would be so useful for them to try) to influence public opinion in the mass in the direction of some particular cure for the evil, apart from the cure of being careful individually. But that is a personal view, of course.

Mr. Benson.

2520. Do you subscribe to what appears to be Colonel Hamilton's theory, that accidents are due primarily to speed?—I do not think we would presume to formulate a theory on that. No two men, I think, would ever agree, and I doubt if, as a Department, we should come to a unanimous view. There is no doubt that high speed in the wrong place is bound to cause accidents, but high speed in other places might be quite safe.

2521. You said you are quite convinced that the road safety campaign produces results, but you could not give any evidence of that. If you have no evidence, on what is your certainty based?—There has been a certain amount of Gallup Poll

activity to discover to what extent people take notice of the posters, observe them, and to what extent they are influenced by them, and they have shown that the public generally are alive to the dangers; partly, at any rate, as the result of the poster campaign; but it is quite impossible to say that so many accidents, 100 or 200 or 500 accidents, were saved in a year because of the poster campaign.

2522. Do you find any correlation between your advertisement campaigns and variations in your accident rate?—No, there has not been time for that. The campaigns have been running now for about three years, since the end of the war.

2523. As regards the posters, did you issue that poster of the melancholy-looking widow? Were you responsible for that poster?—Yes. I was not personally responsible for it, but the Department and the Central Office of Information were responsible for it.

2524. Is it true that it was withdrawn because some rude person wrote on it "I voted Labour at the last Election"?—It was withdrawn because it had fulfilled its usefulness. It was the best poster we ever had or possibly are ever likely to have. It aroused more controversy than any other poster, and that is exactly what was wanted.

Mr. Haworth.

2525. Mr. Benson has put one question which I was going to ask. What happens with regard to "Keep Death Off The Roads," or some of the later ones? Does your Department design the posters and then say to the Central Office of Information: "Will you exhibit 10,000 of these?" or do you say to them: "We want you to start a road safety campaign. Will you get some posters?"—It is done in this way. We get together with the Central Office of Information, and they select advertising agents for a particular job, and the campaign is planned jointly by those three, the Ministry of Transport, the Central Office of Information and the advertising agents who are advising on that particular campaign. It will not be the same one every time. They work out the whole of a particular poster campaign.

2526. I do not know if it is about now, but I noticed one: "Get Home Safely" and I wondered whether the London Passenger Transport Board were being nice, or whether it was a political organisation or a religious organisation. It took me quite a time to work out that it was a road safety campaign poster; it seemed to me rather a long way from the direct message?—We have not been so satisfied with that as we have been with some of the others. That particular one at this moment is being withdrawn and a new one is being evolved to take its place.

2527. I was in Germany a few weeks ago and I noticed reflectors on cycle pedals. I thought they were very useful. I have never seen them in this country. Have the Ministry ever thought of suggesting them?—Yes, it was considered. I am not sure whether it was not considered by the last Committee that sat. It was not approved as being a very useful device. The back mudguard of a bicycle has to bear a red reflector. That keeps still.

2528. These are far more effective, in my opinion.—It also has to have a red light, of course—a live light.

Mr. *McAdam*.

2529. The poster displayed in the London Underground: "Get Home Safely" is not intended, as far as the London Passenger Transport Board is concerned, to induce people to travel by Underground?—That was not the intention.

Mr. *McAdam*.] I was rather afraid, from the way in which it was exhibited, that it was intended by the London Transport Board to induce people to use the Underground.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed*.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 15.

MERCANTILE MARINE SERVICES.

Chairman.

2530. Will Members turn to the Civil Appropriation Accounts, 1946-47, Class VI, Vote 15, Mercantile Marine Services? The Account is at pages 338-343. Would you look, Sir Gilmour, at Subhead G.2, on page 340? That is: "Merchant Navy Reserve Pools," an expenditure of about £2½ million. Could you tell the Committee, briefly, what that scheme is and whether it has now come to an end?—(Sir *Gilmour Jenkins*.) Yes, that scheme has now come to an end. It is taken over by the industry. The scheme was that during the war we got away from the old practice of a crew signing off at the end of a voyage from a merchant ship and signing on a new ship at the beginning of a new voyage. When men were compulsorily drafted to the Merchant Navy as they were during the war (either to the Forces or to the Merchant Navy) it was necessary to give them continuous employment, and for that purpose, when a man came off ship and signed off the articles of the particular ship he was taken into what was called the Pool. He was then available, after his proper period of leave, for any ship which wanted a crew. So you had men in continuous employment and you had a continuous pool of men available for employment, and there were a number of those in this country and around the world, in the Far East and in various other places, in Canada and in the United States. That came to an end when the industry themselves produced in substitution their scheme of continuous employment which is now in being under the National Maritime Board agreement between the shipowners and the unions.

2531. You say the industry themselves, but surely you are still running a large proportion of the Mercantile Marine, are you not, from the Ministry of Transport? No, it is a small proportion. We have a number of ships still but the vast majority

of ships are running on private account now.

Chairman.] Are there any questions on the Account?

Mr. *Benson*.

2532. When you say you are running the ships, are you actually running them or are they on charter?—I think I am right in saying that we have no British ships on charter to us now except those which are on military service, which are doing trooping and work of that kind.

2533. You actually have either the use or ownership of ships which you run yourselves?—Yes, we are owners of quite a considerable number of ships still.

2534. Acquired during the war?—Mainly acquired during the war.

2535. What do you use those for?—Some of them are ships that are on military service; the only important ones are those. The others are ships which we bought during the war for particular purposes; some Baltic coasters, for example, from America, which nobody will buy from us.

2536. Why is that? Are they inefficient?—They do a useful job but they are not commercially efficient ships.

2537. Where are your trading accounts shown, if they are shown?—They all come into Class X, War Services, to which we shall come later.

Mr. *McAdam*.

2538. On page 340, Subhead F.2 is "North Atlantic Ice Patrol." I see the expenditure was £17,000 more than was granted. The expenditure was £57,000 and the grant £40,000. Is it likely to be the position in future that you will expend beyond the £57,000, during 1947 or 1948, or is that likely to be the normal sum expended, now that you have had experience of the service?—I could not say exactly what the figure is running at, but it is something of the order of £57,000. Our

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[Continued.]

Estimate for this Account was very speculative because the patrol was only just restarted after the war. It stopped during the war and we did not know at all on what scale it would be resumed. It is run

by the Americans and we merely pay our contribution towards the expenses.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

CLASS VIII.

VOTE 1.

MERCHANT SEAMEN'S WAR PENSIONS.

Chairman.

2539. This Account relates to pensions of the 1914-18 War?—(*Sir Gilmour Jenkins.*) Yes.

Chairman.] I have no questions on the Account. Has any Member of the Committee any questions? May I take it that the Account is approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 3.

MINISTRY OF TRANSPORT (WAR SERVICES).

Chairman.

2540. We turn now to the Civil Appropriation Accounts (Class X) 1946-47, to paragraphs 37-48 of the report of the Comptroller and Auditor General. Paragraphs 37 and 38 deal with the reconditioning liabilities of requisitioned vessels, and in the first sentence of paragraph 37 the Comptroller and Auditor General states: "Under the terms of the agreements for the requisitioning of British ships during the war the Ministry were under obligation to return the ships to their owners in the same good order as when they were acquired, fair wear and tear and depreciation excepted. Where ships had been subjected to such substantial structural alterations as to require re-conversion, the work of reconditioning has normally been carried out by the Ministry before redelivery." I take it that you had to place the work of reconditioning out with private contractors?—(*Sir Gilmour Jenkins.*) Yes, and it has been done, of course, in conjunction with the owners themselves, but the ships were on our charge until reconditioning was finished in accordance with the agreement which we made with the shipowners early in the war.

2541. What is the basis of a contract for reconditioning a ship? It is a very difficult contract to frame, I imagine, is it not?—It is a very difficult contract to frame, particularly in the cases of the big ships, where a certain amount of work is required by the owners as well at the same time; but we have achieved a very good working arrangement with owners.

2542. What is the type of arrangement? It is not cost-plus, is it?—No, it is not cost-plus. We could not get the best form of contract which is a fixed price and must be stuck to. That was impossible in the circumstances of the time. But what we have got is a fixed margin of profit which does not go up. The profit is fixed. The expenses of materials, labour, and so on, are paid in accordance with expenditure, and there is every incentive

on the part of the builder to keep the expenses down.

2543. And to finish the job as quickly as possible?—And to finish the job as quickly as possible.

2544. In paragraph 38 Sir Frank informs us: "During the war the Ministry's general policy had been to purchase rather than requisition ships (except those engaged on commercial service whose identity was not substantially changed by conversion) if the cost of reconditioning on redelivery was likely to exceed the value of the ships." Did your Ministry have, and does it still have, powers to purchase by compulsion?—It certainly had powers to purchase by compulsion. Whether those powers have lapsed I could not say offhand. They were not used for this purpose of purchasing a ship merely because to put it into condition would cost more than the value of the ship. It was regarded at the time when the agreements were made with the shipowners as being outside the spirit of those agreements. The spirit of the agreement and the letter of the agreement was that the owner put his ship at our disposal to do what we liked with during the war, and we were to give it back to him in proper condition after the war. So that the compulsory purchase was not exercised for that purpose.

2545. But in the case of each ship I take it you came to an individual decision whether to purchase it or whether to recondition it?—Yes, and they were purchased then by agreement, and a great many were purchased in that way.

2546. I have one question on paragraph 39 of the report of the Comptroller and Auditor General. This paragraph deals with the settlement with allied governments. Sir Frank informs us: "Agreements have now been reached with certain countries covering the bulk of the Ministry's liability; negotiations with others are proceeding." Have you reached a settlement now with everybody?—No, we have not reached a

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[Continued.]

final settlement with everybody yet, but we are well on the way towards doing so.

2547. Paragraph 40 is: "Operation of Ships: Expenses and Receipts." These are cases of ships which are in the ownership of the Ministry but are managed by private firms. Is that right?—There is more than one class of ship there. The biggest class of those are ships which were on charter to us during the war—those are the requisitioned ships and the operation of the ship was of course for Ministry account, but we had managers and operators who did the detailed work of running the ship and accounting for payments and receipts. The main part of the money applies to those chartered ships and not to the owned ships.

2548. Have you still a lot of those chartered ships, or have they been handed back now?—The chartered ships have been handed back, broadly speaking, with the exception of those on military service, troopers and ships of that kind. The ships on commercial service are back with their owners.

2549. What would be the tonnage, approximately, of ships still on charter to the Ministry?—I could not tell you that offhand. We had on charter British ships of something of the order of 17 million tons, and I should think the number now is well under 1 million tons; but that is a guess.

2550. Apart from them, there are the ships which the Ministry own?—Yes.

2551. Can you give us a figure of tonnage for them?—No, but I could get the figure for you.

2552. Would it run into several millions of tons?—No. It does not amount to as much as that. We have a certain number of ships which we were discussing just now which were bought rather than reconditioned and some of those are passenger liners which are being used for trooping now; they are ships which have passed their best life as passenger ships but they are useful for this purpose. So the tonnage is a little higher. But I will get you the figure, if I may.

2553. What I want to know is whether ships owned and operated on the Ministry's account are in competition now with private shipping lines for the carrying of passengers, goods and freight?—No. They could not be said to be in any way in competition. They are being used on the routes (for instance, the Baltic ships) where there is an overall deficiency of shipping in the world.

Chairman.] Are there any questions on paragraphs 37-40?

Lieut.-Colonel *Hamilton.*

2554. In paragraph 37 I notice that payments are based on estimates of the Ministry's liabilities but not necessarily applied

to the purpose of the reconditioning of the ships. In the analogous case of buildings requisitioned I think I am right in saying that the owner of a building is asked if he really wants the building put back into the original condition because very often changes made while in Government hands have resulted in an improvement rather than the reverse. Would it not be possible under this arrangement that the alterations made to the ship might be no disadvantage and therefore the owner is glad to retain the ship as it is and yet at the same time is paid substantial compensation for what it would have cost to change it back again?—I cannot think of any case in which any alteration which we made during the war would be to the advantage of the ship as a trading unit. Almost every alteration was very definitely and drastically to the disadvantage to the ship as a ship.

2555. At the conclusion of paragraph 37 the Comptroller and Auditor General says: "Special arrangements were made for about 80 passenger liners and other large vessels, which had been very extensively altered for use as troop transports or hospital ships; in these cases the work was carried out under contracts placed in the name of the owners, the expenditure being shared between them and the Ministry in proportion to their respective liabilities." I am not quite clear about that. I should have thought all the liability was on the Ministry. In what way would it be partly on the owners?—The liability is on the owner to the extent that he wants changes made for his own purposes; for example, a particular case I have in mind is a passenger liner which we used as a troopship during the war: the owner wanted it put back in a slightly different condition from the pre-war condition for the purpose of carrying emigrants to Australia. He wanted more passengers berthed and he wanted an alteration to his crew space as well. Those things which he wanted for his own purposes are his liability. Things that were required to put the ship back into a proper condition were our liability, and so the liability was shared.

2556. In paragraph 38 the Comptroller and Auditor General states that the Ministry's general policy during the war was to purchase rather than requisition ships if the cost of reconditioning on redelivery was likely to exceed the value of the ships. I should have thought some account should have been taken of the the actual value of the ship, supposing it had been bought. I mean, the compensation payment is a dead loss to the Government, whereas the cost of purchase would mean you still had a ship with, presumably, considerable value, even if you had sold it as it was. I would have expected the criterion to be the percentage difference, so to speak, or some percentage, anyhow?—Looking at it solely from the point of view of the Government,

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[Continued.]

you had to pay so much money to put the ship back into the condition in which she was, and perhaps a smaller sum would buy the ship with, as you say, the advantages, and in some cases the owner was prepared to sell.

2557. You see what I am getting at? Supposing it had cost slightly more to buy the ship, it would still have been worth while, I should have thought, because they would have had the ship?—If the value of the ship afterwards was higher in value than the cost to recondition, I think the chances are that the owner would not have sold.

2558. And you had not powers of compulsory purchase?—There were powers of compulsory purchase which it was agreed with the owners we would not exercise.

2559. How was the estimating of the reconditioning done, because it does seem surprising that there should be such an instance as paying £268,000 for reconditioning a ship which in itself was apparently only worth about £125,000, when the reconditioning had been done?—Supposing a ship had been very drastically altered or very badly damaged, the cost of putting her into condition, any kind of condition, in these days of very high costs might be very high but the ship herself, if she were a very old ship, would not perhaps have very many years of life in front of her, in spite of the large amount of money that had been spent on her. That is why these rather extraordinary figures come about. A lot of money might be spent on a ship, for example, 25 years old, that could not expect to have a life of more than three, four or five years in the future, and therefore her value as reconditioned would not be high.

2560. I see that, but does it not indicate very great inaccuracy of estimating? That is really what I am getting at because presumably an estimate was made before the reconditioning was put in hand, and if it had been realised that it would cost more than £125,000 it would not have been considered worth doing, and actually it cost £268,000, which is twice as much?—But we were under an obligation to do it. We took the man's ship from him at the beginning of the war and said: "Give us this ship and we will give it back to you in the condition in which it is now, fair wear and tear excepted," and so we were under an obligation that if the owner came along at the end and said: "You must redeem your promise" there was no choice but to do so.

2561. Why was the undertaking not to exercise the right of purchase in such a case given?—I think mainly because it would have been an unfair thing to do. The reasoning was this, that the ship had been given to the Government to use during the war and the obligation of the Government was to return it, and the owner of the ship naturally said: "I have a ship now.

It is being taken from me for war purposes. That ship ought to be given back to me at the end of the war" and it was felt (it was a Ministerial decision during the early stages of the war) that it was unfair to say: "Oh, but it would be cheaper for us to buy the ship from you and therefore we will deprive you of the ship because it is better for us." That was the reasoning.

Mr. Benson.

2562. But that reasoning did not apply to land. The Government has requisitioned land, and with power to purchase if necessary. Surely it was an extremely bad decision to take and a costly one?—It is a costly one. These are the exceptional cases. It has given us back our fleet in the hands of the owners who had the fleet before the war, or so much of the fleet as is left, as an operating concern, and that is a big dollar-earner.

2563. With regard to repairs, you say that you had a fixed profit?—Yes.

2564. Did the profit include overheads?—Yes.

2565. So you only paid the actual outgoings and your profit and your overheads were lumped together?—No; I am afraid I misunderstood what you meant by "overheads." The fixed fee comprised the estimated establishment charges which you might describe as overheads and a percentage on them and on the estimated net costs of labour and materials, and a different percentage on subcontracts and disbursements.

2566. So that your fixed overheads were carried on the fixed fee?—That is so.

2567. With regard to these various settlements with France, Holland, Norway and Denmark, referred to in paragraph 39, how have you arranged to pay? Are those paid in free sterling or are they just agreed debts?—In some cases they have been partly set off against claims we had against the country, sometimes dealt with as part of the general financial settlement between the countries, but in some cases (for example, in the case of Holland) the final payment was handed over a few weeks ago in cash.

Chairman.

2568. We turn now to paragraphs 41-43, which deal with the Government control of the railways. When did Government control come to an end?—Government control of the railways came to an end on 31st December, 1947.

2569. During the war there was an obligation to pay to the companies about £44 million a year, was there not?—Yes.

2570. During the earlier years of the war that amount of revenue was greatly exceeded by the railways, was it not? Can you give us the overall results during the

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control years?—Yes. The final result of the whole operation was that the balance retained by the Government was £124,283,000.

2571. Have you the figures for the last three years separately, for 1945, 1946 and 1947?—Yes.

2572. What was the position in 1945?—The railway accounts are calendar years, of course. In 1945 there was a balance in favour of the Government of about £19 million. In 1946 there was a deficiency of £11½ million and in 1947 there was a deficiency of £59½ million.

2573. But for those two deficiencies in the last two years the surplus handed over to the Exchequer would have been very much bigger?—Yes, it would have been bigger by £71 million.

2574. At what period in the year 1946 did it appear that there was likely to be a deficit on the year's working?—In the early months of the year. The Minister, as the Comptroller and Auditor General states in his report, appointed a Committee in May, 1946, to advise him about the fares and charges.

2575. The terms of reference were to advise as to the best methods of adjusting fares, etc., so that there should be no loss to the Exchequer in 1947?—Yes.

2576. I wondered if you were concerned about the outcome of the year 1946 in the early months of 1946?—Yes, that was the reason for appointing the committee, that receipts were obviously going down with the ending of war traffic, but it was not possible in the time as the result of the committee sitting to save the 1946 position.

2577. The Comptroller and Auditor General informs us that the committee, as regards the London Passenger Transport Board, presented a report on the 8th August. They estimated the probable loss in 1947 would be about £4½ million. Subsequently there was a wages agreement which cost about £1 million in the year which raised the total estimated loss to £5½ million. In consequence it was decided to raise the fares from the 9th February, 1947. Even then it appears that there was a net loss during that year of nearly £4 million?—Yes, that is right.

2578. Which seems to show that fares were not raised sufficiently to make both ends meet?—Yes.

2579-80. Has there been any increase in fares on the London Passenger Transport services since February, 1947?—There has been no general increase since February, 1947.

2581. And in spite of that increase the result was a loss?—Of nearly £4 million. Of course, the new fares were operative for only 11 months; but still, that does not cover the deficiency.

2582. Then we come to the railway companies. Sir Frank tells us that the Committee reported on November 15th, 1946, and they estimated there would be a net loss in 1947 of just over £9 million?—Yes.

2583. The railway companies' estimated loss for 1947 was £18½ million. The actual loss turned out to be £59 million?—Yes, £59½ million for the railways and the Board; nearly £60 million.

2584. Did this Committee have any good reasons for disagreeing with the higher estimate of loss furnished by the railway companies?—They were both wrong.

2585. They were both very much wrong. The companies were a little nearer the mark than the Committee?—That is true. The estimates of both were very much upset that year by the fuel crisis, and by the weather in the first few months; that knocked everybody's estimate completely sideways. There was also, of course, a £22 million addition to railwaymen's wages which was not foreseen at that time.

2586. The Committee reported in November, 1946, and Sir Frank says: "They recommended certain increases in charges, which, if brought into operation at the beginning of the year" (that is the year 1947) "should in their view approximately meet the loss." I take it that the increases which they recommended would have brought in an additional £9 million as they estimated the prospective loss at £9 million?—Yes, that was the basis on which they were estimating.

2587. "It was, however, decided to maintain the existing rates until information as to the trends of traffic and expenditure in the March, 1947, quarter became available." You have told us that the trends of traffic and expenditure in the March quarter were unreliable because of the fuel crisis and the weather?—Yes, entirely.

2588. I take it that the trends of the March quarter made it clear that the Committee had greatly underestimated the deficiency?—The deficiency on the year, yes, but not the rate of deficiency. It did not really prove anything as regards the rate at which the deficiency would run.

2589. Then there was a court of inquiry in which the railwaymen's wage claims were granted from the beginning of July and were expected to cost £22 million in that year. Then I gather that at that time the estimated loss for the year was recalculated at £59 million for the then current year?—Yes.

2590. It was decided to increase railway fares and charges from the 1st October to an extent estimated to bring in an additional £15½ million in the last three months. Did the increases made from 1st October actually realise the £15½ million?—I do not think it would be possible to say that,

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[Continued.]

definitely, as to what the exact yield of a particular increase would be. You do not know how much traffic it excludes, for example.

2591. What was the extent of the increases made on the 1st October, 1947? What was the percentage on passenger fares?—It brought the figure up to its present level. I am told it was estimated (of course, it is an estimate) that the increases brought in £15 million as against the £15.5 million which was estimated earlier. Fares, except workmen's fares and season tickets, and charges for parcels went up from sixteen and two-thirds per cent. to thirty-three and one-third per cent. above pre-war level.

2592. The sixteen and two-thirds per cent. had been put on earlier?—That had been put on earlier; we were already running at sixteen and two-thirds per cent. increase. That increase was doubled to thirty-three and one-third per cent. over pre-war level in July, 1946. Workmen's fares and season tickets went up from 10 per cent. above pre-war to 25 per cent. Goods traffic went up from sixteen and two-thirds per cent. to 25 per cent., and charges on railway owned canals from sixteen and two-thirds per cent. to 25 per cent. The increase to the present level of 55 per cent. over pre-war was made in October, 1947.

2593. I think that is sufficient detail. The broad issue arises that if it was known in May, 1946, that losses were going to be incurred, why was it not until October, 1947, that any change in the fares was made?—That was not, of course, entirely an accounting decision. That was the decision of Ministers in the light of all the circumstances at the time. Inflation and other considerations were taken into account. At that time it was not definitely known what the deficiency was likely to be. There were estimates, and they differed from one another, as you can see.

2594. Sir Eric, did the Treasury know that these deficiencies on railway account were being incurred during the year 1946?—(Sir Eric Bamford.) Yes. The decision was taken by the Cabinet.

2595. You were kept fully apprised of the growing deficiencies, were you, at the Treasury?—Yes, we were informed.

2596. There is one other paragraph on railways, dealing with thefts of articles. It simply records that claims of over £2,400,000 were paid for articles lost or stolen. I take it that that loss in fact falls on the taxpayer for the year 1946, because there was no surplus in the account?—(Sir Gilmour Jenkins.) Yes.

Chairman.] Are there any questions on those paragraphs?

Mr. Thurtle.

2597. With regard to the railway companies, paragraph (c) of paragraph 43, I

take it that neither the Committee which was appointed by the Minister nor the railway companies themselves took into account the very big losses which resulted from the abnormal winter?—No, they did not, but of course the worst of the winter was, you will remember, after the end of the year. It was bad in December but it became very much worse in January; and this is the calendar year we are talking about.

2598. This would be a very big factor in increasing the losses?—Yes, it was a very big factor in the first quarter of 1947—a much bigger factor than it was in the last quarter of 1946.

2599. It would be unreasonable to expect either the Committee or the railways to have foreseen this abnormal winter. They are hardly to be held responsible for it?—No, nobody could foresee it. That accounts for the fact that those estimates of £9 million and £18 million were so widely out.

2600-1. I take it even when the question of increasing goods rates and fares was considered there would be the fact that it might result in increased prices and an increase in the cost of living, and that would be a factor which would have to be taken into consideration?—Yes. That was a Ministerial decision.

Mr. Haworth.

2602. On the Chairman's question to you about that balance, you say that there was a credit balance over the whole control period of £124 million. Would it not be right to say that a large amount of the receipts during the war were for Government traffic?—Certainly, yes.

2603. Were not they charged at full rates during the war? When soldiers were moved were they not charged for at the full rates?—No, there were special arrangements, and there were also special arrangements for Government traffic in bulk. That was mainly to save accounting.

2604. So that very largely, although it showed a paper profit, it was out of one pocket and into another during the war?—Very largely that is true.

2605. There was not the same anxiety to save money because of that, because it was merely a matter of accountancy. The consideration was to get transport rather than worry about the accountancy side of it?—Yes. War material and troops had to be moved and at certain times food had to be moved by the dearer method, by the dearer route instead of the cheaper one, because the essential thing was to get the commodities moved then; that is so.

2606. I would like you to check my arithmetic here. There was an estimate of £18 million loss by the railway companies. £22 million represented a wage

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advance, which was not accounted for in the estimate, making £40 million, plus, am I right in saying, the £16 million mentioned in paragraph 41 as an adjustment covering the whole period of control. I am told that is included in this figure at the bottom of paragraph 43?—Yes.

2607. That makes £56 million?—Which is not far out.

2608. That is far away from the estimate?—That is so.

2609. May I ask one further question? I do not know whether I am in order in asking what will happen with the 1948 Accounts. Will they come before this Committee?—No, they will not come before this Committee.

Mr. Haworth.] That is a blow.

Chairman.

2610. They will be laid before Parliament, will they not?—I think they will not come before this Committee in anything like this form. You will not have an Estimate and an Appropriation Account.

2611. No, but I trust that they will be laid before Parliament by the Transport Board?—The Transport Board will report the results of their year's operation, certainly.

Chairman.] I think you will see them, Mr. Haworth, in a different form.

Mr. Haworth.] I hope so.

Mr. McAdam.

2612. I want to ask a question with respect to the general method of financial control during the Second World War in comparison with that which was adopted during the First World War. You know the policy which operated during the First World War was that all Government traffic was carried free and pre-war rates of dividend and pre-war rates of wages were maintained by the railway companies, any increases granted being recouped from the Government. Comparing that system which operated in 1914-18 with the system that operated during the Second World War, do you think the Government got the same service out of the railways as that which they got in 1914-18?—I, personally, cannot say at all what service they got out of the railways in 1914-18 because I was otherwise engaged at the time, but I think that they certainly got first-rate service out of the railways under this agreement.

2613. Taking in consideration the fact that, in addition to having to pay for the conveyance of troops and materials for which they did not pay in 1914-18, the Government paid £44 million per year?—I am not quite clear. The £43½ million which was paid by the Government was all that the railway companies received. The rest of the receipts came to the Exchequer.

2614. Did that £43½ million cover the conveyance of goods on behalf of the Government?—The £43½ million was all that the railway companies received. Anything that the railways received over that came to the Government. So that, in effect, the railways were running for the financial account of the Government and the Government paid the railway companies £43½ million for the use of the railways during the war. That is putting it in another way.

2615. In other words, they were not like the private trader. They did not pay for the goods conveyed at the particular time?—The Government paid the railways but the money came back to the Government if it was more than £43½ million. The Government paid for the traffic which they sent by rail.

2616. The Government paid for the traffic which they sent by rail in addition to paying the £43 million per year to the companies?—It is not really in addition. What the Government paid to the railway companies was £43½ million and nothing else.

2617. Was that for the privilege of using the railways, for controlling them?—For the use of the railways.

2618. And any goods conveyed by the railways on behalf of the Government during the war years had to be paid for at traders' rates?—I am trying to think of another way of putting it.

2619. Say, for example, for the conveyance of coal the ordinary trader paid a rate of 10s. per ton, did the Government for the conveyance of coal for its purposes pay 10s. per ton in addition to the £43 million a year?—They paid the equivalent of 10s. per ton. They paid for some things on a different basis from commercial practice.

2620. They got a lower rate, but nevertheless they paid?—They paid.

2621. They got a lower rate, but nevertheless they paid?—And all payments went into a fund, if you like to call it so, which in 1943 amounted to £105½ million. That is what private traders paid for the carriage of their goods, what passengers paid for the carriage of themselves and what the Government paid for the carriage of goods and passengers. That all went into a pool, if you like, which amounted to £105½ million and out of that £105½ million the Government gave to the railways £43½ million under the agreement. That is all the railway companies got. The rest, amounting in that year to £62 million, went into the Exchequer.

2622. There would be no increase, as far as the railways were concerned, during the war years, in respect of charges either for goods or passengers?—Yes, there were some increases. There was an increase of 16½ per cent., broadly speaking, over the whole field.

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[Continued.]

2623. When did that increase take place?
—I do not remember, but it was quite early in the war. I am told it was in 1940.

2624. Sixteen and two-thirds per cent.?
—Yes.

Chairman.

2625. We come now to those paragraphs dealing with the dock labour schemes. I think the main criticism is on paragraph 47, which deals with the Merseyside and Clydeside scheme, which was run by your Ministry, I think, was it not?—Yes. Those two were run by us.

2626. The criticism is that it appears that the rate of contribution by employers was steadily reduced down to June, 1945, but then it appeared that the Fund was going to run into a heavy deficit, and within a few months, that is to say by February, 1946, increases had to be made in the rate of contribution?—Yes.

2627. Followed up by further increases, but even then, despite all these increases, the Fund ended up with a deficit of a substantial amount. The amount was £325,000, was it not?—Yes.

2628. That was written off. Could you tell the Committee how it came about that these contributions by employers were reduced and then the policy had to be suddenly reversed?—It has to be remembered that while the contributions were

made by employers they were actually made by a levy on the goods which were handled, and the main owners of goods on whom those levies were made were the Ministry of Supply and the Ministry of Food. It was mainly, in other words, Government money which was going into this Fund. By about 1942 we built up a very large balance of over £800,000 in that Fund. That balance was being contributed to mainly by the Government. It was not known at that time, or for some years after, what would happen to that Fund at the end of the schemes, and therefore it was decided as a matter of policy that we ought to reduce that figure and, while keeping the Fund more or less in balance, not to have a vast amount of money the destination of which was uncertain. Therefore the figure was reduced. It was reduced to 10 per cent. in April, 1942. It was reduced to 7½ per cent. in June, 1945, and then, in 1946, commenced the increases. There was 10 per cent. in February, 1946. But by that time the amount of traffic had reduced very considerably after the end of the war and it was not possible to get the Fund into balance by the time that control came to an end. It was deliberate policy not to have a large balance there. It was not designed to have a large deficit. At the same time, as I say, it was Government money and it went mainly from one pocket into another.

Mr. T. W. F. DALTON, C.B., Under Secretary, Ministry of Labour and National Service, called in and examined.

Chairman.

2629. In the next paragraph, paragraph 48, we come to the National Dock Labour Corporation Scheme, and this was operated by the Ministry of Labour?—(Mr. Dalton.) Yes. May I qualify that by saying that the scheme was actually operated by the National Dock Labour Corporation, which was an independent body on which were representatives of employers and workers and dock interests generally. We were really underwriters of the scheme. The management of the scheme was under the Dock Labour Corporation.

2630. This Corporation, at any rate, fulfilled corresponding functions to the Merseyside and Clydeside schemes for all the other docks in the country. Is that right?—That is so.

2631. At 28th June, 1947, there was a surplus in your Management Fund of £340,000, so we are told, and there was also a Reserve Fund which amounted, at the end of the previous December, 1946, to £507,000, so there was a total of £847,000 in credit on your scheme?—Yes.

2632. What happened to that?—May I take that in two parts?

2633. If you please?—So far as the £340,000 is concerned, that is in process of being handed over to the National Dock Labour Board, which is being set up under the Docks (Regulation of Employment) Act and will perform almost precisely the same functions as those of the Dock Corporation. The Dock Corporation itself is now in liquidation; they have just appointed a liquidator. One of the terms of their Memorandum is that any of their assets must be handed over to a body having similar objects and the Dock Labour Board is such a body, so that the £340,000 will be handed over. So far as the £500,000 odd is concerned, out of some very sad experience early in the war, when they ran into heavy deficits, the Corporation were driven to put up the charges to employers which is a levy on wages, and for a time things went so much better that the deficit was turned into a surplus of something like £800,000, but there had been certain things charged in the case of the Ministry of Transport ports for the provision of welfare facilities which had not been so charged in the case of Dock ports. After considerable negotiation it was decided that the Dock Corporation should be allowed to retain, in a

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special Reserve Fund, £500,000 with a view to bringing up the welfare facilities in their ports roughly to the same level as in the Ministry of Transport ports. That welfare fund still exists and will also be handed over to the Dock Labour Board, but it will be applied to welfare purposes, not for the general purposes of the scheme.

2634. I apprehend that the half a million pounds has been earmarked for special purposes, but what I do not understand is why the £340,000 surplus in your Management Fund could not have been set against that £325,000 deficit on the Merseyside and Clydeside schemes, instead of the latter sum being provided by the Exchequer?—To have attempted to do that would have given rise to rather serious complications. As a matter of fact the negotiation of a national scheme was of itself not easy because what it means is that the employers in the more prosperous ports are coming to the support of the employers in the less prosperous ports. There is a national levy and the money is used nationally. But as far as the Ministry of Transport ports in

(Mr. Dalton withdrew.)

Chairman.

2636. We turn now to the Account, which is at page 25. Can you tell me, Sir Gilmour, how long this Class X Account of yours is going to continue, because this is a war terminal service, is it not?—(Sir Gilmour Jenkins.) Yes. It will continue for a year or two yet. We have not got all our accounts finished. I think this is the last year in which it will be a substantial Account.

2637. I think there is a net estimate for 1948-49 for this Account of about £33 million?—There is a net estimate in 1948-49. There will be a substantial amount, not as large as this, for hire and operation of ships, reconditioning and things of that kind.

2638. On page 28, amongst the details of receipts, there is an item (ii): "Receipts of other classes . . . Disposal of surplus ships, stores, &c." estimated at £25 million and the amount realised was £45 million. That was mainly from the sale of ships, I take it, was it?—We got rid of ships and stores rather more quickly than we had expected and received a good deal more in this particular year. The Estimate was, of course, merely a guess; it could not be more than that.

Chairman.] Those are all the questions I have on the Account. Has any Member of the Committee any questions on the Account?

Lieut.-Colonel Hamilton.

2639. Subhead B., on page 25, is: "Hire and Operation of Ships." That includes, I understand, the cost of reconditioning?—Yes.

relation to Dock Corporation ports are concerned, the employers of the Dock Corporation ports took the view that they had been prudent; they had not reduced the levy with the same speed as it had been reduced in the Ministry of Transport ports; as a result they finished up in a better position, and they did not quite see why they should pay for the Liverpool and Clydeside employers. That is really what it boils down to.

2635. But the result was that the new Dock Labour Board started off with £340,000 in credit but did not have to find the £325,000 that was owing by the Merseyside and Clydeside scheme?—That is true, but had they had to find that deficit they would have had to continue a high levy on all employers in order to meet it; they could not have isolated it; they could not get it back from the Liverpool and Clydeside employers. It would have had to be a levy on all the employers and that is what created the trouble.

Chairman.] Are there any questions on this paragraph? Thank you, Mr. Dalton.

2640. But it does not include purchase, too?—No, it includes only reconditioning.

2641. Purchases would be under Subhead A?—Yes.

2642. The figure under Subhead B, the £154 million, is not broken down in any way. Could you say how much of that was spent on hire, pure and simple, and how much on reconditioning?—Yes; the amount for hire was about £54 million; payments for ship operation, including repairs and reconditioning was £93 million. That accounts for most of it. The rest of it is for management and superintendence and miscellaneous expenses.

2643. "Operation" means all the costs, as it implies, of operating the ships. You do not know how much of that £93 million was on reconditioning and how much on actual operations?—I have not broken it down to that extent.

2644. Perhaps you could let us have that later?—The main part of that was certainly repairs and reconditioning. I have had the information handed to me now. Reconditioning and repairs was £56 million out of the £93 million. The operation of the ships (that part of the operation for which we were responsible) was about £33 million.

Mr. Benson.

2645. Subhead Q is: "Faslane Port." What is Faslane Port?—That was a military port in Scotland which was constructed purely for military purposes and was used for nothing else. It was an outward loading port, not an inward port at all.

Mr. McAdam.] On page 26, Subhead J is: "Control of Railways." I see the

11 May, 1948.] Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

[Continued.]

expenditure exceeded the Grant by £133,859. Could you tell us what that covers?

Chairman.

2646. There is a footnote which may help you, there?—Yes. It was the final settlement with the London Passenger Transport Board that caused that. The amount was due to them under Articles 6 and 18 of the Railway Control Agreement.

Mr. McAdam.

2647. In respect of Faslane Port, the estimated revenue was £6,000 and the amount received was £6,250. Is that for the rental of the port or the sidings adjoining the port to some private contractor?—Yes. It was rent.

BRITISH SHIPPING ASSISTANCE ACT, 1935, ACCOUNT, 1946-47.

(On this Account no questions were asked.)

CUNARD INSURANCE FUND ACCOUNT, 1946-47.

Chairman.

2651. Will Members turn to the Cunard Insurance Fund Account, 1946-47? The only question I would like to put on this is that I see in the Account, on page 2, that there were substantial refunds of premium made both in respect of the "Queen Mary" and the "Queen Elizabeth." What were those refunds due to?—(Sir Gilmour Jenkins.) To the fact that they were laid up instead of operating. They were laid up being reconditioned. Those were refunds of premium because the risks were not being run at that time.

2652. Do the insurances cover fire risks when in port as well as risks at sea?—Yes, fire risk, but there is no stranding risk and there is no collision risk.

2653. Are not the risks of the vessel being destroyed by fire in port greater than when she is at sea?—Generally speaking, I think that is so, but that would not counter-balance the premiums on the other side.

2654. That has been taken into account?—Yes. Those two ships are, of course, extremely well protected against fire.

Chairman.] Are there any questions on the Cunard Insurance Fund Account, 1946-7.

Lieut.-Colonel Hamilton.

2655. On page 3 there is the phrase "The Government's share of cover" for the value of the ship: what exactly does the cover consist of?—The Cunard Company place in the market the maximum that the market can take. The Government take

(Sir Gilmour Jenkins withdrew.)

ROYAL HOSPITAL CHELSEA ACCOUNT, 1946-47.

(On this Account no questions were asked.)

(The witnesses withdrew.)

Adjourned till Thursday next, at 3.45 p.m.

2648. It was rented out?—Yes.

2649. Is it intended to keep that port under the Ministry of Transport?—The port will probably be maintained, yes. At the moment it is a source of revenue. It is let to Metal Industries.

Chairman.

2650. There is a paragraph in the report of the Comptroller and Auditor General, paragraph 49, which deals with the War Risks (Marine) Insurance Fund, which Fund is at pages 32 and 33. I have no questions either on the Comptroller and Auditor General's paragraph or on that Fund. Has any Member of the Committee any questions? Has any Member any questions on the Account? May I take it that the Account is approved? *(Agreed.)*

what the market cannot take. That is the arrangement.

Mr. Benson.

2656. You say that the Cunard Company place the maximum the market can take. At what rate? Who fixes the rate which they shall regard as attracting the maximum? If they double the rate, obviously you increase the amount the market can take?—The reason why those big ships cannot be covered wholly in the market is not a matter of rate at all. It is the size of the catastrophe risk. If one of those ships were lost and the whole amount fell on the market the whole market might be in serious jeopardy.

2657. I know, that is the reason why the Government intervened. How is the rate fixed?—It is fixed by negotiation between the Cunard Company and the brokers and underwriters in the market, in the same way as for every other ship. The Cunard Company would not pay exorbitant rates; neither would the market, of course, take too low a rate. The rate is not the operative factor at all.

2658. I know it is not the entire operative factor, but does it not operate at all in respect of fixing the amount of risk taken, the load of risk on the market?—I would not say it has no influence at all, but I should say the influence is negligible.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? *(Agreed.)* That concludes your evidence, Sir Gilmour, thank you very much.

THURSDAY, 13th May, 1948.

Members present:

MR. PEAKE in the Chair.

Mr. Benson.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.

Mr. McAdam.
Sir Frank Sanderson.
Mr. Thurtle.

Mr. J. O. TEARE, C.B.E., Deputy Secretary and Establishment Officer, Exchequer and Audit Department and Mr. C. E. I. JONES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VIII.

VOTE 2.

MINISTRY OF PENSIONS.

THE KING'S FUND.

THE KING'S FUND (1940).

Mr. ARTON WILSON, C.B., Permanent Secretary, and Mr. W. C. LETTS, O.B.E., Accountant General, Ministry of Pensions, called in and examined.

Chairman.

2659. Mr. Wilson, this is your first appearance before the Public Accounts Committee as Accounting Officer, is it not?—(Mr. Wilson.) Yes.

2660. I think Sir Harold Parker signed the Accounts of the Ministry of Pensions for 1946-47, did he not?—That is so.

2661. But you are prepared to take responsibility for them and answer for them?—Yes.

2662. Will Members turn to the Civil Appropriation Accounts, Class VIII, Vote 2, Ministry of Pensions. We take first paragraphs 105 and 106 of the report of the Comptroller and Auditor General. In paragraph 105 the Comptroller and Auditor General tells us, in the second subparagraph: "In 1946 there was a series of cases in the High Court or Court of Session which showed that the Tribunals had been acting on wrong principles in some cases." Could you quite briefly tell the Committee in what respect the Tribunals had erred, in the view of the High Court?—It was in two or three respects, but I think the main one was that under the 1943 Royal Warrant the onus of proving that an injury was due to war service was definitely taken away from the applicant himself. That was a very material change, and the decisions taken up to the date of Mr. Justice Denning's award had not fully appreciated the significance of the change. In other words, we were acting to some extent as though the onus of proof was still on the

applicant whereas the Royal Warrant definitely, in the view of Mr. Justice Denning, placed it on the Ministry. There were one or two other things. There was a clause about reasonable doubt also in the Royal Warrant, and again Mr. Justice Denning did not think the Ministry and the Appeals Tribunal had given full weight to that. Those were the two main things.

2663. As a result of the decision of the High Court it was necessary to have a number of cases reviewed by what is called a Special Review Tribunal?—That is so.

2664. We are told in this paragraph: "It was anticipated that it would be possible to secure that the decisions of these Tribunals would be treated as final and conclusive." Has that hope been realised in fact?—Actually the position was that the Minister announced in the House that he himself, through his officers, would review those cases where there was an application, and about 14,000 have in fact applied. Where we were able to allow a pension in the light of Mr. Justice Denning's rulings we did so, and then we gave the applicants in the cases where we still disallowed the right of appeal to the Special Review Tribunal. I would say that, taken by and large, the hope mentioned has been fulfilled. Undoubtedly there have been appeals to Mr. Justice Denning, usually private letters and the like, where the applicant was still dissatisfied with the decision of the Special Review Tribunal. Up to the present time it has not been a very large number.

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Mr. ARTON WILSON, C.B., and
Mr. W. C. LETTS, O.B.E.

[Continued.]

2665. What is the position of Mr. Justice Denning in relation to this Special Review Tribunal?—Up till recently he did not accept appeals, as, indeed, he could not under the original ruling, but last week he gave a new ruling—

2666. But is he Chairman of this Special Review Tribunal?—No, he is the High Court judge.

2667. Then do these pension appeals automatically go to him?—On a point of law from the Statutory Tribunals only. This Special Tribunal is non-statutory and the question was, could there be an appeal against the decisions of this non-statutory Tribunal. He has recently said (last week) that by agreement he is prepared, in exceptional and rare cases, to listen to an appeal from this non-statutory Tribunal.

2668. On a point of law?—On a point of law and where he is satisfied that the case is exceptional.

2669. So that out of this review there may arise a number of cases which do go to the High Court?—There may.

2670. In the last sub-paragraph the Comptroller and Auditor General tells us that: "The Ministry recognized that any award made on a departmental review or after reference to the Special Review Tribunals would be outside the scope of the Act. Such awards are accordingly in Service cases authorized, with Treasury approval, under the relevant Dispensing Warrant or like instrument." I think the Committee would like to have explained to them what is the Dispensing Warrant. We are familiar with the ordinary Royal Warrants which govern the awards of pensions?—It is a Warrant of 1884 which says that it shall be competent, with the concurrence of the Lords Commissioners of the Treasury, to grant in exceptional cases pay and other emoluments and allowances other than those mentioned or under conditions other than those which are laid down in our Warrants and it says that a list of such awards shall be laid before the House.

2671. Apart from this particular group of cases has any use been made of the Dispensing Warrant in the ordinary way?—Yes, for the last 30 years, I should say.

2672. There is a number of cases every year in which the Dispensing Warrant operates?—Yes, exceptionally, of course. This is a quite unusual use of it because it is on a large scale.

2673. I think you told us, when referring to the Dispensing Warrant, that cases where it is operated have to be reported to Parliament?—(Mr. Wilson.) Indeed.

2674. Can you tell me in what form they are reported to Parliament?—Once a year we send a schedule of such cases to the

Clerk of the House and ask him to lay it on the Table of the House.

2675. It is a real schedule and not a mere dummy, is it?—Indeed, it is. It is a good stencilled document of 10 or 15 pages. Actually, I gather the practice has been faithfully followed except that during the war there was one year when there was an omission to do so, but for the last three or four years the practice has been faithfully followed.

2676. Can Members procure a copy of this document, or is there just the one that is laid on the Table?—(Mr. Letts.) I think only the one is sent to each House. It is not a printed document. It is a neo-styled document. (Mr. Wilson.) We are rather in the hands of the Clerk in this matter. We send it to him and ask him to lay it.

2677. I was wondering if it might become available to the Comptroller and Auditor General?—We send it to the Treasury. I do not know whether it gets to the Comptroller and Auditor General.

2678. Can you inform the Committee whether you obtain a copy of this document, Mr. Teare?—(Mr. Teare.) Yes, we obtain a copy also.

2679. If any cases came to light where you thought the Warrant had been unnecessarily used they would be brought to the attention of the Committee?—We should draw the attention of the Committee to them in our report.

2680. We will take paragraph 106 with paragraph 105. Paragraph 106 is about your machinery for payment of pensions in the North American continent, which appears to be quite satisfactory. Can you tell me how often the Ministry of Pensions send a representative out to Canada to keep in touch with or supervise the work of the Office there?—(Mr. Wilson.) It is our staff. The whole of the staff are Ministry of Pensions staff.

2681. I presume a superior officer, from time to time, visits the Office?—Sir Harold Parker has been twice within the last few years, I think.

2682. Then it is a journey which you may be making yourself?—I should think it an essential duty in due course.

Chairman.] Are there any questions on paragraphs 105 and 106?

Mr. McAdam.

2683. On paragraph 105, were any special directions given to the Tribunal by the Department, arising out of the 1943 Act?—No. The Minister's officers themselves made the initial review in the light of the rulings which had been pronounced and published by the High Court. The Special Tribunal had the Royal Warrant and, in

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[Continued.]

addition, Mr. Justice Denning's rulings, which were really the cause of this special review. I think I am right in saying they were the only directions given to the Court. (Mr. Letts.) It would be improper for the Minister to give directions, because the Tribunal is independent.

2684. The point I am trying to get at is: does this completely alter the previous policy of the 1943 Act? Do not you think it would be necessary for the Tribunals to have their attention drawn to the alteration in policy?—(Mr. Wilson.) The Tribunals are under the direction of the Lord Chancellor and he, quite regularly and automatically, circulates to them every ruling given by the High Court. In so far as it was after August, 1946, there was no difficulty because the Tribunals had the rulings and they were acting on them. The difficulty was that there were quite a lot of cases which had been decided sometimes by the Minister and sometimes by the Tribunals before that period.

2685. The point I am trying to get at is the alteration arising out of the 1943 Act. The Lord Chancellor drew attention after the decisions had been given. What I am trying to get at is the position previous to the decisions being given by the Court?—Prior to 1946 I do not think there were many of these judgments which had in fact been given. The trouble was that in 1946 the High Court did make a series of pronouncements which showed that the decisions given in the previous two or three years were out of step with the High Court's view. Those pronouncements were circulated in the ordinary way by the Lord Chancellor's Department to the Special Review Tribunal as well as to the Statutory Tribunals.

Sir Frank Sanderson.

2686. Could you state if the number of claims rejected by the Pensions Appeals Tribunal is on the increase or on the decrease?—You are asking for the percentage?

2687. Is the number on the increase or decrease?—Slightly on the increase. Somewhere about 72 to 75 per cent. is the figure. (Mr. Letts.) About 25 per cent. or 28 per cent. is the figure now of cases admitted by the Statutory Tribunal. It was for a time higher.

Chairman.

2688. The Account is at pages 427 and 428. On page 428 in the details of expenditure, Subhead A is: "Salaries, &c.," an expenditure of £3,280,000. Have you made a calculation as to the relationship between administrative costs and the amount of money paid out in pensions?—(Mr. Wilson.) Yes. In the year 1946-47,

to use our yardstick, the cost was 9.65 pence per £ of benefit expenditure. To take the amount spent in benefit and contrast that with the cost of administration it works out at just over 9½d. compared with 8½d. or thereabouts in the previous year and with, I think, 7½d. the year before that. In other words, it has gone up 1d. in each of the last two years.

2689. It is in the neighbourhood of 4 per cent. at the present time?—That is so, against 3.5 per cent. in the preceding year.

2690. You do not expect it to continue to rise, do you?—I think not. I think that for 1947-48 it might show a slight increase, and then we expect it to go down. The position is that we ran right into the peak of the work in the year we are talking about. We had to employ a lot more doctors and so on.

2691. You would, I expect, hope eventually to get down to a relationship between administration costs and benefits corresponding more or less to the pre-war figures?—I see no reason to expect otherwise.

2692. Which would be a good deal lower than 4 per cent.?—Yes, I would expect that.

2693. Subhead C.1. is: "Medical Treatment," on which the expenditure was just over £2½ million. Part of this cost, I imagine, is the cost of your own Ministry of Pensions Hospitals, is it not?—That is so; over £1 million of that.

2694. Over £1 million was for your own hospitals?—Yes.

2695. And the remainder represents payment to other hospitals for care of your cases?—That is so; £1½ million.

2696. Can you tell me the proportion of beds in Ministry of Pensions hospitals which are filled at any given time?—In the year that we have before us I think the average of occupied beds was just over 60 per cent.; it was 60.4 per cent. I think the figure is somewhat better since then.

2697. Why was it so low, comparatively speaking?—I think, first of all, our professional colleagues would say that 75 per cent. would represent a reasonable maximum, and the question is to explain the difference between 60 per cent. and 75 per cent. I think the main point about that is shortage of nurses. Some of our main hospitals are quite full. With others in difficult areas we have a lot of difficulty over nurses. We are all the while trying to battle with it but it is a very general difficulty throughout the country.

2698. The greater part of the remaining amount of the expenditure here would be payments to other hospitals, would it?—That is so. The majority of the war pensioner patients are dealt with in local authority and E.M.S. hospitals.

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[Continued.]

2699. Can you tell me what is the cost per week or per day in a Ministry of Pensions hospital?—The cost per day per patient was 20s. 11d. in 1946-47.

2700. 20s. 11d. per patient?—Yes; you might call it 21s.

2701. That is about 147s. a week, is it?—Yes.

2702. Have you a comparative figure for the payments you make to the local authority and other hospitals?—I am afraid we have not. They vary enormously. (Mr. Letts.) The trouble with the non-Ministry hospital cases is that they cover such a wide variety of hospitals that an average figure is very difficult. The greater proportion of them is of two classes. There are the tubercular cases which go into the sanatoria provided by Local Authorities whom we reimburse, and the certified mental case, who goes into the public mental hospital where again we reimburse the local authority. There are those two classes of cases. In addition, there are other cases scattered over a number of hospitals largely as a matter of convenience and some may be quite small hospitals competent to deal with a particular case. On the other hand, if a man gets into a big teaching hospital the cost is probably more than our own hospital. We have a ceiling, higher than which we may not go.

2703. What you reckon to pay the hospital is the actual cost, is it?—Yes. We base our capitation fee on the ascertained costs of the year before, excluding certain items.

2704. Can you give the Committee any figures at all as to what is the highest figure you pay to a hospital or the lowest figure?—The maximum which we cannot exceed without Treasury authority is £8 8s. a week for other ranks. We may go up to £10 10s. for officers, where they are accommodated in a private room. Those figures are figures for the present year. In 1946-47 they were £6 6s. and £8 8s. respectively. I should say that the figures for the mental hospitals are, generally speaking, a good deal below that. The actual cost of the sanatoria is now running at about £6 to £7. In the other cases, I should not like to guess. We have some as low as 12s. a day. On the other hand, we have some in which the ascertained cost is above our maximum, but we do not go beyond the maximum.

2705. What I am trying to get at is whether it is cheaper by and large for you to have patients in your own hospitals or patients in voluntary and local authority hospitals?—It is rather difficult to make an exact comparison. Some of our hospitals are of a very special character. At Stoke Mandeville we have a high proportion of paraplegics. I think we should find it

difficult to get the sort of treatment we are giving those people in an ordinary hospital. Again, our specialist work of amputations and limb fitting is something that is rather beyond the ordinary civil hospital; and plastic work we have done at Roehampton, too.

2706. You would claim that your Ministry of Pensions hospitals deal on the whole with more difficult and more expensive cases?—(Mr. Wilson.) Yes, I think so. We deal with a proportion of ordinary cases but the very bad cases do come to us, with the exception of the tubercular cases and the mental defectives.

2707. I notice on page 429, between Sub-heads G.1 and H.1 you have a heading "War of 1939-45." Is that an accepted term now to describe the late war?—I do not think it has any particular sanctity.

2708. What I mean is that I imagine you are still in fact taking on responsibility for soldiers, let us say, wounded in Palestine, although we are now in 1948?—Indeed we are, yes.

2709. But there will come a time, I take it, when the peace-time casualties will be borne on the Votes of the Service Departments?—That is a matter which is under consideration at the present time; It certainly happened that way last time.

2710. Between the two wars the Ministry of Pensions was not concerned in the case of men injured in the course of their service?—Not in the peace-time forces. From 1921 to 1939 that was the position; and then there was the Transfer of Powers Order in 1939 and that is still running.

2711. On page 430, Subhead I.1 is: "Disablement Pensions and Gratuities, and Treatment Allowances." The grant was £32,800,000 and the expenditure only £20,740,000. It looks like rather faulty estimating?—The difficulty was that the Estimate had to be drawn up within two months of the ending of hostilities and a lot of guesswork had to enter into it. What happened was that we based the Estimate on the experience of the 1914-18 War with suitable modifications, and in point of fact the number of pensions that we had to give was much less than we anticipated—very much less.

2712. Are they smaller in number or smaller in amount?—They were smaller in number. I think the figure was something in the relation of 1 to 3.

2713. 1 to 3?—In 1946-47 we were giving about one-third of the number of pensions as a result of this 1939-45 War as compared with the comparable period after the 1914-18 War.

Chairman.] Are there any questions on the Account?

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[Continued.]

Mr. McAdam.

2714. Under the 1914-18 War heading, are there included pensions granted for the 1899-1902 South African War, as well?—Yes.

2715. They are included?—Yes, we put them in there.

2716. Could you tell me how many pensioners you have from the 1899-1902 South African War?—The number of disablement pensioners still in payment from that War, speaking from memory, is a little over 3,000.

Mr. McAdam.] 3,000 still.

Sir Frank Sanderson.

2717. On page 428, Subhead C.2. is: "Surgical Appliances," for which the grant was £620,000 and the expenditure £526,000. The note to Subhead C.2. states: "The number of pensioners requiring treatment, including the supply of artificial limbs, etc., was below expectations." Then the note to Subhead C.3 (which is "Expenses of Travelling, etc., for Treatment or Medical Examination") states that the increase was "due to an increase in the number of pensioners attending Medical Boards." I wanted to know whether you could tell the Committee whether the shortage of supplies of artificial limbs is becoming greater. It does seem that men who are suffering the most and who require the maximum amount of consideration are not receiving limbs in the ratio one would, perhaps, expect?—I think, actually, the decrease was simply due to the fact that there were fewer applications, that we had exhausted the main demand. We had 10,000 Services artificial limbs in 1945-46 and that really broke the

back of the demand. In 1946-47 we issued only 7,000. It is perfectly true we did have and we do have, from time to time, difficulties in this field, but it is rather more in regard to stump socks and supplies of that sort than limbs themselves. I think I am right in saying that the artificial limb position is quite satisfactory.

2718. You would call it quite satisfactory?—In regard to limbs, but not in regard to some of the minor appliances. We are battling away with that and I think, on the whole, the position is improving.

Mr. Thurtle.

2719. I think it came out in your answers to the Chairman that the cost of the maintenance in your own hospitals was probably higher than in other hospitals not under your control. I take it you regard it as your function in your own specialised hospitals to provide every possible kind of curative and other treatment there is for these cases and you would not let considerations of economy enter into it?—No. I think we do pride ourselves on giving the people who come into our hospitals very good treatment, much better, it may be, than they get in many of the other hospitals. I would like to underline what my colleague said. I do think comparisons between the costs in our hospitals, which cater for very specialised requirements, and the cost of the ordinary E.M.S. hospitals are not very reliable, because we do tend to get the really bad cases, the paraplegics and limbless people, and so on.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.)

CIVIL APPROPRIATION ACCOUNTS (CLASS X) 1946-47.

VOTE 10.

WAR SERVICE GRANTS.

Chairman.

2720. Will Members now turn to the Civil Appropriation Accounts (Class X) 1946-47? Your Ministry were given the administration of these war service grants which were by way of hardship allowances, were they not, to the families of men serving during the war?—(Mr. Wilson.) Yes, men who were called up for military service. We really acted as agents for the Service Departments in this matter.

2721. Is that arrangement going to continue?—There again, that is a matter which is under very active consideration. A decision will have to be given, and there is an inter-Departmental party working on it at this moment. Of course, the number of cases is negligible. It still arises from people who are being called up under the National Service Acts.

2722. You think something of this sort will be necessary so long as we have National Service?—I think so. I think that is accepted as the Departmental view.

2723. The question of who shall administer the grants in future is at present undecided?—Yes, that is so. Again, we expect an announcement within the next few weeks. (Mr. Letts.) We are carrying it on, if I may say so, up to the end of this year. That is definite, that up till the end of this year we are carrying on the same system.

2724. I do not want to trench on questions of policy but I assume this is a responsibility which you would be gladly quit of?—(Mr. Wilson.) I do not think anybody is very anxious to have it.

2725. I take it you really have not an organisation skilled in the assessment of

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Mr. ARTON WILSON, C.B., and
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[Continued.]

means, of requirements and needs, have you?—(Mr. Wilson.) Except that we have acquired a lot of skill in the last eight years. (Mr. Letts.) We use the Assistance Board to make inquiries but I think our people are pretty skilled in making the awards. They have handled over a million cases.

2726. You do make use of the Assistance Board to make inquiries?—(Mr. Wilson.) Yes. The number of cases has dropped down to 6,000 at the moment as against

a figure of 535,000 at the peak. No doubt it will go down further.

2727. Can you give me the figure of estimated expenditure for the current year?—(Mr. Letts.) On our Vote we have estimated for £330,000 to cover nine months.

Chairman.] Thank you. Are there any questions on that Account? May I take it that the Account is approved? (Agreed). Thank you, Mr. Wilson.

(Mr. Wilson and Mr. Letts withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS III.

VOTE 1.

HOME OFFICE.

Sir ALEXANDER MAXWELL, G.C.B., K.B.E., Permanent Under Secretary of State, Home Office, called in and examined.

Chairman.

2728. Will Members turn to the Civil Appropriation Accounts, Class III, Vote 1, the Home Office? The Account is at pages 119-121. On page 120, Subhead I is: "Central Committee for Refugees (Grant in Aid)" on which the expenditure was £260,000. I seem to remember something about the beginning of this particular Subhead, but I should like you to tell the Committee why it continues and whether you think it is going to continue for the future at a fairly large figure?—(Sir Alexander Maxwell.) In the early days of the war when we had to consider what was the best method of making provision for the many refugees who were then in this country, we came to the conclusion that it was advantageous to use the help of the voluntary committees that had already begun to interest themselves in these men, women and children. A central organisation was formed at Bloomsbury House with a co-ordinating committee which supervised the work of all the refugee organisations, of which Sir Herbert Emmerson was good enough to accept the Chair. An arrangement was made that the Government would supply funds to supplement the voluntary funds which had been raised by these organisations for the purpose of maintaining those people who were unable to support themselves by employment, including the old, the sick and the children; then for the purpose of looking after, through local voluntary organisations, the general welfare of these people and trying to make them at home in this country; and also for the purpose of facilitating the emigration of those who were able to go overseas to the United States and other countries. Voluntary organisations

at first bore a large part of the cost of maintaining those who could not maintain themselves. Later the voluntary organisations found it impossible (they had already raised very large sums) to continue raising those large sums and an arrangement was made that in so far as it was necessary to maintain refugees the Government would provide the money on the understanding that there should be consultation with the Assistance Board and that the rates of maintenance granted to these refugees would be parallel with the grants that would be made in similar circumstances to British subjects.

2729. I assume that Sir Herbert Emmerson is still in charge, is he?—Yes, he is still Chairman.

2730. Most of these refugees, I take it, are now elderly people, are they not?—Those who are getting maintenance are elderly or invalid or are quite young children.

2731. Are they all people who came here before the outbreak of war, or are there some who came here during the war?—There is no appreciable number, if any, who came during the war.

2732. So far as these grants are made to elderly people who cannot maintain themselves, they are likely to continue so long as the elderly people survive, are they not?—I have been consulting, in a quite provisional way at present with representatives of voluntary organisations as to how long this system should continue, because the question has arisen as to whether, when the public assistance authorities cease to become responsible for the elderly people and the National Assistance Board becomes responsible, there is any great value in main-

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[Continued.]

taining this special method for the elderly refugees. I think it is possible that these refugee organisations may decide in the course of the next year or two, at any rate, to wind up their work on that side and hand over such maintenance as is necessary to the Assistance Board.

2733. But we may expect the amount required gradually to diminish as a few of these people emigrate every year?—Yes.

2734. These sums are paid over, are they, to voluntary societies in some cases?—Yes. They are paid to the Central Committee who distribute them to the voluntary societies on being satisfied that the societies are using them for approved purposes.

2735. Are these societies in a healthy condition or have people lost interest in them now?—There is still a remarkable amount of work being done up and down the country by local committees that were formed to interest themselves in the welfare of these people. I have no doubt they are diminishing to some extent in the number of their supporters, but I have not discovered that there has been any great diminution. We still owe a debt of gratitude to a great many people for the voluntary work they are doing in this direction.

2736. Have some of these voluntary societies other sources of income?—Yes. The Jewish Society has a certain amount of funds still coming in but the other bodies have very little financial resources behind them.

Chairman.] Are there any questions on the Account?

Mr. Cuthbert.

2737. When the National Insurance do take over the liability here, will those pensioners suffer? Will they get a better pension or a worse pension at the change-over? You told us just now that you contemplated possibly you may wind those up, and it will then fall under the National Insurance. What will they receive in the way of pension?

Chairman.] "Pension" is not quite the right word to use. These are maintenance grants?—Yes. The maintenance grants are now assessed at rates which the Assistance Board would regard as proper, so that I do not think it would make any serious difference.

Mr. Cuthbert.

2738. There would be no difference?—No. The difficulty is that the result might be that a certain amount of the interest and kindness that is shown by these people would be lost. That is why I have been anxious to keep them in existence for the present, but a time must come when an organisation of this kind becomes superfluous.

Mr. McAdam.

2739. So far as the nominal amount is concerned, it will differ from district to

district, I suppose, because local authorities, as far as national assistance is concerned, are bearing rates of payment?—The rates that are paid by this organisation are the rates that are approved by the Assistance Board, not by the Public Assistance Authority. Whether the Assistance Board find it appropriate to pay rather more in one district than another I do not know. Very likely they do.

2740. That is the point I want to get at?—They take into account rent, for example.

2741. Yes. In different cities you will get a different rate of assistance, granted by the Assistance Boards so it will vary from district to district. There will be a standard rate so far as the central organisation is concerned, and it will be augmented in the different districts with varying rates?—I have not heard that the Assistance Board has different rates in different districts. I did know they took into account the rent which an individual has to pay in assessing the appropriate assistance for him. That there was any difference apart from difference in rent because of locality I had not heard.

2742. What I am getting at is that in addition to the grant that is given by the central authority and the Assistance Board, if that grant does not come up to the standard of a local authority the local authority is bound, if an application is made, to increase the rent so that there are varying amounts throughout the country to those in receipt of assistance?—I am afraid I cannot explain that at all, because it is quite new to me. Do you mean that a destitute person can receive assistance both from the Assistance Board and the local Public Assistance Authority?

2743. Yes?—I take it that in future that will not be so.

Mr. McAdam.] There will be just the one standard rate.

Chairman.] You are speaking of something which occurs in Scotland, are you not?

Mr. McAdam.] Yes.

Chairman.

2744. Well, that is beyond me. You are not responsible for what happens in Scotland, are you, Sir Alexander?—No. I do not know of any difficulty about refugees living in Scotland.

Mr. McAdam.] There are a lot of them in Scotland, you may take it from me.

Chairman.] I expect they make them work in Scotland.

Mr. Benson.

2745. Subhead E, on page 120 is: "Contributions towards the expenses of

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[Continued.]

Probation," an expenditure of £318,000. Does that include your central expenses, the training of Probation Officers, the costs of the Selection Committee, and so on?—Yes, it does.

2746. The cost of probation falls on the rates, does it not? Does that represent a 50 per cent. grant?—Yes.

2747. What is the present position with regard to the intake of Probation Officers? Is it satisfactory?—We should like to get more. There is still a shortage of Probation Officers, but in recent times the number of suitable candidates has been increasing. There has been a considerable improvement. There are many difficulties in finding the right sort of people for this job but I think the type we are getting now is very good on the whole, and if we could make the recruiting a little faster we should be satisfied.

2748. Have you any reason to suspect that your salary rates have any serious influence on recruitment?—No, I do not think that is the main difficulty. The salary rates were improved quite recently, in accordance with the recommendations of a committee. I think one of the difficulties is that a Probation Officer ought, when he starts his work, to be somewhere about the age of 25 or 26 and to have had some experience of the world other than mere academic experience. Quite suitable young men and women come straight away from college and look very promising, but the Training Board feels bound to say to them: "Go away and enlarge your experience in some practical manner and come back to us in two or three years' time." It may often happen that those people then get into some other occupation and we do not get them into the Probation Service.

Sir Frank Sanderson.

2749. I should like to raise quite a minor matter, but a question of principle is involved. On page 119, in the explanation of the causes of variation between expenditure and grant, in the note to Subhead A.1. it is stated that there was an overpayment of wages to a paper keeper written off as irrecoverable. Could you tell the Committee whether it is the policy, so far as practicable, to recover overpayments of wages?—Certainly. This was an exceptional case where a man had been receiving for some considerable period a shilling or two a week more than he ought to have been receiving, and it would have been very hard to force a man, on these very low wages, to pay back that sum.

Mr. Thurtle.

2750. With regard to refugees, I think you said most of these refugees were either young children or elderly persons who had come here prior to the outbreak of war. Am I right in understanding that the young children you spoke of are children who were young in 1939 but are not so young now?—Some, of course, are quite grown up now, but there are still children, who were brought here almost as infants, of 5, 6 and 7, who are still at school.

2751. There is a prospect that in course of time all those children will be absorbed in industry or in some other way?—Yes, and one of the most promising features of the work has been the excellent way in which some of these children have come along and won prizes and scholarships and distinguished themselves in various fashions.

Chairman.] Has any Member of the Committee any further questions to put? Are there any further questions on the Account? May I take it the Account is approved? (*Agreed.*)

VOTE 5.

APPROVED SCHOOLS, &c., ENGLAND AND WALES.

Mr. A. WHITLEY, C.B.E., Assistant Secretary (Finance Officer), Home Office, called in and examined.

Chairman

2752. We turn now to Vote 5, "Approved Schools, &c., England and Wales." The Account is at pages 138 and 139. On page 138, Sir Alexander, Subhead A is: "Approved Schools," on which the expenditure was just over £1 million. The Home Office pays 50 per cent. of the cost of the maintenance of the Approved Schools, does it not?—(Sir Alexander Maxwell.) Yes.

2753. The other 50 per cent. falls on the local authorities?—That is so.

2754. Can you give me a figure of the cost at the present time of maintaining a

child in an Approved School?—It is about £5 5s. a week.

2755. That is, of course, divided between the Exchequer and the local authorities?—Yes.

2756. Can you compare that figure with the pre-war figure?—It was less than £3 a week before the war. I have not the exact figure by me. It was not more than £3.

2757. Are you sure that is the right figure for before the war? It seems to me excessively high for before the war?—I have not got the figure, but I can certainly get it for you.

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[Continued.]

2758. At £5 5s. a week that is about 260 guineas a year. That is almost equal to the cost of what is called a public school education, is it not?—Yes, but a public school education expenditure does not cover as many items as the expenditure on a child at an Approved School. He is there all the year round, and so on.

2759. This figure includes clothing and things of that kind?—Yes, everything. I was going to say that the £5 5s. is the figure we have fixed for this current year. We hope it is, in fact, in excess of the actual expenditure that will be caused in the year because we are at the present time engaged in trying to redress the balance of payment between the Exchequer and the local authorities. It is always a very difficult business to estimate exactly what the average expenditure through the coming year or a year ahead will be, and the system is that the Home Office fixes what we call a flat rate which is payable by the local authorities. It may be that the actual expenditure on the schools is rather more than twice that rate, or rather less than twice that rate and during the pre-war years we found that our estimates resulted in the local authorities paying considerably more than the Exchequer, so that we owed the local authorities a considerable sum and had to redress the balance. In recent years the balance has run the other way because the cost of the schools has been rising each year, and we have failed in fixing the flat rate to fix a figure that would be half the cost. It has always been a little below half the cost, so that we have now to redress the balance and in fixing the flat rate this year we have fixed it at 52s. 6d., and twice 52s. 6d. gave me my £5 5s., but we are hoping that that £5 5s. will contain a considerable sum to redress the balance between the Exchequer and the local authorities, so that possibly the actual cost of the schools will turn out to be less than £5 5s.

Chairman.] Are there any questions on the Account?

Mr. Benson.

2760. Does that £5 5s. include overheads, or is that mere maintenance and education?—It includes certain capital expenditure and sinking funds and payment of debt.

2761. There must be, however, a very considerable variation from school to school? Some are poor schools without any capital charges now, surely? Others are brand new and with high amortisation and, of course, a very different standard?—We are trying to keep the standards as regards food and clothing and salaries of the staff up to a general level.

2762. I was thinking of the proportion of staff to children?—Yes, those propor-

tions do vary even though one tries to keep a proper standard of adjusting staff to population.

2763. Irrespective of the cost of the school, do they get a flat rate per child?—Yes, the local authority pays according to the flat rate for the voluntary schools.

2764. Take the Cotswold School: do they get a definite rate of £5 5s. per week per boy there?—I do not carry in my head how this system, which I am said to have devised myself many years ago works out. (Mr. Whitley.) The position is that the local authority from the area in which the child is committed pays to the school to which the child is committed one half of the total estimated cost which we call the flat rate. Every Approved School receives from the local authority in the area from which the child was committed that flat rate. In the case of the voluntary schools the Exchequer pays the difference between the actual cost of that child and the flat rate. In the case of the local authority schools the Exchequer goes 50-50 with the local authority.

2765. Your grant to the school must be calculated at the end of the year, when they get their accounts out?—We work on the estimated cost provided to us by all the schools in the country. We take the average cost per child over the whole country and then work out the flat rate as half that average cost and fix the flat rate accordingly, together with a weighted proportion of it in an endeavour to recoup to the Exchequer the amount that the Exchequer has overpaid compared with the sums paid by local authorities.

2766. What I want to get at is that the cost in individual schools must vary considerably. How does the costly school recoup itself?—In the case of the costly school it means that the Exchequer is paying them more in proportion than in the case of a school which is completely free of debt, but the actual average cost—

2767. I am not worrying about the average cost?—The flat rate is fixed on the average cost, so that if it is a cheap school then the Exchequer has to pay proportionately less to that school to make up the flat rate to the actual cost of the school.

2768. I do not think you quite understand what I really want to get at. A given school, which we will assume is a more expensive school than the average, receives a given sum during the year from a local authority. That given sum turns out to be less than one half the cost of the actual running of the school. Do they look to the Exchequer for the balance?—The Exchequer pays that difference. Similarly, in the opposite case, where the

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[Continued.]

sum received is substantially more than half the total cost, the Exchequer pays less.

2769. And you make annual adjustments with each school?—We make annual adjustments with the schools and we work a revolving fund in an endeavour to ensure that the Exchequer and the local authorities between them work on a 50-50 basis.

2770. What is happening with regard to Approved Schools? I see here in the note to Subhead D that the accommodation has been expanding rather quickly. Have you any idea what the relationship between places and population is at the moment?—(Sir Alexander Maxwell.) Yes. We have quite sufficient places for the present population. In fact, we are hoping to reduce the ceiling number that has been fixed for various schools because a further review of the schools shows that the number we have fixed as the maximum for the school is in excess of what would be the optimum number for that school. We are now able to reduce the ceiling in many cases.

2771. Of the actual school?—Yes.

2772. How far does that allow you to develop specialised schools?—There has been a considerable development in specialised schools in recent years. As you probably know, one of the major changes has been the introduction of schools known as classifying schools, to which the children are sent when they are first committed by the Courts, in order that skilled people may decide what type of child each one is and which is the most appropriate of the schools throughout the country for his training. Some schools specialise in training for garden work, some for training in metal and woodwork, and so on. Not only the capacity of the child but the character of the child has to be taken into account. He may be either the type of child who will get on well in a small school of a particular character or will do better in another school with a rather different type of boy.

2773. Have you yet got to the position where every child passes through a classifying school?—No, not yet.

2774. Is that what you are aiming at?—Yes.

2775. At the present moment, if you have an adequate number of places the initiative to a large extent has lain with the Home Office in the establishment of schools?—Yes.

2776. Your initiative at the moment is at a low ebb, or are you still trying to found new schools with the idea of increasing the population?—I do not think we

shall contemplate any more new schools unless we can hope to get something better than an existing school.

2777. You have power to withdraw your approval from the older schools. Are you using that to any extent?—It is in the background. In a recent case with which I was dealing a school which had been evacuated wanted to go back to its old premises. We said: "No. If you go back to those premises we could not certify you any longer. You must find something better than that."

Lieut.-Colonel Hamilton.

2778. What are the normal charges to a parent? I see that £86,000 was the amount of receipts from parents of children and young persons maintained in Approved Schools?—In the days when I dealt with this the charges were quite small; they were 5s. or something like that. Possibly they are rather larger now, when wages are higher.

2779. Are they of the order of 5s. or 6s.?—They may be more in many cases now. I could get that information but I have not it here.† It rests with the local authority to apply and the Court to settle what the parent shall be charged.

Sir Frank Sanderson.

2780. I am afraid I must display a little ignorance in regard to these schools. Am I right in understanding that the children committed to their care are there all the year round, namely, for 52 weeks of the year?—Yes.

2781. So that it is rather more than merely a school, is it not? It is also a home?—Exactly.

2782. When you stated, as you did, in reply to a question from the Chairman that the cost was £5 5s. a week, you multiply that by 52, and that gives you the cost of maintaining the child and educating the child for 52 weeks of the year, and not for 40 weeks in the year as in the case of schools generally understood as public schools. Is that so?—Yes, that is so. That makes a difference, of course.

Chairman.

2783. I think we would like to have, Sir Alexander, the figure of the cost of maintaining a child in 1938 or 1939 to compare with the present-day cost and also the figures you promised in reply to Colonel Hamilton, if you will furnish them to the Committee?—Yes.*

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (Agreed.)

† Information supplied; not printed.

* Paper circulated to Members; not printed.

(Mr. Whitley withdrew.)

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[Continued.]

CIVIL APPROPRIATION ACCOUNT (CLASS X), 1946-47.

VOTE 5.

HOME OFFICE (WAR SERVICES).

Chairman.

2784. Will Members turn now to the Civil Appropriation Accounts (Class X) 1946-47, to paragraph 56 of the report of the Comptroller and Auditor General on the Women's Voluntary Services? I think the Committee would be interested to know what the W.V.S. have been employed on since the war ended?—(Sir *Alexander Maxwell*.) The number of their activities is very great indeed. It is very difficult to classify them all. But I might mention some of those that come most prominently to my mind and in which the Home Office has been chiefly interested. The W.V.S. have come in to deal with all kinds of emergencies. For instance, when we had to introduce into this country a large number of Polish troops and their wives and children we were in great difficulties in making welfare arrangements for the wives and children and the camps in which they were established were in great distress for help in many areas. The Women's Voluntary Services found local women who would come along and help in that matter. Then I have been interested, too, in the work they have been doing for the War Office and some of the other Service Departments overseas. They have been finding women, for example, to go out to Germany to help with various welfare services there, and also S.E.A.C. has called upon them. In the floods of last winter they did a lot of miscellaneous work in helping the people who were adversely affected by the floods, including extraordinarily distasteful work in cleaning up people's houses, and so on. They could find local volunteers to come and do things of that kind. Then they are carrying on a big business of distributing clothing, particularly clothing which is sent from America to this country. It started as a scheme for helping people who had been bombed out. It still goes on and is proving useful as a supplement to people in poor circumstances at the present time. Then they have a number of welfare arrangements in connection with mothers and children. They make arrangements also for transporting children and old people to hospitals in the rural areas. In the rural areas I think they are doing a remarkable amount of work of that kind. They are helping with school meals; they are helping with canteens. They have schemes for what they call Mend and Save, encouraging methods of teaching women to save clothes and save utensils of various sorts. In fact, their activities are legion and complaints are sometimes received that they overlap with other voluntary organisations. I believe that steps have been taken recently to try to avoid that.

I know they are anxious to avoid overlapping and to work in collaboration with other societies, but there are a vast number of miscellaneous voluntary services, especially services that are wanted just for a time only that are not covered by any existing societies, for which the Women's Voluntary Services provides help. One example was when a number of women and children had to be evacuated in an emergency from Palestine, the W.V.S. met them and made the necessary arrangements for their welfare.

2785. I gather it has been decided that the W.V.S. shall continue permanently?—No, I cannot say that.

2786. I was reading the third subparagraph of the report of the Comptroller and Auditor General, in which he tells us: "On the 24th April, 1947, the Secretary of State informed the House of Commons that it was considered desirable to preserve an organisation which had proved so successful in mobilising voluntary help for numerous forms of public work. In order to determine how best it could be fitted into the general pattern of social service. . .?"—What the Home Secretary felt was that it would be a great pity to lose the voluntary help we are at present getting from this organisation, but the question whether it could be preserved in its present form or whether it should be fitted in some other form into the general pattern of voluntary service in the country is one of the questions he wanted to explore, and he has not committed himself to a view on that subject yet.

2787. As regards expenditure, I gather that the Ministry of Works Vote bears the cost of their offices?—Yes.

2788. And that this War Service Account includes some £28,000 for salaries and wages of clerical staff, £7,500 for maintenance of motor vehicles, and also another £47,000 for salaries and wages and £73,000 for travelling, out-of-pocket and incidental expenses, repaid to the W.V.S. Can you give the Committee any approximate figure of the total cost to the country of the W.V.S.?—No. The Home Secretary did answer a question on that point last November, or, rather, Mr. Younger answered for him and said that the cost to the Exchequer of rent, rates, repairs, office furniture, stationery and telephones, etc., could only be ascertained by a very large expenditure of time and labour. I have been making inquiries recently as to whether we could get some approximate estimate at any rate, but I have not yet got any figure. It would mean a lot of

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[Continued.]

labour for the Ministry of Works, in particular, to disentangle the expenditure on this particular class of premises. There are many other premises which they are looking after.

2789. Are there any questions on paragraph 56? I gather from what you have told us that you completely disagree with the cynical observation one has heard made to the effect that "never in our island story had so little been done by so many for so few"?—It has not been my experience. I agree that there are possible grounds of criticism because, of course, this service was set up as a war service and is now being continued for other purposes; but, as far as I have been able to test its work, I think it does a remarkable lot for a very little expenditure.

2790. Thank you. We turn to the Account, which is at page 43. This Account, for the expenditure of about £32 million, is regarded as a war terminal service, is it not?—The whole Account?

2791. Yes?—Yes. There will be some continuation of it because some kind of organisation for civil defence has already been adumbrated by the Government.

Mr. A. S. HUTCHINSON, C.B., C.V.O., Assistant Under Secretary of State, the Home Office, called in and examined.

Mr. Hutchinson.] They are not fully completed. They are substantially completed. There is still a small balance of arrears; it is quite small.

2796. Subhead M, on page 45 is: "Compensation." That, I gather from the footnote, is the payment of compensation under the Compensation (Defence) Act to owners, following the derequisitioning of civil defence buildings?—That is right.

2797. Are these claims by local authorities made on the Home Office? How is the settlement made? If somebody claims that their building has been damaged or has deteriorated during the period of requisition, who decides how much the payment shall be, and checks it?—It is dealt with in accordance with the statutory provisions through our Regional Offices. We still maintain skeleton Regional Offices on a very small scale.

2798. On page 46 there is the heading: "National Fire Service, England and Wales." That item will now disappear from the Accounts, I suppose?—There will no doubt be a small overhang for a little while, the clearing up arrears, but substantially it will disappear.

2799. Where will the new 25 per cent. grant appear in the Estimates and Accounts in future?—That, I think, will come on the Home Office Vote?—(Mr. Jones.) There will be a separate Vote, in 1948-49, for the Fire Services, in Class III.

2792. I think the Estimate for 1948-49 is down to about £9 million, is it not?—Yes, it is very much smaller.

2793. Is it contemplated that the Home Office will continue to be responsible for civil defence in connection with any future war?—Yes, there certainly will be a responsibility on the Home Office. Under the plan which has already been announced by the Government, the Home Office will have a co-ordinating function much as it had in the last war, and will have to work in consultation with both the Service Departments and a number of Civil Departments on the schemes of civil defence for the future. As you know, the Home Office has had to take the responsibility recently for setting up what is called the Joint Civil Defence Planning Staff.

2794. On page 44, Subhead I is: "Grants to local authorities in respect of Civil Defence Services," an expenditure of nearly £6 million. These are the settlements of accounts incurred during the war for local authority expenditure?—Yes.

2795. Are they completed now?—May Mr. Hutchinson deal with that question?

2800. The only other question I want to put is on this rather curious item in the Losses and Compensation Statement, on page 49. It is the third item from the foot of the page: "Compensation for wrongful imprisonment and deportation, under Regulation 18B (three cases)" a figure of £825. I think if I were imprisoned or deported wrongfully I should claim at any rate a larger sum. Where were they deported to?—(Sir Alexander Maxwell.) There were three men who were of German parents but were born in this country, and therefore were dual nationals. They were British subjects as well as German. They were wrongfully classed with the persons of enemy nationality who were deported to Australia. It was not discovered (I think, perhaps, they themselves did not take very active steps to make the position plain) that they were British subjects till they got out to Australia, and then we offered to bring them back and they said they preferred to remain there.

2801. In internment, or in Australia?—In Australia. Ultimately they came back and demanded compensation for having been wrongfully interned. Negotiations were conducted with them by the Treasury Solicitor and they ultimately agreed to settle in each case for £275, £100 being general damages and £175 being in respect of loss of some of their belongings. It was a bad mistake, but in the confusion or,

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[Continued.]

rather, the haste that was taken at that time it was perhaps the kind of mistake which it was very difficult to avoid.

2802. You put this in as a war terminal rather than have it on the main Home Office Vote?—That is right.

Mr. Benson.

2803. I think somebody said that the 1948-49 Estimates were reduced to £9 million or thereabouts as against £32 million. Then it was said that there was a new Vote for the National Fire Services. That would mean that there was no reduction at all on the War Terminal Services. I have not the Estimates in front of me?—(Mr. Jones.) The National Fire Service Vote in 1948-49 is for a net total of just over £3 million.

2804. What is the net total for the items up to Subhead R?—There is on the Home Office War Services Vote for 1948-49 terminal expenditure on the N.F.S. of £3½ million.

2805. On page 43, Subhead G is: "Respirator factories." Were you still manufacturing respirators in 1946-47?—(Sir Alexander Maxwell.) No, but there was one factory still left. The item "Respirator Factories" has been copied from older entries. There is one factory in Blackburn which was engaged in dealing with those respirators that were sent in by the local authorities as done with, utilising such parts as were valuable and repairing those that were repairable, and so on.

2806. You are still storing respirators?—Yes.

Sir Frank Sanderson.

2807. On page 45, Subhead L.2. is: "Gratuities and Post-War Credits of Civil

Defence Personnel and Police War Reserve," on which there was a saving of £69,000. In other words, £69,000 less than the grant was expended. The reason given in the footnote to Subhead L.2. is that it was mainly due to the failure of a number of entitled persons to submit claims. Could you tell the Committee whether, where there are apparently quite a large number who are entitled to claim and fail to do so, any steps are taken to try to find them?—(Mr. Hutchinson.) It is very difficult to do anything with the individuals except by advertisement and through the local authorities. We have done all we can, but there remain people who do not seem interested in their rights.

2808. What I want to get at is this: Is it an accepted principle that you pay where a demand is made but you do not make any attempt to assist those by whom a claim could be made if they were aware of the facts?—Not at all. We are anxious to do anything we can, anything that is practicable.

2809. So far as you can, do you attempt to get in touch with the claimants?—Certainly. Wherever their addresses were known they were sent what is known as an entitlement form. In many cases they do not fill the form in. There is one particular case where a person did not quite understand the form. We sent one to the widow of a man who was entitled, I think, to £20, and instead of filling it in she sent a money order for £20. Of course, we did not keep that!

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (Agreed.)

(Sir Alexander Maxwell and Mr. Hutchinson withdrew.)

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VOTE II.

SCOTTISH HOME DEPARTMENT (WAR SERVICES).

(On this Account no questions were asked.)

(The witnesses withdrew.)

Adjourned till Thursday, 27th May, at 2.30 p.m.

THURSDAY, 27TH MAY, 1948.

Members present:

MR. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.
Mr. Horace Holmes.

Mr. McAdam.
Mr. Thurtle.
Mr. Wadsworth.

SIR FRANK TRIBE, K.C.B., K.B.E., MR. C. E. I. JONES and MR. W. H. FISHER, Assistant Secretary, Treasury, called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE II.

FORESTRY COMMISSION.

LORD ROBINSON, O.B.E., a Member of the House of Lords attending by leave of that House, Chairman of the Forestry Commission, examined:

Chairman.

2810. Lord Robinson, have you in front of you the Civil Appropriation Accounts, 1946-47, Class VI, Vote II, pages 325 and 326?—(Lord Robinson.) Yes.

2811. The Forestry Fund Deposit Account is fed by Vote money. In the year under review you brought forward a balance of £250,000 and you carried forward at the end of the year £925,000. That is right, is it not?—Yes.

2812. That was largely due to expenditure not coming up to expectations on the following subheads in the Account: D, Acquisition of land; E, Forestry Operations; F, Holdings for Forest Workers, and G, Advances for Afforestation Purposes?—Yes, that is so.

2813. The notes on the following page tell us why the expenditure fell short of the Estimate. It was largely, I take it, due to shortage of labour?—Yes. It was the transition period from the war to the so-called peace.

2814. As regards Heading G: "Advances for Afforestation Purposes," I think the Committee would be interested to learn why the expenditure was only £14,000, against an Estimate of £100,000. The note says: "Further legislation was required before grants could be made in respect of dedicated woodlands." Could you tell the Committee how the dedication scheme is going? Has advantage been taken of it?—Yes, I can tell you that. There was a delay because of the legislation, and there was subsequently a delay in preparing the draft agreements, and in getting the scheme before the public or, rather, before the woodland owners. I need not give the Committee the details perhaps, but the position we have arrived at today is that some 908 owners, owning just over half a million acres (shall we say 900 owners and half a million acres) have intimated their

willingness to give the dedication scheme a thorough consideration. Just how many of those 900 will sign agreements and how much of that 500,000 acres will in actual fact be dedicated I cannot tell you. We are now getting to the stage at which a few of the agreements are being prepared for signature.

2815. Subhead I is a new one, I believe. It is entitled: "Engineering Branch." The Estimate was nil and there was an expenditure of £23,000. I think the figures under this Subhead for 1947-48 and the Estimate for 1948-49 are very much bigger, are they not?—Yes. The Engineering Branch was started in this particular year mainly to construct roads. We have a very considerable area of plantations now which are in the thinning stage, and for which the accesses and general transport facilities in the shape of roads are inadequate; therefore, we are systematically building roads. The work was begun in this particular year partly for unemployment purposes and partly on its merits for the purpose for which it is required. It began at the beginning of that dreadful winter which we had and by the end of March had hardly got going at all.

2816. Can you give the Committee the estimated figure of expenditure under this Subhead for 1947-48?—It was, near enough, £1½ million for the year 1947-48, and the figure is £850,000 for the forthcoming year.

2817. Do you regard this as expenditure properly borne by the Forestry Accounts?—Yes. There is no doubt about it, that we must go in for extensive road construction if we are to work our plantations as they should be worked.

2818. I think you said that this expenditure was partly undertaken to relieve unemployment. Is that so?—That was the impetus that got it going. We have now got it back to the state where it is under-

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[Continued.]

taken on its merits. The work has been reorganised and, as you see, the Estimate has been cut from £1½ million to £850,000.

2819. Is it not possible, with modern machinery, to haul timber out from almost anywhere without a road at all?—It may be possible, but it is not economical. Those roads will be required for ever, of course. There are some slopes which are so steep that unless you let the timber slip down the hill you cannot get it out at all; you cannot haul it across the slope. If you let it slip down the hill in the case of thinnings it simply barks all the trees that are there; and that's that so far as the future of the plantation is concerned.

2820. Was not something of the same sort undertaken before the war in order to relieve unemployment?—Not by the Commission but by the Ministry of Labour. The plantations had not then got to the stage at which they required thinning. But, of course, road construction is a stock job on a small scale. It is going on all the time.

2821. If called upon, could you furnish the Committee with a figure for the cost of road building?—Yes, we could do that. I cannot vouch at the moment for the accuracy of the figures we will give you, but we will do our best.*

2822. What sort of labour do you employ for this?—At present we are no longer recruiting the unemployed but we are getting labour locally, people want work in the countryside.

2823. You have not used any Poles?—Yes, we used Poles but we are not now using them. They are apparently being absorbed in other ways. We have still a few; but the original intention of using large numbers was never successful and the numbers we have got are gradually diminishing and very soon I think we shall have none.

2824. I want to ask one other question, and that is in regard to Subhead A: "Salaries, &c." That provides, of course, for your permanent staff who, I take it, are civil servants?—They have the status of civil servants. I believe technically they are not civil servants because they are paid from the Forestry Fund.

2825. They are treated in all respects as civil servants?—Yes, they have the same rights and privileges.

2826. Do their numbers appear in the returns given to the House, from time to time, of the number of civil servants?—Yes, the full numbers are in the Estimates: by grades, of course.

2827. Besides those, you have a large number of what correspond to industrial staff, I take it?—Yes. The industrial staff, at about the time we are speaking of now, was running at about 6,000. In the

interval since then it has practically doubled, to something like 12,000.

2828. Those are foresters and foremen?—Those are workmen.

2829. Those are all workmen?—Yes. The number of foresters at this particular time was about 550. You will find the numbers are set out in the Estimates. To take at random 1947-48, there were 22 District Officers on Research and Education. In 1948-49—

2830. Those are the numbers of salaried staff?—Yes, of the supervisory staff.

2831. But you do not anywhere set out the numbers of the industrial staff or of workmen employed, do you?—I think we give them in an appendix. In the summary of expenditure on wages the numbers are shown. May I give you the page? It is at page 123 of the Civil Estimates, 1948-49, Class VI.

2832. There it says that the number will vary from a minimum of 11,000 to a maximum of 13,000?—Yes.

2833. Are those whole-time workers or are some part-time workers?—Some would be part-time, but the tendency is, I think, for them more and more to become full-time workers.

Chairman.] Are there any questions on the Account at pages 325 and 326?

Mr. Thurtle.

2834. In reply to the Chairman's question about the labour you employed for road construction, you said you depended upon unemployed local labour. Do you find a reservoir of unemployed local labour in the districts you cover?—Yes, I think we do. There are some places where the reservoir is much bigger than others; but throughout the countryside there are rather unsuspected pockets of unemployment which are sometimes quite close to our forests and can be used in this sort of way.

2835. They are not agricultural labourers, or people of that kind?—I do not know what they are. They are people who have come out of the Army and have not settled down to any other occupation. I think that would be the correct answer.

2836. One other question. The note to Subhead E, on page 326, regarding the under-spending of that £489,000 says: "No progress could be made in building houses for forest workers. Owing to shortage of labour the planting and maintenance programmes could not be fully carried out." I wanted to know whether there was any connection between those two statements. Was it because of the lack of houses that you had the shortage of labour for planting?—I think so. If we had had enough houses we could have got all the labour we wanted in those days. But I may say that that note was not written with the construction you put on it. It is stating two separate facts.

* Appendix 5.

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[Continued.]

2837. Yes, but I wondered whether the facts were inter-related?—They can be related.

Lieut.-Colonel *Hamilton*.

2838. Is the situation improved now, in that respect? Are you able to get on with your full programme of planting?—Yes. I think that in this latest year, when we were spending about three times as much as we were in this particular year, we have had enough labour. There have been other things to prevent us doing the full programme, but the programme has been substantially accomplished.

Mr. *McAdam*.

2839. Subhead Z is: "Receipts from Rents and Forest Produce, etc." Comparing the amount realised with the Estimate, there was a deficiency of £29,000. The explanation given is that: "Sales of forest produce were not as large as anticipated." Could you tell the Committee the type of forest produce it is? Is it agricultural produce?—No, it is timber.

2840. Is it only timber?—Yes, timber coming out of the plantations which we own. For example (I can give you the related figure) we estimated for sales of forest produce (that is, timber) £398,000, and actually we got £354,000. That is, near enough, £44,000 out.

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.

FORESTRY COMMISSION.

Chairman.

2845. Will Members turn now to the Trading Accounts and Balance Sheets, 1946-47, to pages 50-59, which are the Accounts of the Forestry Commission? These Trading Accounts are prepared, I take it, in a hope that in the course of a period of a century or so there will be some enlightenment on the problem whether forestry in the United Kingdom is economic or not?—(Lord *Robinson*.) Yes, I imagine that is the purpose. I do not know whether you wish to raise the whole question of the type of Accounts which we keep? It will take some time to investigate, or to talk about it. But I am not at all happy about the Trading Accounts which we keep and the question is under investigation now with the Treasury as to whether we cannot devise a form which is of more immediate value; not only a cumulative account which 100 years hence will tell somebody something, but whether, as an ordinary trading business, as we are in part, we cannot have a set of accounts which we can use for that very purpose and better inform this Committee as to the year-to-year progress and cost of the work. But it is not easy to do because we are continuously building up an asset.

2846. I take it that the main difficulty in preparing an Account of this sort is what

2841. Do you not go in at all for agricultural work?—Very little.

2842. There are some plantations which you do plough up and sow. Do you make any profit out of those?—We do not set out to be agriculturalists at all, and we avoid it if we can and hand over the land now, under the latest legislation, under the Act of 1945, to the Agricultural Departments.

2843. The Minister of Agriculture has power to order the ploughing of land, even though it happens to be forestry ground?—The Minister has power to place land either at the disposal of the Forestry Commission for forestry purposes or of his branches for agricultural purposes.

2844. The reason I am asking is because I have seen land owned by the Forestry Commission being ploughed up and used for agricultural purposes, and I was wondering whether it was the Forestry Commission or the Ministry of Agriculture that was responsible for it?—If it is an extensive piece of cultivation that would be tenanted land, either tenanted direct from us or from the Agricultural Department.

Chairman.] Are they any further questions on the Account? May I take it that the Account is approved? (*Agreed*.)

you should charge for interest, is it not?—Yes. You will see how large the interest charges are beginning to bulk now.

2847. Yes, and of course they are growing at compound interest, so to speak, all the time?—Yes, they are.

2848. Can you tell me about the note on page 51 on the right-hand side? It says: "Interest has been charged at the minimum rate operating for loans from the Local Loans Fund or, since 1st June, 1946, at the maximum long-term rate for loans to local authorities." What are the actual interest rates in force today? Are they uniform, or do they depend upon the time when the money was first expended?—Since the 1st June, 1946, the rate of interest which is used is the maximum long-term rate for loans to local authorities. The present rate is 3 per cent. Advances and transfers are made at various rates of interest, and they range from 6 per cent., just after the first world war, to 2½ per cent.

2849. What I am wondering is whether money expended, let us say, in the year 1930, is still bearing notional interest at the rate of interest in force at that time?—It is a bit complicated. May I put in a note on this matter?*

* Paper circulated to Members: not printed.

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Lord ROBINSON, G.B.E.

[Continued.]

2850. Yes; I shall be interested to see how the interest rates are operated. The insurance charge is purely a notional figure, is it not?—Yes.

2851. You do not cover your forests by insurance?—No, it is notional.

2852. It is an internal insurance. When we look at the following page, page 52, on the left-hand side we see that you made provision during the year of £52,000, and your loss amounted to only £25,000?—Yes; there was a credit to the Insurance Fund in that year.

2853. You have revised your insurance rates, have you not?—The rate has been revised from time to time to keep the Insurance Fund slightly on the credit side.

2854. In footnote 3 on page 50 we are told that insurance has been charged on the net cost of growing timber at 5/6d. per cent. per annum?—Yes.

2855. I take it you have arrived at that figure as the result of a good many years' experience of actual losses?—Yes, it has been raised and diminished from time to time so that we come out about square.

2856. On pages 54 and 55 is a separate Account for the New and Dean Forests. Could you tell the Committee why this Account is separately shown?—It was thought that they are so tied up with special considerations which do not apply to the new forests which we are making that they had better be kept separate for accounting purposes. There are all sorts of considerations of amenity, for example, in New Forest and special works undertaken there which normally one would not do in a commercial forest.

2857. You still think it is a good thing to keep the Accounts separate, although your main forestry operations have grown to a scale which was not foreseen when they were started?—I think there is very little to be gained by keeping a separate Account, and they might as well be merged into the whole undertaking.

2858. I think that is a point which might be considered for the future?—I would raise no objection to that suggestion.

2859. On pages 56 to 59 is an Account of the Forest Workers Holdings, and the introduction, at page 49, tells us that at September, 1946, 1,500 such holdings had been completed at an average cost of £508. These holdings are bound to be quite uneconomic, are they not, so far as rental is concerned?—Yes; I think in so far as they are not economic the additional expenditure is well justified by the protection which they afford, by having resident people in the forests. It is something that we would have to have anyway.

2860. These are mainly for part-time workers because they have their holdings to attend to, and they are in remote situa-

tions?—They are not always in particularly remote places, but in places where they can be of use in the case of fire and generally to protect the forests against trespass.

2861. Are these what are called "tied" cottages?—Might I perhaps ask what a "tied" cottage is? I should think some people would call them tied cottages.

Chairman.] Those are all the questions I have on the Trading Accounts and Balance Sheets for 1946-47. Has any Member of the Committee any questions?

Mr. Thurtle.

2862. I take it, Lord Robinson, there is no conceivable time at which you will be able to say whether or not forestry is an economic proposition?—I shall never be able to say it; that is certain. No, I think in the last analysis, this is an act of faith—the timber which we grow. We happened to have enough timber for two wars, and we were saved a great deal of pain and suffering by having it. The point is: are we going to have some in case some other emergency of that sort happens again?

2863. Could you tell me whether you concentrate mainly upon quick-growing timber?—At the moment it is most urgent to rebuild our supply of timber and therefore the quicker trees will grow the sooner we shall have some more timber, even though it may be of rather inferior quality, but we are in desperate need to build up our stocks of growing timber.

2864. You are consequently concentrating more on that than the slower-growing timber?—Yes, but not wholly, because you get timbers of different quality. We are not abandoning the slower-growing trees, but we are making a desperate effort now to get trees to grow quickly.

2865. Just as a matter of interest (this is a rather elementary question) could you tell me how long it is between the planting of quick-growing trees and their becoming what you call marketable timber? How long a period would that be?—The shortest period is about 15 years. You can grow 50 tons of pit wood per acre—Japanese larch pit wood—if you get the right sort of soil in 15 years. It is not economic to cut it, but if you had to cut it you would do so. On the other hand, the quickest we can grow saw timber (that is, timber that you can cut up into boards *that big*) is about 35 years; but usually you do not get saw timber for about 70 or 80 years. It depends on your species and your soil situation.

Lieut.-Colonel Hamilton.

2866. The national forest parks are parks specially set aside as a matter of national amenity, are they not?—Not particularly set aside in that sense. They are areas where we can admit the public and give them facilities without taking undue risks.

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[Continued.]

Mr. Cuthbert.

2867. On page 51 the figure for sales of forest produce is £280,000 odd. That, I take it, is the sale entirely or mostly of timber? If that is so, when you do sell this timber, I take it you allow in your sales price some item for this enormous interest sum that is on the other side, and for insurance rates? I take it that would be included in your sales price?—The prices of timber today are regulated by Order. There is a maximum controlled price and there is nothing more to be said. If you get that, you get it. We try to do as well as we can.

2868. It might have no relation to those particular charges that are so heavy?—I say it has not any relation.

Chairman.

2869. Lord Robinson, you have promised us a note as to how the interest charges are calculated?—Yes.

2870. I should be much obliged to receive that; and I should also like a note on the question of road construction in your forests?—What would you like it to cover?

(Lord Robinson withdrew.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 8.

MINISTRY OF AGRICULTURE AND FISHERIES.

DEVELOPMENT FUND ACCOUNTS.

DISEASES OF ANIMALS ACCOUNT.

SMALL-HOLDINGS AND ALLOTMENTS ACCOUNT.

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

Chairman.

2875. Sir Donald, you are well known to this Committee, I think. Will you turn to the Civil Appropriation Accounts, 1946-47, to paragraph 82 of the report of the Comptroller and Auditor General? This paragraph deals with the establishment of the National Agricultural Advisory Service, under the Act of 1944. The Comptroller and Auditor General tells us that this Service has "assumed responsibility for the general agricultural advisory work formerly carried out by local education committees as well as the specialist advisory functions (excluding economics) of universities and colleges." That is to say, this Service has to some extent relieved the local rates, has it?—*(Sir Donald Vandeppeer.)* To some extent, yes, although the work was grant-aided previously to the extent of 60 per cent.

2876. What do the education authorities do as regards giving agricultural advice?—

2871. I should like to know the specification of your roads, the number of miles of roads under construction and projected, and the cost, if you do it with your own labour, or the contractors' price if you employ contractors?—We are using our own labour. I should be very happy to put in a statement.*

2872. I will tell you the reason why I should like it. It is because I walked round one of your forests last Sunday, in the Lake District, and I saw a number of roads which seemed to me to be of a very permanent character and unlikely to be used for the carriage of timber for a great many years?—You discovered something which I had already discovered for myself.

2873. This was at Hawks Head?—That sort of thing is not to continue.

2874. I should be much obliged if you would furnish us with a note on those two points?—I will do that speedily.

Chairman.] May I take it the Account is approved. *(Agreed.)* We are much obliged to you, Lord Robinson, for attending.

* Appendix 5.

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[Continued.]

reviews, and seeing that those reviews are conducted in the first place by discussion between the Agricultural Departments and representatives of the farmers, it was thought better to leave the economists under the control of the universities so that no suggestion could be made that they, being the servants of the Ministry, were in any way partial.

2878. This is a defence against the charge of partiality on the part of the advisers to the Ministry, is it?—It is a decision not to make them servants of the Ministry, in order to avoid that charge.

2879. We are told by the Comptroller and Auditor General, in the second sub-paragraph, that the county staffs of this Service "are integrated with the County War Agricultural Executive Committees." What does that mean? How is it done?—It means that the National Agricultural Advisory Service is really a national service in that it is organised on a national basis with a Director General at Administrative Headquarters, a Director and three senior Advisory Officers, who are responsible generally for the technical organisation of the Service and for seeing that they provide the right sort of technical advice and have the right access to institutions, and so on. But they are attached to the County Committees and are used by the County Committees for the purpose of many of the duties which the Minister imposes on the Committees. They are in a way performing a dual function. The channel for their technical work is a national one coming down from the Ministry and integrated with the provincial centres which are under eight provincial directors. On the other hand, they are at the disposal of Committees for the purpose of activities which the Minister imposes on them. I may, perhaps, give an example which will illustrate it. The County Agricultural Officer, who has replaced the old Executive Officer of the County War Agricultural Executive Committees, is normally a member of the National Agricultural Advisory Service. He is appointed by the Minister, and on technical matters he is responsible to his Provincial Director. Nevertheless, he is the principal Officer of the County Committee, and is responsible to them for the administration of the County staff and the County activities.

2880. In your opinion, is this Service giving good value for money?—Certainly. It is in its very early stages yet. Even the period from October, 1946 to the present day is hardly sufficient to establish a full-grown national service of this sort, and we are handicapped, of course, by a shortage of skilled men, owing to the lack of output from the Universities during the war, and so on.

Chairman.] Are there any questions on paragraph 82 of the Report of the Comptroller and Auditor General?

Lieut.-Colonel Hamilton.

2881. On the point that, on the face of it, the fact that the official on the County Agricultural Committee has to do both administrative work under one master and advisory work under another might lead to difficulty, I would like to know whether any such difficulties have been experienced or whether it is working satisfactorily?—It is working reasonably satisfactorily. It is difficult to integrate the two, but we are still in the early stages. The new County Committees themselves, as apart from the National Agricultural Advisory Service, have been established for only a matter of months. They were brought into being at the beginning of this year, and it is early days to expect the whole Service to have bedded down satisfactorily, but, while I am saying that, I am not aware of any serious difficulties. We thought for a very long time about this problem of integrating a National technical service with the County organisation under specially appointed County Committees. It is a new experiment really in administrative technique and, being new, we do not claim that it is perfect yet; but there is every reason to hope that it will justify itself.

Mr. McAdam.

2882. Can you tell me how many experimental farms come under your department at the present time?—The experimental husbandry farms—the ones referred to here?

2883. There is only one referred to. That is the one in Wales?—That was the first one that was bought.

2884. In the last sub-paragraph of paragraph 82 the Comptroller and Auditor General states that provision was made in the 1946-47 Estimate "for stocking and maintenance of experimental farms, laboratories, etc." That is under Subhead G2, the sum of £321,000. I was wondering how many experimental farms that actually covers?—We are hoping to have one or more in each province. At the moment we have acquired two properties in Norfolk and one in Lincolnshire which are operated as one unit, and the one referred to here, which is the Welsh centre at Crosswood. There are quite a number where the sites are being examined, where they are under consideration. We are considering further sites in Norfolk, Hampshire, Yorkshire, Cambridge, and one or two smaller plots of land. There are small plots of 24 acres and 20 acres in East Suffolk which are suitable for this purpose, and which we are taking over from the County Councils. For the horticultural stations there are under consideration sites

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[Continued.]

in Cornwall, Yorkshire, Monmouth and Kent.

Chairman.] If you are interested, Mr. McAdam, in the Scottish angle it might

be a good thing if Sir Patrick Laird came forward. I think it might be for the convenience of the Committee if Sir Patrick came forward, and then, if a question is put relating to Scotland, he can answer it.

Sir PATRICK LAIRD, C.B., F.R.S.E., Permanent Secretary, the Department of Agriculture for Scotland, called in and examined:

Mr. McAdam.

2885. I should very much like the information with regard to Scotland. Though I do not happen to represent a Scottish constituency, nevertheless I am a Scot?—(Sir Patrick Laird.) Experimental farms in Scotland are still under the control of the Agricultural Colleges as they always have been, and each college has one farm which is experimental for all purposes. But, in addition, there are also two and will be three farms more or less run by colleges for the purpose of hill-farming research.

Chairman.

2886. This new National Agricultural Advisory Service does not operate in Scotland?—No, it does not apply to us. We are still working with the Agricultural Colleges.

Mr. McAdam.] It is very interesting information because the experimental farms cover practically the whole of the agricultural counties, I imagine. I think if we had the information it might be very interesting.

Chairman.] If we had the information relating to what?

Mr. McAdam.] Relating to the different districts. The information is pretty interesting from our own standpoint.

Chairman.] Sir Donald has furnished the information.

Mr. McAdam.] Yes.

Chairman.] It will be on the record.

Mr. McAdam.] It might be interesting if we had it on paper.

Chairman.] It will be on the record.

Mr. McAdam.] Yes.

Chairman.

2887. Are there any further questions on paragraph 82? We turn to the Account, which is on page 302 and onwards. This is the main account of the Ministry of Agriculture. I have no questions until we come to page 306, and I want to ask a question on Subheads L.1 and L.2. Subhead L.1 is: "Contributions to the Agricultural Mortgage Corporation Ltd." That, I take it, is to meet a deficit resulting from the Corporation having borrowed long-term at high rates of interest and lent to farmers at low rates, is it not?—(Sir Donald Vandeppeer.) That is so. You will remember that I answered a number of questions on this last year.

2888. Yes?—We are required by the Act of 1944 to make such contributions not ex-

ceeding £150,000 in any one year in order to avoid recourse by the Corporation to the Guarantee Fund. We examine the figures showing the estimated out-turn for the year and if it is shown that the full contribution of £150,000 is needed it is paid, as in this year.

2889. The Corporation has, I think, if I remember rightly, issued debentures which are not repayable for a good many years to come?—That is so; about 60 years, I think.

2890. About 60 years?—The earliest date is 1959, the latest date 1991.

2891. I was wondering whether the Corporation had considered the possible redemption of these debentures prematurely at a premium in order to avoid continuing deficits of this character?—I am not aware that they have. That in itself would involve a fairly heavy commitment. I think Parliament recognised in the original Act and again in the Act of 1944 that an annual contribution was the best method of dealing with the situation and, as Accounting Officer, I am merely carrying out the wishes of Parliament.

2892. Subhead L.2 is: "Losses on premature repayment of loans." Can you explain that?—That is quite a separate matter. That is the premature repayment of loans which were made by the Public Works Loans Commissioners under Section 1 of the Agricultural Credits Act of 1923. Provision was made in that Act for the Public Works Loans Commissioners to make loans on mortgage to farmers who had bought their farms during the operation of the Corn Production Act, and had thereby incurred heavy commitments at high rates of interest at a time when they had reason to expect that the corn production subsidies would continue. When the Corn Production Acts were repealed Parliament felt that they were under some obligation to assist the people who had agreed to buy their farms under those conditions and they authorised the Public Works Loans Commissioners to make loans to farmers.

2893. I assume from the terms of the heading that the loans were made for a term of years and the farmers are now anxious to pay them off prematurely without paying a premium. Is that right?—That is so, and the Treasury did agree that when these loans were repaid under those conditions, bearing in mind the type of loan and the reason for which the loans were given in the first place, the farmers themselves—or landowners, they really are, or owner-occupiers—should not be

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and Sir PATRICK LAIRD, C.B., F.R.S.E.

[Continued.]

charged a premium, but it should be borne on public funds.

2894. Can you explain why, at a time when farming is considered to be reasonably prosperous, a concession of this sort should be made to farmers and not, let us say, to housing associations who also would like to redeem their loans prematurely from the Public Works Loans Board?—I think one reason is that I do not know of any house-owners who bought their houses under the conditions in which farmers bought their farms in 1920-21; that is, in an atmosphere created by Government promises.

2895. But are the farmers still there who met with that misfortune in 1921?—The farmers who are redeeming their loans are the men who entered into these obligations in those conditions in 1920-21.

2896. Is each case considered on its merits?—No.

2897. It is a general dispensation?—It is a general dispensation.

Chairman.] Are there any questions on the Account?

Major Bruce.

2898. On page 305, Subhead H.1. is: "Diseases of Animals: Grants," on which the expenditure was £815,724. Have you any idea what percentage that figure of £815,724 represents of the approximate value of the livestock we have available in the country?—I think I should want notice of that question.*

2899. What is the procedure for actually granting this money in the case of, shall we say, cows who have developed bovine tuberculosis? What is the procedure there?—This included the compensation money paid when the State steps in and slaughters an animal during foot-and-mouth disease outbreaks.

2900. But in the footnote to Subhead H.1. it does say: "tuberculosis in cattle," a figure of £19,668?—On the tuberculosis item the procedure is that where an inspector detects an animal, say in a public market, which is visibly affected with tuberculosis, he can require that animal to be slaughtered, and the owner is then paid on a scale of compensation determined by the extent to which the animal is affected. He does not get full value if the animal is in an advanced stage of tuberculosis.

2901. What do you mean by "visible signs"?—I should perhaps have said clinical signs. By handling, a veterinary surgeon can detect tuberculosis in the udder, or a cow may be coughing per-

* (*Note by witness.*) The approximate value of livestock in Great Britain in 1946-47 was £325 mill. The percentage was therefore 0.25.

sistently, and that sort of thing. There are very many clinical signs.

2902. Where you have a T.T. herd or an attested herd you do not award compensation, in the normal way, where a cow is not passed by an inspector because it reacts positively to the T.T. test? You do not then pay any compensation, do you?—No. This compensation is paid under the Tuberculosis Order, which is designed to eliminate from the cattle population animals in such stages of tuberculosis that they are likely to infect other animals and produce infected milk.

2903. So your grants are mainly directed against animals, shall we say, passing on infection to other animals? Your grants do not, of course, cover cases where animals are likely to pass it on to human beings?—Not all the cases, but, of course, a badly infected animal might very well pass it on to human beings if it were not slaughtered. This is attacking tuberculosis in cattle at one end, that is, the very bad end. The attested herd scheme and the T.T. milk scheme attack it at the other end. In due time the two will meet.

2904. It is still true to say, is it not, that if in a T.T. herd an animal reacts positively when a test is made, although she has to be disposed of out of the T.T. herd, she can nevertheless be sold to anybody with a non-attested herd, and the person who buys her can, in fact, distribute raw milk on to the market without it being tested in any way apart from the normal periodical sample that is taken?—It is true that a reacting animal can be sold and is bought by other farmers, but the regular sampling of the milk and the regular inspection of dairy cattle does, to a very great extent, safeguard the public against the worst cases.

2905. It is not fully safeguarded yet, is it?—No.

2906. At Subhead J.4. on the same page, there is a sum of £916,321 12s. 8d. for land drainage. The excess of expenditure over the grant was £56,000. I would have expected a far greater excess here (I do not like to say this as a member of a public authority) in view of the troubles we had in the Fens, I think in the year with which we are concerned. Why is it not even more than that?—These are the Accounts for the year 1946-47 and the Fen flooding took place in the spring of 1947. You would not have much of that expenditure reflected in this Account.

2907. The flooding was in April, was it not?—Some of it was earlier. But any expenditure on the remedial and fresh constructional work which arose out of last year's floods certainly would not appear until the Accounts for 1947-48. These are grants in aid of very extensive schemes which are prepared and put up by catch-

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ment boards and approved by us and then grant aided.

2908. On the next page, 306, Subhead J.5. is: "Land Drainage: Loans" and I notice a rather queer fact here. The note to Subhead J.5. states: "Saving due to the delay in the submission of final accounts by drainage authorities." Is the Committee to understand from that that even in emergency, where loans are required for urgent works, you still wait for the submission of fairly detailed Accounts before you decide to make any loans to the drainage authorities?—No. This, again, has nothing to do with the carrying out of the work. The financial arrangements are, after proper inquiry, approved by the Ministry and we undertake in respect of a given scheme to provide a certain amount by grants and a certain amount by loans. It rests then with the people who want loans to send the accounts to us, but it does not follow that the work has not been put in hand and possibly completed.

2908A. Following the Chairman's question on Subhead L.2, on page 306, I wonder if you could tell the Committee what are the total amounts of loans outstanding at the present time?

Chairman.] Loans by the Public Works Loans Board, you are speaking about, Subhead L.2.?

Major Bruce.

2909. Yes, on this Account?—On the 31st March, 1947, £657,000 was outstanding in respect of 370 loans.

2910. Could you say how many loans were made in the accounting period under review, the year 1946-47?—No loans were made.

2911. All these are old ones?—Yes. This is a continuing provision for dealing with commitments which were entered into very soon after 1923.

2912. But they have been continuing. Assuming a farmer wanted to avail himself of the opportunities of obtaining a loan, would it still be open to him to do so?—No, certainly not.

2913. They are closed now?—Yes. The loans were advanced by the Public Works Loans Board, repayable within a period of 60 years, and we are still within that period of 60 years.

2914. On page 307, Subhead O.5. is: "Settlement Grants," for which the grant was £200,000 and on which the expenditure was £76,000, the amount expended being pretty considerably less than the amount granted. Is one to take it that the drive to establish these settlements, which I believe has been very successful in some parts of the country, notably in Lincolnshire and the southern parts of Lincolnshire, is largely slowing up now?—This should be "Resettlement" grants, more accurately. These are not farm settlements. It is the Agricultural Re-

settlement Grants Scheme: Grants to ex-soldiers who need assistance in resettling in civil life.

2915. I follow that. Since I did ask you the other question, I am rather interested in it: do you happen to know how this land settlement scheme is proceeding? Is it now largely slowed up or is it still developing?—The general provision of small holdings certainly slowed up during the war and during the post-war years, because an extension of the smallholding scheme necessarily involves fresh cottages and farm buildings, and my Minister felt that under conditions in which we were straining every nerve to get cottages for farm workers for existing holdings it would have been unwise to have used some of the resources for new cottages for small holdings; but the Agriculture Act of last year, in Part IV, does contain very extensive provisions for a small holdings policy, and it is my Minister's intention to bring that Part into operation in the fairly near future; at all events, this year. As the resources become available it is certainly the intention to continue with the provision of smallholdings under that Act.

Lieutenant-Colonel Hamilton.] I do not know whether it would be in order to take page 315 now, Mr. Chairman? That really gives the details of Subhead H.1., on page 305.

Chairman.] Yes, certainly.

Lieut.-Colonel Hamilton.

2916. I would like to ask about the foot-and-mouth disease compensation, which always absorbs a large amount of money. It was £305,000 in this year. We are, I think, the only nation which adopts this system of preventing the spread of foot-and-mouth disease. Has any exhaustive or serious inquiry taken place as to the economics of using, say, the American method of inoculation rather than our method of slaughter or, shall I put it this way: have you evidence to satisfy you that this is really the best economy, to carry out the slaughter system?—I think we have. I do not think one needs a special inquiry for that purpose. It is quite easy to see, from the effects of the disease in those countries where it has become endemic, what a fall in revenue it means in the way of meat production and milk production. All the countries which are in any way able to adopt a slaughter policy by reason of their insular situation or land boundaries which make it possible, do so. Those countries which are unable to do so only wish they could, but when they have land boundaries like many of the Continental countries, or where the disease is so deeply settled, as in Argentina, that it is quite impossible to eradicate it by slaughter, then they put up with it; but it can very easily be demonstrated that the

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loss is vast and there is no question whatever that the comparatively small amount which we spend from time to time on the eradication policy is a very valuable insurance against the disease becoming endemic.

Mr. Cuthbert.

2917. On page 308, Subhead P.7, is: "Financial assistance to inshore fishermen, &c." I take it these are loans to the fishermen to buy boats, nets and things like

that, and the loans will be repaid in time by the fishermen?—That is so.

2918. They are not grants, or gifts, as it were?—They may be grants.

2919. But they will be repaid eventually?—They are partly grants and partly loans. They are made under the Inshore Fishing Act, 1945.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.)

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47. THE NATIONAL STUD.

Chairman.

2920. We turn now to the Trading Account and Balance Sheets, 1946-47, to the Accounts of the National Stud, Gillingham, in Dorset. I do not think there is very much on this. We have taken some interest in the National Stud in previous years. The profit has fallen from £25,000 in 1945 to £16,000 in 1946. I take it this is bound to be a speculative enterprise with ups and downs in its results?—(Sir Donald Vandeppeer.) It is bound to vary from year to year, according to the quality and number of the bloodstock which are available for sale. The difference between the £25,000 in 1945 and the £16,000 this year is almost entirely due to the lower prices received from the sale of bloodstock in this particular year.

2921. Do you think you can say that the National Stud has come to a time when it will never make a loss again?—I wish I could. I see no prospect, however, of it making a loss at present.

Chairman.] At any rate, in that respect it stands some way ahead of some other nationalised enterprises. Are there any questions on the National Stud?

Mr. Thurtle.

2922. I take it that the administration of the National Stud is more or less approximate to the level of administration in private industry?—We have an expert and highly competent Director, as is evident from the financial results.

SUGAR INDUSTRY RESEARCH AND EDUCATION FUND, 1946-47.

(On this Account no questions were asked.)

LAND FERTILITY RESEARCH FUND ACCOUNT, 1946-47.

Chairman.

2926. We turn to the Land Fertility Research Fund Account, 1946-47. This was a fund for promoting research into the use of lime or basic slag. It was financed by levies on producers and consumers of agricultural lime, was it not?—(Sir Donald Vandeppeer.) That is so.

2927. It is now in process of being wound up, is it not?—The contributions ceased

Major Bruce.

2923. I see that this Government Department saunters a little into the racing field and that last year it yielded a profit of £988 on stakes won?—That is so.

2924. How did that compare with the previous year?—It is exactly £988 more than the previous year. None of the National Stud horses raced in the previous year.

Major Bruce.] It seems a highly desirable development.

Lieut.-Colonel Hamilton.

2925. I notice on page 3, in the introduction, in the last sentence of the second paragraph, it states: "The last valuation fell on 31st December, 1943, when the independent valuer's figure was £154,000," and the book valuation was only £14,000, exactly one-eleventh. Does not there seem to be something wrong with the method of book valuation? It seems an extraordinary discrepancy?—We were advised that this was the prudent and practical way of entering the value of the bloodstock in the Accounts, and I think you will agree that, at all events, it is well on the right side.

Lieut.-Colonel Hamilton.] It is on the right side, certainly. The discrepancy seems rather large.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.)

as from the 1st January, 1947, since a great deal of the advisory work which had been financed from this fund was taken over by the National Agricultural Advisory Service. The fund itself is being kept in existence partly for the purpose of continuing to assist work of that nature in Scotland which, as Sir Patrick Laird has just said, has not the system of the National Agricultural Advisory Service. It will gradually

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come to an end as it is drawn upon without any further income.

2928. Have the Scottish lime producers or consumers made any contributions to these funds?—(Sir Patrick Laird.) Yes, in the past.

2929. So that you feel that you are entitled to some of the surplus?—Yes.

Chairman.] Are there any questions on the Account?

Mr. Thurtle.

2930. I take it the research into land fertility is going on just the same under the Ministry or some other body?—(Sir Donald Vandeppeer.) That is so.

Major Bruce.

2931. What advantage was gained from the operation of this activity?—What advantage?

2932. Yes. What advantages have in fact been gained?—The money was used before the establishment of the National Agricultural Advisory Service for paying the expenses of people who were advising farmers on the need for using lime, the extent to which lime was required on their land, and generally helping in the improvement of fertility. A certain amount of research was needed for that purpose, too.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 9.

MINISTRY OF AGRICULTURE AND FISHERIES (FOOD PRODUCTION SERVICES).

Chairman.

2933. Will Members turn again to the Civil Appropriation Accounts, 1946-47, to paragraphs 83-85 of the report of the Comptroller and Auditor General. Paragraphs 83 and 84 deal with the County War Agricultural Executive Committees. Their name has been changed now, has it not?—(Sir Donald Vandeppeer.) We dropped the "War."

2934. Are the staff of these Committees reckoned as civil servants?—They have been since February of this year. The Committees were established formally under the Agriculture Act of last year and in February of this year we definitely took over the staffs, and they are now civil servants, either permanent or temporary.

2935. We are told that in the year under review their expenditure amounted to £33½ million, and that figure is not, I think, split up in any detail in the Appropriation Accounts for that year?—No, that is so.

2936. In future will the Appropriation Accounts show some details of the expenditure of these Committees?—On that perhaps I should say that in anticipation of a direction from the Treasury, we have instructed County Committees to keep their accounts as from the 1st April of this year in a form which will enable us to produce trading accounts of their various trading activities to this Committee. They will be available for the first time in respect of the current financial year.

2937. They will be included in the bound volume of trading accounts and balance sheets?—Yes.

2938. I take it there will not be a separate trading account for each Committee, will there?—No. There will be a

trading account for each broad group of Services, taking Committees as a whole.

2939. I take it the accounts will be prepared to start with for each Committee and then will be put together?—We shall aggregate them in the Ministry.

2940. I quite see that if the accounts of each Committee were to be included in this volume it would quickly get swollen to an even greater degree than it is likely to be. But what I want to know is whether the Comptroller and Auditor General will have access to the separate accounts of each Committee, so that he may compare the best Committees with the worst?—The staff of the Comptroller and Auditor General, who work continuously in my Department will, of course, have access to figures of that sort, and will be able to report to their chief.

2941. We will take paragraphs 83 and 84 together. There is a point I would like to put to you on paragraph 84. You made a settlement with the War Office in relation to payment for prisoner-of-war services on the land. The idea was, was it not, that the farmers should pay at full agricultural wages rates for the services of prisoners of war? Is that not right?—During the year which is covered by these Accounts, yes. You will see, from the report of the Comptroller and Auditor General at the top of page xxxiv that he refers to the increase in the rate charged to farmers from 60s. a week to 70s. a week from the 1st April, 1946. When these Estimates were framed the farmers were charged at the rate of 60s. a week for the purpose of prisoner-of-war labour, although the minimum agricultural wage was 70s. a week, the justification being that prisoners of war at that time were not

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worth the full wages. They were to some extent inefficient and inexperienced. As from the 1st April of that year, however, it was agreed that the farmer should be charged the rate for the job, and he was then required to pay, for the prisoner-of-war service, the existing minimum rate so that it then went up to the then existing rate on the 1st April, which was 70s. and the charge in respect of prisoner-of-war labour followed the rise in the agricultural minimum wage rate, which took place on the 14th July.

2942. If farmers were being charged a rate of 70s. a week, what I want to know is, why was a settlement made with the War Office for a sum of £12½ million with an average number of prisoners of war of 124,000? I am told that if you do the necessary mathematics that comes out at 50s. a week which was paid to the War Office in respect of the services of prisoners of war. I do not know whether you accept that. I am told it is so. Am I right, Sir Frank, in this arithmetic?—(Sir *Frank Tribe*.) Yes, except that I think the figure to base it on is the £16,200,000 in the last line but one on page xxxiii, which is the figure before deducting the cost of transport. (Sir *Donald Vandeppeer*.) There is, of course, the cost of transport included in the sum, and we are dealing in this Account with a winter which was notoriously bad and during which a large number of workers (prisoners or any other workers on the land) had to be kept at home because it was quite impossible for them to work in the fields.

2943. You mean to say that whilst workers were earning for the War Office 60s. a week when they were at work, there were many weeks when they could not work at all?—That is so.

2944. I put a question to you on the recovery of sums due from farmers last year for services rendered by the County Committees. Are farmers paying up all right?—Yes. The bad debts which have to be written off are an astonishingly small proportion.

2945. Do you give any discount on prompt payment?—Yes, there is a discount of 2½ per cent. for payment within 30 days.

2946. Does the same thing apply in Scotland, Sir Patrick?—(Sir *Patrick Laird*.) No.

2947. You do not give any discount?—No.

2948. Perhaps you charge interest on the amount remaining unpaid?—I do not think so.

2949. I should like to have explained to me why, when you render services to a farmer (you do his ploughing for him and charge him nothing but the bare cost) you let him have 2½ per cent. if he pays his

account within the month? The Chancellor of the Exchequer pursues a different policy. Is it really necessary to forego 2½ per cent. of the money?—(Sir *Donald Vandeppeer*.) There is some advantage in inducing prompt payment. We get the money ourselves more quickly.

2950. I think you explained last year that you have other methods of inducing payment ultimately, because you can withhold various subsidies, can you not?—Yes, that is so.

2951. And there is machinery for doing so?—Yes.

2952. I think the point might at any rate be considered as to why in England and Wales a discount of 2½ per cent. should be given whereas in Scotland they exact the full sum due.—The whole question of this discount is at present under review.

Chairman.] Are there any questions on paragraphs 83 and 83 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts, 1946-47.

Major Bruce.

2953. What is the total number of staff of the 62 Agricultural Committees?—About 10,000.

2954. That works out, on an average, of how much per Committee?—About 150. They would vary in size, of course.

2955. You say they have now come in to the civil service?—They are now direct employees of the Ministry attached to County Committees.

2956. Would that affect their Ministry of Labour classification at all? I ask the question for this reason. If there is a sudden increase in the Monthly Digest of Statistics, which shows an increase of Government servants to the extent of 10,000 new persons to put it mildly it would create a little interest. I want to know what their classification was before in order that we might know the reason for the change, should it materialise in the statistical digest.—We should take steps to have an increase of that sort noted by an asterisk and a footnote to explain why the nominal figures had increased although in fact the men were doing exactly the same work as they were before February of this year.

2957. What does this £5 million on machinery operations cover? That is in paragraph 83. It is a figure of £5,357,801, expended on machinery operations.—That covers the expenditure on wages, fuel, oil, repairs and spare parts for the pool of machinery which is operated by County Committees and used either on their own lands or hired out to farmers. There is an appropriation in aid, of course.

2958. You do get a certain recovery?—Yes. It is a service which is performed for farmers.

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2959. Does this pool operate over the whole spread of County Committees or only in some?—Every County Committee has machinery provided by the Ministry for its use. The system on which they use it varies between county and county. The great majority now have a system of direct control. Some hire it to contractors, keeping it as Government machinery, but allow contractors to operate it; some hire it to farmers, again on approved hiring terms. But in the main the machinery is under the control of, and operated by, the County Committee Machinery Department.

2960. I take it you hold the bulk of the combined harvesters that are being produced. Do you hold those on your pool? About 700 were produced last year, I think?—I am not sure we hold the bulk. I should like to check that.*

Mr. Cuthbert.

2961. Following on Major Bruce's last question, this pool of machinery does pay? You hire out certain machinery to farmers and charge them so much, and it pays for itself?—No.

2962. You look upon it as a service?—It is a definite service and it can hardly be expected to pay for itself because the work which is done by the Committees with this machinery is almost inevitably the least economic and most difficult work. It is the Government's policy to allow that work to be done by contractors whenever possible, but there are many jobs, especially under war-time conditions and the conditions which have operated since, which a contractor prefers not to do. He has usually got a pretty full list of clients, and if you left it to the contractor alone there would be a lot of farmers looking for services which nobody would perform. That inevitably means that the County Committee get the dirty end of the stick every time. It would never be possible to make it a fully paying proposition.

Chairman.

2963. We pass to paragraph 85, which deals with the Women's Land Army, of whom, we are told, there were 30,000 members during the year. Is the Women's Land Army fading away or is it maintaining its strength?—There was a fairly substantial fall after the war when many of the women returned to civil life or rejoined their husbands on their return from the Forces. It is hoped to keep the Army in being for some period ahead, at all events so long as present difficult labour conditions obtain.

* (Note by witness.) Committees retained about 3 per cent. of the combine harvesters imported and home-produced in 1946-47.

2964. What, approximately, are the present numbers?—The numbers in February of this year were 25,400.

2965. The number in the year 1946-47, which we are reviewing, was very much smaller than it was two years previously, during the war?—The peak was 77,000 in 1943.

2966. Is it intended that it should be a continuing body?—Not indefinitely. The question of its future was reviewed last year by a departmental working party and it was decided that it would be premature to bring it to an end at the present time, in view of the shortage of labour, and the agricultural expansion programme which the Government has launched, but the question of its future will certainly be reviewed again in a year or so's time.

2967. Was it first raised under emergency powers during the war, or is there some statutory authority for its existence?—There is no specific statutory authority for its existence. The service is covered by the annual Appropriation Acts. It was instituted on the 1st June, 1939, before the war.

2968. There is no Vote A for the numbers of these ladies?—No. You mean salaries?

2969. No. You do not set out, like the Service Departments do, the numbers whom you are going to carry during the year on the Vote?—No; they are not for the most part employed by the State. Some are trained and employed by County Committees, but in the main it is a labour force which is recruited under certain conditions, provided with free uniform and certain other requisites, and then made available for farmers.

2970. Their contract of employment is with the individual farmer, is it?—Yes, undoubtedly.

2971. On this question of hostels, we see from paragraph 85 that £856,000 was the cost of hostels, and the receipts are given as £458,000. That would appear to show a loss of about £400,000 on the hostels in the year, subtracting the one figure from the other?—Yes. The girls are charged a reasonable amount for the accommodation in the hostels, but it is hardly practicable, at all events under the conditions in 1946-47, to make the service self-supporting. You have to have Hostel Wardens, and the overheads of providing hostel accommodation of this sort are necessarily very heavy.

2972. Could you tell the Committee what the charge is? Is there a standard charge for hostel accommodation?—Yes, it was £1 a week in 1946-47.

2973. Has it been raised since?—Yes. It is now 25s.

2974. Who fixes it?—We do.

2975. It is fixed by the Ministry, is it?—Yes.

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[Continued.]

2976. Do you attempt, in fixing it, to make the revenue pay for the cost of the hostels, or simply fix something that you think is reasonable?—Our policy would be to charge the girl a reasonable current figure in relation to the accommodation and food that were provided, not to attempt to make the service self-supporting.

2977. How much accommodation is there in the hostels, or how many girls could have been accommodated in hostels in 1946-47, or were so accommodated?—On 1st March this year, if that will do—

2978. Yes, that figure will do?—There were 445 hostels, housing 12,191 workers, all staffed and managed by the Land Army itself.

2979. Is 12,000 the capacity of the hostels or the number actually housed?—That is the actual number housed.

2980. Is that far below capacity?—I have not the capacity figures here. Not all of them are used to capacity.

2981. Are the hostels run by the Ministry, or by the County Committees or voluntary bodies?—The hostels are run by the Land Army themselves.

2982. Who decides that a hostel shall be closed if it is proving uneconomic and its population has diminished to a point at which it does not justify itself?—The Ministry, because the headquarters of the Land Army organisation is, in effect, part of the Ministry.

2983. Am I right in thinking that this figure of £856,000 for the cost of the hostels does not in fact include anything except the bare running costs? It does not include, that is to say, the overhead charges for the provision of the hostel itself or the huts or whatever they may be and the services, such as water, and so on?—It does not include the capital cost of providing the hostel.

2984. Are there any further questions on paragraph 85? We turn now to the Account which is at pages 318 to 322. On page 319 there are several items in the nature of subsidies, grants in respect of hill sheep cattle and so on. In relation to those and the other subsidies, such as acreage payments and so on, what check have you against fraudulent claims by farmers?—The subsidies are administered by the County Committees on instructions issued from the Ministry and we prescribe the steps which they should take to safeguard against fraudulent claims.

2985. Are there satisfactory checks, first of all, against a farmer claiming for 10 acres when he has only six and secondly against a man who goes round to interview individual farmers making an arrangement with the farmers to certify in respect of a much bigger acreage than in fact has been planted?—The claims would normally be certified by the District Officer on behalf

of the District Committee. The District Officer was at this time an employee of the County Committee, indirectly of the Ministry, and is now a direct servant of the Ministry. He is a responsible person, a civil servant responsible to the Ministry. Both he and the members of his District Committee are chosen because they are thoroughly familiar with the farmers of their particular district. We are aiming at having one District Officer for about 1,000 farms. He will have associated with him the District Committee appointed by the County Committee who are responsible local people who know not only every farm in their area but probably every field on every farm. There is a very good safeguard against fraudulent claims.

2986. Have any cases of fraudulent claims come to light?—I think from time to time we have had to query claims at Headquarters and certainly claims have been vetted and rejected at the County level.

2987. But you have not heard of a farmer being prosecuted or an official being prosecuted either for making or permitting a fraudulent claim?—I am not aware, off-hand, of any such case.

2988. You think the machinery is so satisfactory that fraudulent claims do not get allowed?—I should be very surprised if there were any serious abuse.

2989. Or do you take a very favourable view of the morality of the farming community?—I hope the system is sufficiently tight to safeguard the State against fraudulent claims, whatever the state of morality of the farming community may be.

2990. What is your experience in Scotland on this point, Sir Patrick?—(Sir Patrick Laird.) We have had very little experience of fraudulent claims if you are using that term as meaning deliberate falsification. In the case of crop acreages, for example, we have had many, many cases of mistaken claims, which is quite a different thing. You get mistakes on both sides. You get over-claims and you get a great many under-claims, too. The conclusion to which we were driven was that a great many farmers do not add up correctly the amount of crop that they can claim for; but there are few cases of deliberate fraud that we have discovered.

2991. You think your machinery would detect such cases?—It is very difficult to say that because manpower considerations have made it impossible to do more than a 10 per cent. sample check. In addition, you have, of course, the agricultural returns by which to check.

2992. And you have the further difficulty, of which I know, of the hill sheep farmer, that the farmer himself does not know how many sheep he has got?—That is quite true.

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[Continued.]

Chairman.] Are there any questions on the Account?

Major Bruce.

2993. I should like to take that point a little further by reference to an illustration. Take the case of potatoes. I do not know what you pay in relation to potatoes at the present time but I believe you pay something on an acreage basis?—(Sir Donald Vandeppeer.) Yes, we make an acreage payment.

2994. Say, for example, that I am a farmer and, instead of planting my rows of potatoes shall we say two feet apart or three feet apart (I am not quite sure what it is) I decide to plant them five feet apart, I can cover an area very much more quickly and more easily with far less cost to myself than I could if I utilised the land up to what might be considered to be, shall I say, its maximum advantage. Assuming I am unscrupulous enough to do that, assume I want to put down 10 acres, is there any way of checking me if I decide on that course of action, of spacing them far wider than they really could be?—Yes, certainly. The first point is that you would be very foolish to do so, because the acreage payment is only a part of the payment which you will get for growing potatoes on that particular field, and if you choose to get the acreage payment only and deprive yourself of the price per ton you would be much less economically minded than most farmers that I know. Secondly, it is a definite condition of the acreage payment that the cultivation must be in accordance with the rules of good

husbandry and must be approved by the County Committee. A much more likely case would be to scuffle the potatoes in aimlessly, not weeding the land adequately and generally neglecting the rules of good husbandry. The County Committee have then the power and, indeed, are required by us to recommend a reduction or possibly a complete stoppage of the acreage payment. You, Mr. Chairman, referred to the acreage payment amongst subsidies just now. Perhaps I could emphasise that the acreage payment is not a subsidy. It is part of the price which the farmer gets for his potatoes. The price he gets is divided as between the price per ton—

Chairman.] I will come back to this point on the Treasury Minute shortly.

Lieut.-Colonel Hamilton.

2995. Subhead C, on page 318 is: "County War Agricultural Executive Committee," on which there was a big lump expenditure. I personally would have liked to see that broken down, but under your individual system of accounts I gather some details would be given. Would some of that come into your Trading Accounts?—A great deal.

2996. Most of it?—Most of it. (Sir Frank Tribe.) I might explain that the current Estimates for 1948-49 do split up this Subhead and show, under the main items, the expenditure which will be incurred by the Executive Committees.

Chairman.] Are there any further questions on the Account? May I take it that that Account is approved? (*Agreed.*)

TREASURY MINUTE ON PARAGRAPHS 90 AND 91 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

2997. We pass now to the Treasury Minute on paragraphs 90 and 91 of our Third Report of 1946-47. This raises the question of the suggestion we made in paragraph 91 of our report. We said: "On the whole they incline to the view that all expenditure met from the food production Votes of the Ministry of Agriculture and Fisheries and of the Department of Agriculture for Scotland . . . should be treated as a subsidy. Your Committee wish to suggest therefore that so far as is not already the case all such expenditure should be taken into account in the calculation of total expenditure on food subsidies." The Treasury Minute disagrees with that suggestion of ours and I take it, Sir Donald, you will agree with the Treasury?—(Sir Donald Vandeppeer.) Yes.

2998. Would you look at the Treasury Minute? The last sentence of the Treasury Minute states, does it not, that the acreage payments are treated as part of the food subsidy. It says: "My Lords are of the

opinion that the present arrangement under which only the acreage payments borne on the Votes in question are treated as part of the food subsidy should be maintained." Do I gather from that that in calculating the food subsidies the cost of acreage payments is included?—Yes, in the Trading Accounts of the Ministry of Food, on the cost side, they would include the cost of potatoes. The farmer's return is the price per ton plus the payment per acre, the two together being calculated to give him a reasonable return for his product. I would not question the addition of these to the subsidy figures. I was on the point as to whether they were a producer subsidy or not.

2999. You contest they are a producer subsidy?—Certainly.

3000. You would allow that they are a consumer subsidy? Is that right?—They are an element in the subsidy figures.

3001. That matter was not at issue in our report, as I understand it, because the acreage payments are already treated as

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[Continued.]

part of the food subsidies. I think what we were concerned with were the items in your food production Vote and in relation to that the Treasury Minute states, in the eighth line: "Some items of expenditure are in no sense subsidies, either to consumer or producer." I do not know if you can indicate to me which of the items (they are all to be found in Class VI, Vote 9, at which we have just been looking, on page 318 of the Civil Appropriation Accounts) are not in any sense a subsidy to the consumer or the producer?—Yes, I can give you some examples. The cost of administering the Feeding Stuffs Rationing Scheme I should not regard as in any way a subsidy.

3002. Does that appear in Class VI, Vote 9?—Yes, it comes in Subhead C. (Sir Patrick Laird.) The salaries of officers. It is just the expense of actual administration; it is part of the cost of the service. (Sir Donald Vandeppeer.) Then Subhead I: "Purchase of Land."

3003. That is a very small item?—That is a very small item. The administrative cost of giving cropping directions to farmers could hardly be regarded as a subsidy.

3004. I should not have thought that cost was very much?—It accounted for quite a bit of the administrative machinery in operation when those directions were given. The work by County Committees themselves on reclaiming derelict land, the rehabilitation of land which was damaged by war works—all that, if you like, non-economic work, but work nevertheless necessary if the resources of the country were going to be used to the full, is not really a subsidy either to producer or consumer.

3005. You would agree that the main items of expenditure in Class VI, Vote 9, are of the nature of subsidies, would you not?—No. I think it is quite an open question whether services of that sort, which are provided by the Government in pursuance of a policy of utilising national resources to the full can properly be regarded as subsidies.

3006. They are services provided by the State either at cost or below it for the use of farmers generally. Is that not so?—Yes.

3007. The question raised in our report last year was whether these items should properly be included in the cost of food subsidies. I imagine that the main argument against doing so is that it would upset comparison with previous years?—That is an important argument, but personally I should consider the point of principle as even more important. It is extremely difficult to distinguish between what you can properly call a subsidy and the services which the State has been providing for agriculture for very many years past. There is very little to distinguish, in principle, a trading service of providing machinery from agricultural education and

research expenditure and all that sort of work which comes in our main Vote. In one sense, I suppose one could say that the whole of Government expenditure on agriculture is directed towards improving the resources of the country, but hardly a subsidy.

3008. These are what are called food production services, and the gross cost is put at about £35 million for the year under review, or is that the net cost after the payments made by farmers?—That is the net cost.

3009. Of course, Subhead H, which is the crop acreage payment is taken into account in arriving at the total of the food subsidies; that is £15½ million?—That is so.

3010. But you deny that the other £19 million is of the nature of a subsidy to the farmer?—May I say I should question it rather than deny it? I think the analysis between what could properly be called a subsidy and what could not would be so extraordinarily difficult and so misleading as to make it impracticable to add further elements of this to the subsidy figures.

3011. What is your net figure for Scotland, Sir Patrick, including the crop acreage payments? What is the cost of the food production services from Class VII, Vote 22, at page 366?—(Sir Patrick Laird): The total on page 367 is £5,163,000. (Sir Frank Tribe): The crop acreage payments are deducted from that.

3012. The crop acreage payments being Subhead L, £2,300,000?—(Sir Patrick Laird): Yes.

Chairman.] Are there any questions on the Treasury Minute on paragraphs 90 and 91 of the Committee's First Report of 1946-47?

Lieut.-Colonel Hamilton.

3013. On this question of what should be regarded as a food subsidy, would it be true to say that much of this expenditure is to enable us to be more independent of foreign imports, not so much to assist farmers directly but to enable them to use land which would otherwise be uneconomic?—(Sir Donald Vandeppeer): Yes, or to put it in another way, it is to enable us to get food which we should be unable to obtain elsewhere under present conditions, except, possibly, at an exorbitant price.

Chairman.] This is only my view, but I should be inclined to advise the Committee to drop the suggestion they made a year ago, about inclusion of these items in the cost of food subsidies on account of the fact that it would upset a comparison of the figure with figures in previous years.

Major Bruce.] I should be inclined to agree with that.

Mr. Thurtle.] Need we give that reason for it?

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[Continued.]

Chairman.] I think it is the best reason, but we can discuss that among ourselves.

Lieut.-Colonel Hamilton.] I think that other argument applies. It is not merely a matter of trying to make food cheaper for the consumer in a disguised way. It is the

fact that we do want to develop our own island resources to the very utmost, not merely from an economic point of view but from the point of war dangers, and such like.

Chairman.] That concludes your evidence, thank you very much, Sir Donald.

(*Sir Donald Vandeppeer withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 21.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND.

DEVELOPMENT FUND ACCOUNTS.

AGRICULTURE (SCOTLAND) FUND ACCOUNT.

LAND SETTLEMENT (SCOTLAND) ACT, 1919, ACCOUNT.

VOTE 22.

DEPARTMENT OF AGRICULTURE FOR SCOTLAND (FOOD PRODUCTION SERVICES).

(*On these Accounts no questions were asked.*)

(*Sir Patrick Laird withdrew.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS III.

VOTE 2.

BROADMOOR CRIMINAL LUNATIC ASYLUM.

VOTE 3.

POLICE, ENGLAND AND WALES.

VOTE 4.

PRISONS, ENGLAND AND WALES.

VOTE 6.

SUPREME COURT OF JUDICATURE, ETC.

VOTE 10.

LAW CHARGES.

VOTE 13.

PRISONS, SCOTLAND.

VOTE 15.

SCOTTISH LAND COURT.

VOTE 18.

NORTHERN IRELAND SERVICES.

CLASS VII.

VOTE 14.

PETERHEAD HARBOUR.

CLASS VI.

VOTE 7.

OFFICE OF COMMISSIONERS OF CROWN LANDS.

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[Continued.]

VOTE 18.

DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

VOTE 23.

FISHERIES, SCOTLAND.

VOTE 24.

HERRING INDUSTRY.

Chairman.

3014. Mr. Jones, you are prepared to answer questions, of which you have had notice, on these Accounts?—(Mr. Jones.) Yes, Sir. The first question is on Class III, Vote 2: "Broadmoor Criminal Lunatic Asylum." Major Bruce asked: "How is it that supplies of tobacco made available without payment from H.M. Customs: (a) diminished; and (b) necessitated outside purchases being made?" The answer is that there is a standing arrangement between the Customs and Broadmoor Criminal Lunatic Asylum, whereby any tobacco which is seized is made available to Broadmoor; but in this year of account the seizures were insufficient to meet the requirements of Broadmoor. Their normal scale consumption at Broadmoor is 1 ounce per male patient per week, which means a total of 1,872 lb. for the year of account. The Customs were able to supply only 1,156 lb. towards that, and although Broadmoor restricted the scale issue in order to save expense owing to the high cost of tobacco they were forced to pay £883 on outside purchases to get somewhere towards their scale. The next question was on Class III, Vote 3, page 131, on "Police Grants" where under Subhead S, there was an excess of £725 6s. 5d. The questions were: "What is the explanation for this? What is the scale granted?" The answer is that this estimate is based on an unpredictable number of indictable cases to be taken in the Metropolitan Magistrates' Courts during the year. These costs are in fact recovered from the London County Council, and on page 128, Subhead M, the receipts are brought in from the London County Council so that the transaction passes through this Account on both sides. The scale of fees granted is generally about 14s. per day, plus 10s. for each night away from home. These allowances are governed by regulations which were prescribed in 1904 and amended by an increase in 1920 and later amendments by Statutory Rules and Orders. The next question was on Class III, Vote 4 on page 135 of the Civil Appropriation Accounts. There was a saving shown of £2,892 on prisoners' earnings. The first question was: "What is the explanation for the number of prisoners eligible to earn being less than estimated?" In the year of account the Prison Commissioners based their estimates on a assumed daily average population of 17,000, but the actual daily average population turned out to be only just over 16,000. The next question was: "How much of the saving is due to this factor

and how much is due to the rate of earning being less?" The factor due to the smaller prison population accounted for about £1,000 of this saving. The remainder of the saving was due to the causes which are dealt with in the answer to the following question: "Why is the rate of earning less?" The answer to this is that in some cases prisoners are employed on piece work rates and some on flat rates. The piece work people generally get rather more than the people employed on flat rates and it is impossible, at this stage of the Estimates, to predict precisely what the proportions will be. Another factor is that the amounts to be paid to certain-trial and remand prisoners, who can elect to work or not as they think fit, was over-estimated. It is impossible to estimate what proportion of them will decide to work and what proportion will decide not to work and The final question is: "What are the scales of remuneration provided?" There is a very complicated scale but I think I can, perhaps, satisfy the Committee by saying that the rates ranged in the year of account from a minimum of 3d. per week to a maximum of 1s. per week. Those rates were increased shortly after this Account by 50 per cent. The next question dealt with a very unusual loss shown on page 142 of the Civil Appropriation Accounts, Class III, Vote 6, of £3,578 10s. which was explained in the Account as a "Loss incurred in the Official Solicitor's Department through failure to lodge certain bearer bonds with the Bank of England for collection and payment." Major Bruce asked: "How was it that there was a failure to lodge the bonds? On what date was the loss incurred? To what account was the forfeited sum transferred by the Bank of England? What is the actual loss borne by the public?" The failure to lodge the bonds with the Bank of England was due to an error on the part of an officer in the Official Solicitor's Department as long ago as 1910 when, by inadvertence the officer who was dealing with the estate placed the bonds with the coupons attached in the file papers where they remained undetected for many years. The proper procedure would have been to have placed these bonds with the Bank of England for the collection of the coupons as they fell due. But that mistake occurred. An opportunity did arise between 1910 and 1943, when ledger sheets were being made out under a new system for all these estates, for the mistake to be noticed. The bonds were turned up, but

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[Continued.]

because no dividends had been collected for many years somebody looked at them and said: "They are presumably worthless" and took no further action, and they were returned to the file. They finally came to light in 1943 when the patient died and all the papers relating to the estate were handed over to the administrators. By that time in regard to many of the bonds the time had expired under Egyptian law. We felt obliged to meet the claim raised by the administrator for the repayment of the coupons that had become expired, for the capital value of the debentures which had been withdrawn during the lapse of these 33 years and for interest on the sums which were not collected. The loss to public accounts was the amount shown in this Account, £3,578 10s. The next question is on Class III, Vote 10, page 151, on fees earned by the Law Officers of the Crown. The questions were: "What were the fees paid to each of the officers concerned (a) for the period 1st April, 1938, to 31st March, 1939; and (b) for the period 1st April, 1945, to the 31st March, 1946?" Before giving these figures I should remind the Committee that the system of remunerating the Law Officers of the Crown was changed with effect from 1st April, 1946, as announced to the House at the time. The Law Officers are now paid inclusive salaries of £10,000 in the case of the Attorney-General and £7,000 in the case of the Solicitor-General. The fees which they now earn from contentious business are abated against those salaries, so that that is the total amount of their emoluments. The amounts paid under the old arrangements in 1938-39 were as follows: The Attorney-General received a salary of £5,000 plus £7,547 in fees, a total of £12,547. In the same year, 1938-39, the Solicitor-General received a salary of £4,000 plus £4,307 in fees, a total of £8,307. In 1945-46 three officers held the post of Attorney-General, and the total received by the three of them were as shown in the Appropriation Accounts for 1945-46 and 1946-47. The total fees paid in the year 1945-46 in the case of the three Attornies-General, in addition to their salaries, were £5,561. But in addition, payments were made in 1946-47 in respect of fees earned before the 31st March, 1946, before the change in the system; a further sum of £3,306 was accordingly paid in fees to the Attornies-General in 1946-47 in respect of work done on the old basis before the 31st March, 1946. Similarly, in the case of the Solicitors-General the amount of fees paid in 1945-46 was £4,160, but in addition, in 1946-47 arrears of £530 were paid in respect of fees earned before 31st March, 1946. The next question is on Class III, Vote 13, page 155: "Prisons, Scotland," Subhead G. The question was: "Why was it necessary to purchase a house for the Governor of Polmont Institution, costing £4,250?" The previous house

was very old and quite unfit for habitation. It had in fact been represented to us during the war that it was then unfit for occupation, but it was growing very old and that there was no damp course, and the Prison Commissioners made an overwhelming case for the purchase of a new house adjoining the property that became available for purchase during the course of this year. The house is, in fact, rather too big for the domestic requirements of the Governor, and part of it will be used for official purposes in connection with the Institution. On Class III, Vote 15, page 159: "Scottish Land Court," Item A shows a saving due to a vacancy for a legal assessor, £768. The question was: "Is it proposed to apply for a reduction in the establishment of this Department in respect of legal assessor; and if not, why not?" The view taken is that it is quite impracticable to reduce the legal staff of the Court. The work of the Court was seriously inconvenienced while this vacancy occurred during the period from January 1946 to March 1947. There are three divisions of the Court, each of which requires a legal assessor, and provision has been made for three legal assessors in the 1947 and the 1948 Estimates. The next question was on Class III, Vote 18, page 164: "Northern Ireland Services." The question was: "What are the 'certain Northern Ireland Services'?" These are remanet Services arising from the arrangements made under the Government of Ireland Act, 1920. They have in fact now been transferred to the budget of the Government of Northern Ireland and will not appear after the Estimates for 1947-48. The provision includes the Registry of Deeds which was one of the services reserved to the United Kingdom under the Government of Ireland Act, 1920, and also the salaries of the Clerk of the Crown and Peace of the County of Down, who was the last of certain Clerks of the Peace whose salaries were Voted by the United Kingdom Government under the 1920 Act. This, as I said, has now been transferred away from the Votes of the Government of Great Britain. The next question is on Class VII, Vote 14, page 419: "Peterhead Harbour." The question is: "What is the nature of the grant of £9,485?" The grant as shown in the Estimates provided for the labour and materials on the construction of the harbour. During the war the work on the harbour was restricted to bare maintenance and the provision in 1946-47 was made merely for maintenance purposes. Construction work has now been resumed and the Admiralty expect that the works will be completed by 1954. The Estimates for 1948-49 give the total revised estimated cost as just over £1½ million. The next question "Crown Lands" is Class VI, Vote 7, page 301. The Estimates showed a saving owing to posts not being filled. The questions are: "Has the work of this Office suffered by reason of the posts vacant not

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[Continued.]

being filled?" and "Is it proposed to apply for a reduction in establishment and, if not, why not?" The Commissioners of Crown Lands say that their work did suffer owing to their not being able to fill these vacancies. There are various things they would have liked to do which would have resulted in increased economies or more efficient working, but they had to postpone undertaking them until they were able to get the staff. It is not proposed to apply for a reduction in establishment and, in fact, the Crown Lands have taken on extra responsibilities, which has led to an increase of their manpower ceiling having been approved by the Treasury. Then Class VI, Vote 18, page 349; "Department of Scientific and Industrial Research." The questions were regarding the explanation to Subhead C.2: "How is it that this Department was unable to purchase the scientific equipment it required?" and "What priorities are given to this Department for the purchase of equipment?" The explanation of the difficulties is, I think, the usual general one of delay in completion beyond contractual delivery dates and the value of the undelivered equipment on order has increased considerably. The Department has no power to assert priority in the purchase of scientific equipment and can only impress upon the suppliers the urgency and importance of its requirements. The delay in delivery of equipment has been under very close watch by the Advisory Committee which controls the general policy of the Department but, as I have already said, the Department is in no position to assert priority for its purchases. Class VI, Vote 23, page 370: "Fisheries, Scotland." Referring to the explanation on Subhead A. The questions were: "How was the delay on commissioning the Department's fishing protection vessels considered to be unavoidable?" During the war the Department's fishery protection and research vessels were taken over by the Admiralty. They were released at intervals between September, 1945 and February, 1946. The Estimates for 1946-47 were drawn up on the assumption that they would be in operation for a full year, and provision was made for the wages of the crews for a full year. But there were delays in refitting these vessels, with the result that they were in actual operation for less than a full year, and accordingly there was a saving on the crews' wages. The second question is: "What rate of interest is paid by inshore fishermen on loans made to them?" The rates of interest are as follows: loans for nets and gear repayable within a maximum period of three years, 2½ per cent.; loans for boats repayable within a maximum period of 20 years, 3½ per cent. Then, on Class VI, Vote 24, page 373, the Herring Industry Vote, the note on Subhead B. The questions were: "How does the financing of certain capital expenditure by means of

a bank loan result in any saving?" Then the next question: "What was the total advanced—and on what terms of interest and repayment?" The third question was: "Why was the course taken actually adopted?" There is provision in the Estimates for financing schemes in accordance with Section 3 (2) of the Herring Industry Act, 1944, but after the provision had been made it was decided that the cost in respect of certain schemes should be financed by bank loans. This meant that the provision in the Estimates was unnecessary. The total of the bank loans up to the 31st March, 1948, was £111,138, but the sum outstanding at any time did not exceed £45,000. The rate of interest on the loans from the bank was 3 per cent., and I understand this loan was made by the bank without any security since the whole of the assets of the Herring Industry Board are charged to the Exchequer, and the Board had no security which they could give the bank. The reason for the change of policy was partly that the amounts available under this section were limited and the Board were not anxious to mortgage the whole of their available statutory resources under this section by this one scheme and partly because, after the provision had been made, it appeared that the economic prospects of the scheme, which provided for the conversion of herrings into oil, were rather brighter than had been first thought to be the case, and the Board were prepared to finance them by means of this bank loan without Government assistance.

Chairman.] Thank you, Mr. Jones.

Major Bruce.] I should probably like to make an observation on this last one at a later stage, if that can be done?

Chairman.] Yes.

Major Bruce

3015. I am not satisfied with the explanation on Class VI, Vote 24, page 373?—On the Herring Industry Loan?

3016. Yes, I still do not see why on earth it was necessary, when they had funds available to them, granted by Parliament, to borrow from an outside bank and pay interest on the loan?—I should explain that the Herring Industry Board has borrowing powers under the Acts also which authorise the issue of loans from the Exchequer, but the amount of loans which may be issued from the Exchequer is not the full amount of the borrowing powers of the Herring Industry Board. It was therefore in the contemplation of Parliament in passing the Act that there might be recourse to outside sources of finance. The Board had agreed to make this borrowing in this particular case and I think the Board have done a similar thing in connection with a rather

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[Continued.]

larger scheme which will now be dealt with under the revised Herring Industry Bill which is now before Parliament.

3017. You had a saving in the year in question of £121,948 11s. 5d. which had been voted by Parliament?—Yes.

3018. It would have been quite easy, would it not, to have financed the money out of that fund?—No, because the Board considered they were limited by the Section. The total under that section was £175,000 and on further consideration they felt they would be tying themselves down too much in the future if they put all their resources in that one provision under that section. They would have nothing left for other experiments which they might wish to carry out in future.

3019. They were granted £135,000 and their expenditure was a little over £13,000, so they did not in fact utilise anything like

the amount of money which they got?—Over-riding that is the limitation imposed by Section 3 (2) of the Herring Industry Act, and the money unspent in 1946-47 is still available to be spent in a later year, whereas if they had spent it in this year the limitation imposed by the statute would have prevented them having the money in a second year. The money is still available to them within the statutory limitation to be spent in a subsequent year, whereas it would have been drawn if they had spent it on this occasion.

3020. The Exchequer loans will be repaid in the same way in which banks have to be repaid?—Yes, but there was a statutory limit to the amount which they could draw.

Chairman.] Thank you, Mr. Jones. I am sure you have given very clear explanations. Are there any questions on these Accounts? May I take it that the Accounts are approved? (*Agreed.*)

GREENWICH HOSPITAL AND TRAVERS FOUNDATION ACCOUNTS, 1946-47.

(*On these Accounts no questions were asked.*)

CROWN LANDS ABSTRACT ACCOUNTS, 1946-47.

(*On these Accounts no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.
CLASS VI.

VOTE 10.

SURVEYS OF GREAT BRITAIN, ETC.

VOTE 20.

CLEARING OFFICES.

(*On these Accounts no questions were asked.*)

DEBTS CLEARING OFFICES AND IMPORT RESTRICTIONS ACT, 1934, ACCOUNTS,
1946-47.

(*On these Accounts no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.
CLASS VI.

VOTE 23.

FISHERIES, SCOTLAND.

(*On this Account no questions were asked.*)

HERRING INDUSTRY ACTS, 1935-1944, ACCOUNT, 1946-47.

(*On this Account no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.
CLASS VII.

VOTE 12.

STATIONERY AND PRINTING.

CLASS VIII.

VOTE 3.

ROYAL IRISH CONSTABULARY PENSIONS, ETC.

VOTE 4.

SUPERANNUATION AND RETIRED ALLOWANCES.
CLASS IX.

VOTE 2.

EXCHEQUER CONTRIBUTIONS TO LOCAL REVENUES, SCOTLAND.

(*On these Accounts no questions were asked.*)

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[Continued.]

WHEAT FUND ACCOUNTS, 1946-47.
(On this Account no questions were asked.)

(The witnesses withdrew.)

Adjourned till Tuesday next at 2.30 p.m.

TUESDAY, 1ST JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.
Mr. Horace Holmes.

Mr. McAdam.
Sir John Mellor.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. C. E. I. JONES, called in and examined.

Chairman.

The Treasury Minute on paragraphs 63 and 64 of the Third Report of the Committee of Public Accounts of last year had better be postponed and taken with the

report of the Comptroller and Auditor General on the Civil Appropriation Accounts (Class X) a little later. The Treasury Minute on paragraphs 90 to 94 we will take, with the Trading Accounts and Balance Sheets later.

TREASURY MINUTE ON PARAGRAPHS 95 TO 97 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Sir PERCIVALE LIESCHING, K.C.B., K.C.M.G., Permanent Secretary, and Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, Ministry of Food, called in and examined.

Chairman.

3021. The question was raised a year ago, you will remember, of the definition of the statutory powers of the Ministry of Food, and also upon what statute they depended. Certain conflicting views have been expressed upon the matter in the past, but I gather from the last sentence of the Treasury Minute that it is agreed that "the powers of the Ministry of Food to incur expenditure on long-term commitments should be defined by statute at the first convenient opportunity; and . . . the Ministry are now engaged on the preparation of such legislation." There is an intended Bill upon this matter is there?—(Sir Percivale Liesching.) A Bill was under

preparation last year, as I told you, and work has been carried further upon it.

3022. I do not know whether you can tell us, or whether it is proper for you to tell us, what the Bill will cover, exactly, but I wonder whether the Bill will cover the question of the powers of the Ministry to buy food in one part of the world and sell it in another part of the world, as has been happening in certain commodities up to the present time?—I think it is so intended, though, of course, the final form of any Bill is a matter for Ministers, and the decision has not yet been taken.

Chairman.] Are there any questions on the Treasury Minute on paragraphs 95-97 of the Third Report of the Committee of Public Accounts, 1946-47?

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 2.

MINISTRY OF FOOD.

Chairman.

3023. We turn to the Civil Appropriation Accounts (Class X), to paragraphs 33-36 of the report of the Comptroller and Auditor General. Paragraph 33 deals with expenditure on advertising and publicity, and during the year 1946-47 it was £506,000. I believe the figure is higher than that in the Estimates for the current year, is it not?—Yes; the Estimates provide for £532,000.

3024. You make little use of the Central Office of Information, except in connection

with poster sites. Is that accurate?—Yes; I think that is so. There are certain other common services which can be used, but in general our activities are rather on an independent basis, owing chiefly to their magnitude and to their rather special character.

3025. Is it your view that the public get good value for this expenditure?—Yes, I think it is part of the service to the public which is necessary when our activities in the Ministry have such a wide impact and where so much depends upon the collabora-

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[Continued.]

tion of the public in the best use of what we can give them.

3026. A good deal of your publicity nowadays consists of announcements, does it not, about changing points values and things of that sort?—There are announcements, certainly, but of course there is a great deal of advice in making the best use of such variations of foods as come at different times for different reasons.

3027. You still advertise to tell people how to cook things?—Yes.

3028. You do also announce the continual changing points values, do you not?—Yes; any rationing changes, whether they are points or otherwise, are brought to attention in that way.

3029. Would not a great deal of that be news, and published in the ordinary way without your spending money on advertising space for the purpose?—There is not so much space given nowadays as there used to be when papers were bigger. It gets squeezed.

3030. You mean to say if there was more newsprint available you would not have to spend so much on advertising?—I think that is true, though still there would be a wide function for the particular forms of publicity which we believe help people to nourish themselves.

3031. You are careful to scrutinise the question whether anything in your announcements would obtain adequate publicity without advertisement?—Yes, indeed.

3032. The expenditure, we are told, on the "Save Bread" campaign, of about £73,000, excludes the cost of posters provided by the Stationery Office. Can you give the Committee a figure for the posters provided by the Stationery Office in the year under review?—I am afraid we have not the figure. (Mr. Bailey.) I think it is an allied service provided by another Government Department, not quantified.

3033. This Committee are anxious to try to get at the total cost of expenditure on publicity and advertising, and here is a figure of £73,000 for the "Save Bread" campaign. Of the £73,000, £50,000 was paid to the Central Office of Information for poster sites. Presumably the other £23,000 was spent in other ways and an additional sum must have been incurred by the Stationery Office for providing the posters?—(Sir Percivale Liesching.) I could give you some of the details of this total of £73,000 odd.

3034. I think we might have the main headings, apart from the £50,000?—Of that £53,000 was hire of poster sites. Central Office of Information repayment services was £50,000. The other items are: General Press Advertising, £1,500

odd; Art Work and Photography, £5,500; Display Material and cost of transport and installation, £12,800; and there was a small amount of £88 for speakers' fees and expenses.

3035. I think the Committee would like to be furnished (if you cannot do it now) by means of a letter with the cost of these posters. Are the figures accessible to the Committee from the Accounts of the Stationery Office, Sir Frank?—(Sir Frank Tribe.) No.

3036. They would not appear as a separate item there?—No, they would not appear as a separate item.

3037. Perhaps you could ascertain the figure for us and let us have it?—(Sir Percivale Liesching.) Certainly.*

3038. It is a small matter, but there is a discrepancy between the expenditure shown under this Subhead of £506,000 on publicity and the figure given in the Ministry of Food Trading Accounts, in the Trading Accounts and Balance Sheets at page 44. We are told there that the costs of advertising and publicity services, including depreciation, were a total of £503,000. Perhaps we might go back to this question when we get to the Trading Accounts?—(Mr. Bailey.) There is a difference, of course: one is on a commercial trading account basis and the other on a cash basis.

3039. You mean to say that the figure in the Appropriation Accounts is the actual payment out?—The payment out.

3040. Whereas this is the amount incurred?—Yes. The difference does not amount to much in the case of an activity like advertising.

Chairman.] All right; thank you. Are there any questions on paragraph 33?

Mr. McAdam.

3041. Do you do any advertising with the B.B.C. now, on the lines that used to be followed during the war years when you had somebody talking over the air in regard to the best use that could be made of the food that was available?—(Sir Percivale Liesching.) I am not aware of any use of the B.B.C. for that purpose, unless the B.B.C. promote it for their own objectives. I do not know of any approach made to the B.B.C. or any attempt to influence them to allocate time to this particular subject.

3042. You have no expenditure with the B.B.C., at all. These broadcasts were pretty frequent during the war years and I was wondering whether the Ministry of Food was responsible for any expenditure on the B.B.C. now?—I know of none.

* See Question 4044.

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TREASURY MINUTE ON PARAGRAPHS 63 AND 64 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

3043. We pass to paragraph 34, dealing with the British Sugar Corporation and with that I think we had better take the Treasury Minute on paragraphs 63 and 64 of the Committee's Third Report of last year. We raised the question last year of the rate of interest on the share capital of the Corporation paid to it by means of a grant and said we doubted whether 3½ per cent. was a reasonable rate of interest to be guaranteed under present conditions, and that we were glad to learn the Treasury would review the rate for the year 1946-47. It appears that the rate has been reviewed and the interest reduced to 3¼ per cent?—(Sir Percivale Liesching.) That is so.

3044. But the dividend has been maintained at the former rate of 4½ per cent. on the share capital?—Yes.

3045. Looking at the report of the Comptroller and Auditor General it appears that the subsidy for the year of account amounted to £2,750,000. Of that amount, apparently, £2,430,000 represents the loss incurred by the Corporation on revenue account and the balance of £320,000 is the Corporation's share of economies achieved. I do not think we want to go into the method by which these figures are arrived at, which I remember is very complicated, but was it not part of the agreement with the Corporation that when these economies added up to a sum of £500,000, the further payments under this clause of the agreement would come to an end?—I do not think they come to an end. As soon as they exceed a maximum of £500,000, as you say, the fact that they have reached that limit is taken into account in the calculation of incentives for the succeeding years.

3046. I think we shall just have to have it explained to us how this incentive payment is reached?—For this year?

3047. Yes?—Under the wartime incentive scheme the Corporation gets a share of the economies achieved on a comparison of costs from year to year. The balance of the economies accrues to the Exchequer through the reduction in the cost of assistance. The share of economies due to the Corporation which is taken into the present Account is, as you say, £320,000, made up as follows: Actual economies for 1946-47, £143,222, plus the share paid in 1946-47 of accumulated economies up to 31st March, 1947, £176,388—a total of £319,610.

3048. The £320,000 is not the amount due to the Corporation in respect of a single year?—No; it is not. Part of it is the payment due in respect of accumulated economies; that is the £176,000. The

£143,000 is the actual economies for 1946-47.

3049. And both of these sums were paid to the Corporation in the year 1946-47?—Yes.

3050. That is to say, there is an actual payment in respect of a particular year, and something added to that in respect of previous years; is that so?—Yes, that is so. (Mr. Bailey.) There is a diminishing share of the accumulated economies in previous years.

3051. This payment is made over and above what the Corporation loses on its revenue account?—That is so, but the balance of the accumulated economies serves to reduce the amount of the deficiency payment.

3052. What is the share capital of the Corporation?—£5 million.

3053. The dividend paid on that is 4½ per cent. Is that right?—Yes.

3054. Which would be £225,000, I take it?—Less income tax, it is £123,750.

3055. It appears that the amount paid to the Corporation by way of its share of economies exceeds the amount it distributes in dividends?—In respect of this particular year; it happened to be a bumper year.

3056. You think that will not go on happening?—There was a largely increased through-put of beet which had the effect of reducing the operating costs per ton of through-put, and there were other factors also which were exceptional.

3057. Why does the Corporation have to be subsidised to this extent? Is it because the costs of production are very high and the ceiling price of sugar is fixed?—(Sir Percivale Liesching.) Much higher than the cost of sugar grown in tropical climates, and the price of sugar released here to the consumer is the average of the imported costs.

3058. The price the Corporation gets for its sugar is the average of imported sugar?—The price that we release sugar at, as a Ministry, for consumption, is the average of the imported costs. (Mr. Bailey.) The price we pay the Corporation. (Sir Percivale Liesching.) Yes; that is the price we pay the Corporation for their sugar, which costs more to produce in this climate.

3059. There is no element of food subsidy in this loss of the Corporation's? You deliberately first of all tax sugar by Customs and Excise duties. You then proceed to subsidise it to a rather greater extent than you first of all tax it, and then, over and above that, it seems to me that the Corporation is making a loss on the sugar. That is right, is it not?—(Mr. Bailey.) The

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amount of the deficiency payment is taken into our consolidated profit and loss account, and so finally into the total cost of food subsidies.

3060. Do you know if the sugar industry on the Continent of Europe operates at similar large losses every year?—(Sir Percivale Liesching.) I do not know of any place in the world where beet sugar does not cost more than the cane sugar.

3061. Can you get a comparison between the efficiency of the sugar factories in this country and the sugar factories on the Continent?—I have not attempted to measure that myself. No doubt the Corporation have.

3062. I wondered if it would be worth while conducting any investigation on those lines?—I think the Corporation do send people to study methods in other parts of the world, not only on the Continent of Europe but also in North America, but I have not myself seen the results of their inquiries. We will call for them if you wish.

3063. I take it the Corporation has to incur a loss because of the high price of sugar beet guaranteed to the farmer. That is one of the factors, is it not?—Yes.

3064. It has to sell its sugar at the same price as you can import sugar. Is that right?—Yes.

Chairman.] Has any Member of the Committee any questions?

Mr. McAdam.

3065. On paragraph 34, the operating costs per ton were lower and the price paid by the Ministry for the sugar was higher. How does it come about that the Ministry had to pay a higher price when operating costs were lower, thereby giving another indirect subsidy, in addition to the direct subsidy already given to the Corporation?—(Mr. Bailey.) Is it the last sub-paragraph?

Chairman.

3066. The last but one?—(Sir Percivale Liesching.) Could I ask for the question to be repeated?

Chairman.] Yes, please, Mr. McAdam.

Mr. McAdam.

3067. The question arises out of the fact that operating costs were lower, but nevertheless the Ministry of Food paid a higher price to the Corporation for the sugar or, in other words, gave an indirect subsidy in addition to the subsidy already given?—There was an increase in beet tonnage. The cost of beets rose from £17½ million in 1945-46 to £20 million in 1946-47, and that increase was due to an increase in the actual beet tonnage paid for from 3.8 million tons in 1945-46 to 4.5 million tons in 1946-47. There was an increase in the average cost of

beet from 89s. 10d. per ton to 91s. 7d. per ton, due to an increase of 2s. per ton in the basic price paid for beet. That is the fixed price agreed with the Agricultural Departments.

Mr. McAdam.] How do you arrive at that, that the price of beet was higher when there was a reduction in operating costs? Surely the price of beet operates inside the policy of operating costs?

Lieut.-Colonel Hamilton.

3068. If I might be allowed to interrupt, I think the price that is paid for the sugar depends upon the price of imported sugar?—(Mr. Bailey.) It is a separate element in the calculation.

Mr. McAdam.] The question was how did it come about that the price paid by the Ministry for Corporation sugar was higher. That price depends, I understood, on the price of imported sugar?

Chairman.

3069. Surely that depends upon the agreement reached between the Ministry of Agriculture and the National Farmers Union as to the price of agricultural produce for the year, does it not?—That is the cost of beets. The price for beet depends upon that, but the price of sugar (the price we pay the Corporation) depends upon the imported price. Operating costs fell because through-put increased.

3070. Yes, and the price paid by the Ministry went up because the price of imported sugar went up?—Yes, but they are unrelated factors.

Mr. Cuthbert.

3071. There is no relation between the two?—None at all. They are merely brought together to throw light upon the ultimate figure.

Chairman.] Are you satisfied, Mr. McAdam?—(Mr. McAdam.) Yes.

Lieut.-Colonel Hamilton.

3072. With regard to these economies, you said you did not wish to pursue that matter, but I would like to know how the economies are calculated. Is the comparison on a per ton of sugar produced basis or on the basis of the actual total costs of the factories as compared with the previous year?—We put in a paper on this to the last Committee.

3073. I ought, perhaps, to have studied that?—I think I can summarise it by saying (this is a gallant attempt to summarise it) that the underlying assumption of the scheme is that economies achieved in one year will be maintained in subsequent years and that they are therefore a continuing feature of the Corporation's finances. Since, however, it is easier to achieve the initial

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economies than to add to them the Corporation is allowed to retain 100 per cent. of each successive year's economies, but only a share on a diminishing basis from year to year of previously accumulated economies, subject to a ceiling of £500,000. The effect of this is that in the first year in which the economy is achieved the Ministry receives no benefit, but in succeeding years the Ministry retains an increasing proportion of such economies. As a result, the deficiency payment is reduced.

3074. I understand that, but the point I was getting at was exactly what constitutes an economy. Is it a comparison of total costs of the factories one year as compared to the previous one, or is it a comparison of costs per ton of sugar produced? If, for instance, in this year a further economy of £100,000 has been effected, what does that mean exactly?—Under the present scheme, which is a wartime scheme, economies are calculated at yearly rests by means of a comparison of the losses of the current year with those of the preceding year. The comparison is limited to certain items of cost and maintenance costs are compared on the basis of a three-yearly moving average. It is very technical.

3075. So in effect it is the total of the factories as a whole, without regard particularly to how much sugar was produced?—I think I could answer that. The result in each year is added to or, where costs have increased, subtracted from the accumulated economies and the amount due to the Corporation is calculated on an agreed sliding scale. Finally the payment to be made is adjusted by reference to the proportion which the actual through-put bears to a standard quantity, and that standard quantity is 560,000 tons of sugar.

(Partially Confidential Accounts of the British Sugar Corporation for the Year ended 31st March, 1947.)

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 2.

MINISTRY OF FOOD (continued).

Chairman.

3083. Let us look now at the Accounts of the British Sugar Corporation, copies of which have been circulated. These Accounts are laid before Parliament are they not, Sir Frank?—(Sir Frank Tribe.) No, they are not laid before Parliament. By long-standing agreement they are circulated for the information of this Committee. The top two sheets are the published Accounts of the Corporation but the last two sheets, marked "A(A)" and "A(B)" are marked "Confidential." By an agreement of some standing they have been circulated annually to this Committee.

3076. Then I suppose that economy payment, in effect, gives you the difference between the $3\frac{1}{4}$ per cent. (as it is now) or the $3\frac{1}{2}$ per cent. (as it was) debenture interest and the $4\frac{1}{2}$ per cent. dividends which are actually paid?—There are certain other factors as well, of course. There is interest on reserves employed as working capital; there is interest on investments and, in this particular year of account, there is a non-recurrent profit on the sale of investments to the extent of £31,000 odd.

Mr. Thurtle.

3077. I gather that the Corporation is guaranteed a dividend of $4\frac{1}{2}$ per cent.; is that so?—No; $3\frac{1}{4}$ per cent.

3078. Could the Corporation, if it were in a position to do so, pay more than the figure of $3\frac{1}{4}$ per cent.?—It did so last year, by way of dividend. The $3\frac{1}{4}$ per cent. is taken into account for the purpose of calculating the deficiency payment. They had other resources as well.

3079. If they pay more than that they must pay that out of these economies?—Yes, or accumulated reserves. They have set up a dividend equalisation reserve which would enable them to equalise dividends.

3080. What I want to get at is whether the Corporation, whenever it effected economies to a considerable extent, would thereby profit by being able to increase its dividend?—It would, indeed.

3081. And there is no limit to that?—There is no statutory limit, or limit by way of agreement. The dividend that the Corporation pays upon its issued capital is within the discretion of the directors.

3082. Yes, but there is always the incentive in seeking to make the maximum economies, that the Corporation may be in a position to increase its dividend?—Yes.

3084. On the second sheet is the profit and loss account. It appears to show, half-way down the page, a profit for the year of £236,000 to which is added the £31,000 you mentioned, which is the profit on the sale of investments, making a total for the year of £267,000. That is the true profit figure for the year, is it?—(Mr. Bailey.) That is the appropriable profit.

3085. Down below that there is an extra provision for staff pensions of £70,000. I cannot find that in the balance sheet. I suppose it appears somewhere in the balance sheet. Is it included among the items of revenue reserves and surplus?—(Sir Frank

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[Continued.]

Tribe.) It is the last item but one on the left-hand side of the balance sheet: "Staff Pensions (Provision for past service)".

3086. I am much obliged, Sir Frank. That shows an increase of something less than £70,000 as compared with 1946. However, it probably comes in there somewhere, does it?—It comes into that item. (Mr. Jones.) The difference probably represents the payments of pensions from that provision in the course of the current year.

3087. Thank you. There is a transfer to dividend equalisation reserve of £55,000, whereas the balance sheet shows an increase of £70,000 in dividend equalisation reserve?—(Mr. Bailey.) That is explained in this way, that the next item, "Contingencies," £14,982 has disappeared; it has been transferred to the dividend equalisation reserve.

3088. Then there is shown the dividend of $4\frac{1}{2}$ per cent., less income tax, £123,750. When we turn back to the balance sheet it appears that during this year in respect of which the rate of interest allowed by the Treasury was going to be reduced or was reduced from $3\frac{1}{2}$ per cent. to $3\frac{1}{4}$ per cent., not only was the dividend maintained at $4\frac{1}{2}$ per cent. but a special depreciation reserve was set aside of £50,000 and the dividend equalisation reserve was increased by £70,000?—That is so.

3089. Not £70,000; £55,000 would be the true figure. The balance to the credit of the profit and loss account was also increased by about £19,000 or £20,000. It does look, does it not, as if this Company was not only maintaining its dividend but was building up an increasingly strong position by a series of subsidies and grants from the Exchequer?—There are two factors, I think, to be taken into account there. I have already referred to the bumper year. That resulted in a very much increased economy payment of, I think I am right in saying, £319,000, against £91,000 for the preceding year, which shows the fluctuation of that payment. It also resulted in a much decreased deficiency payment. The deficiency payment for 1945-46 was £3,972,000 as against £2,749,000 for the current year. So that I think it may be a deduction from those facts that the favourable results of this year flowed from increased through-put and other favourable factors.

3090. You say the amount of dividend is entirely within the discretion of the Board?—I think that is so.

Chairman.] [Has any Member of the Committee any questions on the Accounts of the British Sugar Corporation Limited?

Mr. Cuthbert.

3091. If I understand this right, what it actually amounts to is this, that if we take the general trading account, which is the confidential sheet marked "A (a)," we

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see that the actual cost of beets and the operating costs of the beet sugar manufacture amounted to somewhere in the region of, shall we say, £25 million, and on the other side, under: "Beet Sugar Manufacture," the income from products was £23 million. That gives you this deficiency payment of £2,749,000, does it not?—Roughly, that is so.

3092. In other words, the Company is actually working at a loss because, in the first place, they pay a stated price to the farmer for their beet and, secondly, the price at which they have to sell their sugar is governed by the Ministry, who state that the price must be not more than the imported price of sugar?—That is the price which the Ministry will pay for their sugar.

3093. If it were working as an ordinary company it would have to charge much more for its sugar, on the cost of the beets and the operating costs of the beet sugar manufacture?—It would, and it would have at the same time to compete with imported sugar.

3094. We are talking now about building up these reserves, but the only reason you are allowing them to do that is because the cost of beets and the cost of beet sugar manufacture are very much higher than the price they get from the Government for their sugar. The cost of buying beets and the cost of manufacture, and so on, are very much higher than the price they get from the Government for sugar?—Yes.

3095. Their economies in reduction of costs, and so on, you reckon, are due to them as profit?—Yes, and we get part of the benefit of such economies, of course; and in a favourable year they will do better.

3096. They will do better still?—Yes. They have done well in a favourable year.

Mr. Cuthbert.] It is a very complicated balance sheet to work on.

Lieut. Colonel Hamilton.

3097. I do not know whether we could be given some explanation of the "white sugar quota rights" in the general trading account, the confidential sheet "A (a)." I see two items of that are deducted from earlier items?—I have an explanation here, but it is, again, a highly-complicated matter and one that might lead to the expenditure of a good deal of time without profit.

Lieut.-Colonel Hamilton.] Perhaps I may see the statement?

Chairman.

3098. You had better see it separately.—I should be delighted to show it to you.

Mr. Thurtle.

3099. I want to return to this question of the dividends. I take it that owing to the Government subsidy the ordinary share

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capital has, at the worst, a guaranteed dividend of $3\frac{1}{2}$ per cent.?—They might not be able to pay that figure. That is the approved rate of interest on issued capital which can be taken into account for the purpose of calculating the deficiency payment.

3100. The Government is under an obligation to meet the deficiency payment?—Yes, it is.

3101. So that in effect it is a guaranteed $3\frac{1}{2}$ per cent. share capital?—Yes, I think that is shown by its share quotation. It stands at between 20s. and 21s. on the Stock Exchange.

3102. It is really a gilt-edged industrial, because it is backed by the Government?—Yes, I think that is a fair assumption.

3103. Unlike an ordinary gilt-edged stock there is the possibility of it going up to $4\frac{1}{2}$ per cent. or 5 per cent. or 6 per cent.?—You may say that the share quotation is too low.

3104. And all on the basis of a subsidy by the Government out of the National Exchequer. Does not that put it in a very, very privileged position?—It is not reflected in its actual share quotation on the Stock Exchange.

3105. Is the stock held by the ordinary public and bought and sold on the Exchange?—It is held in the main by the companies which were amalgamated to form the Corporation.

3106. That is what I thought.—It may be that that affects the Stock Exchange quotation. There are no active dealings in it, perhaps.

3107. The stock is held mainly by the sugar companies?—That is so.

3108. Therefore they have a very satisfactory and safe investment?—For as long as these arrangements continue. That is the risk in the whole operation.

Mr. Cuthbert.] We must not forget the two sides. One side is that the cost of beets is probably very much higher than they would be paying in the ordinary market if there were not a guaranteed price to the farmer. On the other side, the price at which the sugar may be sold is also governed. Both ends are tied.

Mr. Thurtle.

3109. The position of the Corporation is guaranteed by this guarantee on the part of the Treasury?—Only until 1950.

Chairman.

3110. Can the Treasury at any time review the interest charged which forms part of the deficiency payment?—(Mr. Jones.) Yes, it is not a guaranteed $3\frac{1}{2}$ per cent. The terms of the statute are "such rates of interest as the Treasury consider reasonable." I think that is the expres-

sion. The Treasury has to determine what is the reasonable rate of interest for each year of the Corporation's accounts.

Mr. McAdam.

3111. So the Treasury has some control?—In determining what the rate of interest is.

Chairman.

3112. To follow that up, supposing you fixed a rate of interest which appeared to the Corporation not to be reasonable, what would happen then? Would there be an arbitration?—I think the Treasury has the last word on the subject.

Mr. McAdam.

3113. In other words, the Treasury could, as a matter of fact, reduce its subsidy to the Corporation if the Corporation did not follow the lines of Treasury policy?—The Treasury would have to be satisfied that it was a reasonable rate of interest, and in determining that rate I do not think the Treasury would look at the general trading results of the Corporation, but merely at what would be a reasonable return on the share capital of this Corporation. In this year, for example, we did reduce the rate from $3\frac{1}{2}$ per cent. to $3\frac{1}{4}$ per cent., having regard to the general fall in the returns on gilt-edged securities; but that was the consideration that persuaded us to reduce the rate, not, I think, any regard to the general trading results of the Company as a whole.

Chairman.

3114. You assess what you think would be a reasonable rate of interest on this class of investment, you fix the rate at $3\frac{1}{4}$ per cent. and the Company then continue paying $4\frac{1}{2}$ per cent. It is rather difficult to reconcile those two factors, is it not? The reduction of the notional rate from $3\frac{1}{2}$ per cent. to $3\frac{1}{4}$ per cent. has had no effect at all?—(Mr. Bailey.) No, for the reasons which have been explained, that in this particular year the Company had record results which enabled it to mop up any reduction due to the reduction of the rate of interest from $3\frac{1}{2}$ per cent. to $3\frac{1}{4}$ per cent.

Major Bruce.

3115. It is usual, is it not, when there is some profit to be assessed which should be allowed to a Corporation in these circumstances to have regard to the capital employed in the business rather than to the fixed share capital? Could you explain why it has been decided to base the amount of dividend on the share capital itself rather than to fix a rate of profit on the capital employed in the business?—(Mr. Jones.) That is determined by the terms of the statute governing it. (Mr. Bailey.) And, in fact, I think they are almost the same, inasmuch as the share

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capital represented assets transferred to the Corporation on its formation.

3116. They are not, of course, always the same, by any means?—They were settled by an independent tribunal: that is the point.

Mr. Thurtle.

3117. May I put one further question? I take it, Mr. Jones, it never occurred to the Treasury that, in addition to saying they thought 3½ per cent. was a reasonable return, they might put a ceiling beyond which the dividend should not go?—(Mr. Jones.) I think we have no power by statute to do that.

3118. You have not the power?—We have no statutory powers to do that.

Chairman.] Are there any further questions on the Accounts of the British Sugar Corporation for the year ended 31st March, 1947.

Major Bruce.] On a point of Order, may we take it that the actual stocks of sugar quoted in these Accounts are to be regarded as confidential? Is that so?

Chairman.] The first two pages of the British Sugar Corporation Accounts are not confidential, and those which are marked "Confidential" are confidential.

Major Bruce.

3119. There has been a reluctance, as one knows, to disclose stocks. I wondered whether that consideration applied to any of the stock figures shown on these Accounts?—(Sir Percivale Liesching.) If the information is on Sheet "A (a)" it is confidential, is it not?

Chairman.] Yes. It is marked "Confidential," and I think it must be treated as such.

Major Bruce.] I see some stock figures disclosed on the first sheet, under "Current Assets."

Chairman.

3120. The first two accounts have been published and you can make any use of them you please. Will Members turn now to paragraphs 35 and 36 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts (Class X)? Paragraph 35 is purely narrative on the trading accounts. Paragraph 36 deals with groundnuts in East and Central Africa. The Comptroller and Auditor General tells us that the United Africa Company, Ltd., which I understand to be a subsidiary or near relative of Unilevers, undertook the management on a basis of cost without remuneration. Can you explain this generous gesture?—(Sir Percivale Liesching.) Yes, I think so. I think Unilevers and the United Africa Company who, as you know, prepared the first survey on which this

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scheme was launched before it was reviewed and adopted by the Government, are intensely keen on raising the production of oil seeds; they have, of course, an indirect interest in any increase in the amount of oil seeds available. As a general proposition they must be interested.

3121. Why?—Because it is the raw material of their industry.

3122. The main raw material or the only raw material?—The ground nut is one of the oil seeds which counts high in that sphere. It is not the only one.

3123. What does the ground nut turn into, eventually?—It turns into an edible oil and finally into margarine.

3124. Does it make soap as well?—I think it can be used for soap as well, but I think cruder oils are used for soap usually.

3125. The Overseas Food Corporation was set up under the Overseas Resources Development Act, 1948, was it not?—Yes.

3126. There comes a moment when that Corporation takes over from the United Africa Company. Has the Corporation taken over yet?—Yes, it has now taken over. The vesting date was the 1st March this year and the operating date in the field was the 1st April.

3127. We are told in the third subparagraph of paragraph 36: "A total of more than £7 million has now" (at the date of this report) "been advanced to the Company" (that is, the Company who acted as managing agents). "The Ministry's aggregate expenditure on the scheme will . . . be refunded by the Overseas Food Corporation at a date to be agreed." That is to say everything that the Company has expended of this Vote money will be repaid to it by the Overseas Food Corporation?—Everything that the Ministry has paid out for operations conducted by the managing agents will be refunded by the Corporation as it takes control. That has, in fact, been done.

3128. Refunded by the Corporation?—? —Refunded by the Corporation to the Ministry.

3129. In the last subparagraph the Comptroller and Auditor General states: "A preliminary report by the Ministry's internal auditors" (those are your auditors, Sir Percivale) "who arrived in East Africa in 1947 states that there was satisfactory accounting for cash expenditure but that lack of an adequate supplies and stores organisation and difficulties caused through lack of adequate documentation of goods sent to East Africa made it virtually impossible to maintain accurate stores records, and that there had undoubtedly been grave losses of stores." This is the report of the Ministry's auditors

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[Continued.]

upon the work done by this Company who acted as managing agents?—Yes.

3130. Would you like to amplify that statement of the Comptroller and Auditor General, and tell the Committee a little more about these troubles?—Yes. The managing agents began to get out to the field in East Africa in January and the ensuing months of 1947. They of course had an immense amount of heavy capital equipment to acquire if they were to conduct the clearing operations which had been set them by Government policy, and they had to get a great deal of this equipment from surplus military stores both from the Middle East and also some from the Pacific Islands, of American origin. It was a question of the stores control on the ground in East Africa when these large masses of equipment began to arrive. They had to be acquired very quickly before they were snapped up by other people, and I think it would be fair to say that they began to overwhelm the number of men on the ground from the point of view of stores control. A great number of cases and items coming out of these dumps in the Middle East and elsewhere arrived without documentation. It was the tail end of a war operation. The stuff was coming through without normal commercial practices being applied in full, and the managing agents, in spite of their best endeavours, were overwhelmed by the speed and suddenness with which these items of equipment descended on the rather inadequate port facilities available in East Africa, and many of the cases were broken. They are all lighterage ports at which these goods arrived, and cases got broken, and so forth, and the situation disclosed when our auditors got out there made it clear that it would be some time, at any rate, before the stores control and records could be reconciled to establish whether losses had occurred and, if so, on what scale. They express the opinion that losses will be revealed, but that has not yet, unfortunately, been possible to determine. That is the short story. Perhaps I may add this: the Ministry's auditors, although it was not, so to speak, part of their task as auditors, lent their very best assistance to the managing agents in overtaking and rectifying the systems which were in force, and they have done a great deal in that direction.

3131. You understand that serious losses of stores have occurred?—That is the report from our auditors. The situation is this. We had monthly reports from the managing agents, and until August they did not disclose anything which caused us anxiety under that head, but by that time it began to become clear from certain passages in the reports that we ought to have a quick look at this. We immediately assembled a team of men and sent them out to try to establish the facts. It had be-

come clear by this time that if we halted the operation which, of course, was timed to get the seed into the ground in the autumn, for the period necessary to have a physical count and reduce all the records to order, not only would the operations not start, but the current accounting would fall into arrear as well. In fact there were not enough men to cope with the speed with which the operation of the arrival of the equipment was carried out.

3132. Does it look as if stores and machinery have been stolen or deteriorated or vanished? What has happened to the stock?—I do not think there is much risk of losing a tank.

3133. I should not have thought so?—There are a lot of those, and there is agricultural equipment. But when you get down to the screwdrivers and spanners, it may well be that during this period, when the control of the issue of stores and documentation against accounting systems had fallen into arrears for the reasons I have described, losses will be disclosed; but we are not yet able to tell you on what scale.

3134. A day will come when you can put a figure on the losses of stores, or the Corporation will be able to do so?—I think so. It is very difficult to say, when once you have had a period that has gone wrong like this, how you get your starting stocks or opening entries in the Corporation's accounts, for example, but every endeavour is being made to overtake these arrears, to check up and follow up the items, and the results will be reported as soon as that is done.

Chairman.] Are there any questions on paragraph 36?

Mr. Cuthbert.

3135. We have been told that the managing agents have now been paid off. They are out of it altogether?—They have not been paid, except their costs. They never were paid.

3136. They are to be paid by the Overseas Food Corporation, I take it?—No. Perhaps I have not made it sufficiently clear. The managing agents gave their services, up to the time the Corporation took over, without fee. They were simply given money from Treasury advances in order to cover costs against accounts. Those they have had. When the Corporation took over, the Corporation, from the funds provided by Parliament, repaid the Ministry the costs which were incurred during the period of the managing agents' tenure. These had been advanced to them from the Ministry. They have been repaid.

3137. Where is the Corporation going to get its money from? Is it going to be a public issue, or is it Government money?—It is under the Overseas Resources Development Act. Advances are authorised within limits.

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[Continued.]

3138. By the Ministry, I take it?—(Mr. Jones.) From the Consolidated Fund.

3139. From public funds, in other words?—(Sir Percivale Liesching.) Yes.

Major Bruce.

3140. The earlier stages of this operation were left entirely to the managing agents, were they?—The managing agents were appointed as the agents to conduct the operation for the Ministry.

3141. They had the detailed execution of the job to do?—Yes.

3142. All your Department did was to lay down the general policy within which they, in fact, worked?—Yes.

3143. Did the managing agents know how many men would be required to carry out this operation?—It was up to them to judge it. They themselves had prepared the scheme. They were in close touch with us, of course, the whole time, before it was adopted by the Government. It was pointed out by the Minister and in the White Paper laid before Parliament that an operation of this kind and on this scale had never been attempted before, and the United Africa Company Ltd. was the company which had the nearest approach to an experience on this scale. That is really all I can say in answer to that. I think their means for judging it were as good as anybody else's could have been.

3144. This company had prepared a survey. It was delegated this task by the Government. It presumably formed some assessment of the amount of labour that would be required for the operation. Presumably, also, it would know the approximate composition in trades of the labour force required and presumably, again, it had some idea of the approximate dates of the arrival of the plant and machinery and other stores which were necessary to carry out the operation?—The last, probably, was more approximate than the rest, because the date at which you could acquire this kind of material was very chancy at that time. We are looking back a little way. Things were in a rather disordered state at the close of the war.

3145. Reflecting on it now, and in the light of the information given to us this afternoon, it does appear, without ascribing any blame to anybody, that the loss of stores is likely to be due, quite understandably, to errors in the survey originally, and to incorrect phasing of the arrival of the machines and stores with the labour force available to deal with it?—Yes, I think when you use the expression "labour force," we have to distinguish between the force operating in the field and the people who, in the ports of entry and at the intermediate depots, had to be accommodated. It is a very difficult matter. The stores had to be accommodated and the people had to be accommodated, and you could not get

a bed in Dar-es-Salaam for a man at one time. The quays were very congested, and the creation of stores dumps and the encircling of them with wire and all the precautionary measures were very difficult, I think. The difficulties were probably under-estimated.

3146. The managing agents had not envisaged accommodation difficulties?—Probably not. It probably had not dawned on them what it really meant until it came to the point.

3147. These losses occurred at a time when the managing agents were in full control?—Yes, under the Ministry. As managing agents for the Ministry.

Mr. Thurtle.

3148. I wanted to draw attention to the point you made. Although this offer of the United Africa Company Ltd. to undertake this agency without payment appears on the surface a very public-spirited and altruistic one, yet it is quite clear, I take it, that they are very much interested in getting a large and stable and constant supply of their essential raw material. They have a strong material motive for wanting to make the scheme a success?—I think I have already said that, but I think I also said there was not a direct interest. It is not as though the proceeds or the output of this scheme are being directed towards this given company at all.

Mr. Thurtle.] It would mean much to them in the future if they were going to be certain of a constant supply of the essential raw material of their industry.

Chairman.

3149. As I understand it, this will be an addition to the world's supply. There is no contractual arrangement as to whom it shall be sold to at present?—No, none at all.

Mr. Thurtle.

3150. I think it has been largely from Africa that Lever Brothers have drawn a lot of their raw materials, so they would naturally assume that this would be an additional source of raw material?—It is an addition to the world's supply, as the Chairman has just said. I do not think I could agree that there was a direct or limited self-interest in this offer from the Company. As the question was put to me, in addition to the national interest there is obviously an interest to a firm which deals with oils having an additional supply of oil seeds wherever and however it is obtained.

3151. One does not need to quarrel about words. Between a direct and an obviously indirect interest there is surely not much difference?—I think my reply covered the point.

3152. One further question. In view of this loss of machinery and stores, which is

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a very considerable figure, does the Ministry feel that the managing agents have been quite satisfactory in regard to the discharge of their responsibilities, or does it feel that having undertaken the responsibility they have shown a certain degree of incompetence?—I think the view of the Ministry is that mistakes have been made. Mistakes were inevitable and I have already said that I think the difficulties were under-estimated.

Sir John Mellor.

3153. As the point has been raised whether the United Africa Company Ltd. had an interest in this production, would it not, if anything, rather cut the other way? They are themselves large producers of the same commodities and, if anything, would not the commodities produced under this scheme enter into competition with their own production in the world market?—There is that aspect. I suppose the direct interest of a trading company is in what it buys and at what price, and in what it sells and at what price it sells. How far there is an interest in an additional supply depends upon what price they are able to buy at and at what price they eventually sell the products. I

do not know whether that is calculable at the moment in a scheme of this magnitude.

Chairman.

3154. Are there any further questions on paragraph 36? The Account is at pages 17-24. Subhead A shows that the expenditure of the Ministry of Food on salaries is just under £12 million. Does that amount include the salaries of all except the industrial staff of the Ministry?—There are area staff and others; you are quite right. Up to the 31st March, 1947, 2,720 area staff of commodity divisions, costing £920,000 a year, were charged to trading services net.

3155. What was the figure?—Two thousand seven hundred and twenty staff.

3156. But they are civil servants?—Yes; they are temporary civil servants.

3157. Their numbers appear in the published returns of civil servants, presumably?—Yes.

3158. Although their salaries are not included in Subhead A?—Yes, they are employed by the State. They are not independent.

Chairman.] Are there any questions on the Account? May I take it that the Account is approved? (Agreed.)

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47. MINISTRY OF FOOD.

Chairman.

3159. Will Members turn now to the Trading Accounts and Balance Sheets, to paragraph 9 of the report of the Comptroller and Auditor General. This paragraph is just explanatory of your Trading Accounts, Sir Percivale? This is the first year in which trading accounts have been published?—(Sir Percivale Liesching.) Yes.

3160. At the end of the paragraph we are told that certain transactions included in the accounts for tea, oils, fats and cereals "are subject to any adjustments which may be necessary when certified accounts are received by the Ministry." Have the accounts been received yet? I suppose they have not, since this report was signed only on 11th May?—No, they have not yet. There has been a delay in the case of tea owing to difficulties in getting the outside firm of chartered accountants to work the reconciliation of the accounts with the accounts of the Tea Commissioner. I think the final accounts have been promised in October of this year. A representative of the Tea Division has recently visited Ceylon and has endeavoured to speed up this matter. There has been a pre-audit. We have no reason to anticipate that there will be any trouble about the final amounts on this Account.

3161. How about the 1945-46 whaling expedition? Could not those accounts

have been finalised by 1948?—There has been a prolonged delay in receipt from the firm of accountants accounting for the three whaling companies of the final certified statements of operating costs. It was on a cost-plus basis in this year. We have received statements from two companies and the Audit Division will shortly commence the audit of those two. In the case of the third one we are pressing strongly for the accounts.

3162. What about the operations of Re-commissioned Mills Ltd., whatever they may be? That is some company you formed, is it?—Yes. That was a company to keep certain mills in action. The main reason for this long delay is that these recommissioned mills in various parts of the country were operated by millers. The accounting was done in each of the latter's offices. As Re-commissioned Mills Ltd. (the company) which gathers these units together is now operating silos only for us, milling operations having been closed down, that has created a difficulty in getting the various accounts completed and made ready for audit. The latest information is that the professional audit is nearly complete for the period to March, 1947.

Chairman.] Are there any questions on paragraph 9 of the report of the Comptroller and Auditor General?

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TREASURY MINUTE ON PARAGRAPHS 90 TO 94 OF THE THIRD REPORT OF
THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.

MINISTRY OF FOOD (*continued*).

Chairman.

3163. We pass to paragraph 10 of the report of the Comptroller and Auditor General on the Trading Accounts and Balance Sheets, 1946-47, which is dealing with food subsidies and in conjunction with this we will take the Treasury Minute on paragraphs 90 to 94 of the Third Report of the Committee of Public Accounts, 1946-47. In paragraph 92 of our report of last year we suggested that certain of these food subsidies were really in the nature of social services; that is to say, the National Milk Scheme and the Milk In Schools Scheme, and we said we considered it desirable "that the Accounts should show the actual expenditure on these and any other similar schemes." The Treasury, in their Minute on this paragraph, state: "Arrangements have been made to ensure that the subsidies on the National Milk Scheme and the Milk In Schools Scheme will be shown separately in the Trading Accounts which are to be presented to Parliament." That is, in fact, done, is it?—(Sir Percivale Liesching.) They are on page 44.

3164. In paragraph 10 of his report on the Trading Accounts and Balance Sheets, 1946-47, the Comptroller and Auditor General simply sets out for comparison the amounts of the food subsidies for 1945-46 and for 1946-47, and I take it that that figure for 1946-47 compares with the figure given by the Chancellor in his Budget Speech, of £392 million (I think) for the current year?—That is so. It is £325 million. You were taking the bottom total, were you not?

3165. Yes. Has any Member of the Committee any questions on the Treasury Minute on paragraphs 90 to 94 of our Third Report of last year or on paragraph 10 of the report of the Comptroller and Auditor General on the Trading Accounts and Balance Sheets, 1946-47? We will pass to paragraph 11: "Bulk Payments to Argentina and Uruguay." There was a four-years' contract made with the Argentine for their exportable surplus of meat for four years from 1944, with a provision for a review of prices after two years. Did the original contract contain a fixed price for meat?—I think it contained a schedule of prices relating to different varieties and grades of meat, yes.

3166. The point I am on is whether they were fixed prices or minimum prices?—They were fixed prices subject to review after two years.

3167. That contract was extended to 1950 by agreements made in the autumn of 1946 which provided for higher prices from 1946

and for payment by the Ministry of lump sums of £5 million and £2 million in addition to the commodity prices. What was the purpose of these two additional lump sum payments of £5 million and £2 million if we were reviewing the prices and reaching what was considered to be a fair price for meat supplies under the contract?—The negotiations on meat which are referred to here took place as part of a major negotiation with Argentina which covered a wide front of subjects. It covered the sterling balances position, the Argentine Railways, meat and the extension of the commercial treaty of 1936 which had then expired, and there was doubt as to what was to take its place. I think there were several reasons for making these payments. First of all, they were to get the meat we needed in our difficult circumstances, bearing in mind that we were buying on a seller's market and that the prices we agreed to pay would have their effect elsewhere. We also wanted to get the railways agreement and the trade agreement through and they were all being negotiated simultaneously. It was for that reason, as I understand the position, that these lump sums were brought into the picture. They in part, in my view, relate to meat, but in part they were made to secure results on the other important fronts which were under consideration.

3168. They certainly seem to bear a Black Market aspect?—We were dealing with conditional sales from the other party.

3169. We are told that in March, 1947, you decided not to seek recovery of any part of the sums of £5 million and £2 million from the countries which had received assignments under the agreement. Under this agreement you were buying not only for the United Kingdom but for certain other countries. Is that right?—Yes, we were buying amounts which took care of the needs of France, Holland and Belgium, the prices to be subject to the price we paid. The actual arrangements for payment were agreed directly between the paying ally and the Argentine Government, but the price was subject to the price we paid.

3170. These countries got their meat without having to participate in these additional payments?—Yes.

3171. These under-the-counter payments?—They did so get it.

3172. When the Comptroller and Auditor General asked the Ministry about this he was informed that: "The lump sums were not specifically linked to the price of meat

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[Continued.]

at any particular period and there was no provision in any agreement that the countries paying directly for their meat should pay the Ministry a contribution towards the lump sums. They added that they did not consider that the £7 million constituted, in respect of any specific period, a calculable addition to the prices payable by those countries under the agreement." Then there is a smaller amount of a similar character paid to Uruguay. Is that right?—Yes, £700,000.

3173. The Comptroller and Auditor General ends up by saying: "The information available to me does not indicate what benefits from the lump sum payments accrued to the United Kingdom but not to the other countries." I gather your answer to that is that this was part of a settlement with the Argentine on a much wider front than merely food?—Yes. That is one of the main reasons which influenced us in not charging on this price. It was a very prolonged and very difficult negotiation, as you know, and, I may add, a very confused one at times.

3174. Did you go to the Argentine yourself?—I was there shortly before what was known as the Eady Mission arrived. I overlapped with them two days, in fact. I had been there in the preceding weeks and had had some experience of negotiation with the Argentine Government. Perhaps I may say what was the nature of the experience I had on this point of the interlocking of the various agreements. I was there to try to secure for the Board of Trade, of which I was then a member, an extension of the commercial treaty. Señor Miranda declined to discuss it in any serious spirit at all until the Mission had arrived to deal with the railways and the sterling balances; and as soon as the railways and sterling balances experts arrived he said he would not deal with them until the meat experts arrived. That made the four-pronged thing complete, and it was so dealt with in negotiation, as the contemporary records of the negotiations provided to me show. These lump sum payments were not related solely to meat. Our original idea was to pay only £3½ million. We raised it to £5 million—that is the first part of the Argentine payment. To quote from our reports: "In consideration of concessions made by Señor Miranda on sterling balances and railways" are the words used in the telegram as justifying this increase in payment. When this agreement was debated in the House again the same point was made by the Financial Secretary to the Treasury, when he described the £2 million addition to the £5 million as being "part of a larger bargain," and he made it clear that there had been some very hard and prolonged negotiations before it had been conceded.

3175. But these sums became payable under the meat agreement?—Yes. They

are minuted as part of the meat agreement. Queer words are used to describe what the purpose is. This represented an attempt, so far as we were concerned, not to make it a retrospective payment covering past shipments of meat, nor anchor it to a prospective agreement which would endure.

3176. Why did you not think it wise to ask the other countries who were going to get a proportion to pay their quota of these lump sums?—I think there were two main considerations. The first is that we were, in my view, getting benefits which were not accruing to the other countries by making these payments. We were, in fact, on the general front, getting a satisfactory sterling balance arrangement, getting the railway deal through and getting the trade agreement extended, all of which we did, and we were obtaining benefits which they did not obtain; and even on the actual question of meat, if you come to meat, we were getting a benefit on the £2 million extra payment, because as part of that arrangement we got an important concession which favoured our purchases of all the by-products, hides, tallow, fats and other things, and made our money go further in terms of supply. Therefore, we were getting an advantage for this £2 million which the others did not get.

Chairman.] Are there any questions on paragraph 11?

Mr. Cuthbert.

3177. I suppose when they made the concession you mentioned in your last answer they did not raise the price of the commodities we were buying at the same time in order to make up the difference?—No, not simultaneously. The thing was an advantageous deal from our point of view.

Sir John Mellor.

3178. With regard to the question of passing on a proportion of the £7 million, your reason for not passing on any of it was that you could not sufficiently closely associate those two sums of £2 million and £5 million with the meat contracts. But although it was not very clearly defined what those payments were for, could you not have made a rough apportionment which you considered fair and required the other countries who benefited to make not perhaps an increased payment which would represent their share of the total £7 million, but an increased payment which would represent what you regarded as a fair apportionment of the £7 million in so far as the meat contracts were concerned? Could you not have reasonably asked them to pay something towards the benefit which was common to ourselves and to them?—I think it would have had to be, as the question suggests, an arbitrary figure. I do not think it is calculable. The payment was not related to any given quantity

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[Continued.]

or to any given period and it does make it a little difficult, of course, technically, to fix it. I do not say that it would have been impossible. There are also the other reasons to which I referred earlier relating to our position as a buyer in other markets.

3179. I was not suggesting that it might be precisely calculated. It would be an arbitrary assessment?—Yes.

3180. I should have thought you could have said quite reasonably to those other countries: "We have had to pay £7 million for certain purposes which include meat. Now what about assessing it in a certain ratio and, if so, your share will be so much. Do you agree to contributing that amount?" Was not any proposal of that character put forward?—We should, of course, have had to open up the whole of our discussions with the Argentine Government to these other countries. It would not have been impossible, as I say, technically to have fixed some arbitrary sum and see whether we could get them to agree to it. There is this difference between the view taken in 1946 and the view that might be taken now, that the difficulties of the European countries were much nearer then. They had not been very long out of enemy occupation. They were deserving of help. They were receiving sympathetic assistance from us. It was in tone with our policy to take a lenient view of these matters then. When things got tighter for us as they did during last year and as they still are, then one might examine the matter with a different weighting and reach a different conclusion.

3181. If they are going to get assistance, is it not better that they should get assistance in a direct and obvious form rather than get something at a price less than it has cost us?—There is an interesting comment to make on that. As a result of our helping the paying allies from 1946 onwards, as I said, we secured their co-operation in a way which was of real assistance to us in our purchasing operations.

3182. This was all in the common European interest, was it not? They benefited by that policy as much as we did?—Not

as much as we did, because our percentage of meat is about 86 per cent., compared to a very small proportion in their case.

3183. I meant proportionately to their needs?—It is not nearly so important to them as it is to us on a need ground, surely? Their imports are far lower than ours.

3184. At any rate, my point is, shortly, that you could have asked for some contribution from them, and if you had been disposed to ask them can you give any sort of assessment of what would have been a reasonable contribution?—Perhaps £1 million, as an outside figure.

Major Bruce.

3185. One further question. In general terms, you took the view, did you not, that the more competitors there were in the market for meat, the worse the price would go against us?—Yes.

3186. That is the general view you took?—Yes.

3187. Is it still your view that those conditions still obtain, that the more competitors there are competing against one another for meat in the Argentine market, the worse the price of meat would be against us?—Yes.

3188. Therefore you say there was a certain advantage in carrying on the negotiations in the way you have done hitherto?—Yes.

Chairman.

3189. I think we had better break off at this point because we have a number of fascinating topics still to deal with, oils and fats, cold storage, payments to flour millers—the whole of your Trading Accounts which have come before us for the first time. I think we had better break off here today and ask you to come back on what I hope will be a convenient day to you some time towards the end of June. I do not know whether you could tell us now whether Tuesday, 22nd June, would be convenient to you?—Yes, perfectly.

(The witnesses withdrew.)

Adjourned till Thursday next, at 2.30 p.m.

3 June, 1948.]

Sir DONALD FERGUSSON, G.C.B.

[Continued.]

THURSDAY, 3RD JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.

Mr. Horace Holmes.
Mr. McAdam.
Sir Frank Sanderson.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., and Mr. C. E. I. JONES, called in and examined.

TREASURY MINUTE ON PARAGRAPHS 65 TO 69 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Sir DONALD FERGUSSON, G.C.B., Permanent Secretary, Ministry of Fuel and Power, called in and examined.

Chairman.

3190. Sir Donald, you have in front of you our Third Report of last year, with the Treasury Minute relating to it?—(Sir Donald Fergusson.) Yes.

3191. We made the suggestion in paragraph 69 that the question of the use of the fuel pipe-lines should be reconsidered by the Ministry of Fuel and Power and the Ministry of Transport. The Treasury in their Minute refer to a letter from your Ministry of December 31st, 1947 "Containing the recommendations of your Ministry on the question of the peacetime use of the petroleum pipelines in the United Kingdom, which has been re-examined in accordance with the suggestion made by the Committee of Public Accounts, Session 1946-47, in paragraphs 65 to 69 of their Third Report. My Lords note that the Committee's suggestion has been fully considered by your Ministry and the Ministry of Transport, in consultation with the Railway Executive Committee and the Petroleum Board, and that the conclusion reached for the reasons stated in your letter is that the peacetime use of the pipelines (other than the section from Avonmouth to Stourport) is impracticable." Could you tell the Committee shortly what were the reasons stated in your letter upon which this conclusion was founded?—Yes. We went into the suggestion again very carefully, and the reasons which led to the conclusion in the letter can be summarised as follows. First, the lines were designed for war purposes and, in the main, to carry petrol from west to east in very large quantities to districts where now it is no longer required in large supply. The second reason is that for technical reasons the pipelines cannot be used for heavy oils, and these heavy oils comprise a large proportion of the oils which are carried by rail in this country and the pipelines cannot be used for those oils. In any event the present consumption of these heavy oils of course is in industrial areas which are not served by the pipelines, so most of the heavy oils going to the industrial areas have to be carried by railway

and cannot be carried by pipeline. Three-quarters of the present consumption of petrol in the area of the pipeline is moved by water and not rail. The present road tank fleet would not be sufficient for the increased haulage which would be required if delivery of petrol were centred at the existing pipeline off-take points which are not convenient for distribution. It might possibly be the case that the Stanlow-Sandy section of the pipeline could be brought into use, but it would need 10,000 tons of oil to fill it, and we could not segregate such a large quantity of oil in present circumstances in that pipeline for the very small throughput that would be involved, which would be only about 2,000 tons a week. We have the further fact that most of the skilled personnel who looked after the pipelines have been dispersed. Some have gone overseas, back to the oil companies for which they are working, and it would not be possible to reassemble the skilled personnel for a short-term use of the pipelines.

3192. At any rate, we may take it that the matter has been fully examined and you have come to the conclusion that peacetime use of the pipelines is impracticable?—Yes, I am afraid we have.

3193. Would you look at paragraph 68 of our Report of last year? You will see we stated there, in the last sentence: "The Ministry estimate that the cost of delivery of motor-spirit under present arrangements is ½d. a ton-mile, and the full cost by the pipe-lines would be 1d., including interest on capital, depreciation, major replacements, and overhead expenses." That was an estimate. Can you tell me if that estimate has been checked and, if so, whether it is accurate?—We did have it checked by the Petroleum Board and, as far as we can judge, their estimate was accurate.

3194. Do you think that the ½d. a ton-mile estimate for the cost of carrying spirit under present arrangements includes such things as capital depreciation and over-

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[Continued.]

head expenses?—If it is a fair charge it ought to do so, and I think that is so.

3195. Do you think that the $\frac{1}{4}$ d. a ton-mile is based upon road transport or on railway transport, or a mixture of both?—We were dealing with the rail transport, and I am afraid I cannot say whether it does cover also the road transport element.

3196. It is primarily based upon rail transport?—Yes.

3197. A $\frac{1}{4}$ d. a ton-mile with a 10-ton truck would be $2\frac{1}{2}$ d. a mile. Can you say from your knowledge of the transport costs of carrying solid fuel like coal how $2\frac{1}{2}$ d. a mile would compare with the freight charge?—I would not like to make a comparison. Of course, as you know, on the question of rail tank cars for oil special precautions are needed. I am afraid I could not give an opinion about it.

3198. Whether those figures are accurate or not you have come to the conclusion that, whatever the comparative cost, you could not use the pipeline?—That is so.

Chairman.] And that is an end of the matter. Has any Member of the Committee any questions on the Treasury Minute on paragraphs 65-69 of the Third Report of the Committee of Public Accounts, 1946-47?

Sir Frank Sanderson.

3199. I want to ask one question which perhaps may not be quite relevant. I understand the reason why it is not possible to use the pipeline is because the bore of the pipeline is such that it takes 10,000 tons of oil to fill it?—That is one particular stretch of pipeline.

3200. The point I want to ask about is this. If that is so, would it be economical to put through the present pipeline a smaller pipe, one which could carry the amount of oil which it is anticipated will be required to be carried? There is no difficulty in putting a smaller pipe through a larger one. It is a thing which we ourselves do in connection with oil wells. It is quite a common thing to do that. I should have thought it was at least a matter for consideration?—Steel pipe is very scarce at the present time. I think we should find it very difficult to get an allocation of steel pipe for a purpose like that at the present time.

3201. I take it we are not considering just the present time. You seem rather to suggest that this pipe will not be put into use, but will have to bear overhead costs, interest and depreciation, and so on, and there is no profit side to it at all. I think it is generally appreciated that if a pipe remains unused it will deteriorate to a considerably greater extent than if it was used. That is so, is it not?—Yes. At the present time two things are being considered. On the one hand, the Defence

Departments may be concerned to take special steps to keep the pipe from deteriorating. Alternatively there may be sections of the pipeline in various parts of the country where it would be desirable, if it is not going to be used, for it to be taken up and used elsewhere for other purposes altogether at home or abroad or, alternatively, presumably used for scrap.

3202. Would you say that what I have suggested is impracticable or would you regard it as, at any rate, worth while giving a little consideration to it, without any undue time or expense being incurred?—We could certainly consider, of course, whether it would be possible but, on my knowledge of getting steel pipe, I should think the answer would be that it was not an economical use of our limited resources of steel pipe at the present time.

Lieut.-Colonel Hamilton.

3203. The comparison which was made was between the cost of the delivery of oil through the pipeline, including interest on capital, depreciation, major replacements and overhead expenses and the cost of delivery under present arrangements. I understand that the pipelines have to be kept up in any case for strategic reasons and, therefore, to make the right comparison should not one exclude those charges which will have to be met in any case for maintaining the pipeline when one is deciding whether or not it is an economic proposition? You are committed to those charges in any case?—We are committed to a certain charge for maintenance at the present time.

3204. Yes, and that would include depreciation and interest on capital, would it not?—Yes. The maintenance costs in 1946-47 were £58,000 and in 1947-48 they were £46,000, in round figures. The pipelines are being maintained at that cost at the wish of the Defence Departments pending consideration as to whether they will require some or all of them to be permanently maintained.

3205. My question was whether it would not be right to exclude those charges so long as the Defence Departments considered that they were necessary in making a comparison with the cost of moving the oil by rail, water and so on?—I agree it is at least arguable that they should be excluded; but I do not think that would affect it. We have examined what could be done and we think it is impracticable to do it.

3206. You think those maintenance charges would be a very small proportion, in other words, of the 1d.?—Yes, I think that is so, but it was not on the ground of cost that this was rejected. It was on the ground that we could not really use the lines.

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[Continued.]

Mr. Benson.

3207. That £46,000 was for actual care and maintenance, and did not include anything for capital charges, I take it?—No; that was just for maintenance.

3208. How long is it going to be before the Service Departments make up their minds?—I do not know. I think the position is that we proposed to dig up and use for other purposes some of the pipelines, but the Service Departments are now anxious to consider the matter from the general defence point of view again.

3209. To use a good old phrase, are you "pressing for a decision"?—Yes. It largely depends on the condition the pipelines are now in, and we are now making test investigations on various sections of the pipeline. I think it will take us three months before we shall be in a position to judge which ones would be still usable.

3210. Deterioration has already taken place?—Yes, in some places, according to the soil and certain circumstances.

3211. That has been either when they have been in use or under care and maintenance?—Yes.

3212. So that the idea that you can keep them under care and maintenance for, say, 10 years is a bit doubtful?—Certainly some of the sections of the line would have corroded or rotted away.

3213. Exactly. They have already started to do that in two and a half years?—Yes; in certain places it is believed that they have.

3214. That is with care and maintenance. So that the idea of maintaining these for a future war is rather problematical surely?—I think the question of the length of time these pipelines would last is very doubtful and varies very much.

Mr. McAdam.

3215. When they were in full operation was it not the practice to convey the oil by rail or by road from the off-take points of the pipelines to the distributing centres?—Yes, it was the practice, I think, probably mainly by road but the off-takes of the lines are mainly, of course, at points in the eastern counties, from which it would be a long haul to get the oil back to the places where it would be wanted.

3216. One of the main reasons for the pipelines during the war years was to relieve congestion on rail and road by the conveyance of the oil?—That is so; the congestion on rail or road, because of the particular districts to which you were wanting to get the oil, to where the airfields were. It was mainly used at the airfields.

3217. To take an example, one of the off-take points during the war years was Ardrossan, from where most of the oil was

directed by rail. Some of it could have been coming to the south of England from Ardrossan in special petrol trains?—Today most of the oil comes by water round the coast.

3218. It comes by water to the ports?—On the east coast now, as well as the west coast. It could not come to the east coast ports during the war. It was to enable the oil to be brought from the west coast ports to the east that the pipelines were devised as much I think because of the impossibility of getting the oil round by water as to relieve road congestion. Indeed, road and rail could not have carried it.

3219. Are there enough tankers at the present time to convey all the oil required to be carried by rail and by road?—Yes, there are enough tankers at the present moment, and it makes very little difference to which ports the tankers coming to this country go.

3220. There is a special type of tanker adopted by the Ministry of Transport for the conveyance of oil both by rail and by road. My question was directed to see if there are sufficient of those tankers at the present time to convey the whole of the oil that is brought into the country by either rail or by road?—I think I am right in saying that there are enough tankers.

3221. So that so far as the pipelines are concerned there is not much value in keeping them?—No.

Mr. Cuthbert.

3222. I am quite sure that the Ministry must have in mind the future possibility of, we hope, greatly increased supplies of oil to this country from the Middle East, and so on, and I presume that, before they took those lines up and dispensed with them altogether, they would keep in close touch with the larger oil companies in Great Britain on the question of feeding their bigger and new refineries which they expect to have in two or three years' time. I assume that thought must be always in the mind of the Ministry?—Yes, but I think any increased quantities of oil coming to this country would normally in peacetime come by sea to the main points. The oil would not have to be landed at our western ports and shifted through the pipelines to the eastern part of the country, which is what these were designed for.

3223. So long as you keep in touch with the oil companies to make quite sure that is correct?—Yes.

Chairman.] Are there any further questions on the Treasury Minute on paragraphs 65-69 of the Committee's Third Report of last year? We will take the Treasury Minute on paragraphs 70-75, which relate to the Coal Charges Account, later, with that Account itself.

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 6.

MINISTRY OF FUEL AND POWER.

Chairman.

3224. Will Members turn now to the Civil Appropriation Accounts, 1946-47, to paragraphs 78-81 of the report of the Comptroller and Auditor General? Paragraph 78 is, I think, largely narrative and we need not trouble with it. Paragraph 79 deals with the expenses in connection with the nationalisation of the coal industry. The expenditure in the year of account amounted to only £19,000, but we are told by the Comptroller and Auditor General: "The total expenditure, which will be spread over three or more years, will, however, amount to some millions of pounds." Do you confirm that statement?—(Sir Donald Fergusson.) Yes.

3225. Have you formed any idea as to how many millions of pounds the transfer will cost ultimately?—I think it is difficult to form any close estimate now, but I should certainly think it would be between £5 million and £10 million.

3226. Those are accounting costs and legal costs?—Mainly legal and accounting costs, and valuations of all kinds, and the work that has got to be done by the Valuation Boards in valuing all these assets, which they have to do as between a willing buyer and a willing seller. It also includes, of course, the staff who have to check and examine the statements of claims put in by all the colliery companies.

3227. Under the Act the Government have taken responsibility for the costs of both sides to this transaction, I assume?—Yes. That is to say, the Government have assumed responsibility for the main part of the costs, including the legal costs which we have not yet agreed, of the Mining Association in appearing before the Greene Tribunal, which awarded the global sum, and for expenses which they have to incur in appearing before the Central Valuation Board. But we have not yet been able to agree with the Mining Association the figure of their costs which should be allowed to them for those particular expenses.

3228. I take it as regards individual claims on this head you will proceed in exactly the same way or in very much the same way as was done when the royalties were nationalised in 1938. Is that so?—Yes; broadly speaking, that is so.

3229. You will tax the costs or examine the accounts of costs sent in by individuals to see that they are reasonable. Is that right?—Yes.

3230. You will presumably disallow fancy fees paid to eminent counsel, and so on, or

at any rate reduce them?—We will do our best.

3231. Paragraph 80 deals with services rendered to the National Coal Board by Government Departments. I take it that the practice now is to charge the Coal Board with the full cost plus a percentage. Is that right?—Yes, for our expenses.

3232. What sort of percentage is the normal addition?—I think it varies considerably from Department to Department.

3233. Let us, for example, take the Ministry of Works?—And, of course, it varies according to the nature of the work to be done. In the one case I have here the Treasury agreed that we should make a modest charge for certain services because of particular circumstances, and a charge of 1 per cent. is proposed.

3234. There is a question which I think arises indirectly out of this paragraph on the Ministry of Works item, and that is the question we had before us when the Ministry of Works were giving evidence as to whether the Coal Board have power to requisition premises for their own use?—I am not aware that they have power to requisition premises.

3235. I am quite sure the answer to that is "No," but going on from that, the question is whether the Coal Board are in fact occupying requisitioned premises?—I am afraid I do not know that. I should not think they were occupying many, but I could not say whether they might not be occupying some requisitioned premises.

3236. Their headquarters are in Hobart House?—Yes.

3237. That was under requisition at one time, was it not?—I am afraid I do not know very much about it. All I know is that before the war the Coal Commission had some offices there. The War Office went there during the war. I do not know whether the premises were requisitioned for the War Office. If so, the Coal Board is probably occupying requisitioned premises there today, but I am afraid I have no definite knowledge.

3238. Paragraph 81 deals with publicity, a matter into which we have gone fairly fully with the Central Office of Information. I should like to know if you can tell the Committee, as regards publicity, what is the line of demarcation between the Coal Board on the one hand and the Government Departments on the other as regards advertising on subjects such as fuel economy, recruitment for the mines and so on? Are there some broad lines of division between

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[Continued.]

what is the Board's responsibility and what is the Government's responsibility?—It has been recognised that the National Coal Board, after an interim period which I think you are aware of, should assume financial responsibility for any service which is mainly one which is a benefit to them. I think it is very difficult to draw a line of demarcation between services which properly fall to the National Coal Board and those for which the Government Departments are responsible as a matter of general production or recruitment policy. In the case, for example, of the Ministry of Labour, for press and poster advertising and films, I understand they are engaged in expenditure for recruitment for various industries, at present including coal.

3239. These posters saying: "Come And Work In The Mines And Be Happy" are issued by the Ministry of Labour, are they?—Yes, by the Ministry of Labour, whose responsibility it is, I think, to obtain recruits for undermanned industries like the coal mining industry.

3240. Presumably as regards questions of fuel economy the expenses of those advertisements are borne not by the Coal Board but by your Ministry?—By my Department. They are allied services.

3241. Is there not a poster of a boy climbing up a ladder saying: "Daddy forgot to switch off the light." Is that one of yours?—I am glad to say that that is no responsibility of my Department. That was issued, I think, by the British Electricity Authority.

3242. They do their own advertising asking people to save fuel, do they—to save electricity, at any rate?—Yes, I think they do some themselves because of the fact that at present, as you know, they are short of generating capacity and they are wanting naturally to encourage economy to prevent an undue strain on their plants.

3243. Would it not follow logically from that that the Coal Board should advise us to save fuel, and not the Minister?—No. I think if you have got a commodity to sell you do not have necessarily a great interest in discouraging people from buying it.

3244. I have not noticed a great superabundance of coal in the country in the last year or two, have you? There is just as much shortage of coal, surely, as there is shortage of electricity?—One is a commodity for sale. The other is a service which is being supplied and at certain times the strain on the grid system is an embarrassment to the Authority. I think there is some distinction.

Chairman.] There must be some distinction, I agree. Are there any questions on those four paragraphs?

Mr. Thurtle.

3245. I want to ask a question about the professional costs. I understand that

an open cheque has been given for these. That is to say, there is an obligation on the part of the Ministry to meet these costs, whatever they may be?—No.

3246. The Comptroller and Auditor General says that the expenditure will amount to some millions of pounds for legal and other costs anyhow. There is that open cheque. In effect, you have undertaken to meet whatever costs may arise?—Reasonable costs.

3247. It was on that point I wanted to ask you a question. You answered the Chairman and said "reasonable" costs. What is the criterion of "reasonable"? I understand very eminent counsel have been employed by the private interests concerned in this matter. Have you a right when reviewing whatever charges may be presented to you to say that the fees of eminent counsel are unreasonable?—Yes, I think we have the right to say that. Beyond a certain point we cannot accept the view that everybody could employ the most expensive counsel, and that the Ministry should foot the bill.

3248. You would not care to say what that certain point is?—No. If I may take, for example, the case of the expenditure before the Greene Tribunal, the cost of Crown counsel came to something like £11,000. That was the Tribunal which settled the £164 million for the main assets. We know that the Mining Association's costs were very much in excess of that. We offered to reimburse the Mining Association to the extent of the costs incurred by the Crown. They thought that that was not reasonable and that they were entitled to a larger contribution to what their costs actually were, and the matter has not yet been settled.

3249. It is still uncertain which of you will prevail as to what is reasonable?—I think the last word rests with us.

Sir Frank Sanderson.

3250. Can you inform the Committee how the members of the Central Valuation Board and of the District Valuations Boards are remunerated? Is it on a percentage basis, or is it done on any other basis?—We pay by fees. The Central Valuation Board is presided over by Lord Reading, and contains a number of other members, some of them legal gentlemen and some accountants, who are remunerated by fees in respect of a period of six months or whatever the period may be for which they will be holding hearings, and additional fees for every further sitting. The same principle is applied in the eight District Valuation Boards which are going to do the actual valuations district by district. The members of those Boards will be remunerated by fees.

3251. I understand that an amount has already been agreed upon as

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the global cost for the whole of the mines. Is the amount which has been fixed a permanent figure or is it subject to amendment either upward or downward as the whole thing develops? In other words, can they alter in any way the block amount for global compensation?—No. The global compensation was fixed by the Greene Tribunal at £164 million. The Central Valuation Board will divide that up amongst the eight districts. In each of the eight districts the actual assets of the undertakings will be valued on a willing buyer willing seller basis and then those will be scaled up or down proportionately to bring them within the district's share of the total cake, the total sum. The global sum is fixed and cannot be exceeded.

3252. Can you form any idea how long it is likely to take before those valuations are completed?—I think the Central Valuation Board will also, besides dealing with the coal industry value (that is to say, the total sum) be having to value certain ancillary assets outside that: certain stores, wagons and things of that kind. I should say it will be three or four years before it is complete, but I think it will have reached a stage before that period when some sum in partial satisfaction of compensation can be paid.

Sir *Frank Sanderson.*] I understand that the dividends or interest payable by the respective companies to the investors cease at the end of this year. Is that so?

Chairman.

3253. That is not quite so. It is not that the dividends payable by the undertakings cease. It is that the interim income payable by the Government to the companies comes to an end. Is that not right?—Yes. The revenue payments are to be made for two years, which are half the profits (I am speaking very broadly) of the companies in the years before nationalisation. For two years revenue payments are to be made to the colliery companies to that extent.

Chairman.] Sir Frank, there is an Account more relevant to this point which we are taking later in our proceedings.

Sir *Frank Sanderson.*

3254. Thank you. One further minor point, and that is in regard to publicity and the magazine "Coal." Could you inform the Committee what the approximate circulation of that magazine is and whether any charge is made for it?—The price was 4d. and we had responsibility for it. It has now gone over to the Coal Board and we have no more financial responsibility for it. When we had responsibility for it the price was 4d. I do not know what the price is now. It was fixed on the basis of other typical weekly papers, like "Picture Post" and so on.

3255. Could you state what the circulation was?—Owing to the shortage of paper

the circulation was restricted to 150,000 copies.

3256. You have now no further responsibility for it?—No.

Major Bruce.

3257. Did I understand you to tell the Committee that it was likely that the cost of the transfer that was composed largely of legal and valuation charges would be somewhere in the region of £5 million?—I should think over £5 million. I should think between £5 million and £10 million, it might be.

3258. It is rather a large sum, is it not?—It is largely a question of valuation of assets.

3259. There will be little unemployment in the valuing, legal and accountancy professions over this period?—The legal profession, the accountancy profession and clerical workers will be kept very fully occupied.

3260. This expenditure, as and when it becomes due, will be largely due to the meticulous care that is being taken for the full determination of private interests in this matter?—I think care is needed from the point of view of private interests in the matter and also to make sure from the public point of view that the claims put forward are fully substantiated and that the proper value, and not an excess value, is put on assets for which claims are put in.

3261. If it had been decided otherwise, it would have been far less costly to have ridden roughshod over individual rights rather than determine them in some detail?—Yes; or, of course, it would be much cheaper, as was done in the case of electricity, to take share values.

3262. There is one point that disturbs me. Mr. Thurtle has mentioned it. It is this business of the State being responsible for paying both sides' costs. You appreciate that this is a procedure which does lend itself, particularly in the case of the legal profession, to some fair number of disputes which do carry with them the danger (I put it no higher than that) of a sort of indeterminate wrangling which is extremely profitable to the professions concerned. Could you explain how you propose to counteract that, should the tendency appear?—I think all we can do is to see that as far as legal costs are involved in appearing before tribunals (that type of legal cost rather than the legal cost involved in our own Department in making quite certain that the law is complied with in all these matters) the sort of fees paid are not excessive. We have to recognise that the particular form of compensation provided in the Coal Nationalisation Act required the owners to spend money on appearing before arbitration tribunals or valuation tribunals, and they would naturally be entitled to claim those costs.

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[Continued.]

3263. Yes, but if I am a lawyer (I do not have that good fortune or otherwise) and I was appearing on behalf of one of my clients in this, and bearing in mind that my client actually was not charged, with the responsibility of paying my costs, I think (I do not know) there would be a slight tendency (again to put it no higher than that) to raise every conceivable issue that could possibly be raised, even though it was only remotely concerned with the event, because, of course, I would not only be looking after my client, who would be paying me, but I should also be looking after my own fees, which would vitally concern me. Just how are the State rights going to be safeguarded?—We have warned the Mining Association that we shall not pay unreasonable fees for counsel appearing, for example, and that they have not got a blank cheque at all. I think they understand that very well. I do not think that would necessarily deter them from employing the best counsel they could get because in this case they are, if I may use the expression, fighting each other and not the State for a share out of the global sum.

3264. I was coming to that. What happens, for example, when there is an argument between any two or three of the eight divisions as to the share which the respective private interests contained within them are going to receive? Is the State going to be responsible for the arguments between companies as to the divisional allocation out of the total global sum?—Under the Act we have provided that each district should argue its case out before the Central Valuation Board, and we have agreed that reasonable expenses by each district in putting their case to the Central Valuation Board would be paid. I do not think we are obliged to pay the costs that are involved in what I may call arguments between districts, but we have said it would be reasonable to pay the costs of each district presenting its case to the Central Valuation Board.

3265. In any case you will undertake to scrutinise them with the utmost possible care?—Yes, we shall do that.

3266. I want to pass now to paragraph 81. Could you say what responsibility your Ministry does have in that "Save Fuel" campaign?—The fuel economy campaign is carried out for us as an allied service by the Central Office of Information. They do the work for us as an allied service. We are concerned as a Ministry in promoting these campaigns to save fuel generally. It is not in the main financed on our Vote.

3267. Do you ever embark on a campaign which embraces fuel economy over the whole range of fuel, electricity, gas and coal?—Yes.

3268. I wondered why it was that your Ministry had never made a point, at any

rate in large-scale publicity, of telling the people of the country that we were generating about three times as much electricity as we were before the war and about twice as much gas, and that over the whole fuel field we were, in fact, using more fuel extracted from coal in one way or another, or in the raw, than we were doing before. I should have thought that would be a good point to make in your fuel campaign?—I think we have tried to make it in some ways, but it is more a matter for the experts of the Central Office of Information than for us as to what is the best way of putting a particular point across.

Mr. Benson.

3269. When a litigant wins a case the Court awards costs and those costs are taxed according to a quite well-known procedure. To what extent are the costs incurred by the coal-owners capable of being taxed on the basis of the normal legal procedure?—I am afraid I could not answer that.

3270. In considering the costs, have you considered the procedure of the Court in similar circumstances? The Taxing Master, who taxes the costs, is an official of the Court?—We should certainly get that sort of advice before we agreed to any costs of this kind.

Chairman.

3271. One further question on the extent of the costs of these proceedings. The question of delay was raised. Presumably there is some incentive to the parties concerned not to draw the proceedings out unduly, since they will not get any money until the proceedings are completed?—They will get some money, but they will not get all their money.

3272. They will get a small proportion of their money. They will get paid for their stores and stocks of coal. Is that not right?—Yes. I think, as the valuation proceeds by the District Valuation Boards, it will be possible to make payment, so to speak, on account, anyhow in certain cases.

3273. But broadly speaking nobody will get paid up in full until all the proceedings are completed?—Yes.

3274. If you keep an eye on the question of the fees paid there ought not to be any waste of public money?—No, I think that is correct.

3275. We pass now to the Account, which is at pages 298-300. On Subhead A: "Salaries" etc., the expenditure was just under £2½ million in 1946-47. Can you give us the estimate for the current year?—The estimate for 1948-49 is £3,080,000.

3276. That is an increase of about £300,000, or about 10 per cent. on the 1946-47 actual expenditure?—Yes.

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[Continued.]

3277. But could we not have hoped that there would be some reduction in staff following upon the passing of responsibility for coal to the Coal Board, and for electricity to the Electricity Commission and, I suppose, gas will also pass from your responsibility very soon?—We had a very small staff, practically no staff, on electricity, before the war. Indeed, we have had to take over some of the Electricity Commission's staff under the Electricity Act. The same applies to gas. I think the reason for this increase is partly the very heavy extra work we are going to have in connection with the valuation, which we have just been discussing, which falls on our staff. We have a lot of work at the Ministry connected with that, and then there are such topics as petrol rationing and the like, which involve us in very considerable administrative costs. The open-cast coal programme also involves us in a very considerable staff.

3278. Can you tell me whether your salaried staff shows an increase or a decrease over the last year or two?—Speaking from memory, I should think it shows an increase, mainly arising from the expansion of the open-cast coal programme and petrol rationing. In 1945 the total which includes open-cast, was approximately 7,400; it dropped in 1946 to 7,200; it went up again in 1947 to 7,400 and it is now 7,400.

3279. Your Parliamentary Secretary, in an answer in the House on the 5th May, when asked whether there had been any reduction of staff due to the nationalisation of these various industries, I think I am right in saying stated that the staff had been reduced by about 850?—That is quite true. There had been a reduction in our staff dealing with coal mining industry, since we had control during the war, by 850, but since then we have increased the staff on open-cast coal and also the petrol rationing staff has increased.

3280. Whereas your staff on certain jobs has been decreased by 850, there has been an even larger increase in your staff in other Departments?—It is about the same really, I think. The increase has been just about the same as the decrease on the transfer to coal nationalisation.

3281. And the increase has taken place on petrol rationing?—Petrol rationing and open-cast mining.

3282. You took over open-cast from the Ministry of Works? It was done by the Ministry of Works before, was it not?—There has been an increase in the open-cast within the last year or two, since we have taken it over.

3283. There has been an increase in the Ministry's staff dealing with open-cast coal?—Yes, including the industrial staff. We have a very considerable industrial or semi-industrial staff.

3284. I am dealing with the salaried staff under Subhead A. Can you give me the figures of salaried staff increases relating to petrol or open-cast?—I have not the details now, I am afraid. I could put in the figures.*

3285. There is an item, Subhead G: "Gas and Electricity Services in Development Areas" on which only £2,000 was expended against an estimate of £200,000. That item is found again on page 300, is it not, at the foot of the Account: "Loan outstanding at 31st March, 1947. Gas undertaking, £2,000 (Distribution of Industry Act, 1945)"?—Yes.

3286. What are these services, and are they on the increase?—Under the Distribution of Industry Act, 1945, the Ministry of Fuel and Power is empowered to make grants or loans to gas or electricity undertakings to ensure adequate supplies in Development Areas.

3287. They are invariably loans, are they? They are not gifts?—They are loans. When the estimate was made under this Subhead we had had no applications for assistance at that time, but it was thought that later on during the year we should get them, and provision was made by Supplementary Estimate for an expenditure of £200,000.

3288. I am not particularly concerned with the small amount spent in the year of account. I wanted to know whether the Estimate for the current year, for example, was on a higher scale?—Yes. What really happened was that a number of loans we had expected to make during the course of that year fell in immediately afterwards or in the following year.

3289. What is the Estimate under Subhead G for the current year?—£750,000, and so far we have authorized loans up to about £500,000.

3290. It is intended during the current year to continue this policy of lending money on gas and electricity undertakings in the Development Areas. Is that right?—Not electricity, because under nationalisation we should not make loans now to the Electricity Authority.

3291. You will not make loans to the Electricity Authority?—No.

3292. You will cease making loans to the gas undertakings as soon as the property vests. Is that right?—Yes.

3293. They will have to carry the burden of developing these services in these special areas. Is that right?—That is what I anticipate.

3294. At what rate of interest have the loans been made?—2½ per cent., or current Public Works Loan Board rate to Local

* Paper circulated to Members: not printed

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[Continued.]

Government authorities and 3 per cent. to 5 per cent. to companies.

Chairman.] Are there any questions on the Account?

Sir Frank Sanderson.

3295. In regard to the reduction of staff in one department, would you agree that the general tendency is rather to try to find departments that can use their services in order that they can be absorbed?—It did not happen in this case for this reason,

that a large part of the staff that we were employing in what we called our Coal Division, when we were in control of the mines during the war had been drawn from the industry and they went back to the industry. The rest of them mainly went to the National Coal Board. They were not moved to any very large extent within our own sphere.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 4.

MINISTRY OF FUEL AND POWER (WAR SERVICES).

COAL CHARGES ACCOUNT.

MINERS' WELFARE FUND ACCOUNT.

MINERS' WELFARE GENERAL ENDOWMENT FUND ACCOUNT.

Chairman.

3296. Will Members turn now to the Civil Appropriation Accounts (Class X), to paragraphs 50-55 of the report of the Comptroller and Auditor General. Paragraph 50 deals with open-cast coal operations. Can you tell the Committee under what statutory powers the Ministry of Fuel and Power conducts these open-cast operations?—(*Sir Donald Fergusson.*) I suppose it is doing it under the Supplies and Services Act. It must be done under those powers. The actual operations of requisitioning are done under Defence Regulations.

3297. Those powers will presumably lapse in the course of time, will they not?—Yes, they are due to run on until 1950 or 1951.

3298. My recollection is that the Coal Industry Nationalisation Act provided that no-one except the Board could carry on coal mining operations and, in fact, somebody has been prosecuted recently for digging some coal out of their field. Is that right?—There is a point there. Nobody can do it except by licence from the Board and I think there is at present a flaw in the Coal Nationalisation Act, because they cannot license them to undertake open-cast coal operations.

3299. They cannot license open-cast operations?—No. I believe that is legally the position at the moment.

3300. You think your statutory authority would rest upon the wartime powers as continued by the Supplies and Services

Act?—Yes, I think so. Certainly we are using Defence Regulations under that Act for requisitioning the sites.

3301. Those powers will expire, I think, under the Supplies and Services Act. That was passed for five years from 1945, but we are told by the Comptroller and Auditor General in paragraph 50: "It is anticipated that operations on the present scale will continue till 1951." I suppose they will possibly continue even beyond 1951?—Yes. We shall have to look at the statutory position if we have not the powers.

3302. You may have to consider the statutory position before 1950 passes. The loss on open-cast coal working was less in the year 1946-47 than in the previous year. In paragraph 52 the Comptroller and Auditor General gives us the figures. The loss was 9s. 8d. per ton in 1946-47, and in 1947-48 your estimate is that it will be about 4s. 3d. per ton. There are no trading accounts published in regard to open-cast coal working, are there?—No. We discussed that with the Treasury. It would need a very large staff to start doing this work, and it was felt that the results would not be commensurable with that, considering it is a service which we expect to be expiring within a year or two. I have, however, got out figures which I should, perhaps, hand into the Committee, which I think have been handed to them on a previous occasion, which show the costs of boring and prospecting; the production cost; the services, capital and operational; the plant, the selling expenses—and show what the items are per ton.

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[Continued.]

The following document was handed to the Committee:—

OPENCAST COAL

	Approximate costs per ton of coal produced		
	1945/46	1946/47	1947/48(*)
	s. d.	s. d.	s. d.
Boring and Prospecting	1 3	1 4	1 4
Production Costs	31 2	27 1	27 -
Services:—			
(i) Capital	2 -	1 3	1 -
(ii) Operational	6 -	5 8	5 9
Plant(†)	6 1	4 2	2 6
Selling Expenses	1 5	1 7	2 5
Establishment Charges	1 11	1 9	1 9
Loss in volume, quality, etc.	1 9	1 6	1 3
Compensation, etc.	1 4	1 4	1 3
	52 11	45 8	44 3
Selling Price(‡)	35 3	36 -	40 -
Deficit per ton produced	17 8	9 8	4 3
Quantity produced (tons)	7,929,000	8,092,000	11,115,000
Total net deficiency approx.	£7 m.	£4.25 m.	£2.35 m.

NOTES:—

(*) Estimated costs, subject to revision when further information is received and analysed.

(†) Includes amortisation of the value of Ministry-owned plant (whether purchased or received under Lend/Lease; including freight, etc., and initial overhaul) over a period of three years.

(‡) Average price for normal quality, all grades.

Ministry of Fuel & Power,
May, 1948.

Chairman

3303. I do not want to take too much time over this point this year, because it does appear that the financial results are more satisfactory?—They are more satisfactory. I should, perhaps, issue a word of warning. The proportion of untreated smalls, low-quality coal from open-cast, is high, and at the present time it is not easy to dispose of that very small low-quality coal, and in so far as we have to dump it on the ground we might find that results are not so favourable in the future as they have been this year.

3304. There is, I gather, no immediate prospect of these operations being transferred to the National Coal Board?—No, not at present. It has been considered and discussed, but at the moment it is felt that they should remain with the Ministry. We are, of course, employing the contractors. It is a question of the National Coal Board employing the contractors. Presumably, if it were handed over to the National Coal Board they would not be ready to take on the work without an equivalent subsidy to the one that is involved per ton of coal under the present working.

3305. You mean they would not like to have to carry this financial loss?—No.

3306. That is the main reason why they have not taken over the open-cast coal mining?—I think another reason is that the National Coal Board's mining engineering experts are nearly all deep-mine engineers, and I think, if we are wanting to get the maximum production of open-cast coal with the present shortages for the next year or two, it is more likely to go full steam ahead than if it were being dealt with by the deep-mine engineers of the National Coal Board.

3307. As the National Coal Board are the only persons empowered permanently by statute to mine coal it seems right and proper that they should act, at any rate, as the principals in this matter while you should act as their agents for carrying out the actual operations?—We should have to requisition the sites. The National Coal Board would have no power to requisition the sites. It therefore merely comes down to a question of who is to arrange the contracts with the contractors for developing the sites when they have been requisitioned.

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Sir DONALD FERGUSON, G.C.B.

[Continued.]

3308. But it is also an important question, is it not, as to whether the loss involved in open-cast coal mining should fall directly, as it does at present, upon the taxpayer, or whether it should be borne by the Coal Board who can put up the price of coal to meet the loss incurred. As a question of policy there would seem to be a lot to be said for having coal mining all under one hat, so to speak?—There would be a lot to be said for it from the point of view of the Ministry.

Chairman.] Are there any questions on paragraphs 50-52 of the report of the Comptroller and Auditor General?

Mr. Thurtle.

3309. On the point just made by the Chairman, that means that, in effect, there is a subsidy on the cost of coal?—There is a subsidy on open-cast coal at present. It is being produced and sold at a loss. In 1947-48 the Estimate is 4s. 3d. a ton, which is borne on our Vote.

Sir Frank Sanderson.] Is it regarded as a criminal offence for a man who owns property to pick up coal off his own land, assuming always, of course, that the land does not come under the control of the National Coal Board?

Chairman.

3310. All coal is vested in the National Coal Board now, is it not?—All coal, as a mineral, is vested in the National Coal Board.

3311. You were talking of picking up a lump which had fallen from Heaven, Sir Frank?—A small outcrop, or something of that sort, you mean?

Sir Frank Sanderson.

3312. Yes, there are quite a number of small outcrops?—That is the case I referred to just now. At present there is a flaw in the law. It should be open to the National Coal Board to give a licence.

3313. It would be a criminal offence to pick up that coal?—Yes.

Mr. Horace Holmes.] There is no private coal. If there were any coal under my land it would be taken.

Lieut.-Colonel Hamilton.

3314. How is the price of open-cast coal fixed? Is it fixed on the principle of it being the same or similar quality coal to that produced by the National Coal Board?—Yes.

Mr. Benson.

3315. I am not quite clear about this question of the right to license open-cast coal. Are you at the moment in danger of arrest for stealing coal?—No. I did not want to say this very definitely, because I am not quite sure of my facts, but I think the position to-day is that it would

not be possible for anybody to work open-cast coal except where the Ministry has requisitioned a site.

3316. You referred to a certain quantity of low-quality coal which is lying about. Is it low-quality from the point of view of combustion or because of its physical condition?—When open-cast coal is produced you get about 60 per cent. of what are called by the National Coal Board untreated smalls. It is partly, I think, because a lot of the open-cast coal is more friable and breaks up more easily. At some of the depths they are working there you get a good deal of the breaking-up of the coal as you are getting it, and the untreated smalls are a high proportion.

3317. What I want to get at is: Is it the condition of the coal or the actual physical quality of the coal?—It is the condition of the coal. Some of the open-cast coal is just as good as deep-mined coal.

3318. Have you considered the question of turning this broken stuff into briquettes? If it is good dust it can be turned into good briquettes?—Some of the open-cast is being turned into briquettes. The difficulty, of course, is that some of the sites where it is produced are not handy for our briquetting plants. They are now the Coal Board's briquetting plants because they have taken them over.

3319. Where the site is handy it is being done?—I think so.

3320. Do your costs, in the statement you have handed in, include any figure for land rehabilitation?—Yes.

3321. Is that included in production costs?—Part of it is shown in the production costs in the second line, 31s. 2d. and 27s. 1d., and part of it is in the compensation at the end, the 1s. 4d.

3322. Then you have reduced your reinstatement expenses very considerably since you started. That was a very important and very heavy element in it at the beginning, if I remember rightly?—Yes. It is still a very heavy element in it. I do not know that we have reduced them. I would not like to say that.

3323. With regard to the fact that the Ministry bears the cost of any deficiency on open-cast, why should you draw a distinction there in practice between open-cast and American coal? If I remember rightly the loss on American coal had to be borne by the Coal Board?—We were able, on that occasion, to persuade the Coal Board to manage the whole business and to bear the loss.

3324. What was the effect of that purchase on the price of coal? What did the loss represent on 12 months' coal per ton?—I am afraid I have not that figure. I do not think it was very big. I could get the actual figure.

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SIR DONALD FERGUSSON, G.C.B.

[Continued.]

3325. When you say not very big, do you mean it was a question of a few pence?—Yes.

3326. It was not as much as a shilling?—No, I should not think so. It was a very small quantity imported really compared with our total output.

Chairman.

3327. The actual loss per ton, surely, on American coal imported into this country and sold at commercial prices must have exceeded a shilling a ton?—I beg your pardon but—

Mr. Benson.

3328. What I meant was, what was the effect on the total price of coal? I presume the American coal was sold at the current price? What was the effect of the loss on the total spread?—There was a very much bigger loss per ton than that.

Chairman.

3329. It would be infinitesimal spread over the whole of British production. That is the point?—(Sir Frank Tribe.) I understand that the Board stated that it was a matter of 6d. spread over the whole production.

3330. As much as 6d. per ton?—Yes.

Mr. McAdam.

3331. You made reference to the loss upon open-cast coal so far as "smalls" are con-

cerned. It is not possible to make use of those to the extent you desire. Is that due to transport difficulties?—(Sir Donald Fergusson.) No. I think, frankly, it is due to the fact that there is not the demand for untreated smalls.

3332. Is there not a demand amongst industrial concerns such as iron and steel works and electricity undertakings? In the past they used to take a lot of that stuff and were pleased to get it?—Electricity is taking a very high proportion of its coal in untreated smalls. When they have taken what they do take, and when the ordinary industrial demand for untreated smalls has been satisfied there is a surplus of untreated smalls.

3333. Even industrial undertakings and electricity undertakings cannot take it all?—No.

Chairman.

3334. We pass to paragraph 53, which deals with the subsidy given to persons converting to the use of heavy oil in place of coal. Is not that right?—Yes.

Chairman]: I do not think we need take very long on that paragraph. Has any Member of the Committee any questions on that paragraph?

Mr. Thurtle.

3335. Is it not a fact that the Ministry has now reversed this policy and is not pressing people to convert their coal to oil, but is rather doing the reverse?—That is so.

TREASURY MINUTE ON PARAGRAPHS 70 TO 75 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 4.

MINISTRY OF FUEL AND POWER (WAR SERVICES) (CONTINUED).

Chairman.

3336. With paragraph 54 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts (Class X), we will take the Treasury Minute on paragraphs 70 to 75 of the Third Report of the Committee of last year. This deals with the Coal Charges Account. The Coal Charges Account is being wound up, is it not?—(Sir Donald Fergusson.) Yes, it is being wound up now.

3337. Is the Estimate mentioned at the end of paragraph 54 of about £25 million proving to be accurate?—Yes, approximately.

3338. Then there was a special purposes section of the Coal Charges Account which is dealt with in paragraph 55. This was to finance a programme of mechanisation, and it was originally contemplated that there would be no loss to the Exchequer. I gather the machinery has been taken over by the National Coal Board and negotiations are

proceeding, are they not, to determine its value?—Yes.

3339. Can you say what the final loss to the Exchequer which is referred to in the last sub-paragraph is likely to be?—I think the furthest I could go on that is that we do not think that the loss on both sections of the Account, that is to say, the general and the special, will be more than about £26 million, but it depends, of course, on the outcome of our present discussions with the Coal Board.

3340. With regard to the last sentence, what rate of interest are the Board paying from the vesting date on the sum to be finally ascertained?—I do not know whether that has been determined yet. They will be paying interest, of course, as from the vesting date, but I do not think we have yet determined the rate they should pay.

3341. Are there any questions on the Treasury Minute on paragraphs 70 to 75 of the Third Report of the Committee of

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Sir DONALD FERGUSSON, G.C.B.

[Continued.]

Public Accounts, 1946-47? Are there any questions on paragraph 54 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts (Class X)? We will pass to the Account, which is at page 34. Subhead B is an expenditure of £5,900,000 for expenses in connection with the maintenance of supplies of coal. What are the main items of expenditure in that sum?—The expenditure under Subhead B includes Government coal reserves, £314,000, giving round figures; transport subsidies of £1,733,000, against which there is an appropriation in aid from the Railway Rebate Scheme which does not quite cover that, but goes some way as a set-off against it; then there is a bonus on merchant stocks—that is to encourage merchants to hold larger stocks than they would normally do, the war-time scheme. The House Coal Distribution Emergency Scheme, £85,000; the Gas Oil Subsidy, which has now ceased, £2,752,000—that was the subsidy to induce gas companies during the war, when coal was short, to use oil instead of coal. The Fuel Oil Subsidy, £622,000; that was the subsidy that was given pending reduction of the duty by the Chancellor of the Exchequer in 1946-47. In 1946-47 the Chancellor announced his intention of reducing the duty on oil. It was at the time when, as Mr. Thurtle said, encouragement was being given to convert

to oil and in the meantime a Government subsidy was given in respect of oil.

3342. I think those are all the items I want. Are there any questions on the Account? On page 38 and 39 is the Coal Charges Account and on pages 40 to 42 is the Miners' Welfare Fund Account. There are two Accounts here relating to miners' welfare. The first one is raised by the output levy and the second one is raised by the Royalties Welfare levy. As royalties have come to an end the distinction seems rather unnecessary, does it not?—Yes, I imagine that will have to be amended.

3343. Could not these two Accounts in future be merged in one?—(They are, really, all part of one Account.)

3344. It is perfectly obvious that the main item of receipt under the Welfare Levy Account of £626,000 was merely a transfer from the Output Levy higher up?—Yes.

3345. I should have thought these Accounts might well be amalgamated, unless there is some statutory obstacle. That is a point you might look into?—We will look into that.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

COAL INDUSTRY NATIONALISATION ACT, 1946, ACCOUNT, 1946-47.

Chairman

3346. This is the first Account under the Coal Industry Nationalisation Act, is it not? We ought to have explained to us what the items are on the Account. On the receipts side there is £41 million issued from the Consolidated Fund. What is the purpose of this Account? Is it to keep the nationalised Coal Board in funds?—(*Sir Donald Fergusson.*) This is the Account which shows the advances made to the National Coal Board and their repayments.

3347. It is money received by the Minister from the Consolidated Fund on the one hand and handed out to the National Coal Board on the other. Is that right?—Yes.

3348. I think I am right in saying, am I not, that the limit of advances from the Consolidated Fund is £150 million under the Act?—Yes.

3349. You have advanced to the National Coal Board, under section 26, the sum of £27 million during this period, and there is the footnote: "Of these advances, £2 million was on deposit with the Paymaster-General." I think the Committee would be interested to hear what amount of money is regarded as the necessary working capital of the Coal Board. They have to spend large sums of money on development, and so on. What is the sum

actually involved for the payment of wages in advance of the coal being sold and the purchase of stores, and so on, in advance of the coal being sold?—The position can be explained in this way. The net sum advanced up to the 31st March, 1947, was £19,135,000. The bulk of this was required as the initial working capital of the Board.

3350. That is £19 million?—Yes, to finance wages and other current expenditure until the proceeds of the sale of coal were received. The amount of working capital required is not a constant figure. It varies with movements, of course, in wages and other costs, and in selling prices and the arrangements between the Board and the Government provide that variations in the working capital—mere variations—should bear interest at $\frac{1}{2}$ per cent., and the hard core of working capital and advances for capital expenditure generally bear interest at the prevailing long-term Government security rate of $2\frac{1}{2}$ per cent. for 1947 and 3 per cent. from 1st January, 1948. The division of the advances between the two interest-bearing categories (that is to say, the fluctuations at $\frac{1}{2}$ per cent. and the long-term hard core advances) is made annually and is annually adjusted. The net advance of £33 million up to 31st December, 1947, has been split as follows: hard core advances, £20 million, and the temporary variations, £13 million, in round figures.

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Sir DONALD FERGUSON, G.C.B.

[Continued.]

3351. Of course we have not yet before us the Accounts of the National Coal Board. Their financial year ends at the end of December, does it not?—Yes. I could mention that the form of the Accounts, which has to be directed and approved by the Minister, is being done now, and it is expected that the Accounts will be ready and the Minister will be presenting them to Parliament in July.

3352. You cannot say about what time in July?—Obviously as early as possible in July. It is rather a matter of printing than anything else.

Chairman.] It will be a matter of some inconvenience to this Committee, who may well want to look at these Accounts, if they arrive too late to be included in its report for the Session 1947-48. It might involve a special sifting of the Committee during the Parliamentary Recess.

Mr. Thurtle.] There will not be much of a Recess, Mr. Chairman!

Chairman.

3353. You cannot hold out any hope of the Accounts being available before the end of June?—I do not think it is possible, from the point of view of printing alone. They will be very full Accounts.

3354. I dare say in future years it will be possible for them to be made available sooner?—I should hope so in future. These are the first real Accounts of the Board and it is obviously a big job to get them done the first time. It should be easier to get them earlier, I should imagine, in subsequent years.

3355. Some of the largest commercial undertakings get their Accounts out within two or three months of the end of the preceding year, do they not?—Yes.

3356. And it will be inconvenient to Parliament if they have not a report from the Public Accounts Committee until two years after the financial year has closed. There are two or three other items here I should like to have explained. The £27 million advances to the National Coal Board, I take it, is mainly for working capital?—Yes, mainly for working capital.

3357. The second item "Capital Outlay Refunds" is paid to the Coal Board to enable them to pay owners of colliery undertakings for capital expenditure undertaken in the interim period?—In the interim period between the introduction of nationalisation and the vesting date.

3358. That money is in the hands of the Board and probably has, by now, been paid over to the recipients?—Yes.*

* Note by Witness: The exact position is that these Capital Outlay Refunds are paid direct by the Ministry to the owners of the colliery and ancillary undertakings, the cost being recoverable from the Coal Board under Section 28 (1) (a) of the Act.

3359. You cannot tell us since you have not the Accounts before you?—No.

3360. What are compensation money payments, under sections 21 and 44?—That was a case where, at the beginning of the winter 1946-47 the Ministry was anxious (that was before the vesting date) to avoid any danger in the hard winter of there being a shortage of pit props in the South Wales valleys. We asked the owners to hold a larger stock than they would normally have held, and as they were just going to cease to exist they naturally were not willing to finance holding special large stocks just before the vesting day.

3361. I see this is referred to in the report of the Comptroller and Auditor General. It is a small payment for mining timber taken over by the Board?—That is so.

3362. Then there was a sum of £8 million which was paid to the Exchequer. It looks as if too much money had been paid out of the Consolidated Fund to you and you handed £8 million back again. Is that right? It is a balancing payment on either side?—I think the Treasury took it back under a misapprehension. I do not know whether that is a fair way of putting it.

3363. Do your Accounts enable you to tell me the date upon which it was received by your Minister from the Consolidated Fund?—£8 million was repaid to the Exchequer on the 31st March, 1947.

3364. It is shown as a receipt in your Account, as something paid over to the Coal Board which they paid back again. I find it highly confusing?—(Mr. Jones.) It is rather confusing. There was an arrangement adopted by agreement between the National Coal Board, the Minister and the Treasury for providing the National Coal Board with funds. In order to conserve balances there was an automatic arrangement for keeping the National Coal Board main banking account at the Bank of England supplied with a minimum balance of £100,000. Any surpluses on this cash account over £100,000 which the National Coal Board did not want flowed back through the Ministry of Fuel and Power Account into this Account, and so reduced further calls on the Exchequer. All that was done automatically to minimise bank balances being held in large sums. On the 31st March, in accordance with normal practice, the Treasury looked around to see if there were any surplus cash balances on the Paymaster-General's Account for various Government Departments which could be used to reduce the total amount of Exchequer balances outstanding. This £8 million was received back in the Exchequer under that normal procedure. I do not think it was fully appreciated at the time that the effect was to reduce the borrowing powers

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Sir DONALD FERGUSSON, G.C.B.

[Continued.]

of the National Coal Board from £150 million to £142 million, because the £8 million had to be treated, once it was in the Exchequer, as a final repayment by the National Coal Board of the advances made by the Ministry of Fuel and Power. Steps have been taken to ensure that that does not happen again. The ordinary banking transactions of the National Coal Board have been insulated from the transactions between the Exchequer, the Ministry and the Coal Board in respect of these capital advances.

3365. On paragraph 2 of the report of the Comptroller and Auditor General, can you make an estimate of what the cost of interim income payments will be to the Board in a full year?—(Sir Donald Fergusson.) It is not shown here, but in the year ended 31st March, 1948, the amount was £9 million. It will be rather more in the following year.

3366. Is that the gross or the net amount? Is income tax deducted at source?—No, I should not think that it is. That, I think, would be the gross amount but I am not sure about that.

Chairman.] Those are all the questions I have to ask on this Account. Has any Member of the Committee any questions?

Mr. Thurtle.] Following what you said about the late date at which we are likely to have the Accounts of the Coal Board available, it is obviously too late to do anything about the year that is closed, but I wondered if now would be the appropriate time for this Committee to express the view that it would be desirable if the Coal Board could get its Accounts presented at a somewhat earlier date. I think we might put that on the record.

Chairman.] I am fully in agreement. I think Parliament will expect us to have seen the Coal Board's Accounts, and if we have not done so we shall have to state why we have not done so this year.

Mr. Thurtle.] And that may have some consequences next year?

(Sir Donald Fergusson withdrew.)

COAL COMMISSION ACCOUNTS, 1946-47.

(On this Account no questions were asked.)

(The witnesses withdrew.)

Adjourned till Tuesday next at 2.30 p.m.

Chairman.

3367. I should think so.—I did make the point that to prepare Accounts for the first year of a concern of this magnitude and novelty, which really it is, would take longer. After the first year the Coal Board will be in a position to get out the Accounts more quickly.

Mr. Benson.

3368. In paragraph 4 (b) of the report of the Comptroller and Auditor General on page 3 of the Account he states: "The Board is to pay to the Minister interest at a long-term rate (2½ per cent. per annum for 1946-47) on advances, etc." Was 2½ per cent. the Government borrowing rate up to the end of 1947, or at the time when the money was borrowed?—It was the Government rate at that time.

3369. At the time the loan was funded?—Yes. It will be 3 per cent. this next year.

Chairman.

3370. There is one other question I ought to have put to you, Sir Donald. You told me that the Board had powers to borrow or that the Consolidated Fund could advance up to £150 million, I think, to the Board. Is that right?—Yes.

3371. Has the Coal Board borrowing powers over and above that figure which it can exercise freely?—No, it has only the power temporarily to borrow; that is to say, to get an overdraft from the bank. It has that kind of temporary borrowing powers up to £10 million.

3372. Can you say whether it has used those powers?—I should imagine it has, to some extent. It merely means this with regard to the £150 million. The conception in the Nationalisation Act was that the Board should borrow from the Treasury, from the Consolidated Fund, and that it should not normally borrow outside, but for temporary purposes it must need an occasional overdraft at the bank, and £10 million was devised for that purely temporary borrowing purpose.

Chairman.] May I take it the Account is approved? (*Agreed.*) Thank you, Sir Donald. That answers all the points we want to put to you. We are much obliged.

TUESDAY, 8TH JUNE, 1948

Members present:

MR. PEAKE in the Chair.

Mr. Benson
Major Bruce
Mr. Cuthbert
Lieut.-Col. Hamilton

Mr. Horace Holmes
Mr. McAdam
Sir John Mellor
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES called in and examined.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE I.

BOARD OF TRADE.

WAR RISKS (COMMODITIES) INSURANCE FUND.

(COUNCIL OF INDUSTRIAL DESIGN: ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1947.)

Sir JOHN WOODS, K.C.B., M.V.O., Permanent Secretary, Board of Trade, Mr. R. F. BRETHERTON, Under Secretary, Raw Materials Department, Board of Trade, and Mr. LACEY, Chairman of the Finance and Administrative Committee of the Council of Industrial Design, called in and examined.

Chairman.

3373. Will Members turn to the Civil Appropriation Accounts, 1946-47, to paragraphs 68-70 of the Report of the Comptroller and Auditor General. We have heard something on previous occasions about the Council of Industrial Design. These paragraphs deal with Design Centres, and we are told by the Comptroller and Auditor General that: "the Council of Industrial Design are charged with the duty of inviting and encouraging the establishment of "Design Centres," etc., and a little lower down, in the second subparagraph of paragraph 68, we are informed by Sir Frank that: "The financial assistance which may be given by the Board of Trade takes the form of an annual block grant, normally for a maximum period of five years, supplemented by a sliding scale grant, both grants being related to the income received by a centre from industrial sources." Could you explain to the Committee how the amounts of these two grants are calculated?—(Sir John Woods.) Mr. Lacey, who is Chairman of the Finance and Administrative Committee of the Council, is here with me, and though the Board of Trade has a general supervision of the Council it would, perhaps, be more convenient to this Committee if Mr. Lacey were to give you the explanation for which you have asked.

3374. If you please?—(Mr. Lacey.) In the particular case, in the financial year 1946-47 the block grant is an agreed amount relative to the expenditure expected against which an equivalent grant is made. Any additional grant on that would be £100 for every £100 contributed

by the industry to the Design Centre in the year.

3375. We are told that there are two grants. There is an annual block grant and a sliding scale grant, but the Comptroller and Auditor General, in his report, states: "both grants being related to the income received by a Centre from industrial sources." Do I take it that the annual block grant is not related to the amount received by a Centre?—Yes, equivalent to.

3376. The annual block grant is—?—It is actually conditional upon and equivalent to.

3377. That is the annual block grant? That is the annual block grant.

3378. So that if the industry raises £1,000, then the block grant is £1,000?—Yes.

3379. We are told that that can be supplemented by a sliding scale grant. How is the sliding scale grant operated?—In the case of the particular Design Centre concerned during that year £100 for every £100 subscribed by industry up to £2,000 maximum; so that that would make the total grant, provided the industry subscribed £100 for every £100, £4,000 altogether.

3380. I have not the figures quite clear. Supposing the industry subscribed £1,000 the grants would come to—?—£1,000.

3381. £2,000?—£1,000.

3382. The annual block grant would be £1,000?—Yes.

3383. And the sliding scale grant would also be £1,000, would it not?—Yes, just

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[Continued.]

the same. If the additional subscription were £100, the additional grant would be £100, and that is limited in this particular case to a maximum of £2,000 of additional grant.

3384. But there are not two grants, each 100 per cent. of the industrial subscriptions?—There would be, yes.

3385. There are?—The block grant of £2,000 against an equivalent subscription of £2,000, and an additional grant of £100 for every additional £100 subscribed by the industry, up to a limit on that additional grant of £2,000.

3386. But in the lower stages two-thirds of the income of the Design Centre would be granted money?—No, actually 50 per cent.

3387. I still have not got it clear.—I am sorry.

3388. I thought you said that first of all there was a block grant equal to the subscriptions from industry?—Up to £2,000. Provided that reaches the £2,000, that would be £2,000 grant against £2,000 subscriptions. Beyond that, any additional £100 subscribed by the industry would be met by an additional £100 grant.

3389. So that the Exchequer contribution can in no case be more than equivalent to the subscription from the industry?—In this particular case that is so.

3390. But are not these principles applicable to other Design Centres?—I cannot say whether they would be or whether they would be varied. I think Sir John might be able to answer that. A further example is: in the case of the rayon industry the industry has to collect subscriptions up to £7,000 before they get a grant of £3,000. After that it would an equivalent grant to additional subscriptions, up to a maximum of a further £3,000. So that there are variations.

3391. Are there any questions on paragraphs 68 and 69 of the report of the Comptroller and Auditor General? Paragraph 70 deals with wool from overseas. The Comptroller and Auditor General refers to the scheme for the disposal of wool stocks which we are told were valued at about £170 million. Is that figure accepted by the other parties to the arrangement, Australia, New Zealand and South Africa?—(Sir John Woods.) Yes, that is an agreed figure with the other parties.

3392. We are told, at the foot of the paragraph, that the Treasury have agreed to the preparation of the Trading Accounts for the year by the organisation and not by the Board of Trade?—That is so.

3393. That is the United Kingdom-Dominion Wool Disposals Limited, is it not?—Yes.

3394. The Comptroller and Auditor General states that the Accounts have not

yet been furnished to him. Can you tell us when the Accounts of this joint organisation will be available?—(Mr. Bretherton.) The Accounts for 1946-47, or for 11 months of 1947, were presented to the Government shareholders of the joint wool organisation on the 1st June and they will therefore, presumably, be available to the Comptroller and Auditor General very shortly.

3395. Those are the Accounts for the year ended December 31st?—For 23 months, up to the 30th July, 1947.

3396. It seems a rather long interval between the end of the year and the completion of the Accounts?—I think the explanation is that the original Wool control Accounts on which these were based were naturally difficult and complicated to wind up. The joint Wool Organisation itself was a new organisation starting in being, and in fact they have now got straight.

3397. Can you hold out any hope that the Accounts will be available to the Comptroller and Auditor General at an earlier date in future years?—I am afraid I cannot speak for what the joint Wool Organisation will do. (Sir John Woods.) I think we could influence them, probably, with a bit of luck. There is always the difficulty that the wool year ends at the end of July and does not correspond with our financial year.

Chairman.

3398. Are there any questions on paragraph 70? We pass now to the Account, which is at pages 278-288. Would you look at Subhead A.4, on page 280: "Council of Industrial Design (Grant in Aid)". We also have before us the duplicated paper which has been handed round, the Accounts of the Council of Industrial Design for the year ended 31st March, 1947. Subhead A.4 on page 280 shows that there was a grant in aid of £100,000. The Committee have been told on previous occasions, Sir John, that it was intended to secure contributions from industry for the expenses of the Council of Industrial Design?—That is the ultimate end, yes, and remains so, but it has been agreed between the Council and the Board of Trade, with Treasury agreement, that after all the idea of the Council is a fairly new thing. It cannot be expected that industry will embrace it with terrific fervour in the first two or three years of its existence. It has to prove itself. That being so it has been agreed to defer that question for the time being, though it remains the ultimate aim of all parties. In the meantime we hope to proceed by way of getting more Design Centres set up, and that is where industrial contributions will first be made, that is, to the expenses of the Design Centres for their own industries.

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[Continued.]

3399. But the idea of securing industrial subscriptions to the Council of Industrial Design has not been dropped?—No, not at all.

3400. The Council publishes an annual report, does it not?—(Mr. Lacey.) Yes.

3401. The annual report does not contain the Accounts of the Council?—The annual report does not contain the Accounts of the Council.

3402. Would it not be more convenient if it did, or is it not intended that the public should see the Accounts of the Council?—I think Sir John should answer that. (Sir John Woods.) Perhaps I ought to answer it, but I am afraid I cannot. I do not know. Perhaps I may ask one of my colleagues who is present about it.

3403. Do not similar bodies, Sir Frank, as a rule include the Accounts together with the annual report?—(Sir Frank Tribe.) Yes, I think that is the general rule. When a grant in aid is given to a body of this sort the Accounts are frequently, as in this case, audited by my Department and certified by myself and they are generally then printed with the annual report of the body. (Sir John Woods.) Might we take that up with the Council?

3404. If you please—Obviously we ought to have the Council's view in case there is some special reason against it. Quite frankly we had not considered it in the Board of Trade; at least, I had not.

3405. I think it would probably be convenient if the annual report and Accounts appeared together?—I am told that, at any rate for the time being one reason is that the audit of the Accounts was too late to make it possible for them to be in this report for 1946-47. We will look at the general question.

3406. Thank you. Subhead A.7 is: "British Tourist and Holidays Board", in respect of which there was a grant of £7,500. I believe the current year's Estimate is considerably larger, is it not?—Yes, it is. The grant in aid for 1948-49 is £425,000.

3407. Could you tell the Committee what is the relationship between this Board, which is, I think, a new body, and the Travel and Industrial Development Association, which comes under Subhead H.6 on page 283?—Yes, I think I can explain that. The Travel and Industrial Development Association, of course, is a long-established body. It is a company with its articles of association. Some time ago now, after the report of the Catering Wages Commission, the Government considered that some more comprehensive arrangement ought to be made to look after the interests of tourism in this country, firstly just as a matter of travel facilities, and so on, secondly of catering; thirdly of hotel

arrangements and, fourthly, of home holidays; and it was decided to set up the British Tourist and Holidays Board and that Board has, so to speak, four wings corresponding to those four activities which I have just mentioned. The tourist wing is in fact the old Travel Association. Though it remains a separate entity it has, so to speak, a treaty of agreement with the Board, under which the Travel Association takes main policy from the Board but has a fair measure of independence to execute it.

3408. What was the principal object of the Travel and Industrial Development Association? Was that to induce foreign visitors to come to this country?—In the main, yes. That has been its function for many years.

3409. It gets a grant in aid, does it?—Yes.

3410. Does the hotel industry find any part of the expenses?—No. The Travel Association still gets a certain amount of subscriptions from outside sources, largely from local authorities. But the other divisions, the catering, the home holidays and the hotels are financed entirely through the British Tourist and Holidays Board from moneys voted by Parliament.

3411. Is not this in effect a public subsidy to the hotel industry?—I should not think so. No money goes to any particular hotel.

3412. I suppose the money is spent on advertising abroad, and so on, is it not?—Yes. It is an indirect help, of course, to the industry. Any of the activities of the Board are. I think it was taken as a deliberate matter of policy that tourism and what goes with it—hotels and catering and, indeed, home holidays—were of sufficient public importance to warrant this degree of support.

3413. The Board is concerned with getting visitors from abroad, from anywhere? It does not concentrate its activities upon dollar countries?—As a matter of practice it is concentrating very heavily on hard currency countries.

3414. Does it spend money in the Dominions?—The Travel Association may do so; that is to say, the tourist wing may do so. There are some publicity and information services of the Travel Association amounting to £5,000 in South Africa, New Zealand, India, the Far East, the Middle East and the Mediterranean. There is £15,000 in Canada, £75,000 in the United States, £5,000 in South America and £10,000 in Western Europe, but I dare say most of that will be concentrated on places like Switzerland.

3415. As far as I can make out there are little or no contributions from the hotel industry towards either the expenses of the

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[Continued.]

Board or the Travel Association?—Not of the Board. I have a list here of subscriptions to the Travel Association in the year 1946-47. I see down from hotels is a figure of £5,739.

3416. Would it not be both possible and fair for the hotel proprietors to contribute rather more liberally towards this expenditure?—I expect that, as in the case of the Design Centres, they would rather be a little surer of the value of the activities of the Board before they committed themselves to anything very large. I do not deny the merit of the suggestion in the long run. We do, in fact, hope to get far larger contributions from industry in the long run to the general expenses of the Board but again it is a question of getting the value of the thing accepted.

3417. Would you turn on to page 285, to Subhead I.6: "Expenses in connection with the recovery of Salvage", an expenditure of £307,000. This salvage is sold, is it not, to pigkeepers and the like, or is it not all food?—It is not all that. There is swill for concentrating into pig food. There is also waste paper.

3418. Is this service carried out by the local authorities?—Yes.

3419. You make them payments on account of the losses they incur. Is that right?—In order to maintain and stimulate the collection by local authorities of kitchen waste for sale as swill or for concentration into pig food, it was decided to pay subsidies. The selling price of the concentrates to farmers remains stabilised and the costs of collection and treatment are, so to speak, subsidised, the subsidies consisting of distance allowances, among other things, and including contributions for losses sustained by local authorities on salvage operations. It has recently been necessary to offer, in addition, a subsidy of 7s. 6d. per ton of concentrate produced to those local authorities which are operating plants, and to increase the collection allowance to 17s. 6d. The tonnage of concentrates produced in the United Kingdom and the amount of the subsidies have been as follows: In 1944-45, 250,000 tons and the subsidy was £175,000; in 1945-46 the figure was 250,000 tons and the amount of the subsidy £179,000, and in 1946-47, 220,000 tons and £205,000. That is on the swill side.

3420. Is this expenditure worth while? Whom does it benefit?—It benefits the exchange situation. It saves us imports and, on the whole, hard currency imports.

3421. Of feeding stuffs for pigs?—Of feeding stuffs, yes. There is a similar sort of arrangement on paper, where a subsidy of £1 a ton of waste collection by local authorities has been paid since the 1st July, 1945, on all tonnage in excess of 80 per cent. of collections in the preceding standard period. I think that the

amount of tonnage collected has recently increased quite substantially. (Mr. Bretherton.) Quite substantially in the last three months.

3422. As regards pig food; I should have thought there would have been such a big demand from pig keepers that you could have sold it without a loss?—(Sir John Woods.) I am afraid I cannot answer that. Perhaps Mr. Bretherton can? (Mr. Bretherton.) I understand the selling price is actually stabilised under the arrangements made by the Ministry of Agriculture, which is, of course, necessary on general grounds, and therefore unless some subsidy were given the maximum collection would not take place.

3423. This is, in fact, a subsidy to pig keepers to a considerable extent?—It increases the production.

3424. Subhead J, on page 285, is: "Cotton and Wool Utility Cloth Rebates." Those are, in fact, the clothing subsidies, are they not?—(Sir John Woods.) Yes, clothing and household textiles, originally.

3425. They have now been terminated?—Yes.

3426. I think the Committee might be interested to have explained to them the note to Subhead K. Subhead K, on page 285 is: "Tobacco Trading Services (Net)", and the note to the Subhead states: "Receipts from sales amounted to £25,943,137 10s. and expenditure to £11,652,689 5s. 8d. and the surplus has been paid to the Exchequer." That is not all a pure trading profit, is it?—No, it is not a trading profit at all. That merely represents the amount of expenditure that happened to fall in the year on tobacco and the amount from sales inside this country, during the same year. They are not at all the same thing.

3427. You may have been running down your stocks during the year?—Yes.

3428. The note to Subhead K goes on to say: "Expenditure includes £48,404 17s. 2d. paid to the War Office in reimbursement of the additional cost of cigarettes for prisoners-of-war in this country due to the use of Turkish leaf tobacco".—The short answer to that is this. During this year the War Office made an extra allowance of cigarettes to prisoners-of-war in this country. For this issue of cigarettes we used some Turkish leaf which we were getting anyway under an agreement with the Turks. I always maintain that that was a Treasury agreement and not a Board of Trade agreement and, anyway, it was a good time ago. There was really no sort of reason why, in respect of these stocks of Turkish tobacco, the manufacturers who made these cigarettes should pay the price we paid the Turks, some time ago, probably, for

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[Continued.]

that tobacco, and we did in fact have to agree to sell it to the manufacturers at approximately the same price as they were paying for good American tobacco. That is the way in which the loss arises.

Chairman.] Are there any questions on the Account?

Mr. Cuthbert.

3429. May I follow up the question of the expenditure on advertising, shall we call it, or publicity, of which you spoke? It arises on Subhead A.7. "British Tourist and Holidays Board," on page 280. The expenditure in this particular year was quite small, but there is a rather large sum mentioned for the next year. Is that quite separate from the expenditure by local government, because local government do spend money on publicity for hotels and so on, especially in seaside resorts, which is borne on the local rates. This sum is over and above that?—This expenditure would be over and above any sums paid by local authorities.

3430. Of course, the hotel keepers do contribute then by local taxation. Have you any statistics, such as local government have when they spend money on publicity, as to the value you get out of this expenditure? It is an enormous sum which you intend to spend. Have you any way of checking up what it brings back in the way of bookings in hotels and visitors to this country?—I think it is extremely difficult to tell as yet. During this year, anyway, on any reports I have had from the British Tourist and Holidays Board, they expect most of the hotels who normally attract tourists at all and a good many more to be absolutely full up with tourists, largely from North America. They have, first of all, a very large influx because of the Olympic Games and secondly all the ships outwards from the North American continent are booked right up till September, and all the appearances are that—

3431. —it is due to your publicity?—No, we would not say that, at all, but we really could not accommodate many more. Whether it is all due to the publicity is another question.

3432. There is one other question I want to ask you, which arises on page 285, on Subhead I.6, "Expenses in connection with recovery of Salvage." I myself have experience in local government of the collection of, particularly, paper salvage. The local government authorities do show profits from that section. I think you told us that you do subsidise it to a certain extent from central funds?—Yes. I told you the payments which are made to local authorities.

3433. The point I am getting at is this. If you find local authorities make a profit, do you still continue to pay them the

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subsidy?—I think we have to have a general arrangement, and it is news to me that local authorities, as a whole, make a profit out of this. It has seemed to me, anyway (I think Mr. Bretherton can speak with much more authority on it) that the local authorities have needed some inducement to go in for any extra effort on this job lately. The public was rather tired of it. It involves them in a great deal of work. They have to make elaborate arrangements about disposal and collecting points and that kind of thing, and this, I think, frankly, is an inducement.

3434. That is what I was trying to get at. It is really an incentive since the war to continue their war effort, for which they did not get a grant before. That wants watching, because I know profits are made.—I note what you say about the profits.

Lieut.-Colonel Hamilton.

3435. On page 281, in the note to Subhead C.5, it is stated: "Expenditure includes an *ex gratia* payment of £100 to an examiner in recognition of specially meritorious work." I am not in any way finding fault. I should think it is excellent value for money, but I should like to know at whose discretion such payments are made?—I myself asked the question when I saw the note.

3436. Because it is a very rare thing in my experience. It might be better if it were done oftener. But I should like to know at whose discretion it is done?—It was put up by the Board of Trade to the Treasury for specific approval.

3437. It was paid with Treasury approval?—Yes.

3438. I have another question which is on a question of principle, too. The actual amount involved is quite small. On page 287, in the statement of losses and compensation, the last item in 2 (a) is: "Reimbursement of fine and costs inflicted on an officer involved in a driving accident." The indication would be that the law found that the officer was to blame. I wondered why, therefore, he should be reimbursed?—I have a note on it, which states: "The Assistant Manager of the Dorset Flax Establishment was driving a lorry which overturned. No damage to persons or property resulted. Proceedings under the Road Traffic Act were taken by the police. The officer was fined five guineas and 10s. costs. There was a distinct element of doubt as to the exact cause of the accident, but no evidence of criminal offence having been committed by the driver. The Treasury agreed there were sufficient grounds for making an exception to the normal practice of not refunding fines in connection with motoring offences."

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[Continued.]

Mr. Thurtle.

3439. On this expenditure in connection with salvage, I wondered whether any of that amount which you expend in recouping the local authorities is due to poster and other advertising?—(Mr. Bretherton.) We do spend a certain amount on advertising, poster publicity and so forth. I am afraid I have not the exact figures.

3440. Would it be a considerable part of that, do you think?—No. It would be a very small part of it.

3441. It is within the knowledge of quite a number of people, I think, that local authorities often do a great deal in the way of poster advertising in connection with salvage and do very little else, and I wondered whether this did represent a very considerable amount?—No, there is no subsidy to local authorities for poster advertising. We do a certain amount of advertising ourselves in the matter of salvage, but for everything the local authorities do they pay out of their own funds.

3442. If they present to you a demand in respect of losses on salvage then you meet it?—No, we make them a subsidy over all, but I do not think we meet any general claim for loss.

(Sir John Woods): May I put it in this way, Mr. Thurtle—I think this is right: they get a subsidy on the sort of general basis I described, which is related to the cost of processing swill and collecting the swill, or however you arrange it. If, having got that subsidy, they think they are well enough off for a bit of poster work, that is their affair. Their subsidy is not related to any particular kind of activity they might think up.

Major Bruce.] May I clear up one point, Mr. Chairman?

Chairman.] If you please.

Major Bruce.

3443. It would not be possible for a local authority, by embarking on a rather heavier publicity campaign than they might otherwise do, to attract in that process, by incurring an increased loss, an increased subsidy, would it?—No, I do not think it would.

(Mr. Lacey withdrew.)

WAR DAMAGE (BUSINESS AND PRIVATE CHATTELS SCHEMES) ACCOUNT,
1946-47.

Chairman.

3451. Will Members turn now to the War Damage (Business and Private Chattels Schemes) Account, 1946-47, to the report of the Comptroller and Auditor General, which is on the back page. In paragraph 4

Chairman.

3444. There is one other point I think I ought to put to you in which I think the Committee might be interested. I mentioned Subhead K; "The Tobacco Trading Services" and the fact of the receipts during the year of review greatly exceeding the expenditure. Has the Board of Trade stopped trading in tobacco now?—Yes. There is no State trading in American tobacco, which is the main thing, or, indeed, in Rhodesian or in Indian tobacco. We do a certain amount in Oriental tobacco.

3445. There is no Tobacco Account in the Trading Accounts and Balance Sheets, is there?—No. I could, if you wished give you a sort of shot at the Trading Account figure for tobacco up to the time when State trading ceased in American tobacco.

3446. I should rather like to be told the net result of the Government trading in tobacco.—To take American tobacco, if you take the trading right through on a receipts and payments basis for the year ended 31st March 1947, bringing in the value of your stock to start with, and so on, we should show, after providing for all reasonable charges, a surplus in the neighbourhood of £5½ million.

3447. On total purchases of what amount?—On £65 million, or that sort of figure.

3448. That is over a period of several years, is it?—Yes. That is a Balance Sheet figure which begins with the value of all tobacco received under Lend-Lease up to 31st March 1947, and that would include any purchases there were up to 31st March 1947 in respect of American tobacco.

3449. The surplus of £5½ million is the over all figure?—Yes, it is the over all figure.

3450. Taking all the years during which you traded in tobacco?—Yes.

Chairman.] On page 289 is the War Risks (Commodities) Insurance Fund, on which I have no questions. Has any Member any questions on the War Risks (Commodities) Insurance Fund, or any further questions on the Account? May I take it that the Account is approved? (Agreed.)

the Comptroller and Auditor General sets out the financial position of the schemes at 31st March, 1947. It would appear that, up to that time, there had been a loss of over £14 million on the Business Scheme and something in the neighbourhood of £83

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[Continued.]

million on the Private Chattels Scheme?—(Sir John Woods.) Yes. On the latter, the Private Chattels Scheme, I think it is only fair to say two things. The first is that I do not think anybody really expected it to be an actuarially solid insurance scheme to start with.

3452. A great many people were paid money under these schemes who made no contribution at all?—That is my second point. There was free cover, which on the average came to £300 per person. If those payments were excluded it is probable, we think, that the premiums would just about have balanced the payments.

3453. On the Commodities Insurance Scheme there was a very large surplus of nearly £81 million?—Yes.

3454. Are these schemes drawing to a conclusion now?—Yes.

3455. Have you any later figures you can give us than are in the report of the Comptroller and Auditor General in paragraph 4?—I can give an account of how they look like turning out. This shows the position of each scheme at the 31st January, 1948. On the Commodities Insurance Scheme the total receipts are just over £200 million. The claims paid are £117 million. We estimate the outstanding liabilities at just under £1 million and agents' remuneration and assessors' fees come to just under £5 million. That produces a credit balance to the scheme as a whole of about £80 million, of which most part has already been paid into the Exchequer on account. On the Business Scheme the total premiums received and other receipts come to about £78 million.

The claims paid come to £35 million. Claims assessed, so to speak, but deferred came to £54½ million; outstanding liabilities beyond the claims assessed but deferred are about another £2 million; agent's remuneration, assessors' fees and other expenses another £2½ million, and looking forward to the estimated liabilities the net deficit would be £17¼ million. I do not know whether you would like me to go through the individual figures again on the Private Chattels Scheme.

3456. No; I think it will be sufficient if you give me the estimated outcome.—We show on the same basis a deficit of £105½ million pounds. That is, of course, subject to the two qualifications I made just now about the nature of the Private Chattels Scheme.

Chairman.] Are there any questions on this Account?

Mr. Thurtle.

3457. I see in the notes to the Account it states that the account of the Business and Private Chattels Schemes does not include "the amounts eventually payable in respect of claims where payment is to be made at a later date to be specified in Treasury Regulations". I suppose it is quite impossible to give the Committee any indication as to when that date might be?—I am much too wily a bird to pretend I have any ideas as to when the Treasury will do anything.

Mr. Thurtle.] That is not very helpful.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (Agreed.)

THE BANKRUPTCY AND COMPANIES WINDING-UP PROCEEDINGS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1947.

Chairman.] There is a duplicated paper, which has been distributed; Bankruptcy and Companies Winding-up Proceedings

Account for the year ended 31st March, 1947. I have no questions on that.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 2.

SERVICES IN DEVELOPMENT AREAS.

Chairman.

3458. Will members turn to the Civil Appropriation Accounts, 1946-47, to paragraphs 71-75 of the Report of the Comptroller and Auditor General dealing with Services in Development Areas. This is all governed now, I think, by the Distribution of Industry Act, 1945.—(Sir John Woods.) Yes.

Chairman.

3459. We are told by the Comptroller and Auditor General at the beginning of paragraph 72 that "a programme of expenditure amounting to £35,500,000. . . has so far been agreed in principle by the Treasury, mainly for trading estates and

factory sites." Could you give me the main sub-divisions of that expenditure?—Yes. Under Subhead A, which, as you know, relates to sites and buildings owned by the Board of Trade, the total comes to practically £30 million.

3460. £30 million out of the £35 million is on Subhead A. That is "Acquisition of Land, Erection of Buildings, etc."?—Yes. On Subhead B, which is company owned estates (that is estates owned by trading estate companies) the amount is £5 million. There are very small sums so far for Subheads C and D which relate to derelict site clearance; the figures are £273,000 and £378,000 respectively. Subhead E is

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[Continued.]

£18,000 and Subhead F £132,000. So the lion's share of it is Subhead A, sites and buildings owned by the Board of Trade. (Sir *Frank Tribe*.) Subhead F is a new subhead in the 1947-48 Estimates. It does not appear in these Appropriation Accounts. It relates to key workers' houses. (Sir *John Woods*.) Yes. I beg your pardon. That is so.

3461. What did you say was the amount under Subhead F in the present Estimates?—(Sir *John Woods*.) The key workers' houses figure in the current Estimates is £625,000.

3462. Could you tell the Committee about the key workers' houses?—I am afraid I cannot. I could let you have a note. It does not arise on this Account, and I have not briefed myself on the subject. I know the general story of how important it is to get key workers' houses in new sites in development areas, especially from the point of view of managers, under-managers, skilled foremen and people like that, and special arrangements have been made to try to get housing arrangements made; but I am afraid I cannot explain exactly how they work into the structure of this Account.

3463. In the last sentence of paragraph 72 the Comptroller and Auditor General tells us that in addition to the Board of Trade expenditure in respect of transport power, housing, health, etc. is borne on the Votes or funds appropriated to those services. That is to say, we should normally find an item in the Ministry of Health Accounts, no doubt, for housing services in the development areas?—Yes.

3464. The point will arise whether there is any overlap through the inclusion of a housing Subhead in the Board of Trade Accounts?—This is an exception to that general rule. I am quite sure of that. (Sir *Frank Tribe*.) The Estimate for that Subhead in the current year is £625,000.

3465. There is no item of expenditure under that Subhead in the Accounts we are now reviewing?—Not in the Accounts which are now before the Committee.

3466. It might be better, I should think, to look at that another year?—Yes.

3467. You have notice, Sir John, that in a year's time the Public Accounts Committee may ask a question about this?—(Sir *John Woods*.) I have noted it, Sir.

3468. Paragraph 74 deals with the various trading estates companies and their loans. Two of the four companies seem to have fallen seriously into arrear on interest payments, those being the Hillington Industrial Estates, Ltd., which is I believe near Glasgow, is it not?—Yes.

3469. — and the North Eastern Trading Estates, Ltd. Whereas the Wales and Monmouthshire Industrial Estates, Ltd.,

and the West Cumberland Industrial Development Co., Ltd., appear to be in a fairly good position. Could you explain to the Committee how it is that the two companies that one might have expected to be in the more prosperous areas seem to have fallen into default, whereas those in what were considered to be the poorer areas are solvent?—In the case of the Hillington Company, I gather one of the main reasons was that it was a place developed to a considerable additional extent during war-time. It was only partly developed before the war, and I imagine (though I am not certain about this) that any money it received during the war was probably devoted to part payment of the developments which were going on. I do not think there was anything much to be criticised about the Hillington Estate. There is a somewhat similar story about the North Eastern Trading Estate, Ltd., at Team Valley. It was only partly developed before the war. It is also true that after 1938 and after Munich time people were rather shy of going to the north-east coast, on security grounds. They rather thought they would be bombed out of existence in Week One of the war which they thought was coming. For some time, at any rate, I think, there was just not enough money to pay the 4 per cent. interest. At a later stage, however, the Company itself did accumulate quite a considerable amount of money but took the view that if they were to behave like a prudent commercial company they ought to depreciate their assets quite handsomely and set money aside to reserve, and so on. In fact, there has been a certain amount of discussion between the Company and the Board of Trade on that point, we, I think, taking the view that since the companies in any case were fed and would continue to be fed by the Exchequer to the extent necessary their austere view of depreciation and reserves was not necessary. In fact, the Company made a payment at the rate of 2½ per cent. for the half year to 30th June, 1945, and after a lot of discussion had taken place there was a recent arrangement under which they have paid a great deal more. They made a payment of £98,000 on 30th April last and that is made up of 4 per cent. for the period 30th June, 1946; 2 per cent. for the next half year and 2 per cent. for the following half year. In January, 1948, they had made a payment of 1 per cent. for the half year ended December, 1947. After payment of all this the Company is now left with cash and securities of about £40,000, so that the position has been largely rectified. But, as a matter of fact, the question has now become rather academic, because it has now been arranged that the Team Valley Estate will shortly be transferred from the ownership of the Company to the Board of Trade, whereupon

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[Continued.]

all the assets will become directly owned by the Board of Trade.

Chairman.] Are there any questions on paragraphs 71-75 of the report of the Comptroller and Auditor General?

Mr. McAdam.

3470. With regard to the Hillington Estate I think most of the revenue which the Company derived during war years

(Statement of Loans and other Expenditure in respect of which a return to the Exchequer may be anticipated to 31st March, 1947.)

came from the Rolls Royce Company, and the Rolls Royce Company have now practically abandoned Hillington, have they not?—Yes. I forget exactly what has happened, but I know Rolls Royce have given up a lot of it. I think it has been taken up by other people.

3471. They manufactured both aircraft and other engines during the years of the war?—Yes.

CIVIL APPROPRIATION ACCOUNTS.

CLASS VI.

VOTE 2.

SERVICES IN DEVELOPMENT AREAS (continued).

Chairman.

3472. We will take the Account in the Civil Appropriation Accounts, which is at pages 290-291, Class VI, Vote 2, and we will also take the duplicated document which has been circulated, which is a statement of loans and other expenditure in respect of which a return to the Exchequer may be expected to 31st March, 1947. The statement of the amount of loans outstanding at the top of page 291 in the Civil Appropriation Accounts corresponds exactly with the top half of the duplicated paper?—(Sir John Woods.) Yes.

3473. Under Item (3) on the duplicated paper: "Expenditure which provides a return in the form of rental, &c." we have under "Industrial Development" a heading: "Industrial Estates and Sites excluding former Royal Ordnance Factories and other wartime buildings", £4½ million. Are those factories which have been erected by the Board of Trade?—Yes. Those are cases where the sites and the building belong to the Government and they may be administered by the trading estate companies, but the net revenue coming from these sites and buildings accrues to the Board of Trade and is part of the surrender to the Exchequer.

3474. Then the second item there is: "Former Royal Ordnance Factories" £975,000. Is that the actual value of the factories, or is it simply expenditure on improving them and adapting them?—It is expenditure on adapting them to industrial use.

3475. So that we have not any figure for the value of these Royal Ordnance Factories?—There is a note on the Appropriation Accounts at page 291 which gives some information on that.

3476. The footnote there gives us what is called the "residual cost" of certain assets as £8,720,000. Is that right?—Yes. That is brought together with the assets

taken over in the previous year, half way through paragraph 72 of Sir Frank's report. (Sir Frank Tribe.) That figure represented the value of the assets taken over in the year of account, but there was a figure of £13 million in the previous year, making a total of £21,900,000.

3477. That is adding the £8½ million to the £13 million?—Yes, as explained in paragraph 72 of my report.

Mr. Benson.] What does "residual cost" mean?

Chairman.

3478. Perhaps Sir John can explain what is the residual value or residual cost?—(Sir John Woods.) They were Ministry of Supply factories, and it is Sir Frank's report; but I should have assumed it meant the sort of written down value as shown in the books of the Ministry of Supply of a factory which was no longer useful for its main original purpose and must be handed over to somebody for conversion to peacetime use.

3479. Is there something about the 1939 value of these factories involved here?—(Sir Frank Tribe.) No; not on this Account. I agree with what Sir John has given as a description of "residual value" but I think the expression you are asking about is "residual cost"?

Chairman.] It is "residual cost".

Mr. Benson.

3480. Do you mean written down to their probable value for sale purposes or that they have been written down on some theoretical depreciation scale?—(Sir John Woods.) I really cannot say. They are Ministry of Supply-owned factories and I do not know on what basis these figures are arrived at.

3481. Have you taken them over at that value, whatever that may mean?—

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[Continued.]

There is a book value. No money has passed between the Departments.

Chairman.] Are there any questions on the Account?

Mr. McAdam.

3482. In regard to the Cardonald Factory taken over by the Board of Trade, can you tell me what it is being used for now?—I am afraid I cannot say offhand. We could easily let you know if you wanted to know.

3483. Could you tell me the capital value of that factory, including sidings? It was a very expensive factory used for the manufacture of explosives during the war years.—We have not any particular figures about Cardonald here, but we can let you know if you would like to have a note upon it.

Mr. McAdam.] All right.

Mr. Horace Holmes.

3484. What is the reason for the difference in titles? There are trading estates, industrial estates and a development company. They are different titles. Is it because there are different financial arrangements?—They are all the same thing. They happen to have slightly different titles. They are the companies which, in the days of the Commissioners for Special Areas, were given money. They owned trading

estates. They built factories and they leased them to tenants. They still exist, but to a major extent they will act as agents to the Board of Trade, who will own most of the assets, the land and the buildings, themselves, and these industrial estates or development companies or whatever you call them will operate them as our agents. They are all the same type of thing.

Lieut.-Col. Hamilton.

3485. On page 290, in the notes, a sum of £12,000 is mentioned in respect of work on a site of 12 acres which had to be abandoned owing to the condition of the subsoil. How is it that so much money was spent before it was discovered that the subsoil was unsuitable and the site had then to be abandoned? It seems to merit some enquiry as to why that discovery had not been made before?—(*Sir John Woods.*) It was in fact pretty carefully inquired into. Boreholes were made in May, 1946, in accordance with usual procedure. As far as one can judge there was no particular fault about it. It was one of those unlucky kinds of civil engineering accidents that does happen on occasions.

3485A. A full inquiry was made?—Yes.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (*Agreed.*)

VOTE 3.

FINANCIAL ASSISTANCE IN DEVELOPMENT AREAS.

Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., called in and examined.

Chairman.

3486. Will members turn now to paragraph 76 of the Report of the Comptroller and Auditor General. Sir Eric, you are in a position to answer questions on this vote?—(*Sir Eric Bamford.*) Yes.

3487. This is the responsibility of the Treasury under the Distribution of Industry Act. We are told that the Act "empowers the Treasury, on the recommendation of an Advisory Committee, to make grants or loans to industrial undertakings in the Development Areas where (a) the undertakings are approved by the Board of Trade as complying with the requirements of the proper distribution of industry; (b) the Treasury are satisfied as to the undertakings' ultimate prospects; and (c) the capital required cannot otherwise be obtained on the requisite terms." Are those the conditions prescribed by the Act?—Those are the conditions in the Act.

3488. I wonder how I found it possible to defend a clause containing such hopelessly incompatible conditions, because surely, Sir Eric, it must be very difficult for you to be satisfied under (b) as to the undertakings' ultimate prospects, and yet

at the same time under (c) that they have failed to get the capital from any other source, including these two new Development Corporations specially formed to assist speculative enterprise. However you found it possible in the year under review to advance £163,000 under the Act?—Yes. The Advisory Committee are satisfied that there are some residual cases which do not appeal for one reason or another, and which do not seem to be able to raise their capital, generally after application to the Industrial Finance Corporation. But a pretty tough Committee does examine them and has been satisfied that there is a reasonable chance of these concerns making good.

3489. The Treasury have to put their money on the outsiders?—This is very much for outsiders.

3490. What are the sort of normal terms for the loans? Are they for a period of years with interest?—They are for a period of years, and I should think, on the average, 4 per cent. interest is charged. It may be varied at the discretion of the Committee, between 3½ to 4½ per cent., but generally it is about 4 per cent. Except in the case of existing undertakings

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[Continued.]

which have security to offer, the Committee require a substantial proportion of the finance to be found elsewhere. They expect to have something found by the promoters. The Treasury obtain the best security they can; generally first debentures, subject perhaps to a specified amount of bank over-craft ranking ahead.

3491. So far you have made no grants under this section of the Act?—No. It was originally thought that grants would be quite a substantial feature, but in fact the Committee have had only two applications for grants and in neither of those cases did they think there was ground for a grant to be made. So, in fact, we have made no grants at all. It is a rather curious fact: it may be partly due to shyness of applicants who think there must be a catch in the grant; but I think on the whole it is due to the fact that the circumstances that were visualised when the Act was framed have not arisen. It was rather expected that undertakings would be able to obtain money at, say, 6 per cent. but not at 4 per cent., that they could run on 4 per cent., but nobody would dream of lending to them under 6 per cent. We might then have given a grant to cover the 2 per cent. difference. But that situation has not arisen in practice and the loans side of the Act has been the only really live side.

3492. I see you provided in the Estimate for this year we have under review a sum of £100,000 for grants, but, as you have told us, none of it was advanced?—None was spent. In the current year we have put in a token figure of £10.

3493. We will take the Account with this paragraph. The account is at pages 292 and 293. There is on page 293 a statement of loans outstanding but that is under

the Special Areas?—That is under the remanet of the old pre-war scheme. That is a wind up.

3494. Can you tell the Committee about the £42,600 which appears as interest in arrear?—Under the 1937 Act?

3495. Yes?—I have a figure of the principal outstanding, but I am afraid I have not a breakup of the interest in arrear.

3496. The principal outstanding is £585,000, is it?—Yes. That has now been reduced to £238,000.

3497. Is the balance owing from a number of borrowers?—It is owing from six borrowers. We would not say that any of that is irrevocably lost yet. I think it is really a great testimony to the way in which the scheme has run that we have got down to £238,000, and we will not yet say that of that any amount is completely lost. I myself suspect that there is one case, quite a substantial case, where we shall lose money. It would be better not to quote the name of it.

3498. You might give the Committee the name, but we will take it off the record?—It is a company called (name supplied).

Chairman.] Are there any questions on this paragraph, or on the Account?

Mr. Benson.

3499. Was the reduction from £580,000 to £238,000 due to wiping out on capital or to repayments of it?—To repayments of it.

3500-3507. You have lost nothing of that so far?—We have lost nothing under this scheme. It has been a very successful scheme.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved?—(Agreed.)

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.

BOARD OF TRADE (RAW MATERIALS DEPARTMENT).

TREASURY MINUTE ON PARAGRAPHS 98 TO 102 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

3508. Will Members turn now to the Trading Accounts and Balance Sheets for 1946-47, to paragraphs 30 to 32 of the Report of the Comptroller and Auditor and with these paragraphs we will take the Treasury Minute on paragraphs 98-102 of the Third Report of the Committee of Public Accounts, 1946-47. In these paragraphs of our report a year ago we made some observations about delays in revising price schedules?—(Sir John Woods.) Yes.

3509. The last paragraph of the Treasury Minute says: "Their Lordships trust that the Board will pay careful regard to the Committee's recommendations that trading

results should be subject to frequent review with a view to prompt adjustment of prices and that, where the work of revising price schedules is likely to take a long time, selling prices should be subject to an overall percentage increase necessary to cover current costs. My Lords would be glad to be informed at an early stage should any case arise in future in which shortage of staff seems likely to cause serious delay in implementing a decision to increase selling prices of raw materials." Can I be assured that shortage of staff is not at the present time holding up any necessary work upon price schedules?—I should hate to give that general assurance because the revision of

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[Continued.]

price schedules is a thing which may descend upon you at any moment and in large quantities, especially with rising import prices of raw materials, and so on. It is very difficult to forecast what will be the staff position in a trading control or directorate at any particular moment or, indeed, in the Raw Materials Department itself. There are great calls on it from Washington, Paris, Timbuctoo and everywhere else. I do not know any particular case where shortage of staff is stopping us doing something we should otherwise do. In relation to this argument I think the question about the disintegration, so to speak, of the Timber Control and the shortage of skilled staff was only one of a number of arguments about whether we should or should not have got timber prices up more quickly. For one thing it is clear that the timber schedule which has been in existence since 1940 and included some hundreds of specifications—(Mr. *Bretherton*.) Four hundred, at least. (Sir *John Woods*.)—was wholly out of line with post-war conditions and with world prices, and it was an extremely formidable business to recast it. At that stage the Committee, quite rightly, would say: "If that is so, why do not you do a quick over-all percentage increase of the schedule in order to safeguard the taxpayer and work out the other thing at your leisure?" That course which we would certainly adopt in many cases and, indeed, have adopted on many occasions, sometimes has its own disadvantages. For example, simply to take one, you put up a schedule of prices containing a large number of individual items by a percentage, and you then alter the relationships on a quite arbitrary basis of any particular item to any other item, or to the cost and value of that item in the world markets or to the people who use it in this country. I could give a rather interesting illustration of that, if necessary, where our doing that has apparently led to, or been one of the main reasons for, our having to pay considerably increased prices to the Argentine for a particular tanning material. We did adopt the particular device of putting up tanning materials by a flat percentage. We got one of them completely out of scale with world prices. The Argentine then said: "The English are selling this stuff at such-and-such a price. We ought to charge them more for it," and they promptly did, which is not a very satisfactory result. Another general argument, of which I think the Committee are aware because it was stated to them last year, is that there are occasions when it is really very disturbing to trade and may have quite serious results to alter prices too frequently. One does not want to have complete stagnation of prices. You want something that is pretty responsive to changes in markets and so on. On the other hand, if you have got fixed prices, it may be very disturbing

to have very rapid or even moderately rapid changes. So that I think on the general question the Board of Trade would like to say that while they pay great respect and regard to the Committee's view they hope the Committee would not think it right that it should be an invariable practice, where you see a delay ahead, in revising a total schedule of prices, that you should always take the course of having a quick stab at it by a percentage increase of the schedule as a whole. If I could take my Accounting Officer's hat off for a moment and put on my other hat as Permanent Secretary of the Board of Trade, I should not like that as a general rule at all, because it seems to me that it is quite possible that by dislocating supply and production—not dislocating, but causing friction, uncertainty and so on, in supply and production, you could put up prices quite easily, put up costs quite easily, and you might in fact do greater damage to the ultimate consumer of the products into which these raw materials go than you would cause expense to the taxpayer in his corporate capacity by running at a loss for a period until you have in fact time to revise the schedule scientifically.

3510. Thank you. Are there any questions on the Treasury Minute on paragraphs 98-102 of the Third Report of the Committee of Public Accounts, 1946-47? We will turn now to paragraphs 30-32 of the Comptroller and Auditor General's Report on the Trading Accounts and Balance Sheets, 1946-47. Your Trading Accounts are audited by professional examiners, as they are called?—Yes.

3511. Are they officers of the Board of Trade, civil servants?—No.

3512. Who are they?—They are professional accountants.

3513. In paragraph 31 we are told that the Accounts show total losses, apart from pit wood, of just under £31 million. These are classified either as subsidies, nearly £19 million, or as trading results, nearly £12 million. Could you just explain to the Committee the ones under the heading "Subsidies"? Are these planned losses, so to speak? Do you make a calculation in advance of the amount you want to subsidise leather for the year, and then fix the prices accordingly?—No, not quite that. I think they would vary. If I took the case of leather it would perhaps illustrate one way in which it works. You start with a leather price and you fix a leather price. It was in fact fixed in 1942.

3514. Is that the buying price or selling price, as far as you are concerned?—The leather price in this country.

3515. Yes, but to be paid by whom to whom?—To be paid by the shoe maker, or whoever it was, to the tanner. Then

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[Continued.]

you proceed to say: "We are going now to sell hides and skins to the tanner at such a price that he in his turn can sell the leather at this fixed price and still make a reasonable profit". The difference between what we actually pay for the hides and skins and this price at which we sell to the tanner is in fact the subsidy, but you cannot say that you plan that in advance because you do not know what you are going to pay for your hides and skins.

3516. You do not know what the amount of the subsidy is going to be in advance?—No. You have to keep an eye on it as it goes, so to speak. That, at any rate, was the case in leather. The same sort of principle applies in fertilisers.

3517. On what principle, when you find at the end of the year that you have a deficit on, let us say, leather or home flax, do you then say that was a subsidy, whereas on rubber or timber you say it was a loss?—I can take a shot at this. I think Mr. Bretherton could answer it better than I can. My own view is that the essential element in it is that in the case of leather we actually fix the price of leather and determine to hold it there as a matter of policy as part of the case of living stabilisation policy, and I think that really means that you have departed from the principle which the Raw Materials Department normally follow, of meaning to follow costs and break even, for reasons of policy, quite outside raw material trading.

3518. What it comes to is that on timber, rubber and the other items under the heading of "losses," you have been aiming at breaking even?—Yes, but not necessarily in one particular year. Indeed, if you take the case of timber I think it is true that over the whole period of the timber control, from 1939 to 1947, we have in fact made a profit of about £10 million on a turnover of about £360 million, which is about 3 per cent., which is something to set against the trading loss of 6.6 per cent. in this particular year of account.

3519. At the foot of the page we are told that the Balance Sheet includes £22 million general reserves for contingencies. What are the contingencies against which that large reserve was set aside?—That represents money set aside by Wool Control alone. Wool Control, unlike most of the other controls, quite deliberately budgeted during this trading period to acquire a considerable cushion, a reserve against the possibility of a large fall in wool prices after the war, bearing in mind that Wool Control was clearly going to be holding very large stocks because of the arrangements to buy the war clips of the Dominions and, I think, two clips thereafter, so that they were almost certain to be faced with a

very large stock at the end of the war. And they judged it prudent, in those circumstances, to provide themselves with a big cushion. In fact it has not been needed, because wool prices have behaved in what I should regard in such an odd fashion. They have kept up.

3520. One other general question on this paragraph: you are no longer aiming at any subsidies on materials, are you, such as leather, wool, and so forth, except in regard to fertilisers?—Fertilisers and molasses for animal feeding stuffs.

3521. So far as leather is concerned you are now trying to make both ends meet?—Yes.

3522. When leather was deliberately subsidised were any steps taken to ensure that the benefit of the subsidy did not go to the buyer overseas? Were any steps taken to see that subsidised leather was not exported?—I should think very little leather, as such, was exported. (Mr. Bretherton.) During the war the actual leather exports were, of course, very small. Though we looked, even during the war, at the question of trying to collect the subsidy on exports, we decided that it simply was not worth while from an administrative point of view. After the war, of course, leather exports increased and we looked at the thing again, but again the actual administrative difficulties of doing it in most cases were almost insuperable. We did it in about two cases. The case of the East India Kips was one and there was another where it was possible to isolate the leather that was going for export to collect from the tanners the amount of the subsidy, but in the great majority of cases it was not. The leather going to boot manufacturers might be used for shoes going to the home market, or it might be used for shoes which were to be made for export, and there was really no means of distinguishing. So we just had to say that, since the total export of leather in every form was not large (it was never more than about 5 to 10 per cent. of the total) it was a thing which we could not deal with.

3523. Paragraph 32 deals with the Leather Control. The aim, apparently, was to restrict tanners to a profit of 8 per cent. on capital employed, but the Comptroller and Auditor General says that: "These periodical adjustments failed to restrict profits to the target figure, but during the first three years of the scheme the excess, by agreement with the trade, was partly recouped by means of retrospective surcharges." Was that part of the agreement with the trade, or were the repayments made by the trade on a voluntary basis?—(Sir John Woods.) I myself cannot answer that. It was in the days of the Ministry of Supply. Mr. Bretherton

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Mr. R. F. BRETHERTON.

[Continued.]

could perhaps answer your question. (Mr. Bretherton.) No. It was not strictly part of the original agreement with the trade. The original agreement with the trade provided that if it appeared that excess profits had been made in the past they should be recouped by reductions of the profit margin in the future. That would in fact, if carried out, have produced a very awkward situation, that if the trade had made, let us say, 30 per cent. in the past, when it ought to have made only 10 per cent., then in the future—for six months or a year—it might have to make a negative profit. That proved to be impracticable, and therefore, during the war we ran this system by agreement with the trade, but not as part of the original agreement of actually assessing a retrospective surcharge and collecting it. But at the end of the war the trade said they felt they could not continue any more with that, and we felt obliged to agree with them.

3524. They said that this arrangement of retrospective recovery of profits was inappropriate to peace-time?—That is what they said.

3525. What was the ground behind their argument?—(Sir John Woods.) I suppose it is the argument that a contract is a contract, and if every time you make a contract on a fixed basis and you make a profit greater than you expected the fellow to whom you supply expects to get something back, while he holds you to your price every time you make less profit than you expected or you make a loss, trading becomes very difficult and a contract is not regarded as a contract. That is the argument which I heard used a lot during the war in respect to fixed prices for munition contracts and also raw material contracts; and I think there is a great deal in it.

3526. We are told in the last sub-paragraph of paragraph 32 that you started discussions with the trade with a view to a drastic reduction in their profit margin to conform more closely to the target figure of 8 per cent. Have those discussions reached the stage of agreement? (Mr. Bretherton.) Of course, since the 1st January of this year we have not been selling hides at a loss. We have, therefore, had to put up our hide selling prices and also to put up the controlled leather prices. In fixing the new controlled leather prices we have attempted to make a considerable cut in the profit margin accruing to the tanners, but we have not yet got any evidence of our success or failure in that respect, and we shall not do so, I fear, for another three or four months.

3527. Has there been a great outcry from the tanners?—Quite a considerable outcry.

Chairman.] A healthy reaction. Are there any questions on paragraphs 30-32?

Mr. Cuthbert.

3528. I may be quite wrong in the way I have followed this, but on the question of this leather buying you say you fix the price of hides and skins to the shoe maker, shall we say, who makes the shoes, and you fix the price of the product he makes?—No. We start by fixing the price of the dressed leather as it leaves the tanner—the price which he can get from, say, the shoe maker. We then proceed to work back from that and say the price at which we are going to sell the hides and skins to the tanner is such that the difference between the two will yield him a reasonable profit and not more.

3529. I follow that. What did you have to pay for the hides and the skins?—That depends on what success we have in dealing with the Argentinians, Brazilians and other suppliers.

3530. The price you paid represented a loss, actually. It was a subsidy?—Yes, the difference between the price we paid and the price at which we sold to the tanner is the subsidy.

3531. You could not gauge that at all at the time when you were trying to fix your other price, and therefore the subsidy might have been anything. I am talking about the past. You have stopped it now. The subsidy at that time might have been any figure at all, depending upon what you had to pay to the Argentine for skins and hides in the first place?—That might have been so. In theory the subsidy could have been anything. It was of course open to us to say: "We must now raise the price of leather, stabilisation policy or no."

3532. You left the accounting point entirely in the air. The price of hides and so on abroad was not fixed before-hand. You had not bought them before you had fixed your price at home. You did not know what you were going to pay for the hides?—No.

Sir John Mellor.

3533. I want to clear up one point. I think you were asked from the Chair with regard to the retrospective recovery, and whether that was part of the contractual arrangement, or how it was imposed. I am afraid I did not get your answer on that, clearly.—It was Mr. Bretherton's answer, and I think he knows about it better than I do. (Mr. Bretherton.) The original arrangement was that the tanners were told that we proposed to allow a certain margin per pound of leather produced, and if they made more than that we should propose to increase our selling price of hides to them in the future, so that their margin for the future was reduced not only for the future but to make up the past loss. As that actually worked

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[Continued.]

out in the first year, they made twice as much, for example, as they ought to have done; therefore, in order to recoup us they would have had to work for no profit at all in the next year, and that was impracticable.

Sir *John Mellor*.] I need not trouble you any further. That was what I did not quite understand.

Chairman.

3534. Now we will turn to the foreword to the Accounts, at page 88. In paragraph 3 on page 88, we are told: "In general, stocks have been valued at 'into warehouse' cost, with appropriate adjustments for goods in transit". Supposing a fall in prices occurred and the market price of your stock became lower than the "into warehouse" cost, would you put in the market value?—(Sir *John Woods*.) No. I take it we should stick to the actual "into warehouse" cost and deal with any loss arising by subsequent adjustment in the Accounts.

3535. Am I not right in thinking that the Ministry of Supply have handled this matter of valuing stocks on a different basis?—(Sir *Frank Tribe*.) I gather it is their intention to do so, in relation to current market prices. That is what I understood. Prices have been rising throughout the year of account, and one does not see it very much in the Account, but I was not very happy that all three Departments, the Ministry of Supply, the Board of Trade, and the Ministry of Food, were not working on the same principles in regard to the value they put upon stocks. (Sir *John Woods*.) As to that, I cannot answer for myself, but if there is a danger that the three Departments are using different methods in dealing with stock in their Trading Accounts, there seems to be something there to be examined into, but I should have thought it was for the Treasury to take the co-ordinating part in that. (Mr. *Jones*.) In the case of the Ministry of Food there is a special consideration. They have always valued their stocks at cost because they sell at subsidised prices. To value at market prices would, in effect, have taken the subsidy in the year in which the stocks were acquired and not in the year in which the stocks were consumed. So it is settled policy, with which the Treasury are in agreement, that the Ministry of Food should continue to value their stocks at cost. But in the case of commodities which are not subject to subsidy policy there is no reason why the arrangement made by Departments should differ.

3536. There is no reason why it should differ?—There is no reason why it should differ.

3537. But do they, in fact, differ between the Ministry of Supply and the Board of

Trade?—I am not sure about the Ministry of Supply. Certainly in the case of some of their controls they do value their prices at cost or market price, whichever is the lower. (Sir *Frank Tribe*.) On page 87 in the Account of the Ministry of Supply you will see the Ministry of Supply say: "Stocks at lower of cost or market value."

3538. It would seem a matter in which uniformity is desirable, and perhaps the Treasury would look into it with that object in view?—(Mr. *Jones*.) Yes.

3539. On page 90, No. 17 is "Molasses and Alcohol". "Customs duty on imported alcohol, amounting to about £845,000, was not recovered through selling prices and has been excluded from the loss shown." That amounts, does it not, to a subsidy?—(Sir *John Woods*.) I am afraid I am not very good at this one. (Mr. *Bretherton*.) Actually the imports of alcohol are very exceptional. We normally import molasses and turn it into alcohol here. Molasses is in short supply and from time to time it has been necessary to import alcohol as such. In those circumstances the Treasury, who have been consulted about it, agreed that it was not appropriate to charge or to try to recover customs duty.

3540. This is an extra-statutory concession by the Treasury, is it?—(Sir *Eric Bamford*.) I am afraid I do not know about it. (Sir *Frank Tribe*.) The duty is collected by the Customs and Excise, but is not passed on by the Board of Trade to the consumer.

3541. Then it does amount to a subsidy to the consumer?—(Mr. *Bretherton*.) Yes, except that the whole business of importing alcohol in present circumstances is a very exceptional one and it seems very undesirable to pass it on.

3542. In the footnote to No. 19, what is "pyrethrum"?—(Sir *John Woods*.) Pyrethrum is an African plant which was used as an insecticide before the invention of D.D.T.

Mr. *Benson*.

3543. It is for killing green-fly.—No; I was wrong. It is an anti-malarial plant.

Chairman.

3544. You have not the Accounts prepared in relation to it?—No.

3545. Is that because of the difficulty of accountancy in Africa?—I imagine so, yes.

Chairman.] Are there any questions on this foreword to the Account?

Mr. *Benson*.

3546. I should like to know what the Board of Trade is doing in kitchen waste,

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that is mentioned in paragraph 19.—(Sir John Woods.) It is part of our salvage operations.

3547. Does the Board of Trade undertake the collection of bones, and things like that?—We do not actually do it. The local authorities do the work. The financing of it at the local authority end is our business.

Chairman.] The Accounts are at pages 92-135, and I think that as the time is late I will put no questions to you on the Accounts. They seem to me to be very clearly prepared. Has any Member of the Committee any question on the Accounts? May I take it that the Accounts are approved?—(Agreed.) Thank you, Sir John.

(The witnesses withdrew.)

Adjourned till Thursday next, at 2.30 p.m.

THURSDAY, 10TH JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Benson
Mr. Cuthbert

Lieut.-Colonel Hamilton
Mr. Thurtle

Sir Frank TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and
Mr. C. E. I. JONES called in and examined.

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 6.

CONTROL OFFICE FOR GERMANY AND AUSTRIA.

Sir WILLIAM STRANG, K.C.B., K.C.M.G., M.B.E., Permanent Under-Secretary of State, and Mr. S. J. SECKER, Accountant-General, Foreign Office (German Section), called in and examined.

Chairman.

3548. Sir William, you are the Accounting Officer for the German Section of the Foreign Office?—(Sir William Strang.) Yes.

3549. This Section is technically known as "Fogs"; is that right?—I have seen it so described.

3550. You were not Accounting Officer for the year under review, but you have signed the Account?—I signed the Account.

3551. And you are prepared to answer questions about it. Will Members turn to paragraphs 57-67 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts (Class X), 1946-47? Have you paragraph 57 before you, Sir William?—Yes.

3552. That summarises the Account and endeavours to show the total burden of the Occupation of Germany and Austria. We are told in the second subparagraph that of the military expenditure in 1946-47, some £15½ million is charged to Subhead E

in this Account. The balance borne by the Defence Departments is not separately recorded, but is estimated at about £69 million. For subsequent years I believe the figures are not separated in this way, are they?—That is so.

3553. Could you tell the Committee how the £15½ million which is apportioned out of the military expenditure has been calculated?—The £15½ million is external Occupation costs. (Mr. Secker.) Which were deemed at the time of the preparation of the estimate to be likely to be recoverable. (Sir William Strang.) We had at that time a modest definition of what is meant by Occupation costs. According to our definition they covered the food for the Occupying forces and such things as petrol and medical supplies. According to that definition it seemed to us at the time reasonable that they should rank together with essential imports and that the whole of the expenditure should appear in the Account side by side with the receipts from exports. Later draft definitions have not

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[Continued.]

confirmed this. There has been no international agreement on the definition of Occupation costs but other people have thought the definition should be more extensive. For that and for other reasons it has been decided not to include this charge in later years in this Account.

3554. May I take it that for subsequent years records will be kept which would enable that part of this expenditure which is recoverable from Germany to be ascertained?—Records are being kept of external Occupation costs, not according to any agreed definition but on a plan which is, I think, reasonably calculated to enable us to make a fair assessment under any definition likely to be adopted.

3555. At the end of the third subparagraph the Comptroller and Auditor General reaches a figure of £175 million as the total external expenditure on the British Zone in 1946-47. That includes this figure of £69 million which is the estimated cost, or part of the estimated cost, of the British forces in Germany?—It includes £69 million under that heading.

3556. I suppose it still might be said that, as we have to have an Army and it has to be somewhere, the whole of that £69 million should not be attributable to the cost of the Occupation?—I am not sure it is for me to answer that question. I am not answering for the £69 million.

3557. That would be so, would it not, Sir Frank?—(Sir Frank Tribe.) Yes.

3558. In regard to Austria, on a corresponding basis you have made the charge £12 million; is that right Sir Frank?—Yes, on the same basis. But, as I understand it, there is no possibility of recoveries from Austria. (Mr. Secker.) Not of Occupation costs.

Chairman.] Has any Member of the Committee any questions on these paragraphs?

Mr. Thurtle.

3559. Could we be told whether this expenditure represents the maximum that is likely to be incurred in this way, or will it tend to fall now, as the years go by?—(Sir William Strang.) The evidence so far is that it is falling. The estimate for the year of account—the net total—is £119 million. The corresponding total, if my memory serves me, for the following year is £86 million and the corresponding figure for the current financial year is £31 million. I quote these figures from memory, but they are of that order.

Chairman.

3560. We pass now to paragraph 59, which deals with the administration of the German economy. It is clear from what has already been said, is it not, that we have a direct financial interest in the efficiency of the German economy?—The Ex-

chequer has an interest in the conduct by our military government of the German economy, first, because we are still having to find money to maintain that economy and secondly because we, naturally, wish the economy to be so conducted as to increase the chances of our recovering what we have already spent.

3561. Is the position this, that part of Germany is under a British Military Government at the present moment?—The situation in that respect changed in two ways during the year of account. When the year opened the British Military Governor was controlling and supervising the economy of the British Zone. At the end of the year of account the two Zones, British and American, had been fused economically and the supervision of the economy of both Zones was jointly conducted by the two Military Governors. That was one change. The second change was the progressive handing over to the German authorities of responsibility for the economy of the Zones—not completely, but a progressive increase in German responsibility, and, I would add, the creation of new German bodies to assume those responsibilities. They started by being zonal bodies. By the end of the year of account we had created bizonal German bodies under the control of a joint Anglo-American system.

3562. Do all decisions affecting the economy of Germany have to be the result of agreement between the British and American representatives in Germany?—At the present moment that is the situation. The main decisions of policy relating to the economy of the bizonal area have to be taken by agreement between the two Military Governors, each acting, naturally, under instructions from his own government. Broadly speaking, on the main economic questions they speak with an equal voice, but it is important to add that in one field they do not speak with an equal voice. In that field, which is the conduct and supervision of the foreign trade of the bizonal area, the American authorities in the last resort have a majority voice. That was the result of an agreement reached between the two governments at the end of last year, and that was the price we paid for obtaining relief from dollar expenditure for imports into the bizonal area.

3563. This Committee has had before it, on previous occasions, the effect of wasteful expenditure by British personnel in Germany, either of marks or of this new currency known as B.A.F.S.V. May I take it that the staff of the Control Commission are alive to the importance of economising in expenditure of all kinds and of seeing that the sort of Black Market transactions of which we have had experience before do not occur?—They are

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fully alive to the problem. They are alive to the necessity, first of all, of not placing too heavy a burden upon the German economy itself. Secondly, they are alive to the need, from the point of view of morale at any rate, if from no other point of view, of stamping out Black Market and other illegal transactions. The Military Governor has issued a number of routine orders which lay down very clearly the things which people are not to do. They are not to engage in barter of goods of private or official origin for local commodities and services. They are not to use British Armed Forces Special Vouchers for buying local commodities or services, or to re-exchange those vouchers if they find them in unauthorised hands. In addition to the routine orders, posters are affixed in offices and messes with admonitions to the same effect, and if breaches are discovered, either legal or disciplinary action is taken.

3564. Is the position, then, reasonably satisfactory at the present time?—It would not be fair, I think, to say that all illegal transactions have been stamped out, but the position is very much better. One test was applied a short time ago. The War Office issued a new series of B.A.F.S.V., and the call in of the old ones did not suggest that illicit transactions had been taking place on any very large scale.

3565. We are told, at the top of page xx that "the Military Governor has approved the establishment of an independent audit branch to exercise, in relation to the German public accounts under British control, functions similar to those which" the Comptroller exercises here. This audit branch is operating, is it?—Yes. There are two aspects of it; there is the German aspect and the British aspect. The Military Governor has re-activated (I am speaking now of the time when we ran our own Zone) the German audit system which existed before the Nazi regime and reconstituted it in a way in which it is independent of the executive, but as there is no legislature to which it could report it reports to the Military Governor himself. In order to supervise it he has appointed a Director of Audit. That appointment is a fairly recent one. Before that appointment was made there did exist already an Audit and Investigation Section of the Finance Division. The Director of Audit draws the Military Governor's attention to any matters which he thinks require action and such action is taken. The procedure for that is laid down in the general instructions which the Military Governor has issued. The auditors' reports, as well as going to the Military Governor, come to London, and copies will be passed on to the Comptroller and Auditor General.

3566. I am obliged. That is the very point I was going to put to you. On paragraph 60, the Comptroller and Auditor General tells us that in the course of his examination of the proceeds of exports under Subhead Z (which produced generally satisfactory results) he has investigated the basis of the export prices, with the results stated in paragraph 65 below. He also noticed evidence of large scale organized smuggling of manufactured goods from the British Zone to neighbouring countries, estimated in October, 1946, to involve losses of potential exports which might have substantially increased the receipts under Subhead Z. He has recently been informed that this illicit traffic has been substantially reduced. Could you tell the Committee what the nature of this smuggling was, who were the principal parties to it, and whether in fact it has been substantially reduced?—We know that the smuggling was on a large scale. We do not know, of course, precisely what the scale was, nor precisely what the objects which were smuggled were, but since we have good reason to think that they consisted very largely of things like equipment of factories and machinery generally we would conclude that the operation was on a considerable scale and had been carefully organised.

3567. It was mainly on the western frontier of Germany?—It was mainly on the western frontier of Germany. I am not saying that this machinery was the only type of goods which were smuggled. No doubt things like cameras and binoculars and so on were also smuggled.

3568. We are told that this traffic has been substantially reduced. It is impossible, of course, to estimate the size of the traffic; the whole thing was a subterfuge, but what evidence can there then be that the traffic has been substantially reduced?—We have taken measures to tighten up the control. We have strengthened the numbers of British staff on the frontier. We have established special crossing points through which alone vehicles may pass, and they are adequately guarded.

3569-70. Are the staff British Military staff?—They are members of the Control Commission. They are mostly, I think, civilians, though the Officer-in-Charge of Frontier Control is a retired naval officer. There are also German customs staff on the frontier and they are now allowed to shoot if vehicles show signs of not halting when called upon to do so. We have also established collaboration with the frontier guards on the other sides, the Dutch and Belgian sides of the frontier, which we think is also helping to stop the flow. It is not possible to say, and one can never say that smuggling has stopped, nor can one estimate what it amounts to. From

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the facts at our disposal we would think that it has diminished very considerably. We have increased the number of arrests from 2,000 odd in January, 1947, to 6,000 odd in November, 1947, and the goods we found were seldom in commercial quantities, so that that would show first that the control is pretty good. We are picking people up—

3571. When you say arrests, are these arrests of individuals?—Arrests of individuals.

3572. Not arrests of goods?—No; arrests of individuals.

3573. What happens to all these people, having been arrested? They are charged, are they?—I would assume that in appropriate cases they are proceeded against in Control Commission or German Courts.

Chairman.] Are there any questions on paragraphs 59 and 60?

TREASURY MINUTE ON PARAGRAPHS 103 TO 108 OF THE THIRD REPORT
OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

CONTROL OFFICE FOR GERMANY AND AUSTRIA (*continued*).

Chairman.

3579. Paragraph 61 of the Comptroller and Auditor General's report deals with standard of accounting. The Committee will be glad to note that the Comptroller and Auditor General confirms that there was a considerable improvement during 1946-47 in the standard of accounting criticised by the Committee in paragraphs 105-107 of the Third Report of last year. I think at this stage we might turn to the Treasury Minute on our Report of last year—if you have it available, Sir William? You have already described some of the steps which have been taken and they are mentioned in the Treasury Minute, but I would like to put a question to you, if you have our Third Report of last year before you, on paragraph 106. In the second sentence of paragraph 105 we stated: "They"—the Control Commission—"took over the organisation from the War Office with its existing imperfections and were clearing up the overpayments and losses incurred in the War Office period as well as their own. As regards these overpayments, identifiable over-issues of about £38,300 had been made to staff who had left the Department's service up to April, 1947." The Committee were rather concerned about these overpayments to personnel who had left the Control Commission and were apparently receiving payment after their services had terminated. Can you give us any later figure of overpayments which have been identified than the £38,000 mentioned in our Report?—(Sir William Strang.) May I ask the Accountant-General to answer?

Mr. Benson.

3574. With regard to the control of German public finances, do you control the taxation?—The zonal budget is submitted for approval to the Military Governor. I think taxation rates in the year of account were settled by the Allies.

3575. Are taxation rates and the methods of taxation common to the whole of Germany?—In the year of account I think they were. There was a four-power law covering taxation. That applied in the year of account.

3576. Roughly, what is the tax structure? Is it mainly indirect taxation?—I think it is both. I do not know where the weight lies.

3577. There is a reasonable effective fiscal machine working in Germany at the present moment?—Yes, there is.

3578. Those receipts, I take it, go primarily towards the running of Germany?—Yes.

3580. If you please.—(Mr. Secker.) I am afraid we must say at once that the figure has gone up very substantially, but the number of people who have left the Commission has also gone up very substantially. Quite definitely the average amount at risk for each person serving has been reduced and the general position has thus been substantially improved. The charging of local advances to the pay accounts of individuals has been speeded up and it is not now a matter of catching up arrears when a man goes but of keeping him much more straight all the way through.

3581. Have you a figure later than the figure given in our Third Report of last year?—The current figure is £95,000.

3582. That is the latest figure available?—Yes.

3583. The figure may have increased through overpayments having come to light which had not come to light at the time when we reported a year ago?—That is so. The figure last year was not an inclusive figure; it was the figure of the debit balances resulting from charges actually made to the accounts of the individuals.

3584. Are you hopeful of recovering a considerable portion of these overpayments?—A considerable portion.

3585. But by no means all of them?—By no means all.

3586. So that there will have to be a sum written off, will there?—That is so

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3587. An estimate of which you cannot now give me?—No, not yet. It depends largely on the success or otherwise of legal proceedings which are in hand.

3588. To return to the report of the Comptroller and Auditor General; in paragraph 61 we are told that further improvement in the accounting is expected to result from arrangements about to be introduced under which local advances for pay will cease and the Control Commission will provide B.A.F.S.V. for local needs of the staff against cheques drawn on United Kingdom banks. Would not it be possible now for British banks to open branches in the British Zone in Germany and for members of the Control Commission to cash their own cheques at these branches without you having to have the risk of the cheques being dishonoured when they are presented here?—(Sir William Strang.) It would certainly be a relief to our minds if that could be done because the staff of our pay offices who issue cash against cheques are not skilled bank clerks and though they do very well there is always a chance of error. Therefore we should welcome it, but it does not seem at the moment to be practical politics. We have 30 pay offices spread about the Zone, the staff is much dispersed and the Zone is big; and we must have as many points as that. Before the war there were only six branches of British banks in Germany, or in the British Zone (I am not sure which), and it would not be worth the banks' while I think, to open as many branches as we should need for this purpose.

3589. Are some cheques, in fact, dishonoured?—Yes. I have the figure to the 1st March. The number of returned cheques is 522. The number of people who had, up to that date, adopted the cheque system was somewhere about 13,000. I think that figure of 522 is probably bigger than it will be when people have settled down to the system. A good number of people are working on a cheque book now who have never worked on a cheque book before. That is probably one of the reasons why cheques are returned.

3590. Can you tell me the total amount involved in the returned cheques?—Some of them are returned because they have technical faults in them. When there is nothing worse than that, we re-present them and the matter is put in order. Otherwise we charge the amount against the pay account.

3591. You mean if a cheque is in fact dishonoured you have a very good prospect of recovering the amount simply by stopping the pay of the officer in question?—Yes. (Mr. Secker.) We do that automatically. (Sir William Strang.) Yes; and every case of a returned cheque is followed up in Germany by the authorities there. They are at once notified, and any action

necessary, including disciplinary action, is taken in each case.

Chairman.] Are there any questions on paragraph 61 of the report of the Comptroller and Auditor General?

Mr. Thurtle.

3592. In the great bulk of these cases the cheques are dishonoured because there are not funds in the account to meet them?—(Mr. Secker.) That is so in general, but there are cases of genuine misapprehension. For instance, some individuals have not known better than to borrow cheques. These are naturally returned at once by the bank marked "No account"; but usually the man has erred in sheer ignorance, and has, in fact, sufficient funds in his own account. We have no difficulty in teaching him the rudiments of the game, and trouble then ceases.

3593. It is very often lack of knowledge?—Sheer lack of knowledge in quite a number of cases.

Chairman.

3594. Paragraphs 62-64 deal with the financial and audit arrangements relating to the economic fusion of the British and American Zones. Paragraph 62 is, I think, mainly narrative. Paragraph 63 tells us about the division of imports into those required to prevent disease and unrest and those required to achieve a self-sustaining economy. "A Joint Export-Import Agency, responsible for the foreign trade of the area, is to collect the proceeds of all exports and use them primarily for providing Category B imports until they exceed the cost of these imports". Can you tell the Committee, quite shortly, how the Agency is progressing and to what extent the deficit on the trade balance has been diminished? I gather that all export and import trade into the two Zones passes through this Agency?—(Sir William Strang.) The cost of Category A imports does not pass through the accounts of the Agency.

3595. Those are the essential foodstuffs?—Category A goods are goods required to prevent disease and unrest. They consist chiefly of food, oil fuel, fertilisers, seeds and some medical supplies. They are met for the bizonal area by the United States and British Governments from appropriated funds. They do not pass through the accounts of the Agency at all. The Agency collects the proceeds of all German exports and pays for imports other than those which fall within the definition of Category A funds. Naturally the whole proceeds of exports are applied to essential imports, largely raw materials.

3596. That is to say that Category B imports are limited by the amount of money available from exports?—The Category B imports are limited by the amount of money

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[Continued.]

available from exports in the account of the Joint Export-Import Agency, and consist very largely of raw materials. I have very rough figures for imports and exports for the calendar year 1947, which will show the order of magnitude. The total of imports, expressed in dollars, was 128 million and exports amounted to 220 millions over that year, so that there was a trading surplus in the books of the Joint Export-Import Agency. Our information is that of late, in the last month or two, both the dollar and the sterling balances in the hands of the Agency have been drawn upon rather rapidly. The bizonal area is using its Joint Export-Import Agency funds to prime the pump of the German economy in expectation of receiving Marshall Aid. There is no surplus to meet charges for Category A goods.

3597. We had to find substantial sums to provide working capital for the Agency, did we not?—Under the fusion agreement of December 2nd, 1946, we and the United States put up each an equal amount of money to start the Agency off, and that is shown in the Account, under Subhead H.

3598. Is there a surplus of exports over Category B imports at the present time?—(Mr. Secker.) There is a surplus, but it does not put more working capital in the hands of the Agency than they require to carry on; in fact they want still more, and are hoping to get it from Marshall Aid. There is no distributable surplus.

3599. We are told in the second subparagraph of paragraph 63 that, "The Supplementary Estimate of 17th February, 1947, contained a note that the accounts of the Joint Agency would be subject to combined audit by me and the appropriate agency of the United States Government. Arrangements for my audit are at present under discussion." Can you tell the Committee whether the discussions on that matter have reached any finality?—(Sir William Strang.) I think they have not.

3600. You think that Sir Frank Tribe may have later information than you on this point?—We did propose a joint external audit to the Americans. At one time they seemed agreeable to that course. Later they seemed to change their minds and thought that as far as they were concerned they would be satisfied with an internal audit. Now I think the tendency seems to be again in favour of a joint external audit, but I do not think any conclusion has yet been reached.

3601. The last paragraph of the Treasury Minute states that their Lordships asked the Foreign Office whether they could be informed "of the arrangements made for the audit of the accounts of the Joint Export-Import Agency," but so far no

finality has been reached in regard to the audit of the Agency's accounts?—No. There are two kinds of audit. There are the internal and the external audit. The internal audit is proceeding, but no balance sheet is as yet available for examination. I understand that the Agency are finding difficulty in striking a balance as at 31st December, 1947, and it is possible that their first account will have to cover the period from 1st January, 1947, to 30th June, 1948.

3602. Sir Frank, have you any observation you would like to make to the Committee upon the delay in the establishment of an audit for the Joint Agency?—(Sir Frank Tribe.) I think perhaps the Committee should know that when the Foreign Office presented the Estimate to Parliament reference was made in the Supplementary Estimate to a combined audit by the Comptroller and Auditor General and the appropriate agency of the United States Government. That is what was put in the Estimate presented to Parliament.

3603. It is what Sir William calls an external audit?—Yes. Presumably that was intended to relate to an external joint audit. We asked in February, 1948, if we could be put in touch, through the Embassy, with the appropriate agency, in order that I might be able to concert arrangements for starting the audit, but I have not had a final reply. We have been in touch with the Foreign Office over this and have been kept fully informed of the cables and messages which have been going backwards and forwards. In the meanwhile I should say that two of my officers have been recently in Germany and have been made welcome, and given access to all the papers that they might wish to see, and there has been no indication that anything has been hidden from them in any way, but it would be undoubtedly more satisfactory if the United States Government could be persuaded to make up its mind one way or the other so that I might know exactly how it was going to proceed. In the meanwhile, as I say, I am doing what I can. I have sent officers to Germany who have just come back and made a report which very much confirms what the Accounting Officer has said.

3604. Thank you. We are told, in paragraph 64, that: "The Control Office . . . pending completion of the Joint Agency's accounting organisation . . . collected on behalf of the Agency the proceeds of the main exports from the British Zone during the quarter ended 31st March, 1947. Pricing difficulties delayed billing." I am not sure what "billing" is. It has nothing to do with cooing?—I think it is an Americanism.

3604A. It means the preparation of bills, does it?—The submission of priced bills. (Sir William Strang.) We are very familiar

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with the word. It is the request for payment for exports, I think.

3605. The customers did not settle promptly and in consequence there were considerable arrears of pre-fusion export proceeds. Are those arrears being reduced now? Has the money been collected from these customers?—Every effort is being made to collect the arrears of proceeds of exports from the British Zone outstanding at 31st March. The accumulated total for collection was about £42 million, and that has all been collected now, except for about £5 million. The debtors are chiefly France, Belgium, Holland and Czechoslovakia, and we continue to make representations through various channels in the hope of getting them to meet their debts.

3606. The debtors are the Governments in question, are they?—Yes.

3607. Then they should be solvent?—Except that they owe their debts very largely in dollars and we are asking for payment in dollars. Generally speaking, they would be willing to pay in sterling or in goods, and the Treasury are now considering whether, and if so, how far, we ought to accede to a request for a payment in sterling or in goods. We keep a close watch on these outstanding debts. I see a report every month and indeed the Foreign Secretary takes a personal interest and I submit this report to him every month.

3608. Our current exports are being paid for "on the nail"?—(Mr. Secker.) That is, of course, the Agency's business. In regard to coal they are turning the heat on pretty effectively. As regards miscellaneous exports the general practice is payment before delivery. (Sir William Strang.) Some Governments are in arrears with their payments for coal. The Danish Government could not pay and the other day the Agency had to cut off, for the time being, exports of coal to Denmark.

3609. Are there any questions on these paragraphs? Paragraph 65 deals with coal export prices, and in the year of account, apparently, £26 million sterling, out of about £30 million was the proceeds of coal exports. "In accordance with the principle that export prices generally should be based on the current export prices of the country normally constituting the principal source of supply for Europe, coal prices for the initial period to June, 1946, were based on British export prices for the nearest equivalent grades." I am a little puzzled to know how that could have been done since I do not suppose there were any British coal exports in June, 1946. I should be very surprised if there were?—I have a note on the terms of reference and conclusions of the working party.

Chairman.] I gather subsequently there were two increases made, one of 9 per cent.

and one of 50 per cent. I was trying to get some information as to what was the basis from which this price structure grew.

Lieut.-Colonel Hamilton.] The second one refers to world prices, does it not?

Chairman.

3610. Yes, I am much obliged, Colonel Hamilton. There was evidently a change in the method of calculation?—In the terms of reference of the working party which met in June 1946 it was stated that prices were to be calculated for all the grades under which Germany had exported solid fuels prior to the war. After comparison of the relative prices of British and German solid fuels the working party recommended that the price at the point of production of the nearest equivalent British solid fuel should be accepted as the sterling equivalent of the German price at the point of production.

3611. It looks as if, when we are told that this is based on British export prices, that it was simply based on British prices at the time?—And then I think an adjustment was made to cover carriage.

3612. Then the working party recommended a new method of calculation which gave increases averaging some 9 per cent. on existing prices, totalling some £227,000 a month on current exports. That recommendation was made in August 1946 and this recommended increase was to apply to deliveries from 1st January 1947. Was it necessary to delay the increase in price by four months?—As we were running our own Zone in those days (it was before the fusion) and as we were going to appropriate the proceeds, it is natural to suggest that it might have been done more quickly. But really it was not all plain sailing. Even though we were running our own Zone we were not a completely independent agent. The working party report was ready on the 31st August. Then, in accordance with an understanding with our Allies, we had to try to secure quadripartite approval for this increase from the Control Council in Berlin, and the necessary papers were circulated and put into the machine, but no conclusion was reached on a four-power basis. We then suggested that the effective date should be the 28th October. Before that decision could be put into force the Luxembourg Government intervened to say that if we fixed prices retrospectively they would be subject to certain losses, so we therefore put off the date again, to 25th November and then, out of a scruple for the probable interests of other buyer governments, we thought we had better make absolutely sure that they had due warning before the new price was instituted, and for that reason it was decided to choose the 1st January as the effective date. The delay was largely due to international considerations.

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[Continued.]

3613. Then some six months later, in June 1947, the Joint Agency decided to increase the price by 50 per cent. from the 1st September of that year. Is that right?—Yes; that was done by Anglo-American agreement.

3614. That ought to result in substantially increased proceeds from the export of German coal?—It ought to help the balance of the Agency considerably. If it would interest the Committee I have the three comparative prices. The price at 31st December for a particular grade of coal was 46s. 3d. The price as from 1st January was 50s. 7d. and the last price, the price from 1st September 1947, was 74s. 5d., which shows the order of the increase.

Chairman.] Are there any questions on paragraph 65 of the report of the Comptroller and Auditor General?

Mr. Benson.] I do not quite understand how you came to fix prices in August and raise them by 9 per cent. and then, in so short a time you had to raise them by another 50 per cent. That is an increase on your basic price of well over 60 per cent. It is about 63 per cent. First of all, you must have been selling the coal prior to August?

Chairman.

3615. As I understood his answer it was that the original prices were fixed on comparable prices of British coal which was normally supplied to these markets before the war. Then, when the Joint Agency was formed and the Americans came into the picture they said: "No, that is not the right basis. World prices for coal ought to be the right price". Is that right?—Yes, that is so.

Mr. Benson.] We had been selling, in effect, at pre-war prices. I must have misunderstood. I thought they were fixed on equivalent British prices at the time. Are our export prices—?

Mr. Thurtle.] I think Mr. Benson was out of the room when a further explanation was given.

Mr. Benson.] Possibly I was, yes.

Chairman.] Your point is that world prices must be much higher than British prices?

Mr. Benson.] Either that or the prices at which coal was originally sold must have been astonishingly lower than world prices. However, if the evidence on the subject came while I was out of the room I will leave the matter.

Chairman.

3616. I imagine world prices include the cost of transport of coal from the United States to Europe, do they not?—Yes, that is the point. That raises the price considerably.

Lieut.-Colonel Hamilton.] British exports were negligible at that time, August, 1946.

Mr. Benson.

3617. It means now that your price for German coal is fixed approximately at the price at which American coal can be delivered in Europe?—That is so.

Mr. Benson.] Giving a handsome profit!

Chairman.

3618. Paragraph 66 deals with a very technical point. You might tell the Committee whether any reply has been given to the Comptroller and Auditor General relating to the query he raised in the first subparagraph?—A reply has been sent.

3619. The issue here is whether these payments to the United States Commodity Credit Corporation were in fact made under the contract and whether they were contractual payments or merely voluntary payments of advances. Is that not the point, Mr. Jones? Can you help the Committee on this?—(*Mr. Jones.*) I think we have to admit that on all the information we now have it is clear that they were not contractually obligated at the time the payment was made, before 31st March. When the payments were authorised on the 31st March, 1947, all the information available in London indicated that they would be contractually due before 31st March and payment was accordingly authorised by the Foreign Office on that basis. But the information which came to hand subsequently indicated that the controlling authorities in Washington had varied the arrangements for procurement in some details. In fact, not knowing that funds were available, they had asked the American procurement organisation to postpone a demand for funds until after the 31st March, not knowing we had authorised payment to be made before that date.

3620. But if this payment had not been made in the year of account it would have fallen to be made in the subsequent year?—Yes, undoubtedly.

3621. Sir Frank, in the second subparagraph, you tell us that you have not been able to complete your investigations into the correctness of the charge of £3 million paid to the Ministry of Food. Have you in fact now completed your investigations. (*Sir Frank Tribe.*) Yes. I was not able to complete them earlier, partly owing to the late date of the posting and partly owing to the complicated rule for determining the year of charge, but I have now satisfied myself that there is no substantial objection to the charge of this amount to the year 1946-47.

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Chairman.

3622. Are there any questions on paragraph 66? Paragraph 67 deals with store accounts. The Committee, in paragraph 108 of their Report last year, said they were: "of opinion that immediate steps should be taken to ensure that all cash and store accounts falling to be maintained by the Control Office should be subjected to an adequate departmental examination before being rendered to the Comptroller and Auditor General." Can you give the Committee the assurance that that has now been done?—(Sir William Strang.) I can give you that assurance. We have now appointed in Germany a Financial Adviser and Auditor, who is a member of the staff of the Foreign Office (German Section) and responsible to me, although he resides in Germany. His duty is to attend to these matters and he has begun already to attend to them. The Comptroller and Auditor General mentioned that a stock-taking was being made as from 1st April. That stock-taking has been effected and the results are now under analysis by the Financial Adviser. He is already taking steps to see that the uniform system of store accounting which has hitherto not been in operation shall be organised and put into operation as soon as possible.

3623. Have you hopes of this uniform system of store accounting coming into operation shortly?—(Mr. Secker.) It really depends on the Financial Adviser's examination of the accounts up to the 31st March, which he has now before him. He will make his recommendations as to the new system in the light of his first survey. It was really to get the benefit of his advice that the draft regulations to which Sir Frank refers in his paragraph were not proceeded with at the time. He mentions that they were in preparation in September, 1947.

3624. But they have not yet been issued?—They have not yet been issued.

3625. Because the Financial Adviser was awaiting the result of the financial year ending at the end of March last?—The decision was deferred, in the first place, for the appointment of the Financial Adviser and the recruitment of his staff, and secondly for the results of their preliminary survey.

3626. We cannot, really, then say that there is established a uniform system of control yet?—Not a uniform system.

3627. Do you think there is an effective system?—We are satisfied that there is an effective system.

3628. Although it varies between one depot and another?—Quite. The general standard of performance is pretty high. (Sir William Strang.) Could I read an extract from the Financial Adviser's report on

that point? "Early test inspections carried out by me reveal that local administrative units generally were keeping formal accounts and that there were in existence local instructions covering store and supply accounts". He found the individual accounts were well kept, but there was not a uniform system of accounting control. So the groundwork already exists in those reports for the establishment of a uniform system.

3629. But you cannot give the Committee any date by which a uniform system will come into operation?—(Mr. Secker.) Certainly in the course of the present year—certainly.

Chairman.

3630. Are there any questions on paragraph 67? The Account is at pages 51 onwards. I have only two questions which arise on page 54 of the Account, Sir William, in the notes. The first note tells us that "Subhead A includes approximately £160,000 in respect of the salaries and wages of staff who were brought on pay for periods of four weeks and upwards while awaiting posting to the Control Commission for Germany. The maximum number of staff at any one time awaiting posting to Germany for more than four weeks was 2,284. A total of 309 recruits were discharged as surplus to requirements without having proceeded to Germany". The whole of this £160,000 was paid to persons awaiting posting in Germany, is that right?—Yes.

3631. Some of whom never were posted, because they were found to be redundant before they were posted?—That is so.

3632. This was, of course, at a time before you became Accounting Officer, but it certainly looks a little open to criticism that staff should have been engaged in this country and never sent to Germany at all because they were found redundant so quickly?—The main fact as regards recruitment in the year of account is that during that year there was a very rapid change-over from military to civilian staff; with the result that the civilian staff of the Commission about trebled in number during the year. At the opening of the year there were about 3½ times as many members of the Armed Forces employed in the Commission in Germany as civilians. At the end of the year there were about 4 times as many civilians employed as members of the Armed Forces, which meant that there had to be a very intensive recruiting campaign during the year. We are ready to admit that the machinery for handling that intensive recruitment was defective in certain particulars. Some of the reasons for the bunching up of staff in London were rather beyond our control. One of the reasons was that the machinery for deployment in Germany could not absorb the intake quickly enough. There was a housing

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crisis in Germany and for reasons of policy it was decided to reduce the requisitioning of accommodation. The arrival of the married families again reduced accommodation available and other difficulties arose but I admit that recruitment obtained a certain momentum and the brake might have been put on a little earlier than it was. Similarly, there was not, perhaps, adequate liaison between the dispatching machine in London and the receiving machine in Germany. As soon as we saw what was happening we did take steps to correct the situation as far as we could. We called in an organisation expert nominated by the Treasury to look into our arrangements and they were thereafter improved and at the same time a working party was set up in the Office itself under the Deputy Under Secretary to keep a close watch on the situation; but as I say, we are bound to admit that while there were exceptional difficulties there were also failures of the machine.

3633. The only other question on the Account that I have to ask is on the two notes lower down the page: "A loss of stores to a value of £260 17s. occurred through burglaries at Commission shops. A typewriter value £25 was lost by theft from a prisoners of war camp". Compared

with other losses statements the Committee sees from time to time, these losses which the Control Commission incurred during the year seem on a very small scale. I take it that these were the only losses which came to light. Is that right?—Yes, that is quite true. We had not at this stage established our write-off procedure. The necessary instructions for that procedure have now been issued to the Military Governor.

3633A. If it had been possible to prepare proper losses statement this volume would have been a good deal thicker?—I think that is true. There was a very considerable back-log to be brought forward.

Mr. Benson.

3634. What is a "working party"? Is it a new name for a committee?—It is an informal committee. It does not commit its masters quite so fully as a formal committee would perhaps do. I was only referring, I may say, to the departmental working parties.

Chairman.] Has any Member of the Committee any questions on the Account? May I take it that the Account is approved? (*Agreed.*) Thank you, Sir William; that concludes your evidence. I am obliged to you.

Sir William Strang and Mr. S. J. Secker withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.
CLASS VI.

VOTE 4.

EXPORT CREDITS.

VOTE 5.

EXPORT CREDITS (SPECIAL GUARANTEES).

(*On these Accounts no questions were asked.*)

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.
EXPORT CREDIT GUARANTEE DEPARTMENT CREDIT INSURANCE SCHEME.

(*On these Accounts no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.
CLASS VI.

VOTE 19.

STATE MANAGEMENT DISTRICTS.

(STATE MANAGEMENT DISTRICTS; CONFIDENTIAL TRADING ACCOUNTS).

(*On these Accounts no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 9.

WAR DAMAGE COMMISSION.

(*On this Account no questions were asked.*)

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[Continued.]

WAR DAMAGE (LAND AND BUILDINGS) ACCOUNT, 1946-47.

*(On this Account no questions were asked.)*TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.
COMMONWEALTH RELATIONS OFFICE—BRITISH PHOSPHATE
COMMISSION.*(Report and Accounts and Confidential Report and Accounts of the British Phosphate Commissioners for the years ending 30th June, 1946, and 30th June, 1947.)**(On these Accounts no questions were asked.)**The witnesses withdrew.**Adjourned till Tuesday next, at 2.30 p.m.*

TUESDAY, 15TH JUNE, 1948.

Members present:

Mr. Benson.	Mr. McAdam.
Major Bruce.	Sir John Mellor.
Mr. Cuthbert.	Mr. Thurtle.
Lieut.-Colonel Hamilton.	Mr. Wadsworth.

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

SIR FRANK TRIBE, K.C.B., K.B.E., Mr. D. F. C. BLUNT, C.B., and
Mr. C. E. I. JONES, called in and examined.TREASURY MINUTE ON PARAGRAPHS 55 TO 58 AND 59 TO 62 OF THE THIRD
REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.SIR ARCHIBALD ROWLANDS, G.C.B., M.B.E., Permanent Secretary,
Ministry of Supply, called in and examined.

Mr. Benson.

3635. Will Members please turn to the Treasury Minute on paragraphs 55-58 of the Third Report of the Committee of Public Accounts? Sir Archibald, we notice there, in the Treasury Minute, paragraph 2, the Lords of the Treasury hope that the Minister will see that no recurrence of the irregular ante-dating of payment documents takes place. Have steps been taken to see that that mistake does not occur again?—(Sir Archibald Rowlands.) Yes, Sir. We issued instructions to that effect and we renewed the instructions in March of this year. There was one instance even last year, but this year there has not been one; last March there was not one.

3636. What was that due to?—That was due, I think, to a lack of appreciation on the part of the officer concerned as to the necessity for getting off his final summary authorising the payments of warrants which had been prepared before the 1st April. They were all prepared on 31st March and posted on 1st April. There was a possible second case but it was proved that the warrants were, in fact, posted before the 1st April.

3637. I see. Thank you. Are there any questions on the Treasury Minute on paragraphs 55-58? We now go to paragraphs 59-62. The Treasury there ask to be furnished with details. Have details been furnished?—I do not think we have formally, in writing, told the Treasury about it all, but they know about it. The present position is that there is only one factory still outstanding, and that is due to the fact that it is doubtful whether the planning authorities will allow the factory to remain where it is, at all. Otherwise, we have completed the whole thing.

3638. That means demolition of the factory?—It may do, but it has not been settled yet.

Mr. Benson.] Are there any questions on paragraphs 59-62?

Mr. Wadsworth.

3639. I suppose this policy has now been completed pretty well, with the exception of one factory. Where these factories are sold to firms for whom they were built, how does one arrive at a valuation?—In the event, there was very little difference indeed between what we realised for these factories and what we should have done if

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[Continued.]

they had been dealt with as "normal" cases. The sale prices were arrived at in consultation with the Valuation Department and we rely very largely on their advice.

Mr. Benson.] Mr. Wadsworth, this, of course, is the minute on our last year's Report. We are solely concerned with whether our recommendation has been carried out, not with a re-investigation of the details.

Mr. Wadsworth.

3640. Yes.—I can answer the point.

3641. It was to refresh my memory.—You are thinking of the particularly large difference between the cost price and what it realised. The reason for that was that a great part of the equipment that had been installed was of no use for the firm's post-war business. It was installed purely for special war purposes.

3642. But actually, I take it, you had to compromise?—Yes, in the end you have to get down to a bargain, as you know.

Mr. Wadsworth.] Yes.

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE I.

MINISTRY OF SUPPLY.

(Statement of New Works forwarded in compliance with Paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47.)

(Statement of Loans Outstanding at 31st March, 1947, forwarded in compliance with Paragraphs 15-17 of the Third Report of the Committee of Public Accounts, 1946-47.)

Mr. Benson.

3643. Will Members please turn to the Civil Appropriation Accounts (Class X), paragraphs 6-32 of the report of the Comptroller and Auditor General, at pages iv-xi. I propose to take paragraphs 6-8 together. Mr. Blunt, the Treasury made a review, in 1947, of post-war contracts and promised to report to the Committee. Have they made that review and have they made any subsequent reviews?—(Mr. Blunt.) That review, Sir, was on the point as to whether we should revert to the pre-war procedure under which a Department was under obligation to report to its Minister if it placed contracts above a certain figure without competition, where competition was available. That is the subject we were on and it was in that context that we did consider what the field of competition was as it existed then, and came to the conclusion that there was not a sufficient field of competition to start reintroducing this pre-war rule as to Ministerial authority. We have had a look at it again and we have been generally in touch with Departments, but we have not finalised our conclusions because we feel we are still not in a position under which we have settled down into the post-war position in which we can begin to see what the rules should be and how far we can reintroduce it and in what form. As I said last year on the same subject, I think the Committee have taken a great interest in this and we shall want to consult you before we revise it, but I do not think we are in a position to finalise our views now.

3644. I see that competitive tenders have increased from 20 per cent. to 23 per cent.?—Yes, they have gone up even more. I think Sir Archibald has got some figures upon that.

3645. Have you any later figures, Sir Archibald?—(Sir Archibald Rowlands.) Yes. We took out a special census. For the last six months we have the number of contracts we have put out to competitive tender or, rather, those which we have placed on a competitive basis. It is 55 per cent. in number. It is true it is only 29 per cent. in value, but in number it is more than 50 per cent. You will realise that over quite a large part of the field in which we operate there is no effective field of competition. To use the example which I think I gave last year, it is only Rolls Royce who make Rolls Royce engines. Similarly, it is only De Havillands who make the Mosquito. It is the same with tanks. Effectively, there are only one or two firms at the most, but where competition is available we go for it. As I say, the numbers have increased quite considerably since last year.

3646. But during the war, I believe, other people than Rolls Royce did make Rolls Royce engines?—That was one of our shadow factories. The Ford company made them.

3647. Where you have no effective field of competition, what method do you adopt to check prices?—We negotiate prices. Take the Rolls Royce case. We negotiated a price for engines based on the technical estimates made by ourselves and overheads were discussed between our accountants and theirs. Ours are professional accountants. In respect of overheads, we have access to their books.

3648. In other words, you know exactly what the engine costs them?—What we think it ought to cost them, yes.

3649. Yes. Do you normally get access to books?—We have access to books in quite a number of cases. In this sort of case we

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[Continued.]

have access to their headquarters books. We do not, in fact, go to their books for prime costs because we make our own estimate of what amount of material and labour should be involved in the process. I can give you, as a matter of fact, some interesting figures for the year ended last year. At the end of the year we placed a total of 13,723 contracts, 9,162 were placed after effective competitive tenders; 523 were subject to post-costing; and the balance was settled otherwise. The method of settling otherwise is either on known costs or current estimates of costs which we have, or, in the case of commercial common-user things, it is usually by trade lists with discounts off.

Mr. Benson.] Are there any questions on paragraphs 6-8?

Mr. McAdam.

3650. I would like to ask Sir Archibald how far in his opinion the lack of competition so far as contracts are concerned is due to agreed prices between combines?—We watch for that, of course.

3651. What effective methods have you of checking it?—We just send it back and say we will not have it; we argue with them where we are clearly in the presence of a ring. There have been one or two large cases, and we have in the end succeeded in getting a reduction, but we do not have access to their books. When all firms in a particular field quote the same prices in reply to one of our tenders we usually know what we are up against, and we argue about it.

Major Bruce.

3652. In which field have these rings principally operated with which you have had to deal in the year covered by the Appropriation Accounts?—Must I quote names?

Major Bruce.] Not names.

Mr. Benson.

3653. Anything that you tell us you can, with the consent of the Chairman, strike out of the evidence?—Thank you. We had an outstanding case among members of a particular Trade Association who all quoted the same price for an important large contract. Then I think it is well known that in the electrical field there are examples of Trade Associations whose prices we look at with particular care.

Major Bruce.

3654. What steps do you take to deal with that position? Do you decline to accept the contract?—We argue with them. We usually succeed in getting a reduction. As you know, Parliament has recently passed legislation to deal with this sort of case.

3655. Did I understand you to say that you had no effective machinery at all for getting at the books in cases of this kind?—No; we have, where we are negotiating prices or where we have costing contracts, but not in connection with a proprietary article. (Mr. Blunt.) I think in the case of the aluminium house, you were presented with a ring, dealt with by arranging for a costed contract. (Sir Archibald Rowlands.) Yes.

3656. In your normal process, when you do enter into a contract with a number of firms over a whole period, would it be normal practice to insist as a condition of the contract that you should have the right to examine their accounts?—Not if it is a competitive tender, because we assume that means we are getting the lowest price, unless we are in the presence of a ring.

3657. So that in the normal way you negotiate a free contract?—Yes; we put it out to competition where it is available and we accept the lowest tender where it is possible.

3658. What about the case where you yourself, as a Ministry, advance moneys to the private firm concerned? Do you insist on any extra rights there?—There are practically none of those left now; you are thinking of war-time practice.

3659. But you do make a number of loans one way or another?—Those were all made during the war. There are one or two additions that we have made in order to save our previous investments, but by and large they were all made during the war to keep production going.

3660. Do you find yourselves in a similar position to that in which the banks found themselves in 1927, in relation to the steel industry?—In a few cases, yes, it is sensible to do that.

3661. But in this case you do not particularly insist on any right of inspection of books?—No.

Mr. Benson.

3662. We now come to paragraphs 9 and 10 of the Report of the Comptroller and Auditor General. I think that is a matter mainly for the Treasury. What is the position there with regard to vouching? Are the Treasury satisfied now?—(Mr. Jones.) Yes, Sir. The Ministry have completed arrangements for obtaining individual receipts, and for an experimental period of six months they are going to see whether it involves them in any substantial increase in the staff required to pay salaries and wages.

3663. What is the position with regard to certificates in relation to insurance stamps?—The Ministry have told us that they have taken steps to amend their procedure, so that it will be satisfactory to the Comptroller and Auditor General in future.

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[Continued.]

3664. You are satisfied?—Yes.

3665. Have you anything to say on that, Sir Frank?—(Sir Frank Tribe): No, Sir.

Mr. Benson.

3666. Are there any questions on paragraphs 9 and 10? I will take paragraphs 11 and 12 together. On paragraph 12: I believe, Sir Archibald, that the development expenses of the prototype planes are borne by an addition to the cost of individual planes sold to the Corporation. Is that correct?—(Sir Archibald Rowlands.) That is correct in respect of a particular type of plane, yes, Sir. We attempt to recover not only from the Corporation but from anybody who buys an aeroplane of a particular type on which we spend money on developing. A percentage cost of that development is added to the price of each aeroplane and we, if possible, recover the whole lot, but it is not always possible to do this, because they may not sell enough to make the addition per aircraft reasonable.

3667. Now with regard to more fundamental research on aeroplane construction, what is the position there?—We bear those costs entirely ourselves.

3668. With regard to paragraph 12, to take the example of the Tudor IV: There were some very considerable changes there in specification which were supposed to have added enormously to the cost. Who would bear the additional cost due to those continual changes?—The customer, if the change was made at his request, certainly—the Corporation, in other words

3669. Do you get changes made which involve the negotiation of an entirely new contract for a plane?—No, not as much as that. We often have to negotiate a price for any modification that is made, of course.

3670. What is the relationship between the Corporation, the ultimate purchaser and the manufacturer? Are they in contact, or do they have to go through other channels?—No! they are allowed the fullest access and in fact they have resident representatives of their own in the factories making the types in which they are interested.

3671. Does that involve communication with you as well as direct negotiation?—We also have representatives, at the big works anyhow.

3672. So that you know what is going on between the manufacturers and the Corporation?—Yes, except that the customer is always right in our view; we do try to point out what they would have to pay in terms of loss of performance, etc., if they were to increase the weight by insisting on luxury upholstery, and that sort of thing.

3673. But with regard to costs, presumably as you say in certain cases you try to spread the cost?—That is development expenses?

3674. Yes. But where you are getting modifications of specification it may develop into——?—A modification arising out of development usually takes place at the prototype stage. That is what we call developing an aeroplane; and there the modifications will be to improve the performance, increase its safety, its range, its speed or whatever it may be. In so far as that is expended in the development stage we recover that; we do not recover the lot but we recover a percentage on each aircraft sold.

Mr. Benson.] Thank you. Are there any questions on paragraphs 11 and 12?

Mr. Wadsworth.

3675. It would be rather interesting to have a direct reply as to what advantage there is in the Ministry of Supply purchasing a plane for the aircraft companies? I suppose part of the reply must be on the question of research?—I could do it, but as you know the whole question is being examined by a Government committee at the moment to which a great deal of evidence on both sides has been given. It is accepted that in the research and prototype stage only the Ministry of Supply can handle it. The Corporations claim, however, that at a very early stage, they should be allowed to order their own aircraft direct. At the moment, as you know, we order them on their behalf as their agents. Previously we ordered them without the Corporations being tied down to a definite order. By an order I mean a demand for aircraft. Now, we only place production orders, as we call them, for particular aircraft for the Corporations at the Corporations' request, and we act in the capacity of agents: this means *inter alia* that we have to agree contract conditions with them; any modification of a contract is also agreed with them; but the whole system, as you know, is now being investigated by a committee under the Chairmanship of Mr. Hanbury Williams as a result of a Government decision. I should not like to be drawn, as an *ex parte* protagonist, into this argument on this account.

Mr. Wadsworth.] My question was not quite fair.

Mr. McAdam.

3676. I suppose the saving of £9,541,672 on the Tudors and Vikings will be, due to that committee of inquiry meeting now, slowed down?—Not the Viking, Sir; the Viking developed instability in flight at high altitudes, when ice gathered on the tail plane, which set up instability, and the aeroplane started pitching and diving, so that the firm had to suspend delivery of the remainder of the order until they had corrected that, and it took them several months to do so. In the case of the Tudors the delay was due to the fact, or partly

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due to the fact, that the Corporation required a lot of modifications made, but it was partly because the Corporation claimed that the Tudor I, the one that underwent its trials in Africa, was unstable. It had to go back to have the instability corrected to A. V. Roe. Those were the two main factors affecting the drop in Appropriation-in-Aid. There was also a material drop in respect of the Constellations which the Corporation bought. It was thought at one time that we should buy them, but the Corporation had advanced so far in the contract that we stepped out of it, though we had provided money in the appropriation in aid Head of the Estimate.

3677. I heard it stated that the Tudor failure in Africa was due to the alterations demanded by B.O.A.C.—I do not think that is true. That was not the finding of the committee. I think the claim in regard to instability was exaggerated by the Corporation; but that there was something to rectify I do not think even the firm denied; in fact they have taken steps to rectify it.

Major Bruce.] I just want to raise a point in connection with an answer given by Sir Archibald to Mr. Wadsworth's question a few minutes ago. Sir Archibald said that he did not want to be drawn into being an *ex parte* witness in relation to an inquiry which was, I understand, already going on. I would like to know, first of all, to what extent the rights of the Committee of Public Accounts may be safeguarded in this way, because it does seem to me that we should be entitled, as a Select Committee, to evidence, more particularly as published evidence cannot be used until the publication of the report takes place, which in any case may be some time after this other committee has been sitting.

Mr. Benson.] I think the reply to that is that any relevant evidence there may be will be entirely in order on next year's Account when the published evidence is in front of us, but I do not think we can ask Sir Archibald to give us detailed evidence on this committee on a matter which is *sub judice*.

Major Bruce.] I would like to submit to you formally, Mr. Benson, that this Committee, being a Select Committee of the House of Commons, has a right to examine witnesses on these matters irrespective as to whether they are going to give evidence before any other committee or commission; and I would submit, with respect, that this Committee must be safeguarded, and at a later stage I shall take an opportunity of making a formal submission on those lines.

Mr. Benson.

3678. Sir Archibald, what exactly is the standing of the committee that has been appointed?—It has been appointed by

Ministers; I think the Prime Minister himself invited the Chairman and members to serve.

Mr. Benson.] I think, in the circumstances, Major Bruce, that even inquiries concerned with a particular point in that regard would hardly be allowed in the House itself.

Major Bruce.] Yes, but again, with respect, I am not arguing the position of the House. One immediately agrees, of course, that in the House itself one must not refer to the proceedings of this Committee till they and its report are in fact made public; but I should not have thought that would prejudice the rights of any Members of this Committee, one of which, as a Select Committee of the House, is to make inquiries and to receive uninhibited replies irrespective of the position of the witness for the time being in relation to any other inquiry.

Mr. Benson.] I could not accept that position at all. This Committee, although a Select Committee of the House, is only a Committee of the House, and therefore can have no rights where the House has none; and if the House would not permit an inquiry from a Minister, the Select Committee, *a fortiori*, has less power to put inquiries not to a Minister but to the Accounting Officer.

Major Bruce.] I will pursue that at a later stage.

Mr. McAdam.] Following up that point, once that committee's report is submitted to the House, would it be in order if the Select Committee were to call the members of that other committee before them and put questions to them on any point?

Mr. Benson.] Not the committee; we are not concerned with the report of a committee, save only indirectly. We are concerned with the Appropriation Accounts, and in so far as the Appropriation Accounts of the coming year are affected by the report of that committee, then we can investigate the position, but we certainly could not investigate the report of a committee which is on a policy point, save only in so far as it would arise on the Appropriation Accounts.

Mr. Wadsworth.] Might I just mention this? Would not the position really be that so far as this Select Committee is concerned, its object is to investigate spending which has already taken place?

Mr. Benson.] Yes.

Mr. Wadsworth.] And any questions which we might put to their witnesses which had a bearing on previous spending should be put and answers could be invited without any denial of that.

Mr. Benson.] With regard to anything in the Appropriation Accounts, we have full Parliamentary authority to get the

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information required. As far as I know, the only limitation to that is that we have, as a self-denying ordinance, agreed not to make investigation into the Secret Service Fund. Otherwise our power of inquiry into the Appropriation Accounts is absolute. Evidence that is being given before a Committee of the House which is not related to the Appropriation Accounts is outside our scope. We may be interested in it, and there may, on occasion, be opportunity for us to investigate it, but we cannot investigate it now.

Mr. *Wadsworth*.] With all due respect, I do not think that was in the mind of Major Bruce. I think that we are not interested in what this committee are formed for. What we are interested in is that witnesses should at all times give full information to this committee, irrespective of whether another committee is sitting or not.

Mr. *Benson*.] If it arises out of the Appropriation Accounts.

Mr. *Wadsworth*.] Yes, if it arises out of the spending of money.

Mr. *Benson*.] No; if it arises out of the Appropriation Accounts, which we are investigating. In theory, we are limited to the year of account. In practice, we do ask and do receive information relating to, possibly, previous years and subsequent years, for the purpose of comparison, but a question of policy arising from that may arise in an entirely different committee appointed by the House. Clearly it is outside our scope, and Sir Archibald is quite correct in saying that he cannot possibly give evidence on a matter which is *sub judice*, particularly when he is an interested party.

Major *Bruce*.

3679. I gather from Sir Archibald—and he will correct me if I am wrong—that he is not involved in giving evidence before any committee appointed by this House. It is a Departmental Committee, and I think the burden of his statement was this, that in view of this fact that he was going to appear before a Departmental Committee he did not want to make any statement here, because that might put him in the light of an *ex parte* witness when he was appearing before this other one?—The Chairman I hope will acquit me of any desire to refuse information to the Committee. I thought that I was being asked, not for information, but for my opinion whether a particular system was a good one or not. I said that was a matter of argument and that the question was at the moment being examined by a Committee appointed by the Government. If the Chairman rules, I am quite prepared to expound to the P.A.C. my Ministry's views on the matter, but it would take rather a long time. These views have

already been communicated, though not by me personally, to the Hanbury Williams Committee.

Mr. *Benson*.] I think it is unquestionably inappropriate that we should ask questions on it when there is another committee sitting.

Major *Bruce*.

3680. Perhaps you would be good enough to tell me more precisely the relationship between your Ministry, acting as an agent on behalf of the Ministry of Civil Aviation, and the Corporations or the aircraft manufacturers. Are you in any way maintaining any kind of relationship at all with the Association of Aircraft Manufacturers?—Yes, we are in constant contact with them. You are thinking of the Society of British Aircraft Constructors?

3681. Yes?—Their dealings with us are chiefly on matters of contracts and general questions affecting the industry as a whole. We have daily contacts with the chief manufacturers. The types chosen by the Corporation are arrived at after consideration by them, ourselves, and the M.C.A.; in fact there is an Inter-Departmental Committee which has been in existence now for about two years, which sits down to discuss what types the Corporations want for their various routes. Once the Corporations have made up their minds as to the type they want, they ask us to place an order and we place the order as their agents. They are therefore bound by that contract themselves. Under the previous system they were in the position of sitting pretty, in that we ordered aircraft which we thought the Corporations would want, but left the Corporations free to say at a later stage they did not want them; this meant that public funds were left with any resultant nugatory expenditure. That system has now been changed: we only place an order on behalf of the Corporations at their special request, as their agents. They think the system would be improved if they were allowed at a very early stage themselves to deal with the manufacturers without any intervention on our part. That is a matter that is now being considered by the committee appointed by the Prime Minister.

3682. Do you negotiate these contracts for the supply of aircraft as between two free and equal bodies, or do you in fact have any sort of cost control, at all?—Most aircraft are negotiated at a fixed price. In the early stages of a new type nobody knows what the aircraft is going to cost. The contract in such a case is normally on the basis of cost, plus a fixed element of profit. Then there are various other methods after that, but we have been dealing with aircraft for so long that we are in a pretty good position to estimate what is a fair price for an aircraft and its modifications.

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3683. You have no evidence, I take it, of any kind of ring operation?—No. Actually, there is very little direct competition between aircraft manufacturers. They make different types, except at the design stage, when there is effective competition. If the Corporations or the R.A.F. want an aircraft which will give a certain performance the common practice then is to invite a competitive design study from all the firms who we think are likely to be in a position to produce one. When the design study has been chosen the contract is then placed with the manufacturer; normally, the manufacturer chosen is the one who has produced the best design study. In the early stages the work is fully costed, but in the later stages we have a very good idea of what it costs to make that particular aircraft and negotiate a fixed price. We have a special technical costs staff who can estimate pretty accurately the amount of materials and labour involved in every single part of an aeroplane, and we have access to the books of the company in relation to their overheads.

3684. If there is a change in the specification while the job is in process, what then?—We have to negotiate a price for that.

3685. Do the Corporations themselves notify a change of specification to you, and do you then consider that change and pass it on to the manufacturer or do the Corporations deal direct?—We act as their agents in that respect.

3686. So it means that you consider the specification also?—Except that we would indicate to them that in our view the alteration required, shall we say, in the internal furnishings, would take so many miles per hour off the speed of the aircraft. We do not say to them: "You cannot have this." The customer is always right. We are their agents in that respect.

3687. What progress checks do you adopt? You appreciate they are very necessary in view of the incidence of overheads which are running all the time?—Yes. We fix a price. If the manufacturer takes longer to make the aircraft than he ought to, he stands to lose. I am talking of production aircraft, not about the development stage.

3688. But you do have progress checks?—Yes.

3689. What form do they take?—We have a resident officer in the factory, and travelling officers, too.

3690. And the same thing applies to development?—Yes. In the larger firms we have a resident technical officer; otherwise, in the smaller firms, we have a small team who go round.

Mr. Benson.

3691. With regard to paragraphs 13-15; I believe you have given up the manufacture of penicillin now?—Yes, I am glad to say.

3692. At one time there were two sources of production. There was your own production plant and a private firm?—Yes, and there were several other firms.

3693. There is one major firm, I take it?—Yes.

3694. What were the relative production costs?—It is very difficult to say, Sir, because they got into production at different times. I can give the total cost, but I do not think I can give the individual costs per unit.

3695. As a matter of fact, I believe that this firm voluntarily reduced their prices. Is that correct?—Not quite, Sir. The price of all penicillin, whatever its source of production, was the same during and for some time after, the war. We bought the output of the private firm and then arranged for its distribution and sale.

3696. Are they still making?—Yes, in a very big way; they are the biggest in the country. They are doing it very successfully.

3697. Are you still in selling competition with them, at all?—No; there was no selling competition at the early stages or at the end of the war. We bought the whole lot. We fixed a margin at the various stages of distribution and retail prices where we did not give it away, but there was no question of competition in the price between any of them. We had complete control of it.

3698. Could you tell me what is the relation of the price you paid for them to the cost of your own production?—No, I could not without analysis, Sir, because I do not know the various kinds of stuff they made, or what they did.

3699. What are the relative costs of the production of penicillin in this country compared with America?—That I do not know. As you are aware, there have been very steep reductions recently in this country; prices have dropped by more than 50 per cent.

Mr. Wadsworth.

3700. In the Ministry of Supply the production of penicillin can be supervised. It has been stated that several firms are now manufacturing it. I take it there will now be the normal competitive system?—There is already.

Mr. McAdam.

3701. Can you tell us for whom the free issues were made in addition to the Army?—Yes. Until certainly late in 1946 to the hospitals of this country.

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3702. If the Army, for example, had paid for its penicillin and then had to pay the Ministry of Supply for supplies as well, the Ministry of Supply could have carried on the manufacture of penicillin at a profit?—If the Government goes in for making a profit out of penicillin, of course we could.

3703. Of course the private people are making it for profit, so that if private people make it for profit there is nothing to prevent the Ministry of Supply doing the same, is there?—I do not think it is a very good line of country for the Ministry of Supply to go in for.

Mr. Benson.

3704. It hardly seems to fit in with tanks and aeroplanes!—No. Anyhow, we have handed over the responsibility for all drugs to the Ministry of Health.

Major Bruce.

3705. I see, in paragraph 14, you say that you have sold the remainder of the output of penicillin at agreed prices to eight selected firms who resold through normal trade channels?—Yes.

3706. Could you tell me the price at which the available output was sold to those eight selected firms, the principles which actuated you in selecting eight firms, and the profit margin allowed in selling it through normal trade channels?—First of all, if the manufacturer distributed it he acted as the wholesaler but did not get the margin; he only got the wholesaler's margin. We chose eight wholesalers—I cannot give all their names, but they were I imagine, people like Boots' British Drug Houses, and other big wholesale druggists. They sold it to the retailers, who then sold it to whoever wanted to buy it.

3707. What were these margins?—Roughly, it worked out like this: the wholesaler got about 14 per cent. on his sales to the retailer, and the retailer got about 50 per cent. on his sale to the customer.

3708. Why could not you do that yourself to the retailers? Was there any particular reason?—Because we had not got any shops.

3709. You have not got the contacts?—No.

3710. Why could not you in fact distribute to retailers?—Because we had not any organisation for doing so.

3711. So that you decided to use these firms in lieu?—Yes.

Mr. Benson.

3712. What happened to your penicillin plant?—We sold it.

3713. To—?—Yes, the people who manufactured it for us.

3714. Are they now producing penicillin there?—Yes.

Mr. Cuthbert.

3715. At the end of this paragraph I see we have a deficiency of £2,900,000 which represents mainly development expenditure and the value of free issues. I take it there was no way of recovering that when you did pass it on?—No. That largely arose, you know, in connection with the plant that was first erected for surface culture. It was a slow and expensive method and it was superseded by the deep culture method. Most of the expenditure incurred on the surface culture was really not remunerative at all. It was heavily unremunerative.

Mr. Benson.

3716. We now come to paragraphs 16-18. On paragraph 17, the cost of your motor fuel: the price exceeded the cost of imported spirit. Can you say why that was?—It was on a very small scale; you are talking of 1946?

3717. Yes?—Yes.

3718. Again, in paragraph 17, there is a reference there to high costs. You terminated production in 1946 of the plant which you sold, I think, in January, 1948?—Yes.

3719. I believe it was on a care and maintenance basis. What was the cause of the delay?—There were several causes. To begin with, part of the plant was used to make ammonia which the Board of Trade wanted; secondly, we had to get a buyer, and we had to attach strings to the sale because, unhappily, if there were another emergency before the new refinery programme in this country is completed we should most certainly want this plant going again.

3720. To whom did you sell?—To one of the oil companies.

3721. Have they taken the whole of it?—No; they have taken the refinery part.

3722. Who took the ammonia part?—We are in negotiation for the sale of it to I.C.I. Their purchase depends to some extent on experiments which they are financing to see whether the plant can be used for the manufacture of methanol.

3723. What price have you realised or are hoping to realise for the two together?—I cannot tell you what we shall get from I.C.I. if they buy; we are in the negotiating stage and it would be imprudent to quote a figure. I would not like to quote a figure lest it might be useful to them, to begin with.

3724. I see.—But we are getting nearly £2 million for the refinery plant.

Major Bruce.

3725. The position as I understand it from this report is that formerly a company managed this project on behalf of the Ministry and, in fact, operated it?—

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It was a combination of three companies, really, the Trinidad Leaseholds Company, Shell, and I.C.I.

3726. And they operated it on your behalf?—They managed it without any remuneration.

3727. What were the reasons for it being decided to terminate that arrangement?—Because amongst other things it was a term of the original contract with this amalgamated firm, specially created for the purpose, that the plant would not be operated except in an emergency.

3728. I observe that you have already said that you disposed of your refinery section. What is that now being used for?—For the usual oil refinery products—Fuel oil, diesel oil and ordinary motor spirit.

3729. There would be no technical reason, then, why, if it had been transferred or if it had not, within the terms of the contract, it should not have continued to operate under Government control?—It was given up in 1946 because the cost of making the petroleum was in excess of the imported price.

3730. And yet now it is being used for the same purpose?—It is being used for the same purpose for the reason, that the oil company concerned has bought the plant because it feared the loss of its oil refinery in Palestine.

3731. I still do not understand why we disposed of it.—Because it was a condition of the contract entered into between the Government and this company that it would not be operated except in an emergency by the Government.

3732. Yes, but I did not quite follow what this emergency was?—War.

3733. Because the emergency is, of course, still technically in existence?—I do not know.

3734. I mean, there has been no legal termination of it; if one was going to refer to contracts, to a contract determined by reference to the state of emergency, it is quite true that the national emergency has not technically ceased. Therefore the contracts which are entered into having regard to that particular situation are legally not required to be terminated yet?—I am not pretending that the determination of the arrangement was purely on legal grounds; it was merely one of them.

3735. At any rate, you are out of penicillin, and now you are out of petrol?—We transferred penicillin to the Ministry of Health.

3736. I meant manufacture?—Yes.

Mr. Benson.

3737. We pass now to paragraphs 19-23. What is the present function of the Iron and Steel Board?—That arises on the next paragraph, does it, Sir?

3738. Yes, paragraph 20.—The main duties are defined as follows. They were appointed: “(a) To review and supervise programmes of development needed for the modernisation of the iron and steel industry and to watch over the execution of approved schemes in such programmes. (b) To supervise as necessary the industry in current matters, including the provision of its raw material requirements, and the administration, under powers delegated by the Minister, of such continued direct control as may be required over the production, distribution and import of iron and steel products” and “(c) To advise the Minister on general price policy for the industry and on the fixing of prices for controlled products.”

3739. Is it functioning in all those respects?—Yes, Sir.

3740. It has a finger in the whole process?—All the schemes of reconstruction and expansion are submitted to them.

3741. But you mentioned also the manufacture of steel?—The supervision of it.

3742. The supervision of it?—Yes.

3743. Do they supervise?—Yes, Sir; for example, they persuade the Industry to produce the types of steel we need. We have powers of compulsion, if need be, to ask the steel industry to adjust their production (within of course the limits of practicability) in order to fit the manufacturing programme or the export programme. For example, you might ask people to roll a thicker sheet rather than a thin sheet, or to roll a thin sheet rather than a thick sheet, if, for example, you wanted more thin sheets to expand your motor car industry.

3744. They do not intervene on technical matters, do they—or do they?—I do not think they intervene on technical matters inside the works, no, Sir.

3745. Would you say that the present high productivity is due to their activity in any way, or would they claim it?—With respect, does that arise on the Appropriation Accounts?

3746. I could not say?—I have got views about it, but they are personal views.

3747. Who is the Chairman?—Sir Archibald Forbes. I believe the chief credit is due to the management and the work-people in the industry.

3748. When was he appointed?—About September, 1946.

3749. There was no Supplementary Estimate, I think, although his salary was one of the highest of the similar appointments?—No, Sir, we did not think it was necessary to present a Supplementary Estimate.

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[Continued.]

3750. When the Treasury appointed a Chief Planning Officer at a considerably less salary they did produce a Supplementary Estimate. I think that is, perhaps, a matter on which we might take the views of the Treasury?—(Mr. *Blunt*.) I do not think that we should have felt that there was any need to take a Supplementary Estimate for this. The Chief Planning Officer's appointment was a very special new development, and possibly something was needed, so that a Supplementary Estimate had to be taken.

3751. Or was it due to an excess of righteousness?—It may have been. It is a matter of judgment whether you do take a Supplementary Estimate or not. In this case, it certainly did not occur to us. (Sir *Archibald Rowlands*.) There is at least this distinction to be drawn, that the Iron and Steel Board was a successor of the old Iron and Steel Control which had existed all through the war.

3752. Just one more question. How did you arrive at a figure of £8,500. Did you estimate that he was worth £2,000 more than the Chief Planning Officer or three times as much as a Permanent Under-Secretary?—It is very difficult to have a measuring rod to fix remuneration but I think the standard in this particular case was set by the salary paid to the Chairman of the Coal Board.

3753. Is this as big a job?—I do not know, Sir, but I should think the capital invested is higher. May I add a sentence? I ought to explain that the salary paid to the Chairman of the Steel Board is less than he was getting in his job outside.

3754. On paragraph 21 I have two questions. When will the Central Fund be wound up?—I have already taken steps to try to arrange that both the Central Fund and the Prices Fund will be wound up by the end of the year.

3755. How will the special balance be disposed of?—You mean the Special Fund?

3756. Yes?—I think the income tax issue that was holding up the disposal of it has now been settled and we shall get 50 per cent. of it.

3757. What about the other 50 per cent.?—The steel industry will get the other.

Mr. *Cuthbert*.

3758. Sir Archibald need not answer this question if he feels he should not, but I am tempted to ask it because of the previous proceedings. In regard to paragraph 20 we have been discussing the salaries and so on of various gentlemen, and in that connection Sir Archibald made a remark to the effect that he put down the increased output in steel to the management and the workers. Would he say himself that all

this expenditure on salaries and so on was really worth it?—I said "mainly," Sir. The Steel Board have done a great deal in arranging for the import of raw material, and getting the coal they needed for the industry as a whole, in consultation with the Coal Board, in channelling it and in distributing it in the right places, and so on. I have no doubt they have contributed, too, but I said I thought that most credit was due to the management and the work-people.

Mr. *McAdam*.

3759. With regard to the Iron and Steel Board, I understand that a very prominent gentleman was brought across from South Africa to advise the Board about the re-organisation of the iron and steel industry. Had your Ministry any responsibility for that?—We had a responsibility in this sense, Sir, that we had hoped he might become the Chairman of the Steel Board, and he came over at our invitation, but he made it plain that his commitments in South Africa were such that he could not possibly take it on, even for two years.

3760. His commitments were such in South Africa that he could not accept the post, yet he received an invitation. Was there any necessity for his coming across at all?—He made it plain after he came across.

3761. Who met the gentleman's expenses of coming to this side?—I think he met the whole himself; he refused to take any.

Mr. *McAdam*.] Thank you.

Major *Bruce*.

3762. I see the report says that no Accounts for the Prices Fund beyond the 31st December, 1944, have been received. Is there a particular reason for that?—It was being wound up.

3763. When was it wound up?—I think it was wound up in March, 1946.

3764. 1946?—Yes.

3765. What about the Account for the 31st December, 1945?—It is not a public account direct to us; as you know, it was being wound up, but it will all come out in the wash, since the Central Fund Account and the Prices Fund Account are interlocked.

3766. Sir Frank, have you any information?—(Sir *Frank Tribe*.) No, I am afraid I have no information. (Sir *Archibald Rowlands*.) There was delay in getting at the Prices Fund Account because there were all sorts of questions about E.P.T.

3767. The price of a good many of these products, including steel products in particular, was very often shrouded in mystery in the war, and there was, indeed, a great deal of public comment about it?—You will remember that the object of the Prices Fund was to stabilise prices of steel. There

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was no rise between November, 1940 and 1945, and the mechanism of the Prices Fund was to enable each producer whose production we wanted at least to avoid a loss, to earn at least a percentage of his pre-war earnings.

3768. Yes. There were actually four price categories during the war?—There were a good many categories.

3769. Yes. I see on page viii here that the Central Fund provided the finance for the Prices Fund, which made grants to maintain essential firms in production, bore the extra cost and met certain expenditure on the development of home production. I want to know the amount that had to be paid from the Central Fund in order to bear the extra cost of iron and steel raw materials?—The Fund was fed by levies, as well.

3770. Yes, I am aware of that?—I am afraid I cannot give you an answer to that as regards the total expenditure.

Major Bruce.

3771. Mr. Benson, I would like to ask, if I might, that a certified copy of the accounts of the Central Fund be rendered as a special paper to the Committee, if that can be arranged?—There is no objection to that, as far as we are concerned.

Mr. Benson.

3772. Yes; perhaps you will send that in?—I have a copy here.

Mr. Benson.] Thank you.

Major Bruce.] Are we including paragraph 22?

Mr. Benson.

3773. Yes?—May I be clear what account you want?

Mr. Benson.] I have no questions on paragraphs 20-33. Has any Member a question?

Mr. McAdam.] I have a question on paragraph 22.

Mr. Benson.] I will take that later.

Major Bruce.

3774. I think Sir Archibald wants to say something?—I should like to be quite clear as to the account Major Bruce has in mind?

3775. It is page viii, where you talk about a certified account of the Central Fund. Perhaps I might have a copy of that?—Yes; the balance sheet.

3776. In whatever detail you like because, of course, it will enable the Committee to obtain the information that is required; if that one did not contain the information we might ask for a further subsidiary account to illustrate it?—Yes.*

Mr. Benson.] I have no questions on paragraphs 22 and 23.

Mr. McAdam.

3777. Paragraph 22 shows a deficiency of £11,693,091, which includes subsidies of £7 million, and so on "mainly the excess over 50 per cent. above pre-war in the charges for sea freight on imports of iron ore." I would like to know from what countries the import of ore takes place?—Chiefly North Africa, and a certain amount from Sweden.

3778. Nothing coming from Spain?—Yes, Spain, too.

3779. Does the 50 per cent. increase operate from Spain as well?—It is an average; that is to say, we do not pay anything unless the freight charge is in excess of 50 per cent. of pre-war for the journey done.

3780. From which country is the charge the lowest?—I would not know.

3781. Spain, or North Africa?—I would not know.

3782. Could we have that information?—Yes. We do not handle this directly. It is done by the Iron and Steel Corporation.

Mr. Benson.

3783. You are mainly concerned with freight and excess freight costs?—Yes.

Mr. McAdam.] I would like to get the difference, so far as price is concerned, between North Africa and Spain.

Mr. Benson.] The cost of the ore, or the cost of the ore plus freight?

Mr. McAdam.] Both.

Mr. Benson.

3784. Can you give us that, Sir Archibald?—Yes, I can give it to you. I have the actual amounts that were imported: Sweden, 1,884,000 tons; Spain, 1,428,000 tons; Sierra Leone, 637,000 tons; French North Africa, 1,509,000 tons; France, 186,000 tons; Greece, 31,000; Norway, 760,000 tons and Brazil, 14,000 tons. The subsidy was expected to be, in the case of Sweden, £1; Spanish Morocco, £1; French North Africa, 17s., and, strangely enough, I have not got Spain here.

Mr. McAdam.

3785. Can we have the comparable costs between the various countries?—Yes.*

Mr. Benson.

3786. Then you will let us have that figure?—Certainly.

3787. Upon that, is the ore itself comparable?—I am not sufficient of a metallurgist to say whether it is or not.

Major Bruce.] What is the British Iron and Steel Corporation?

3788. It is a company trading not for profit. It is so to speak a subsidiary of the British Iron and Steel Federation, if you can express it as such.

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[Continued.]

3789. They are presumably the leading shareholders in it?—Yes.

3790. And it is really a separate and convenient administrative unit?—Yes. We are using it as the buyers of ore and of steel from abroad.

3791. Yes. For the year ended 31st March the report says that subsidies were paid of £7,870,429 on account of this freight charge, I believe you said, in reply to Mr. McAdam. Could you tell me in respect of that same period what amount was paid through those channels or otherwise as a subsidy to secure the mining of low-grade ores in this country?—£664,023.

3792. For the entire year?—Yes.

3793. What other subsidies were paid?—There was the excess freight on imported ores which is the main item.

3794. That is the £7 million figure?—Yes. Basic pig iron—excess carriage from foundry furnaces; high cost of production of pig iron; heat treatment of steel tubes; de-tinning of scrap; steel ingot carriage; and home-produced ferrochrome.

3795. What did the total of these other subsidies amount to?—The difference between £6,737,000 and £7,870,000, just over £1,000,000.

3796. Is that in addition?—No: Including home ore production, £664,000.

3797. But including this subsidy for sea freight?—Yes, that is £6,700,000.

Mr. Benson.

3798. We now come to paragraph 24: "Disposal of surplus stores and capital assets." With regard to paragraph 25, apparently there has been some modification of disposals in the United Kingdom of war stores during the year of account. Could you give us some indication of what that modification was?—I do not know which one you have in mind, Sir.

3799. Paragraph 25 states: "Disposals in the United Kingdom have continued broadly on the lines of the arrangements explained in paragraph 68 of my last report." Then you go on to say that some modifications were introduced?—Yes, particularly, I think, the modification there that we have largely introduced is in respect of the method of disposing of surpluses through trade organisations. We have gone more and more in for direct auction.

3800. Previously you disposed of them at a price fixed by yourselves. Was there any arrangement for a fixed margin?—Yes, the margins were agreed with the organisations.

3801. But now you are auctioning them and there is no agreed margin?—No, we sell largely by auction, but a certain amount are still sold by competitive tender at a fixed price.

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3802. What has been the effect of that? Have you got a better price?—We cannot tell. We have got very satisfactory prices.

3803. You cannot compare the fixed price basis with the fixed margin and your auction price?—I think we can say that on certain categories we get better prices. It may interest the Committee to know that we have disposed of nearly £500 million worth of stores since the war.

3804. With regard to paragraph 26, dealing with the disposal of surpluses in India, has any agreement been reached with the Indian Government as to the prices to be paid?—It is the subject of negotiation at the moment as a part of the sterling balances discussions.

3805. Yes. I have no questions on paragraphs 27 and 28. On paragraph 29, dealing with "Pluto," have you got the final figures?—It has not yet been completed. We have a pretty good idea as to what it will work out at. We shall make a profit of about £600,000.

3806. I take it that lead was the main thing you were after?—Yes.

3807. How much lead have you salvaged?—In tonnage?

3808. Yes?—You know that there was some that had not been laid. We got 4,240 tons of lead out of that; and out of three quarters of the salvage line when it was broken down so far, we have got 3,800,400 tons of lead. We are still cutting it up.

3809. That is £800,000 already realised?—No; £600,000 is what we estimate will be the profit made after the cost of both lifting the line from the sea bed and of converting it into lead and steel. There was a certain amount of petrol we found inside it, too.

Mr. Benson.] Are there any questions on paragraphs 24-29?

Mr. Wadsworth.

3810. Dealing with paragraph 28, I take it that this movable plant and equipment was used in the building of aerodromes and various other things?—In factories, such as furnaces and chemical plant.

3811. Is there any hope at all of getting any sort of reasonable price for this equipment?—So far we have sold about half of it, and we have had, on the average, about 35 per cent. of the cost price; in respect of a good many things it is much higher; but when you get chemical plant, furnaces and special plant, which is of little use for any other purpose, you do not get as much for that type of plant, but on the average we have got about 34-35 per cent.

3812. But you have every hope of selling the other 50 per cent.?—We never sell any of this equipment at prices less than we

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[Continued.]

think we could get for it if we moved it elsewhere and sold it otherwise.

3813. What is the situation so far as surplus stores and scrap are concerned. I suppose you are getting to an end of the surplus stores?—No. We have already sold £500 million worth. We have disposed of some of it through transfers to foreign Governments. As part of the agreement between His Majesty's Government and Italy, for example, £75 million worth of stores were transferred to them and we are still selling at the rate of £7 million worth a month. We are still getting surpluses thrown up by the Army and Navy and the Air Force, and it does not look to us as if the process will be completed until well into 1949 and possibly 1950. It will be on a diminishing scale of course as the amount coming forward is less.

3814. You have not found yet that you are getting less demand for surplus stock and therefore the prices you reach are less than they were, say, two months ago?—No, I do not think so.

3815. You still are holding up prices?—Yes, we are still selling at the rate of £7 million a month.

Mr. McAdam.

3816. With regard to paragraph 25, Sir Archibald, the last sub-paragraph reads: "The agency of the Northern Ireland Government for the disposal of surpluses in Northern Ireland terminated on 1st November, 1947. All surpluses declared after that date will be dealt with by the Ministry's regional organisation in Northern Ireland. An inclusive fee of 10 per cent. of gross sale proceeds has been finally agreed for the services of the Northern Ireland Government." Does that mean that that 10 per cent. was to cover up until the end of 1947?—Yes. What they sold up to that date.

Mr. Thurtle.

3817. I would like to ask a question on paragraph 25, where it says that there was a modification of the system of disposing of surplus stores and capital assets. The reason given for that change here is "the Government policy of speedy clearance of goods from industrial premises", and so on. Was that the only reason for the change? Had it been discovered that the trade, by means of these private treaty arrangements, was getting supplies at considerably lower prices than could have been obtained by public auction?—We were disappointed at the rate at which we were disposing of certain things through the trade organisations; for example, we had a system at the beginning, as you may know, of selling motor vehicles through the trade. They would re-condition them and then sell them. We discovered that was a very slow process and we therefore

indulged in some very successful public auctions; for instance, there was the Great Missenden one, which brought in nearly £1 million at a single auction.

3818. You have also discovered that in addition to being quicker, it is more profitable?—It was in that case because cars were fetching any sort of price.

3819. I wondered why you had not started originally by adopting the method of public auction?—It was partly deliberate policy in relation to certain categories of goods. Take machine tools. There was a fear that what happened after the first World War might happen again after the last one, namely, that the machine tool trade would suffer heavy losses if the market was flooded with machine tools (there were hundreds of thousands of them available): and as a result, a gradual process of disposal was decided upon as a matter of policy, but now those fears have not been realised and we have disposed of a lot of machine tools by tender and we are now experimenting with machine tools by auction.

3820. It was known right at the outset that there was a very great demand for all the things that you had to dispose of?—Yes, and we have sold £500 million worth.

3821. I know, but the question I am raising is whether you have got anything like as much money as you ought to have got for the stock you disposed of by means of trade arrangements?—I do not think I can answer that, Sir; there are no means of testing it, really.

Mr. Benson.

3822. We come now to paragraphs 30-32. Taking deficiencies and surpluses, I notice in paragraph 30 they tend to equate. I take it those were really clerical errors?—We are pretty satisfied that they practically all were.

3823. One really cancels the other out?—Yes.

3824. On paragraph 31, have you finally decided on your stocktaking procedure?—Yes.

3825. Has it yet been put into operation?—Yes, practically completely.

3826. But you have had no chance of checking it yet?—No, it has not long been issued.

Major Bruce.

3827. I am just interested to know about these deficiencies and surpluses. These, I take it, arose principally because the stock is transferred from one establishment to the other, without the necessary documentary changes taking place at the same time?—Yes, or possibly the initial receipt of goods had not been taken on charge. That was discovered, and that would be a surplus.

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3828. It is never a very satisfactory arrangement when you do get vast differences of this kind, even though they do tend to cancel themselves out?—It is very small in relation to the total Account.

3829. Yes. What are your stocks, then?—In the Royal Ordnance Factories, for example?

3830. Yes?—Speaking without the book—

3831. Just roughly?—I should say about £40 million worth.

Major Bruce.] The difference is about £1 million one way or the other?

Mr. Benson.

3832. We turn now to the Accounts, which are at pages 4-9. You did not sign these Accounts, Sir Archibald. They were prepared, I take it, before you returned?—Yes, Sir. I was at that moment in Pakistan advising Mr. Jinnah.

3833. I take it, however, you accept responsibility for them?—Yes.

3834. I notice that there is a very wide discrepancy between the grant and expenditure on research and development, £5,790,000, very nearly £6 million difference on a grant of £40 million. Then, on Subhead D there is a discrepancy of £33 million on £206 million?—Yes.

3835. Those are rather large figures and the notes are somewhat cryptic. On Subhead D, relating to the £33 million, you say "Over-estimation of terminal liabilities and delays in production of aircraft and equipment"?—Yes.

3836. I think perhaps where you get so large a discrepancy it might be as well not just to give one lump description but, as is frequently done, to split your note up into different Subheads, showing the amounts; how much, for example, was due to terminal liabilities and how much was due to delay?—Yes, I quite agree. I think that is quite a fair criticism. You realise that these are the results of some ups and some downs, and that the notes will tend to be a bit long. I have got a detailed explanation of practically every one of these.

3837. If you turn to other Votes you will find considerably more details dealing with considerably smaller sums. Perhaps you might keep that in mind.—Yes, I quite agree.

Mr. Benson.] Are there any questions on the Accounts? We will take them up to the end of page 9.

Major Bruce.

3838. I see on page 4, under Subhead A, you have a surplus of a little over £1 million?—Which one is that, please?

3839. Class X, Vote 1, page 4, Subhead A: "Salaries and Wages"?—Yes.

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3840. You overspent there by £1,224,000?—Yes.

3841. I see, in the explanation here, it says that one of the reasons was: "Addition of new responsibilities." What were the new responsibilities?—We had transferred to us, amongst others, the responsibility of sponsoring the engineering industry, from the Board of Trade.

3842. When did that begin?—About the middle of the year. Again, atomic energy was hardly starting.

3843. And yet, on the other hand, you got rid of petrol and penicillin but that was not sufficient to offset it?—It did not require much staff. May I make it clear that these were not Departmental decisions; they were Ministerial decisions.

3844. No, I appreciate that perfectly; I merely wanted to get extra information?—Then we had housing supplies, which we were asked to take on early on in the year.

3845. Now, on page 5, with regard to Subhead H, which you again overspent, by nearly £1½ million, what is the expenditure on residual activities? What are residual activities?—Well, that is a large phrase, I admit.

3846. It is given on Note H, at the bottom of the page?—Yes. I can give an explanation of all the various Subheads, but I cannot explain that term "residual activities".

3847. The only reason I ask it is because £1½ million is a pretty large sum to spend on an item which can only be expressed in very vague terms?—I think what is meant there—indeed, I am pretty sure it is—is this: it relates to the machine tool control. It was thought that it would operate or continue to operate, but instead of that it was taken on by the Department. Then there are other things; for example, there was station equipment for Russia, which cost £4½ million; but I think the Chairman's criticism is a perfectly valid one—attempts to explain in one sentence very large variations which are masked by any such explanation.

3848. But if you did endeavour to explain in very great detail the Civil Appropriation Accounts would probably be the size of the Encyclopaedia Britannica?—Yes. You have seen, Sir, the dossiers I have brought along with me today.

Major Bruce.] Would it be possible to have a very short paper to see what these residual activities are?

Mr. Benson.

3849. Yes, perhaps Sir Archibald will let us have that. I take it you want the main headings?—Yes, I will give you a note on it. It relates mainly to the machine tool control.*

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[Continued.]

3850. We will now take Appendices I to VI. I have no questions on Appendices I and II. With regard to Appendix III, on page 13, will you also take the Statement of Loans outstanding, which has been circulated? Sir Archibald, you might give us some information about Short Brothers?—Yes.

3851. Has their share policy been settled yet?—No; it is the subject of an appeal in the House of Lords.

3852. Short Brothers have now been amalgamated into a new firm, Harland and Short?—Short and Harland.

3853. Could you tell me what the shareholding of the Government is in that?—It is put down here in the Account, Sir, at £1,449,513.

3854. That is Short Brothers?—That is the same firm; that is the Government holding in Short and Harland.

3855. I see. What is the total capital of Short and Harland? Is that the £1,400,000? That was the total capital of Short Brothers, was it not?—Yes.

3856. What percentage does it represent of the capital?—75 per cent., I think.

3857. With regard to these repayments, the printed paper "Outstanding Loans", how much of the repayments, if any, are merely write-offs of irrecoverable debts?—Very little of it so far, Sir.

3858. But I take it that that happy position is not going to continue?—Well, we think so. We do not think that more than a very small percentage of these loans is irrecoverable.

3859. Take, for example, number 62 on the back page of the paper. There is £400,000 initial loan; during the year of account there has been an additional £53,000. Could you tell us the position of that firm?—As a matter of fact, that is all finished with now, Sir. The company has been bought by another firm. We have finished with that company now, not without a loss, as you have anticipated. The company has been bought by another company for £10. That washes out the £5,000 we hold in the shares that we had, which appear in the printed list of shares.

3860. In addition to practically half a million pounds loan?—Yes, but the Purchasing Company bought the physical assets for £144,880, which has come to us.

3861. What was the cause of that loss of approximately £300,000?—It was a company that was only kept in existence because it was a marginal producer of steel products that we wanted.

3862. It was a steel producer?—Yes.

3863. Had it blast furnaces?—No, it was forgings and stampings.

3864. How came it to be in existence if it was in such a desperate situation prior

to the war?—It was just about to go bankrupt.

3865. I see. Was there any particular reason? Was it due to inefficiency?—I imagine so, Sir. It is a long time ago.

3866. I take it you had the assets valued. Could you give me any idea what the valuation was?—I assume it was £144,000, Sir.

3867. It was bought on valuation, was it?—Yes.

3868. I have nothing to ask on Appendix V. On Appendix VI, "Research and Development," Subhead B: will Members take the secret document along with that? They fall into two heads, "Air Research" and "Atomic Energy." I notice that the estimates of probable expenditure are considerably higher than the actual expenditure, right through?—Yes.

3869. Can you give us any indication as to why?—Yes. It was the difficulty in getting enough building labour and materials to erect buildings. In the case of atomic energy, it was also due to delay in designing the plant.

3870. With regard to building, do you build yourselves?—No, Sir.

3871. You have no arrangements for building?—We use the Ministry of Works, mostly.

3872. When you say "mostly" what exactly does that mean?—We have small jobs that go out to individual contractors sometimes.

3873. You have no Works Department?—No, we have no Works Department.

3874. Can you give us any information as to atomic energy?—It is going well now, Sir. The buildings are going up quite rapidly. There was a delay, and the Prime Minister himself intervened and assigned atomic energy as Priority No. 1. It was the first item on the old Prime Minister's list of priorities. Since then the Ministry of Works have done us very proud, both at Harwell, where the research station is, and at Springfields, where we propose to manufacture the uranium rods from the ore; and good progress is being made at Sellafield which is an old ordnance factory, where the main production of fissile material will take place.

3875. Is that radio-chemical research?—No, Sir, that is another thing altogether.

3876. Is your pile in operation now?—We have got one very small experimental pile working, and another bigger one, also experimental, expected to work next month. The main pile, where the large production takes place, will not be ready for several years.

3877. You will then be able to produce fissile material in quantity?—Yes.

3878. With regard to the Amersham Chemical Research Centre, that, I take it,

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[Continued.]

is for the production of artificial radio-active substances? That is mainly for bio-chemistry?—Yes, largely for that purpose.

3879. Is that in production?—Yes.

3880. Are you supplying bio-chemists?—Yes. Most extraordinarily interesting developments are taking place in that field; for instance, we shall be able to tell what happens and, in effect, we shall be able to see what happens in a plant by making a fertiliser radio-active. You can watch exactly where the fertiliser goes in the leaves of plants, trees and so on.

3881. Are you doing any of that yourselves, or are you leaving it to the Universities?—We are using the research institutions, the Medical Research Council, and so on.

3882. You are merely concentrating on the production of radio-active materials?—Yes, that is so.

Mr. *Benson*.] I have no further questions on Appendix VI, or on the secret paper. Has any Member of the Committee any questions on the Appendices we have taken so far?

Mr. *McAdam*.

3883. With regard to Appendix IV, Item (3) "Watch-making Industry," £500,000 was estimated and £76,000 odd used. What was that due to?—That is due entirely to the delay in delivery by the Swiss contractors of the high-precision watch-making machinery in question.

3884. Could you tell us to what firms subsidies are being granted?—There is only one firm in receipt of a subsidy and that has really taken the form of a guarantee against loss.

3885. Where is its headquarters?—I am afraid I do not know.

3886. Do you mean to say that the Ministry of Supply has given assistance to a firm and does not know where it is to be found?—I did not say the Ministry of Supply did not know, I said that I did not know.

3887. You say that part of the reason why the subsidy has not been fully used up is due to the fact that you are not getting the necessary machinery from Switzerland?—We did not in the year of account.

3888. I understand that France is also manufacturing this type of machinery?—We have got it now but it was not delivered in 1946-47.

3889. You have got all the machinery now?—Yes, as far as I know.

3890. Another question I want to ask you is in respect of the Statement of Loans Outstanding, Item No. 3. Can you tell me the capital of that firm?—No, Sir.

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3891. Have the British Government any interest, as far as the share capital of the company is concerned?—No.

3892. It is purely a Canadian firm?—Yes.

3893. What prospects are there of having the whole of the balances outstanding; I see that it is over £12 million here?—I should think excellent, because it is a very flourishing company. They produce cheaper aluminium than any other company in the world, chiefly because they amortised all their capital over production during the war.

3894. At what rate per cent. was the loan?—3 per cent., but it is subject to lots of qualifications. The capital loan is abated by fixed sums which I can give you if you wish. If the production falls below 197,000 tons a year or 172,000 tons a year, there are different abatements. There were plant extensions that were made during the war in order to meet the aluminium requirements of our own aircraft programme. Their pre-war production was about 97,000 tons. We more than doubled it for them. An enormous hydro-electric scheme was put in; it is one of the biggest hydro-electric schemes in the world.

3895. Although the Government have advanced so much money they have no control as far as the company are concerned?—None whatever.

3896. Is not that rather strange?—No, I do not think so.

3897. They have no say as to how it is going to be used?—That was the agreement made between the parties. They offered to extend their works on condition we put up a capital loan, which they would repay over 20 years, paying 3 per cent. interest in the meantime, with abatements if aluminium production fell below the prescribed figures.

3898. When was the agreement fixed?—1941.

Mr. *Benson*.

3899. We have, I believe, made very thorough investigations into this previously?—Yes.

3900. We got very good terms, did we not?—Yes.

Major *Bruce*.

3901. I am a little interested in this firm, No. 62 on the list. I see that there is this balance of £458,000 which is outstanding, from which I gather we have already recovered a certain sum, £150,000 or so in terms of realised assets?—Yes.

3902. I am still not quite clear as to the reason for the failure of this company. Can you throw any more light upon that?—No, except that I think it arose from antiquated equipment, to some extent.

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[Continued.]

3903. Do you happen to know how long this firm was in existence?—No, but I know it was in existence at the beginning of the war and it was in financial difficulties.

3904. And the Government immediately advanced it money?—Yes.

3905. Do you know whether it paid any dividends during the war?—No, I do not.

3906. Do you know which class of price control it was subject to?—Exactly the same price control as the steel industry, generally.

3907. There were five different classes, as you are probably aware?—Yes.

3908. Which class?—I do not know. I see from my notes that this company was in the hands of a receiver before the war.

3909. At any rate this amount of £300,000 can be written off?—I am afraid so.

3910. What about this advance of £568,000 to the Company at No. 69 of the list?—This was a loan made in October, 1946, with Treasury approval, the deferred payment of £568,000 being part of the purchase price in respect of the sale of land, buildings and fixed plant. The purchase price was £710,000, of which £142,000 was paid on completion. As security for the loan the Ministry took a mortgage on the land and buildings; the loan carried interest at 4 per cent. Under the terms of the agreement the Ministry cannot call for the redemption of the loan until July, 1950. The company is at liberty to pay off before that date.

3911. So that it is for capital development?—It was.

3912. With regard to this amount owing by the firm which is No. 72 on the list, is that going to be recovered, £79,931?—I doubt it.

3913. Is that in a similar category to No. 62 on the list?—All the companies associated with them are in compulsory liquidation at the moment.

3914. What is the position between ourselves and this firm?—They are managing agents for us.

3915. We have now acquired all the assets?—Yes. They are merely managing agents.

Mr. Thurtle.

3916. Can Sir Archibald give us any approximate figure of the amount of stocks likely to be recovered out of this total figure of £16 million outstanding loan?—Yes, I think we have divided that into various categories which we have listed as good, bad and indifferent. I should say myself the clearly bad debts amount to not more than three-quarters of a million pounds.

3917. Including No. 62 on the list?—Yes.

3918. What is the prospect of recovering most of the others?—I think that they are good, but, as I have already tried to explain, the biggest loan of £12 million is subject to abatement under the contract. There is no doubt about the firm's financial capacity to pay whatever is due.

Sir John Mellor.

3919. With regard to No. 62 on the list, there is no doubt before the war they were in the hands of a receiver or subject to compulsory liquidation proceedings?—Yes, I have got a note here, Sir John.

3920. At any rate, what I wanted to ask was whether it was a compulsory or voluntary liquidation. Were the liquidation proceedings then discontinued and was the company then carried on?—Yes, we gave them assistance only to put in new plant and to produce. Incidentally, they were under a receiver before the war, in respect of Treasury advances under the Trades Facilities Act.

Mr. Benson.] Are there any further questions on the Accounts? May I take it that the Accounts are approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 1A.

BRITISH SUPPLY OFFICE IN THE U.S.A.

Mr. Benson.

3921. Will Members turn now to the Civil Appropriation Accounts (Class X), Vote 1A, page 16, British Supply Office in the U.S.A. This Account is a war-time residual, I take it?—(Sir Archibald

Rowlands.) As far as the Ministry of Supply is concerned it has practically disappeared, yes.

Mr. Benson.] I have no questions on this Account. Has any Member of the Committee any questions? May I take it that the Account is approved? (*Agreed.*)

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.

MINISTRY OF SUPPLY: R.O.F. ACCOUNTS.

Mr. Benson.

3922. Will Members now turn to paragraphs 23-27 of the report of the Comptroller and Auditor General, at pages vii

to x of the Civil Appropriation Accounts (Class X), 1946-47? I have no questions on paragraph 23. On paragraph 24 I believe that in your ordnance factories you

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[Continued.]

do civil work for private customers?—(Sir Archibald Rowlands.) Yes.

3923. And that a considerable amount of that work is carried on at a loss?—I think perhaps we shall have to analyse the term "loss"; it has cost us more than the Estimate in certain cases—the Estimates on which we took the order.

3924. Take wagon repairs or cookers: what is your price there as compared with ordinary competitive outside tenders?—Are they in Appendix A?

3925. No, I rather fancy that deals with raw materials?—(Sir Frank Tribe.) It is Appendix A, page 72, "Orders Completed."

3926. Yes?—You will find electric cookers and railway wagon equipment in that Appendix. (Sir Archibald Rowlands.) That relates only to orders completed in the year.

3927. Yes, can you tell us how things are going on there?—I can give figures of what was done in the year of account, amounting in total to about £4,710,000.

3928. Is that for electricals alone?—It is everything; wood working machines, railway equipment, oil fuel equipment, mining equipment, metal strip, marine engines, housing programme, 19 different items. Wagon repairs was a bad one. I have got the figures here.

3929. Where were you doing wagon repairs?—Chiefly in Woolwich, Sir.

3930. Can you give us any indication as to why it was so bad?—I think it was because it was a new job.

3931. Are results improving now?—Yes.

3932. In most of these cases you took over a new job and both management and workers had to learn it. Is that an adequate reason for your losses?—Well, Sir, may I explain what is meant by this term "loss"?

3933. Yes.—In point of fact, we estimate that Public Funds gained to the extent of about £500,000 in the year of account by taking on this civil work as a contribution to overheads which would otherwise have been paid for anyhow.

3934. That means that you would have to keep your plant in existence?—Yes, and when we quoted a price we included in the price an estimate of the labour and materials content plus a contribution to overheads based on the assumption that the factory was working at 75 per cent. capacity on single shifts.

3935. Was that, in effect, the actual position?—No, it was not. The bad case that is referred to specially by the Comptroller and Auditor General as a loss on sulphuric acid is in relation to a capacity that was only employed up to 5 per cent. As regards the overall formula we are revis-

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ing it, as a matter of fact, and we shall probably make it differential according to the factory involved.

3936. Take this question of sulphuric acid. You say they were only working 5 per cent. of capacity?—Yes.

3937. Is that 5 per cent. capacity of the sulphuric acid plant?—Of the factory.

3938. What type of factory was it?—An explosives factory.

3939. You made your own sulphuric acid during the war for explosives?—Certainly we did.

3940. Then when the war was over you turned on to the commercial production of sulphuric acid?—Yes, for the Board of Trade.

3941. Was your output of sulphuric acid 100 per cent. output from your sulphuric acid plant?—I would not be able to answer that question; I should think probably yes. That was only a small part of the factory.

3942. Yes, but did you debit against the sulphuric acid 75 per cent. of the whole of the factory?—Yes.

3943. So that that figure of loss, £77,800, is completely meaningless?—It is really. That is what I was trying to make plain, that the word "loss" requires interpretation.

3944. In the Trading Accounts would not it have been more informative if one had taken realistic figures instead of purely theoretical figures? If you had got £10 million worth of explosives plant, of which 5 per cent. represented sulphuric acid production, you could hardly expect sulphuric acid to make a profit if you debited it with the £10 million?—I quite agree. This Appendix is merely a statement of the prices which were recovered according to the factory cost. I entirely agree with you. I think the formula is defective.

3945. Could you let us have figures of the cost of sulphuric acid without overheads and with overheads which might represent some figure really relating to the sulphuric acid plant valuation?—We could let you have prime costs.

3946. I should like to see the prime costs without overheads?—Yes.

3947. And then some note, if you can, as to what the overheads might have been, the real overheads. Are you still making this sulphuric acid?—Yes.

3948. No. Obviously you cannot expect one small department in a factory to carry the overheads of the whole factory?—No, I quite agree.

3949. I should like to get some idea of what the real position is in regard to sulphuric acid?—I think I can give it to you now. The estimate of labour costs was £11,300; actual labour costs turned out

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[Continued.]

to be £14,677; materials—estimate, £85,000, actual expenditure, £90,000; overheads were estimated at £65,000 and the total factory costs worked out at £248,000.

3950. Labour, materials and overheads do not add up to £248,000?—The actual overheads were £143,000.

3951. And that £143,000 is a part of the £77,000?—Which £77,000?

3952. The loss of £77,000 for sulphuric acid?—It arose entirely from the fact that under the system we allocated to that small section of the factory the overheads as if it had been 75 per cent. of the factory, but in point of fact it was only 5 per cent.

3953. That means you allocated 75 per cent. of £143,000?—No; that was £143,000 which it ought to have borne, which it actually did bear, but the estimate which we gave was only £65,000.

3954. You have put £65,000 in?—Yes.

3955. So that it has borne approximately half the overheads?—Yes, that is right.

3956. That still does not give us very much idea; but it bears half the overheads. What about 5 per cent. of the overheads?—No. We halved the amount we charged them in respect of overheads.

3957. You should have put it down at £32,000 instead of £65,000?—Yes, about £32,000.

3958. So that that would have made it a loss of £45,000 instead of £77,000?—Yes.

Major Bruce.

3959. I should like to know whether we could, at some time, have information as to how factory on-cost is determined at the present time?—Yes.

Mr. Benson.] We can have that at the same time, but it seems to me that there is not much likelihood of our getting any figures in regard to sulphuric acid.

Major Bruce.

3960. But it would be interesting to know, in a particular case, the exact method of computing factory and office on-costs in relation to this ordnance factory?—Would you like me to try to explain it now or would you prefer me to let you have a note?

Mr. Benson.

3961. Perhaps you could let us have a paper on it?—Yes.*

3962. You have a steel furniture factory at Birtley. I believe that was run despite the fact that there was adequate trade capacity in steel furniture and that your prices were considerably above the commercial price?—I believe you asked for a note upon that when you were examining the Ministry of Works, which we promised to put in and which I am afraid is not quite ready.

* Paper circulated to Members; not printed.

3963. We are having a note?—Yes, Sir. Roughly, it costs about £65 a unit; it is really six units; that compares with about £45 from the Pressed Steel Company. The note is not quite ready.

Mr. Benson.] I have no further questions on these paragraphs. Has any member of the Committee any questions?

Lieut.-Colonel Hamilton.

3964. Could Sir Archibald say approximately how far the available factory space and plant are used for civil work?—It is easier to explain it in terms of labour employment which is given in the report. (Sir Frank Tribe.) It is in paragraph 24.

3965. Yes, but that was not quite my meaning. What I was wanting to get at was this: is all possible use made of these factories?—(Sir Archibald Rowlands.) No, Sir, by no means. I should not think more than about 30 per cent. is used. Some factories—take an explosives factory, for instance—are difficult to deal with. There is very little work for them to do. We are employing them on breaking down ammunition. Until recently, the rifle factory near Liverpool was not turning out rifles, but you cannot turn over a factory like that to civil work without destroying it as a munition factory. You can only take on work which does not involve expensive re-tooling. Otherwise it destroys it. It destroys its purpose.

3966. But so far as it can be done, without jeopardising its use for its primary purpose, do you use it to the utmost?—Yes, if we can get suitable work for it.

3967. Do you have any difficulty in getting work?—The available capacity is not fully employed. We are aiming at maintaining a labour force of about 40,000 people, which we think is a good, solid nucleus for the factories if they ever had to start up again on a 100 per cent. basis.

3968. Does that mean that practically all the machinery that can be used for civil work is used?—Suitably used. We have got about £20 million worth of work on hand.

Major Bruce.

3969. I just want to return again to the question of iron and steel trading. You remember earlier on I asked you a question about the amount of subsidies payable, and we discovered that in addition to the £7,890,000 paid in respect of the Vote, there was also another £1 million in respect of certain other subsidies?—You were then only asking me about the subsidy provided for in Subhead "I"; that was not the total subsidy paid in one way and another to the steel industry.

3970. No. The only point I wanted to make is that in addition to that we now do have a loss on trading account, here?—Yes

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[Continued.]

3971. Which is due in respect of buying steel at ordinary commercial prices and then reselling it at current prices?—Yes.

3972. I am in a slight difficulty there about the figure. At Appendix V, on page 14 of the Civil Appropriation Accounts the actual net expenditure is put down as £9,978,851 and I would like to have some reconciliation of that figure with the amount shown in the Consolidated Account of the Ministry of Supply which, I think, gives a slightly different figure. I do not know whether it is possible to do that?—I do not think it is possible to give an exact reconciliation because the two accounts are different; they are on a different basis. The Vote Account is a purely expenditure and revenue Account; the Trading Account is a true commercial trading account.

3973. Exactly; so that it does merely take account of the stock position?—Yes.

3974. Could you give me any indication as to what the figure is for the current year of these trading services in respect to iron and steel?—No, I have not seen that; they are running at about the same rate as before, I should say.

Mr. Benson.

3975. Will Members now turn to pages 62 to 67 of the Trading Accounts and Balance Sheets, 1946-47, which is the foreword. I have no questions upon that. It is merely narrative, I think. With that I will take the Trading Accounts at pages 68-74. On page 68: "Manufacturing Account," the first item on the left-hand side is: "Stocks and work in progress at 1 April, 1946"—£10 million. Then, lower down, under "Material purchases" you have "Less: Issues of stores to Disposal Departments, &c."?—Yes.

3976. I presume that figure of £4 million for that item really is a deduction from the first item of £10 million for stocks?—Yes.

3977. It is not a deduction from material purchases?—No, that is quite right.

3978. So that the residue of stocks in hand after deductions and disposals is some £6½ million, and at the end of the accounting period your stocks had gone up to £12 million. Could you say a word upon that?—We bought £12,545,000 worth.

3979. Is that all raw materials?—Yes; material purchases—that is the same thing. We expended some in manufacture. Then you have stocks and work in progress at the end of the year, at cost: stocks in central stores, £12 million.

3980. That includes both current war production and commercial production?—Yes.

Mr. Benson.] Are there any questions on the foreword and the Accounts, pages 62-74?

Major Bruce.

3981. Do you cost all your items in detail?—Yes.

3982. Because I observe that your Manufacturing Account, by an amazing accountancy feat, actually completely balances on both sides; there has been no surplus or deficit upon it at all, so that I take it that the cost has been accurately spread out over the first four items on the credit side of the Manufacturing Account?—It is not a profit and loss account, you understand.

3983. It is a Manufacturing Account?—It is meant to show the cost of work which is charged off to us.

3984. There is no balancing figure on this Account?—No. (Mr. Jones.) I think there is a balancing figure on the right-hand side, on page 69; the figure relating to over-absorbed overheads.

3985. Yes. That is the figure I wanted. —(Sir Archibald Rowlands.) That is merely because in the year we charged off too much of our overheads to the work done in that year.

3986. You still maintain that your costing system is a perfectly accurate system as regards details?—I do not think that this is necessarily so, but it is accurate to this extent, that it ascertains costs and charges them all off.

Major Bruce.] If your Account balances, it must be accurate.

Mr. Benson.] Are there any further questions on paragraphs 23-27 of the Report of the Comptroller and Auditor General, or on the Accounts? May I take it that the Accounts are approved? (Agreed.)

TREASURY MINUTE ON PARAGRAPHS 85 TO 89 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.

MINISTRY OF SUPPLY: RAW MATERIALS ACCOUNTS

Mr. Benson.

3987. We will now turn to the Treasury Minute on paragraphs 85-89 of the Third Report of the Committee of Public Accounts, 1946-47, which we will take together with the Trading Accounts and

Balance Sheets 1946-47 of the Ministry of Supply Raw Materials Accounts. The Treasury Minute notes that where there is a concealed subsidy or a concealed loss owing to other activities it will be disclosed. I see the Treasury have taken

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[Continued.]

action which they hope will meet the wishes of the Committee and I think as a matter of fact that action does comply with the references in our Report upon that. I have no further questions on that. Now we go to page xii of the Trading Accounts. At the top of page xii there is a sum of £9 million. I take it that that £9 million was a deliberate subsidy?—(Sir Archibald Rowlands.) Yes, Sir. To that extent the word "loss" is a little open to misconception by the layman.

3988. On this question of aluminium, I believe that there is a certain amount of export. How far does this control you exercise over the sale price by commercial firms on subsidised articles enable you to control export prices or to see to it that there is not a concealed profit to the manufacturer or a concealed subsidy to the consumer?—I do not think that is possible,

Sir, but I take the point. Incidentally, I do not think there is a great deal of export of aluminium.

3989. Not necessarily of aluminium, of aluminium goods?—Or steel, for that matter.

3990. Yes. Any subsidy there does really go into the pockets of the manufacturers?—It must do. The material is issued to a manufacturing firm and we do not know whether it is going to sell its stuff for export or make it for the home market.

Mr. Benson.] Are there any further questions on the Treasury Minute or on paragraphs 28 and 29 of the report of the Comptroller and Auditor General? May I take it that the Accounts are approved? (Agreed.) I think that finishes our business this afternoon. Thank you, Sir Archibald.

The witnesses withdrew.

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

TUESDAY, 22ND JUNE, 1948

Members present:

MR. PEAKE in the Chair.

Mr. Benson.
Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.

Mr. Haworth.
Mr. Horace Holmes.
Sir John Mellor.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Mr. C. E. I. JONES and Mr. W. H. FISHER, called in and examined.

BUILDING MATERIALS AND HOUSING ACT, 1945, ACCOUNT, 1946-47.

Sir HAROLD EMMERSON, K.C.B., recalled and further examined.

Chairman.

3991. We start with the White Paper, "The Building Material and Housing Act, 1945, Account, 1946-47." Will Members turn to pages 8 and 9, which is the report of the Comptroller and Auditor General. Paragraph 1 of the Comptroller and Auditor General's report deals with the Airey houses. "10,000 pairs of houses" will be 20,000 houses, I take it?—(Sir Harold Emmerson.) Yes, 20,000 houses.

3992. Can you give us the estimated cost of those?—The arrangement is for the Ministry of Works to supply, as stated in the first paragraph, hulls and prefabricated components to the contractors at the full cost. The cost per house of these components will be £327.

3993. Are these all being erected by the same contractor?—No. The arrangement made is with the local authority, and then it is for the local authority to make its own arrangements with the local contractor.

3994. What will be the liability falling upon the fund in respect of these houses?—The liability is confined to the actual cost of these components which will be paid for by the local authorities or by the contractors, and that, in effect, is the only liability on the fund.

3995. Can you tell me what the cost of an Airey house is going to work out at when it is complete?—No, I have not that figure in my mind. It compares very favourably with the cost of the traditional house; but so far as the Ministry of Works are concerned we are confining our interest to the sale of these components.

3996. Paragraph 2 of the report of the Comptroller and Auditor General deals with the Howard houses. He states that in his last report he referred to contracts for 1,380 of these houses. That was after the programme had been cut down, was it not?—Yes. The programme was much higher originally but it was cut down following

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[Continued.]

the unsatisfactory experience of this particular firm. That figure of 1,380 was the reduced figure after agreement with the Ministry of Health.

3997. The Comptroller and Auditor General also refers to revised contract arrangements. Have the revised contract arrangements proved satisfactory?—On the whole, yes. There have been difficulties in clearing up the arrangements with the main contractors (that was Howards) and their arrangements with the three sub-contractors, with whom, of course, we have now made direct arrangements.

3998. The cost has grown steadily from an estimate of £1,272 to the latest figure which the Comptroller and Auditor General can give, at the foot of the paragraph, of £1,718?—That is so.

3999. Is that latter figure confirmed now?—No. The statement in the report that the final figure will not be less than £1,718 is as near as we can make it. The final figure is still not yet settled.

4000. Then in paragraph 3 we come to Belgian bricks. We are told that about 78½ million Belgian bricks were delivered up to 31st March, 1947. I take it these deliveries began, did they, in the autumn of 1946?—They began, I should say, in the summer of 1946, and they continued until August, 1947. Deliveries were finally completed in August, 1947.

4001. As regards the cost of these bricks, we are told the excess cost made good from the Vote was £402,000. The excess cost was, I suppose, the cost of transporting them from Belgium. That is what it amounts to, is it not?—The excess cost is really the difference between the cost at the port of entry and the price charged to local authorities. The price at the port of entry would include the price paid in Belgium, the cost of transport and the fee paid to the agent who acted on behalf of the Ministry of Works for the transaction.

4002. I take it there would not be much difference between the price which the producer gets in Belgium and the price which the producer gets here. Were these bricks dearer or cheaper at the point of production than English bricks?—I should say for the English sized bricks the cost of actual production would be about the same. The big difference is due to the charges for transport and handling. They had to be handled twice, at the loading and discharging ends; and then, of course, there was the transport to the port of loading.

4003. As things turned out, it really was not necessary to import these bricks, was it—in the event?—It definitely was at the time, in 1946. Certainly the estimated shortage was not as heavy as had been expected, but in 1946 there was a very considerable excess of demand over supply and we were still trying to build up the

production capacity in this country which had been very severely cut during the war.

4004. I rather thought that at the end of 1946 or, at any rate, the Spring of 1947 the English brick kilns were being closed?—No, that did not happen until 1948.

4005. I think we had an item on the Accounts at which we looked where there was a charge for stacking of bricks during this year of account. I do not know whether you recall that?—I think you are thinking of what is known as the Brick Charges Account, under which a levy was placed on the brick producers in this country to meet possible expenses of firms which had to incur stacking costs. That Account has not been closed, and I think I said in my earlier evidence that it had not been finally settled because of the situation this summer, following the cut in the investment programme. But until three months ago there was no question of stacking, and throughout this period up to August, 1947, there is no doubt that the bricks were needed and there was no difficulty in disposing of them.

4006. You would say that English brick production was working to capacity during this period when Belgian bricks were coming here?—No. The general position was that the brick industry during the war was cut down to about a quarter or one-fifth of its pre-war production. At the time this arrangement was made we were making strenuous efforts to recruit labour into the brick fields and to re-equip them with machinery, much of which had been lost during the war. The industry was working to full capacity of its existing resources, but its resources were still very much below their pre-war level. This was really one of a number of emergency measures that were taken to try to increase the brick production.

4007. In the last subparagraph of paragraph 3 we are told there is a charge in the Account of £64,000 "to cover the difference between the delivered cost of about 19 million English bricks at Scottish railheads and the amount paid by local authorities which was based upon the cost of Scottish-produced bricks. The Ministry state that this transaction was necessary because of an extreme shortage of bricks in Scotland." Was not this item, in effect, a subsidy to Scottish housing?—I suppose it was, in the sense that without this help either the houses would not have been built or they would have had to buy the bricks in England and pay the cost of transport themselves, and most of the bricks transported to Scotland were, of course, for houses.

4008. What I was wondering was why this item was charged to the Ministry of Works Account and not to a Vote of a

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[Continued.]

Scottish Department, such as the Department of Health for Scotland?—I think it would be difficult to identify what part of this was properly chargeable to housing and what part to other forms of building. Certainly at the time no attempt was made to do that. There was this general shortage in Scotland, and this was a way of meeting it.

4009. Is it a normal thing to transport bricks from England to Scotland, or is Scotland as a rule self-sufficient in brick production?—I should say as a rule Scotland is self-sufficient. There may be some purchase of bricks across the Border but certainly I do not think in normal times Scotland would buy Fletton bricks from the Fletton area.

4010. This was regarded as an exceptional transaction?—As an exceptional transaction because of the extreme shortage in Scotland in relation to a very heavy demand, particularly for housing.

4011. We are told at the foot of paragraph 4: "It is the intention that the fund shall, as nearly as possible, show neither a loss nor a profit on its transactions as a whole." That is the intention, is it, and is that intention likely to be realised?—That is certainly the intention, and it is the underlying intention of the Act itself. As far as possible it will be realised through the sales of materials which have been bought under these powers, but there will be, as already shown in connection with these housing transactions, contributions to the fund from the two Housing Departments, and in appropriate cases there will be a contribution from the Ministry of Works Votes, and any such contribution will, of course, be shown in the Estimates or in the Vote as a separate item.

4012. Are there any questions on the report of the Comptroller and Auditor General? We turn to the Account. Would you look at the Balance Sheet, which is at pages 6 and 7? There is a footnote on the left-hand side, footnote No. (3) which states: "The fund has incurred contingent liabilities under production agreements." Could you tell us, shortly, what those contingent liabilities consist of?—Yes. Owing to shortages of certain housing fittings we arranged with the Ministry of Supply, as the production authority, to make an arrangement with manufacturers whereby they would be indemnified in the event of failure to sell certain quantities of these fittings which they were asked to produce. The types of fitting are gas and electric cookers, pressed steel baths, gas wash boilers, manhole covers, switches, and so on. The short point was that there was this shortage, and the Ministry of Supply more or less gave an undertaking to the manufacturers that they could safely proceed with the production of a certain number, the number being based on the

known housing programme, and the manufacturers were told that if they failed to sell these quantities they would be indemnified. In fact no liability fell on the fund in the year under review, but we cannot rule out the possibility of future claims.

4013. Under the existing conditions of shortage, claims are extremely improbable, I should think?—Claims are extremely improbable. It meant that the manufacturer could proceed with some assurance with a fairly big production programme.

4014. On the right-hand side of the Balance Sheet there is the item: "Hollow Clay Block Factory." Could you tell the Committee what are hollow clay blocks, and why does the Ministry produce them?—The hollow clay block is very little different from the usual clay block. It is not a solid brick but it is used very often for partitioning and for internal walls. In view of the anticipated shortage of bricks it was thought that this type of brick would help to make good the deficiency in ordinary bricks.

4015. It was a new brick was it?—Yes, it was a new type of brick. It was invented originally, I believe, by a Dutchman, but had never been taken up in this country on a commercial basis. At that time the Ministry of Works felt that this should be developed and certain expenditure was incurred, particularly in trying to find a suitable part of the country where the raw material, the clay, was of the right quality for this particular product.

4016. Was a factory ever erected or used?—No. Various trials were made in Northumberland. We were trying the Development Areas in particular. Trial holes were bored in Northumberland, on Merseyside and in South Wales, near Merthyr Tydfil.

4017. Did the project ever get to the stage of producing?—No. By the time they found a suitable area in which to develop this from the point of view of the supply of material, the prospect of increasing production of the ordinary brick by the ordinary methods had so much improved that it was decided not to proceed with this as a Government Department venture. In fact the project has since been—not exactly taken over, because it did not get that far—but being followed up by a private company. Looking at the thing broadly, this expenditure was by no means wasted. It has provided the foundation for the further development of this type of manufacture, but as regards the Department the whole scheme was suspended and we did not get as far as building a factory or starting production.

4018. Will the company derive some benefit from this preliminary expenditure of £207,000 to the date of the Account?—No, not directly from this expenditure. The

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[Continued.]

effect of this expenditure, of course, was to find an area in which the clay, which is the raw material, would be suitable for this kind of production.

4019. If the expenditure succeeded in that object the company taking over the project will derive some benefit, surely, from this expenditure. They will know where to go for the clay?—They will know where to go for the clay, but they might have discovered that anyway. I think it would be unwise to withhold that information, particularly in view of our interest, as a production authority, in getting increased production in the brick industry.

4020. But so far as the Government is concerned they will get nothing back from anybody for this expenditure?—That is so.

Chairman.] Is £207,000 the full extent of the loss, or are there some further—

Lieut.-Colonel Hamilton.] May I interrupt? I think the £207,000 includes the figure of £197,000 for Airey houses, does it not?

Chairman.

4021. I was not clear about that?—Yes. The only expenditure on the hollow clay block project in this year of account is the £9,776.

4022. I beg your pardon. I thought the expenditure during the year was £9,000 and the total expenditure £207,000. But that is not so?—The total capital expenditure is £207,000, of which £197,000 is on the Airey houses.

4023. So that the expenditure on the hollow clay block factory is something under £10,000?—In that year, yes.

4024. Can you give me a later figure?—I am afraid I cannot say exactly what the final commitment will be. The total expenditure under the contracts entered into was much higher than that, but some part of that will certainly be recoverable. I think it is too early to say what the final result will be.

Chairman.] Has any Member of the Committee any questions on the Account?

Mr. Cuthbert.

4025. What do you mean by "recoverable"? Will it be put on to the cost of some other houses?—There were certain assets which we shall hope to bring to account eventually. Certain machinery, for instance, was ordered, which we believe we shall have no difficulty in disposing of.

Mr. Haworth.

4026. Are there any other advantages in the hollow brick, as compared with the ordinary brick? I understood these were being made because there was a shortage of the ordinary brick at the time. Do these hollow bricks possess any advantages over the ordinary brick?—I think they have certain advantages in size and from the

point of view of handling. It is difficult to describe the brick without a model. In volume it would be about the size of four ordinary bricks put together. The brick is hollow and it has a ridge. Each brick fits into the other one through this ridge. It was claimed that this would be more economical in the sense that the brick-layer, if one may call him that, would be able to build a wall much more quickly. It had, on the other hand, certain very definite disadvantages when it came to the work round a window or a door. Because of its size it was not easy to fit the brick in with the normal fittings of the door and the window. But for ordinary straight walling it was claimed that it would save labour.

Mr. Thurtle.

4027. With regard to this contingent liability to the producers of certain housing equipment, is it intended to bring that guarantee to an end now that it is possible to estimate to a greater degree of accuracy the quantities of these materials you will need?—I think the liability will continue in respect of the assurances given: that is, the assurances up to a certain amount. Of course, the arrangement was made by the Ministry of Supply, but I imagine it would be difficult for them to turn to the contractor and say: "Well, now we withdraw this undertaking"; and indeed there would be very little point in doing it, because as far as one can see there is a continuing demand and the Ministry of Supply is unlikely to be required to meet the liability.

4028. These chickens are always apt to come home to roost. If this guarantee is open indefinitely, it may be that when a fall in housing construction takes place you will be faced by these contractors saying: "Oh, but we have made thousands and thousands of these things, which you are not now prepared to take, and therefore the Government will have to meet the bill"?—I believe the undertaking given was in respect of a certain number, related to the estimate of the number required for housing. It is not a continuing liability in the sense that it is always open. The question will arise of renewing it, but at this time these manufacturers were trying to get back into production. They had to incur considerable capital expenditure on new equipment, and it was a case of giving them some sort of assurance that it would be worth their while in relation to a definite number of stoves, baths and other things.

4029. Now you can surely see your way more clearly as to the number of houses you are going to build in the future, would not it be at least possible to reduce the margin of liability; that is to say, if you guaranteed a firm up to 100,000 of a given article could you not narrow that down to,

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Sir HAROLD EMMERSON, K.C.B.

[Continued.]

say, 20,000, or something of that sort, so that you would not be wide open to a very big claim?—When the arrangement was made I believe we took a pretty conservative estimate of the numbers in respect

of which the Ministry of Supply could safely give this guarantee.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (*Agreed.*)

(WORKS COST OF WOMEN'S LAND ARMY HOSTELS (CIVIL APPROPRIATION ACCOUNTS, CLASS VII, VOTE 6)).

Chairman.

4030. There is one further matter on our agenda, and that relates to hostels for the Women's Land Army. We have had evidence as to the cost of them falling on the Ministry of Agriculture Votes, but we have given you notice, or you have had notice, that we should like to know what cost in respect of them falls on the Ministry of Works Votes. I do not know whether you can give the Committee any figures for the year 1946-47?—(*Sir Harold Emmerson.*) Yes. I am not able to give detailed accounting figures in that exact way, but I have some figures which I think will help the Committee at any rate to get a general idea of the cost. In that year the total expenditure on hostels for the Ministry of Agriculture (these are estimated figures) was £360,000, of which £220,000 was expenditure on W.L.A. hostels. That expenditure included in that year some expenditure on new hostels and new equipment amounting in total (I have the separate Estimates if you wish to have them) to £36,000 for new hostels and £74,000 for new equipment, making a total of £110,000 as the cost of new hostels.

4031. That is about 50 per cent. of the total you gave us of £220,000?—No—the £110,000 is related to the £360,000. That is the total for all hostels. Of the £110,000 £49,500 was for the W.L.A. hostels. So that if you are taking the £220,000 for the W.L.A. hostels, the right figure to take for new hostels and new equipment is £49,500. Of the balance, again taking the total figure of £360,000, the actual outgoings in rent amounted to £31,000 for all hostels, or £20,000 for W.L.A. hostels.

4032. That is rent of the site, is it?—That is in many cases rent of the building which has been adapted for use as a hostel. So that my estimate is that the net figure for expenditure on maintenance and fuel alone, excluding actual outgoings on rent and excluding new work and new equipment, was £219,000 for all hostels and £150,500 for W.L.A. hostels. Those figures must be related to the capacity of the hostels. At the beginning of the year the total capacity was 14,000 for all hostels. It had risen at the end of the year to 16,700. The W.L.A. capacity was 9,750 at the beginning of the year and had risen to 11,000 by the end of the year.

Chairman.] Thank you. That gives us just the information we want, I think. Are there any questions?

Mr. Benson.

4033. With regard to the £150,000, it is difficult to understand exactly to what it is related. Was that in respect of maintenance and upkeep of the fabric of the hostels?—£150,500 was the expenditure on the upkeep of the W.L.A. hostels.

4034. Yes, we are concerned with the W.L.A. hostels.—That was including fuel but not including rent: not including actual outgoings.

4035. What exactly do you mean by upkeep?—This is related solely to the building and the equipment in the building.

4036. Yes, I gather that. That is what I wanted to get at. You say the cost of fuel is included. Repairs are included, I assume?—Yes, and replacements of furniture, beds, crockery and kitchenware of all kinds.

4037. It is £15 per head?—Yes.

4038. Could you tell us what the fuel cost?—The total fuel cost for the W.L.A. is £82,000, about £7 16s. a head.

4039. That gives you about £70,000 for upkeep, crockery and the like. What are the major items in the residual £70,000? Do you happen to have it broken down?—I am afraid not. These are all rather rough estimates. I am assured that they are reliable as a general indication, but I am afraid I have not broken them down.

Lieut.-Colonel Hamilton.] Could we have those figures? It seems a high percentage.

Chairman.] What figures?

Lieut.-Colonel Hamilton.] The details of the £70,000 odd for upkeep.

Chairman.

4040. You have not any details, you say, Sir Harold?—I am afraid not*. The estimate has been arrived at rather the other way, by taking so much per head and getting the total, rather than taking the total and dividing it by the number of heads.

Lieut.-Colonel Hamilton.

4041. Are you happy about that figure? Does it not seem to you rather high?—No. I think it compares quite well on the basis of general experience and with

* Note by witness. The total expenditure of £150,500, included £82,000 for fuel, £36,000 for maintenance of buildings and £32,500 for upkeep of equipment.

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[Continued.]

industrial hostels. This is a figure for the year. Many of these buildings are pretty expensive buildings to maintain.

4042. Depreciation, I take it, does not come in it?—There is no special allowance for depreciation, no.

(Sir Harold Emmerson withdrew.)

TRADING ACCOUNTS and BALANCE SHEETS, 1946-47.
MINISTRY OF FOOD.

Sir PERCIVALE LIESCHING, K.C.M.G., and Mr. E. E. BAILEY, C.B.E.,
recalled and further examined.

Chairman.

4043. Sir Percivale, we had got to paragraph 12 of the report of the Comptroller and Auditor General on the Trading Accounts and Balance Sheets, 1946-47 when we broke off last time. That is at page vii. —(Sir Percivale Liesching.) Before you start, would you like me to give you that little item of information for which you asked last time for the record, or would you rather I sent it in in writing? It is just one figure.

4044. Perhaps you will tell us now, please?—It arose on the Civil Appropriation Accounts (Class X) Vote 2, Subhead D, "Advertising and Publicity." You asked the cost of the posters provided to us by the Stationery Office. The cost was £6,494 19s.*

4045. Thank you. Do you have in front of you the volume of Trading Accounts and Balance Sheets?—Yes.

4045A. Paragraph 12 deals with whale oil purchases. In the second subparagraph we are told that with Treasury concurrence the Ministry agreed to buy the output of another large concern. Can you tell me the name of the concern?—Salvesen and Company.

4046. The agreement with them was to pay a minimum of £80 a ton, but the price was apparently finally fixed at £100 a ton?—Yes.

4047. The output was some 53,800 tons?—Yes.

4048. So that it would be something over five million pounds which the Company received presumably? Can you tell the Committee what profit resulted to the Company from this sale?—We have not the figure.

4049. The Comptroller and Auditor General tells us in the last sentence of all in this paragraph that the Ministry "consider that in view of subsequent price movements their decision to buy at £100 per ton in 1946-47 and to contract for supplies for 1947-48 at £90 per ton has proved commercially sound and that the prices agreed for both years are fair and reasonable." If you do not know what profit the

Chairman.] Are you satisfied, Colonel Hamilton, or do you want some further information?

Lieut.-Colonel Hamilton.] I will not pursue it.

Chairman.] Thank you, Sir Harold.

firm made, how can you say that the prices agreed were fair and reasonable? Or is that only in the light of world conditions?—In the light of world prices. When we bought at £100 per ton, offers were being made at £110 by other countries. We thought we were fairly fortunate to get it at that price. I do not know whether the Committee would be interested in some of the rises in price of comparable oils and fats? They illustrate the rise in prices. Whale oil is comparable in value to what is known as technical tallow. I have the prices of four different kinds of oils and fats which are comparable. For Argentine premier jus the f.o.b. prices were, at April, 1946, £101 and at March, 1947, £210. For Argentine technical tallow, which was the most comparable, the price at April, 1946, was £94 and at March, 1947, £192. The price of cotton oil was £56 in April, 1946, and £186 in March, 1947. The price of Philippine copra was £24 in 1946 and £57 at March, 1947.

4050. Although you bought whale oil in July, 1946, at £67 10s. per ton, as stated in the first subparagraph of paragraph 12, you think you were wise to bid £100 a ton in the following January?—That was the lowest figure at which we could get it. There were some special circumstances about the £67 10s. There was an approach by the company concerned, who had under construction a new and entirely modern ship equipped with radar and a lot of novel features. They were planning a public issue to finance this rather heavy capital expenditure and it appeared to them to be worth their while to have this contract by the time they issued their prospectus rather than to wait on the event.

4051. This was X's concern?—No, this was another company.

Chairman.] Are there any questions on paragraph 12?

Mr. Benson.

4052. I take it the £56 per ton mentioned in the first subparagraph of paragraph 12 was paid to three English Companies?—Yes, they were Salvesen, United Whalers and Hector Whaling, Ltd.

* Qs. 3032-7.

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Sir PERCIVALE LIESCHING, K.C.M.G., and
Mr. E. E. BAILEY, C.B.E.

[Continued.]

4053. I can quite understand your having to pay the market price to a non-English company, but why did you not retain the method of cost plus with the English companies?—They would not play on it. They thought we had given them too little the year before.

4054. Had you no powers under the war time legislation?—I do not think so. Assuming we had sent a Government expedition I do not know what powers we should have had to acquire the ships, but if we requisitioned the produce of the expedition I am told we should legally have had to pay the market price.

4055. I was thinking rather of the requisitioning of the ships than of the product?—I am not sure of the legal position. We might have requisitioned ships but we should not have been able to provide them with crews. Whaling crews are a very rare thing in the world.

4056. What would have happened to the crews if you had requisitioned all the English ships? Would they have gone to the Norwegian companies?—I do not know.

4057. Did you explore the possibility of requisitioning the ships rather than paying double the price?—We did not know we were going to pay double the price, of course. The crews are mostly Norwegian, I am reminded. I ought perhaps to have made that clear.

4058. I do not think they would have concerned themselves much with the requisitioning of English ships, would they? You did not explore the matter. You say you did not know you were going to pay double the price; but you did make a contract in one case subject to a minimum of £80 a ton as compared with the price in the previous year of £56?—Yes.

4059. That is a pretty sharp rise?—Yes.

4060. And in the event you paid £100?—Market prices were rising the whole of this time—rising sharply.

4061. One presumes that the company had been making not less than £40 to £50 a ton profit. Their costs cannot have risen so enormously, and yet although they got £56 a ton in 1946-47, it worked out that in the next year they got £90 a ton, or was it £100 a ton?—It was £100, except for the other company from whom we bought at £67 10s. for the reason I have explained.

Mr. Thurtle.

4062. I want to make sure that those figures you gave us of the sharp increases in the prices of oils were world prices?—Yes.

Chairman.

4063. Paragraph 13 deals with the distribution of rice by the British Military Administration in the Far East. I take

it there have not been any financial adjustments made, have there, with regard to these transactions?—No. They are not brought to finality yet. Do you mean on the part that was sold?

4064. As between the departments. This was all disposed of by the British Military Administration?—With regard to the free rice proceeds, if I may so call them, that taken by the War Office was without payment and that handed to U.N.R.R.A. was without payment. There was an amount of £240,000 on repayment which was sold to U.N.R.R.A., to the Netherlands East Indies and to French West Africa. As you say, there was no cash settlement between the War Office and the Ministry.

Chairman.] Are there any questions on paragraph 13?

Mr. Benson.

4065. In what circumstances did the Siamese Government undertake the provision of rice free of cost?—It was part of the peace settlement with them. It was, as it were, a form of reparations. It was a penalty, really.

4066. You had to pay for it on the ground that you could not collect it free?—We could not get it out. It would not come forward.

Lieut.-Colonel Hamilton.

4067. Could you say what quantity was eventually got from them, and at what price? Is it easy to say that?—£1.7 million worth was the figure.

4068. Which represents approximately how many tons?—The amount that they were required to offer was 1½ million tons, but I do not think I have the relation between the cost and the amount there.

Chairman.

4069. In paragraph 14 the Comptroller and Auditor General tells us that the figure of rice purchases includes £689,000 in respect of consumer goods purchased for shipment to Siam with a view to stimulating the export of rice from that country. Here we have the Ministry of Food doing an export trade in toys and that class of article, have we?—Not quite toys, but goods of other kinds. The Ministry was the only civil department with an organisation in Siam, and we were picked on for the task of distributing the goods.

4070. You would not regard the export of goods to stimulate food production as within your statutory scope?—I think so, on the basis on which we undertook it. I am sure the question must have been examined at the time. I did not examine it myself. I do not think I was in charge then. I think it must be within the definition of our general powers.

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Mr. E. E. BAILEY, C.B.E.

[Continued.]

4071. I think you have a Bill coming forward which is going to define the powers of the Ministry of Food?—Yes, there is one being prepared now.

4072. We are told in the last sentence of all of paragraph 14 that "the Ministry do not anticipate loss to the public on any of these transactions"—meaning thereby, I suppose, that the consumer goods sent to Siam have realised what you paid for them here?—Yes.

4073. They have not been sold here at a loss?—That is so.

4074. They have been given a little special priority as regards the consumer goods?—Yes.

4075. You think increased rice production has resulted therefrom?—Yes, it had the effect of loosening it up, I think.

4076. Are there any questions on paragraph 14? We pass to "Cold Stores." Paragraphs 15, 16, 17 and 18 deal with this matter. Paragraph 16 refers to privately-owned cold stores which were under control, I think, and paragraph 17 to the stores owned by the Government?—Yes.

4077. "The Public Accounts Committee of 1944" we are told, in paragraph 16, "having considered the results of a test investigation by the Ministry which indicated that the average return on capital for the whole industry was between 11 and 12 per cent. compared with an estimated pre-war return of 6.85 per cent. (when, however, the industry was in a depressed condition) expressed the hope that some reduction would be found possible." But we are told in the following sub-paragraph that the Ministry have estimated that for each of the years 1945-46 to 1947-48 the average return on capital has been about 13 per cent. I think we are a little concerned that when we recommended that there should be a review with an eye to reducing the profit on capital employed the outturn should have been an increased return on capital. Can you explain that?—It is true that the revised conditions which we applied after the Committee had commented in 1944 did not succeed in reducing the average return on capital in the way and to the extent at which we had aimed. Having failed by this revision of 1944, partly as a result of a fall in the number of sinkings at sea and a rise in the stock levels, to bring the average return down to the extent desired, we have again been into the position very thoroughly within the last few months. This further investigation shows that we had previously failed to control successfully an element of concealed profit which arises out of the system of calculating the direct costs that are allowed in arriving at the controlled

profit. We have now directed our efforts in this latest revision to eliminating this source of profit. After long and difficult negotiations in the early part of this year between the Ministry and the industry we have concluded an agreement with the industry which is effective from the 29th May, which is calculated on balance to reduce the average return on capital of about 13 per cent. by the percentage desired. I should like, if I may, to make one further comment. The figure of between 11 and 12 per cent. which is quoted as the average return on capital for the whole industry for the earlier control years is not comparable with the figure of about 13 per cent. estimated as the average return on capital for each of the years from 1945 to 1948. The former figure, the 11-12 per cent. was arrived at on a different basis and related, in fact, only to the 24 stores which were costed, and not to the whole industry and, further, it did not, as does the 13 per cent. include the element of concealed profit of about 5 per cent. to which I have referred as something dealt with in the new arrangements.

4078. You mean the former figure of 11 per cent. really should have been about 16 per cent. if the 5 per cent. of what you call concealed profit had been added to it?—Yes.

Chairman.

4079. Paragraph 17 deals with Government-owned cold stores, 48 in number. We are told at the top of the following page that: "The accounts of the operation of these stores in the year 1946-47 . . . show a deficiency on an income and expenditure basis of about £90,000." Can you explain why the Government stores operated at a loss?

Mr. Thurtle.] They operated at a profit in 1945-46?—This year of account, 1946-47, is the first in which the revenue from the Government stores did not cover the operating costs. This arose on account of a substantial fall in the level of stocks combined with the need to implement the Ministry's undertaking that Government-owned stores would not be operated in competition with the public cold store industry. It is estimated that the Government-owned stores will complete the year to February, 1948, with a surplus of about £100,000.

Chairman.

4080. I take it these Government stores charge on the same basis for their services to traders as the privately-owned stores?—That is so.

4081. I take it whether they operate at a profit or a loss depends very largely on the extent to which their capacity is used in the year. Is that right?—Yes.

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[Continued.]

4082. What I do not understand is why the Government stores were operated, as I understand it, below their capacity, whereas the privately-owned stores must have been operated to capacity because they showed a good profit?—The private stores were not operating to full capacity. They were operating to 57.5 per cent. of their capacity in that year.

4083. What was the corresponding percentage for the Government-owned stores?—I have not the figure.

4084. Would it be higher or lower?—(Mr. Bailey.) I think it would be lower because of the undertaking that the Government-owned stores should not be so operated as to compete with the privately-owned stores.

4085. That undertaking was given to the owners of the private stores at the time when the Government stores were erected. Is that it?—Yes, to the industry.

4086. They were told that there would not be unfair Government competition. Is that it?—Yes.

4087. Therefore you feel under an obligation not to operate the Government stores to a higher proportion of their capacity than the privately-owned stores. Is that the position?—Broadly speaking, that is so.

4088. But you are entitled to operate them to the same extent, presumably?—So long as there is not unfair competition. Of course, there is a good deal of play—there is bound to be—in that undertaking.

4089. That still does not really answer my question. Let us assume there is to be no unfair competition and that what competition there is is to be fair competition, it would seem that the private stores were making profits on a basis of fair competition when the Government stores were making a loss?—In pursuance of the undertaking we are maintaining some of these Government stores on a mere care and maintenance basis: that is, they are not being used at all.

Mr. Thurtle.] May I suggest that the decision of the Government not to compete with the industry was really making a sacrifice, from the Government point of view, for the sake of the industry?

Chairman.] Yes.

Mr. Thurtle.] They could have avoided this loss, probably, if they had competed with the industry.

Chairman.

4090. Undoubtedly. You could have put all the Government foodstuffs into the Government stores and left the private stores operating much below capacity, had you broken your agreement?—(Sir Percivale Liesching.) Yes.

4091. Would it not be in the public interest that the most modern efficient and economic stores should be used to capacity in the future?—(Mr. Bailey.) It might well be, and that is a subject which the Minister has under consideration, his future policy in relation to the cold storage industry generally.

Chairman.] Are there any questions on paragraphs 15 to 18?

Mr. Haworth.

4092. It is a little curious that the extent of the user of the private stores should be known but not to our own Government stores?—(Sir Percivale Liesching.) I have no doubt the figure could be obtained. It is simply that I have not the figure with me.

Chairman.] If it could be furnished to us later in the afternoon we should be very pleased. If it cannot be, then we shall have to ask for it to be sent in.

Mr. Benson.

4093. Have you the actual terms of this agreement with the private cold stores with regard to unfair competition?—I have only the summary of it: "shall not be operated in competition with." I have seen the undertaking and the contemporary records within the last few months.

4094. It is not "unfair" competition. It is competition?—Yes.

4095. Why was such an undertaking given?—I imagine it was in order to secure the co-operation of the industry during the period of the war at a time, probably, before Government-owned stores had been set up in sufficient numbers; but I was not present on the scene at the time and I am afraid I cannot do more than guess.

4096. There are other ways of getting co-operation besides guaranteeing a monopoly. I see from these figures, if they are on a comparable basis, that the efficiency of the Government-owned stores is roughly 60 per cent. greater than that of the private concerns. Fifteen million cubic feet were operated for £805,000 in the case of the Government-owned stores, as compared with a cost of £3,500,000 for 37 million cubic feet for the private cold stores. The private cold stores' operating costs are practically double those of the Government stores?—I think the answer probably is that the Government cold stores are much more modern and up-to-date in their equipment throughout.

4097. So that the position of the Department is, as the Chairman has said, that we are to pay double the rate for cold storage because the Department has recognised the sanctity of inefficient stores?—It has observed a pledge. I do not know how else to describe it. I did not give the pledge. I have had to live up to it.

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[Continued.]

4098. For how long does that pledge remain valid?—Until revoked.

4099. Who has the power to revoke it?—It will be a Ministerial decision.

Chairman.

4100. I think Sir Percivale said that the question of policy was under consideration, did he not?—Yes.

Mr. Benson.] So there is a possibility that we shall be able to put efficient storage into operation and not accept quite quietly the inefficiency of a monopoly. That is what it has come to hitherto.

Chairman.

4101. Is the private cold storage business a monopoly?—It is a series of competing units.

Mr. Benson.

4102. How far are they competitive?—I think we shall have to ask the Monopoly Commission under the Board of Trade to look into that for us. There are 300 or 400 of them.

4103. Yes. You have certain major ones like the Union Cold Storage, for example. Was the Chairman correct in saying that you are definitely considering the question whether you will revoke that wartime pledge?—No; I think the Chairman was referring to an answer given by Mr. Bailey. He told the Chairman that the Minister had under consideration the future policy with regard to cold storage.

4104. Is that £805,000 in paragraph 15 comparable with the figure of £3,470,000? Does it include interest on capital?—I have not examined the exact comparability of the figures in this context.

4105. Could you let us have the results of an examination of the comparable figures and, if possible, build up that £805,000 until it is really comparable to the £3,400,000. Would you also give us some indication as to the total volume of foodstuffs passing through the two groups, the private and the public?—The utilisation of capacity figure?*

4106. Yes, the figure of utilisation of capacity. Perhaps you could let us have a memorandum on that?—Yes.†

Lieut.-Colonel Hamilton.

4107. In paragraph 18 the Comptroller and Auditor General states that: "The Public Accounts Committee of 1947 were informed that the future of cold storage in this country in relation to both Government-owned and other cold stores was under consideration by the Ministry." Has any decision been reached yet on that point?—No decision to disturb at once the existing basis.

* Information supplied; not printed.

† See Q. 4150.

Mr. Thurtle.

4108. I take it with regard to the undertaking not to compete with the cold storage industry, the question of release from that undertaking might very well involve some compensation. If, while the Minister is reconsidering the policy on cold storage, he were to come to the decision that that undertaking should no longer be followed then the cold storage industry would have some claim for compensation?—If they remained under control while the Government stores operated in competition with them it would be a variation of the original agreement. I do not know what line the industry would take with us. I could not predict it.

Mr. Cuthbert.] May I follow up a point?

Chairman.] Certainly.

Mr. Cuthbert.] In answer to Mr. Benson's point about an inefficient private monopoly, I think we must remember that although the Government stores were not working to full capacity, neither were these private cold storage concerns, according to the figures we have. They were working to only 50 per cent. of their capacity. We must not forget that last year there was a loss of £90,000. I think that should be mentioned when we follow these arguments up.

Chairman.] I thought you were going to put a question.

Mr. Cuthbert.] I was only following on Mr. Benson's remarks on the other side.

Chairman.

4109. Now we pass to paragraph 19, which deals with payments to flour millers. We are told by the Comptroller and Auditor General that the total charges incurred in the year were just over £42 million and of this total £9,400,000 is shown under the heading "Subsidies" in the Trading and Profit and Loss Account, and the balance of £33 million has been treated as a deduction from total sales. Why are the payments subdivided in that way?—It is largely a matter, I think, of continuing a practice we have been following hitherto, and we are considering whether they should not both be treated in the same manner next year, under the heading of "Subsidies paid direct."

4110. At the end of paragraph 20 we are told by the Comptroller and Auditor General that: "Considerable delay has occurred in the rendering of returns by millers and in the settlement of accounts. It has not yet been possible to reach a final settlement of profits for any of the control years." The control years, I think, go back to certainly the beginning of the war, if not before that. Is any progress being made with these settlements?—There is some improvement. The accounts are

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coming forward from the millers better now. I am afraid it is still extremely difficult to deal with from the staffing point of view, apart from the dates on which accounts are rendered and scrutinised. We lost practically the whole of the staff engaged on this work when the Ministry Colwyn Bay staff was moved to London. The accountants would not come with us.

4111. The difficulty is staff in the Ministry?—That is part of it. Staff in the Ministry, and staff during the war—it is an accumulation of delays—in the millers' offices where the accounts have to be prepared. But there are signs of improvement, because I think it is fair to say that one of the great difficulties here is in overtaking practically four years' arrears. The agreement itself, which involves calculations going back over four pre-war years for the purpose of establishing standard averages and so forth was not signed until November 1941, thus giving arrears of five years. The work was novel to the millers and the accounts for those years were often not in the form required and had to go back for revision and correction. As they have gained experience they are coming through better.

4112. In paragraph 21 the Comptroller and Auditor General states: "Public Accounts Committees have on several occasions reviewed the wartime arrangements, which give no direct incentive to economy as the Ministry bear any increased costs and guarantee profits. The Committee of 1945 was informed that a scheme to provide such incentive was considered impracticable under war conditions." I think the Committee appreciate that, because during the war you had to consider all sorts of factors arising out of the war. But is it still impracticable to devise a scheme which gives any incentive to economy?—We have tried several times but we still consider that it is not possible. While it is true that there were certain factors operating during the war which were of a special character, a great many of the features which make it so difficult to devise a scheme like this are still with us. The millers still have to purchase wheat at prices fixed by the Ministry; they have to dispose of their products at fixed prices which are heavily subsidised. The Ministry have to place restrictions on millers as the result of rationing, registration of customers and limitation on districts which can be supplied. We have to dictate the rate of extraction of flour which can be altered at any time. We control the composition of grist, the admixture of imported grain with the home-grown grain, and there are always, of course, difficulties of repairs and replacement of plant; and all those things really are just as much with us today as they were during most of the war.

4113. In the second part of paragraph 21 the Comptroller and Auditor General states

that: "the Ministry state that present conditions have not differed greatly from those of the war years. It is unlikely that a satisfactory scheme can be devised so long as the output of uneconomic mills cannot be dispensed with, and the allocation of grain to millers continues on approximately the same basis as during the war." I should have thought that bread rationing might have had some effect upon the throughput of the mills. I think it is claimed that it saved 10 per cent. of wheat previously consumed?—I think about 7 per cent. is the figure, is it not?

4114. I should have thought that might have brought about a change of condition which would have enabled you to have considered a claim which rewarded economy, which gave some incentive?—Control production has never fallen yet below the standard of average pre-war production. It is a good deal above it in point of fact.

4115. We are told in the last sentence: "The Ministry consider that flour millers generally are operating as economically and efficiently as their various circumstances permit." Surely it cannot be a good thing that arrangements continue indefinitely which give no reward at all to economy and no incentive to economy?—No, I should agree.

4116. You still think it passes the wit if not of man of the Ministry of Food to devise a scheme?—Under control, while the conditions I have described have to be enforced, we think it is. Until you can get the easements necessary we do not see any way of devising a scheme.

Chairman.] Are there any questions on paragraphs 19-21?

Mr. Thurtle.

4117. I take it you would arrive at the position at which you could reward economy if you could get to the point where you could dispense with the output of the uneconomic mill, because you could then eliminate them?—Yes.

4118. You are nowhere near that point yet?—No.

Chairman.

4119. We turn to the foreword to the Trading Accounts, pages 16-21. I want to put one or two questions to you on page 21 of the volume. These are the concluding words of the foreword. We are told: "Stocks of imported commodities have been valued on the basis of c.i.f. cost plus customs duty while home produced commodities have been valued on an ex-factory basis." I was a little puzzled by the use of the expression "ex-factory" basis in respect of what is mainly agricultural produce and comes off the farm. At what point

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[Continued.]

is it valued?—I think the equivalent for "ex-factory" for something which is not actually processed would be "off the seller's premises."

4120. I assume, as regards livestock, for example, it would be the price at the market?—At the market, as it comes through to the market from the farm.

4121. When we come to the Accounts to which this is the foreword, of course all or nearly all, of the main commodities show losses which represent the food subsidies, but I do not see how it is possible for the Committee to separate in these Accounts the losses which are deliberately incurred as a matter of policy and the losses, if any, which are accidentally incurred through misfortune or mishap, a sudden change in world prices, or something of that sort?—I do not think you can separate that in accounts, in the actual accounting tabulation.

4122. I assume you set out with the policy of subsidising a commodity like food, or bread, to a certain extent?—To an end price.

4123. Would it not be possible to show in your Accounts: "Loss as a result of deliberate subsidies—£X. Loss or profit accidentally arrived at—£Y"?—(Mr. Bailey.) We are advised as an accounting proposition that that is not practicable.

4124. You are advised that is not practicable?—Yes, as an accounting proposition.

4125. Can you elucidate the point a little further?—I do not think I can take it any further than that.

4126. What do you, Sir Frank, think about it as an accounting proposition?—(Sir Frank Tribe.) I think it is obvious to anyone who is not an accountant that it is extremely difficult; but, at the same time, as pointed out in paragraph 10 of the report, the Ministry does apparently set out at the beginning of the year to allot a certain amount of money to subsidies, a deliberate amount which the Chancellor announces in his Budget Speech. I rather wondered whether that amount of £325 million in 1946-47, or £400 million in the present Budget, could have been allocated in advance, split up between particular items so that these would be shown, as the Board of Trade and the Ministry of Supply show in some of their trading accounts, the deliberate subsidies, and anything apart from those would be a profit or loss on the trading account. I can see accounting difficulties about it, but if it were possible to do anything like that I think it would give this Committee a truer picture of what was a deliberate subsidy and what was really a trading loss or gain.

Mr. Benson.] Can you possibly have either a loss or a gain in trading when

your price is entirely artificial? Normally you make a profit if over your cost you sell at a sufficiently high price.

Chairman.] I think when we come to the Accounts you will see in a list of miscellaneous commodities that some are profitable and some involve losses, quite apart, as far as I can see it, from matters of policy.

Mr. Benson.] Does it mean profit in the ordinary sense?

Chairman.

4127. If you look at pages 40 and 41 of the Account you will see a large number of miscellaneous items with a profit or loss shown at the bottom. I take it that on animal feeding stuffs, the first item on that page, the loss of £9 million is deliberately incurred?—(Sir Percivale Liesching.) That is a deliberate act of policy.

4128. That is a subsidy to agriculture?—Yes.

4129. Then, when we come to canned fish, I remember we were told in a Budget Speech a year or two since that the pilchard was not going to be subsidised any more, and I take it on canned fish the loss of £356,000 is accidental; that is to say that the canned fish could have been sold, or might have been sold, at a figure which would have made both ends meet?—(Mr. Bailey.) No. The statement to which you refer was made after the accounting period in question.

4130. This Account includes a deliberate loss on pilchards?—Yes.

4131. When we proceed to fish there is a profit of £683,000. Presumably that profit was accidental. You wanted to guard yourself against a loss and it in fact turned out to show a profit?—That is an accidental profit, as you indicate, in respect of the fish transport levy fund. We do not actually trade in fish, except imported fish.

Lieut.-Colonel Hamilton.

4132. Does not the second paragraph on page 17 of the foreword indicate that sometimes you deliberately make a profit on food which you regard as less essential?—(Sir Percivale Liesching.) Yes.

Mr. Benson.

4133. As you are a monopolist and can fix your price at any figure you like there is neither virtue in a profit nor vice in a loss, save in so far as you deliberately do it?—From the nutritional point of view, of course, there is virtue.

4134. There is virtue in a loss. There is no virtue in a profit in that you yourself have fixed a price without any competition at a given figure and it so

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happens to cover your costs and more. There is no competitive element to force you down to a particular price?—No.

4135. There is no vice in a loss or virtue in a profit. Such vices and virtues as you possess we cannot find from looking at this Account because it depends on your efficiency or inefficiency, which you cannot show here?—I think it is true that, whether it be a profit or a loss, it is taken as an act of policy on all controlled foods.

Chairman.

4136. Let us pass from that rather complicated subject now, and I will put a question about traders' margins. As I understand it, during the war it was considered necessary to fix traders' margins—that is, the gaps between the price at which they buy and sell—at levels which ensured that the least efficient of them were able to keep their heads above water and survive; that is to say, the prices were not fixed at levels which forced anybody into bankruptcy. That is about an accurate statement of the position, is it not?—Yes. If you said to keep everybody in action I think that might be going a little far. To keep a sufficient number of units; and a very large number of units which might not have survived possibly under the rigour of competition were deliberately taken care of in order to keep the distribution system alive.

4137. Is the present policy the same as the wartime policy?—It is still necessary over the distribution of a great number of commodities.

4138. Do you not think that a few bankruptcies might have a very healthy effect upon efficiency?—Yes, I do.

Chairman.] Are there any questions on the foreword?

Mr. Benson.

4139. With regard to flour millers, what percentage of the existing flour mills are you keeping in existence?—I think practically the whole of them.

4140. Are they all working to capacity?—Yes, they are. That is my opinion, that they are working to capacity.

4141. Is that due to increased consumption or reduction in the number of mills, to a greater import of flour than before the war, or were they always working to capacity?—I think I mentioned a little earlier that I know that the throughput under control is greater than the throughput pre-war, which supports my statement that they are working to capacity.

4142. I see that you handed back the mills belonging to Re-commissioned Mills to the trade?—Except for silo work.

4143. Yes, save for silo work. They were the re-commissioned mills you handed back. What was the purpose of that?—On which paragraph are you?

4144. It is on page 20, the paragraph at the foot of the page?—I do not know the exact circumstances in which we decided that we did not want to operate them through a special company of our own. They have gone into the general scheme now.

4145. Were they sold or were they merely requisitioned and operated?—We incorporated this company called Re-commissioned Mills Ltd. for the purpose of operating these uneconomic mills which had been closed down. We brought them into commission in that way.

Lieut.-Colonel Hamilton.

4146. On page 18, in regard to milk, the last sentence of the paragraph refers to milk for manufacturers for manufacturing purposes. Presumably for manufacturing purposes other than food is intended?—Manufacturing of milk is technically the making of milk products for human consumption.

4147. That is what is referred to here?—Yes.

4148. For that they are entitled to buy at a lower price?—Yes.

4149. In the Accounts one notices quite a proportion of foodstuffs are sold for delivery abroad. In the case of cereals, just about as much is sold abroad as in the United Kingdom. What countries in particular is it sold to?—Mainly the smaller colonies which are dependent on us for supplies, the Control Commission, and for Services needs.

Mr. Thurtle.] I do not know whether this is exactly a question, but with regard to your suggestion that a few bankruptcies might stimulate the others, I believe it is on record that a celebrated Admiral was shot to encourage the others.

Chairman.

4150. Yes. I was not suggesting shooting any traders.—(Mr. Bailey.) May I now give you the answer to the question about the utilisation of Government stores? The percentage of capacity of Government-owned stores used is as follows: In 1944-45, 100 per cent.; in 1945-46, 62 per cent.; in 1946-47, the year of this Account, 33 per cent.; in 1947-48, 39 per cent. Perhaps I may add that the Government stores are sited in what were known as safe areas and are less convenient for transport and distribution. They are now used for spill-overs when stocks are high, but otherwise preference is given to private stores in implementation of the pledge to which reference has been made.

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[Continued.]

Chairman.

4151. On the Trading Accounts, Colonel Hamilton has referred already to page 25, which is the Cereals Account. The deliberately incurred loss of £57 million and the sales are about equally divided between sales in the United Kingdom and sales overseas. I take it that the loss is wholly or, at any rate mainly, incurred in the delivery of cereals in this country?—(Sir Percivale Liesching.) Yes, I think entirely.

4152. Your overseas operations where the grain never comes to this country at all are conducted on a no-profit no-loss basis, are they?—Yes.

4153. Would you look at page 35, at the Potatoes and Carrots Account? I am a bit puzzled here by the relationship between the sales in the United Kingdom, at the top of page 35, of only £6 million, and the loss shown at the foot of that page of nearly £19 million. From a beautifully illustrated leaflet published by the Central Office of Information I was led to believe that only one potato in every four that I consumed was subsidised or paid for by the Government. From this it would rather appear that three out of four potatoes are being paid for by the taxpayer?—(Mr. Bailey.) The answer is that we do not actually buy and sell potatoes except for the end of season reserve. We pay a tonnage subsidy on the whole tonnage of potatoes in the country; whereas this sale in the United Kingdom relates only to a fraction of the turnover.

4154. The £6 million relates only to operations for a short period of the year by the Ministry of Food in purchasing potatoes. Is that right?—Yes, whereas the tonnage subsidy on the total crop itself accounts for £12 million of that loss.

4155. You call it a tonnage subsidy but the farmer calls it an acreage payment, does he not?—The farmer gets an acreage payment, but the trader who has to buy at the farmers' price and sell at the controlled price gets a tonnage subsidy on every ton that he delivers.

4156. This £12 million on the tonnage subsidy includes payment to farmers—or is that borne separately?—That is borne separately.

4157. By the Ministry of Agriculture?—By the Ministry of Agriculture.

4158. We cannot spend as much time as we should like on these interesting Accounts. We have already looked at one or two of the miscellaneous items on pages 40 and 41, but I should like to ask a question about rice, in the last column but two on the right-hand side. Sales in the United Kingdom were a very small figure. Sales for delivery abroad were about £37 million. The profit on those transactions, shown at the foot, is £682,000?—(Sir Percivale Liesching.) Yes.

4159. This is related to a question I have already asked before, I think. I take it whether or not it is within your powers to trade overseas at present, your forthcoming Bill will empower you to conduct trading operations abroad?—Yes. I think I said at our last session I believe it to be so intended.

4160. On the Consolidated Profit and Loss Account, on pages 44 and 45, there is an item on the left-hand side, about the fifth item down: "Costs of operating buffer and sub-depots", a figure of just over £3 million. That, apparently, is a separate item from storage and warehousing which we find on the previous page, of £8½ million. What are these buffer depots and sub-depots?—These buffer depots are operated by warehouse keepers and contractors for the Ministry for management fees that vary with the tonnage capacity of the stores.

4161. I imagined that a buffer depot was something additional to the ordinary storage, probably established during the war to enable stocks to be dispersed or additional stocks to be carried?—Yes, that is so.

4162. Is the policy of keeping additional foodstuffs in the country against emergency still being maintained?—I think the use of these depots is largely a matter of distributive convenience.

4163. They must be depots of some special character. There is quite a separate item for storage and warehousing on the previous Account, the Consolidated Trading Account, of about £8½ million. So I wondered what these special charges were?—I think I can explain that better. The nucleus of the buffer depot scheme is now the Government standard warehouses and huts erected in several areas during the war period. These are used for the storage of marginal and peak stocks which cannot be accommodated in public warehouses as public warehouse space in the major port areas has been seriously damaged by bombing. Since the war the Ministry of Food has taken over the buildings on 55 airfields for the storage of animal feeding stuffs and for the drying and storage of home-grown grain. Drying plants have been installed at 12.

4164. If this has become now part of the normal cost of storage and warehousing I should have thought the item might have been included in the previous Account?—(Mr. Bailey.) The item is treated for accounting purposes as part of our general overheads.

4165. On the last page of the Account, page 47, which is the Balance Sheet, in the current assets at the foot of page 47 are shown payments in advance of about £20 million. Could you explain to the Com-

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[Continued.]

mittee why it is necessary to pay in advance, and for what?—(Sir Percivale Liesching.) There are two elements in this. The £2,603,000 represents advance payments to growers made under tonnage contracts for potatoes in clamps for the end-of-season reserve. The figure for "other Governments" of £17.7 million was advance payments to the United States Commodity Credit Corporation which, under the legislation in force in the United States, required payment in advance when the C.C.C. was used for procurement purposes.

4166. It is now cash with order as far as the United States is concerned?—Yes; that phase has now passed.

4167. When we pay in advance and pay the cash with the order, do we get any discount or interest or any advantage from paying perhaps a month before delivery?—I do not think we do. The only advantage that might come is that I think we get the price at the time of payment fixed for the period of delivery, which may be an advantage at the present time, or was at that time.

4168. It may be an advantage if prices are rising?—Yes.

Chairman.] Are there any questions on the Account?

Mr. Cuthbert.

4169. Could you help me and, probably, the Committee by answering this question? I feel very worried indeed about these Accounts that do not show separately the subsidy from the actual trading, the buying and selling of whatever commodity it may be. There is no way in which we can tell here, as the Public Account Committee, whether there are genuine commercial losses or whether there is a subsidy in it. Is there any way in which you can get over what you call that accounting impossibility, so that you could show a proper trading account, and show the subsidy separately? Actually, as a Committee we do not know where we are with these Accounts?—We often do not know where we are, when we receive instructions to alter our prices at short notice and our stocks which are being released may be composed of elements bought at all kinds of different prices.

Mr. Cuthbert.] These are published to the public, are they not?

Chairman.] Yes.

Mr. Cuthbert.

4170. I can see somebody making a wonderful story of this politically, which might harm the Government. I think if you could devise some form of accountability so that we could get the truth, and see the trading transaction quite separate

(The witnesses withdrew.)

Adjourned till Thursday next at 2.30 p.m.

from the subsidy, it would be very helpful. Personally I cannot understand it at all, and you say that you are often in the same difficulty?—I should be in presenting an Account, for the kind of reason I have given. The prices we buy at are subsidising home agriculture.

4171. These Accounts really are no information at all?—It is a highly professional matter. I am afraid my personal opinion on this would be valueless.

Mr. Benson.] I am not at all sure that there is any point in presenting these Accounts as trading accounts.

Chairman.] No; that is apparent from what has been said.

Mr. Benson.] I do not know why they are presented as trading accounts. Certainly the trading accounts of other Departments are useful because they are trading accounts. Here they are merely set out with a balance which is, in effect, the subsidy the Government has finally paid at the end of the year, and nothing more.

Chairman.

4172. I do think it is a matter for inquiry, and I think we might be able to ask the Treasury witnesses at subsequent meetings whether it is not possible to separate the deliberately incurred losses, which form the subsidies from the accidental profit or loss resulting from trading?—(Mr. Jones.) I can say right away that in the Ministry of Food my understanding is that the subsidy policy is really determined by the global figure which the Chancellor adopts for his Budget statement. A certain amount of flexibility has to be preserved within that total limit, where prices rise on subsidised commodities, in order to take profits on other commodities. Therefore the only thing that is really fixed is the total maximum. Within that total maximum the policy on individual commodities may change, as Sir Percivale has said, several times in the course of the year. Ration changes will also affect the distribution of the subsidy between the particular commodities, so that there would be no firm figure that you could really say represented the deliberately incurred subsidy on that particular commodity which would remain constant throughout the whole year. It is because the figure that is looked at for the purpose of measuring the total subsidy cost against the Chancellor's Budget announcement is the overall outturn of the Ministry's activities that the whole business must be regarded as one for that purpose.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.) That concludes your evidence, Sir Percivale. Thank you very much.

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Mr. L. R. SHERWOOD, C.M.G., O.B.E.

[Continued.]

THURSDAY, 24TH JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Major Bruce.
Mr. Cuthbert.
Lieut.-Colonel Hamilton.

Mr. Haworth.
Mr. Kirby.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., and Mr. C. E. I. JONES, called in and examined.

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 7.

UNITED NATIONS' RELIEF AND REHABILITATION ADMINISTRATION.

Mr. L. R. SHERWOOD, C.M.G., O.B.E., recalled and further examined:

Chairman.

4173. Mr. Sherwood, we are going to deal with the Civil Appropriation Accounts, Class X, Vote 7, the United Nations' Relief and Rehabilitation Administration. Have you paragraph 8 of the Comptroller and Auditor General's report in front of you?—(Mr. Sherwood.) Yes, I have.

4174. This expenditure on UNRRA is all completed now, is it not?—It will be in this year's Account. The 1946-47 Account is not quite the final Account. There will be a little left over in the current year.

4175. Have the participating Governments had any accounts furnished to them of UNRRA expenditure?—Up to December, 1945.

4176. They are audited commercially, are they not?—Yes, by Deloitte, Plender, Griffiths, whose American office does it.

4177. Have you examined the accounts sent to December, 1945?—We have examined the financial statement which results, and we have read the auditors' report, but we have not examined the entire accounts of course.

4178. As far as they go, are the reports satisfactory?—I do not think we could say that they are. I think the most that the auditors could say was that it was not possible, from the records which they had, to produce a really good account and all they could say was that it was the best possible statement of the then financial position which could be obtained from the existing records. The difficulties of UNRRA, I think, are fairly easy to

imagine, with an organisation of that size—quite a novel undertaking, functioning half way over the world, from China to Eastern Europe and Western Europe, using all the world's currencies, procuring from the whole of the world, again in all the world's currencies, using a staff which was built up without discrimination of race, religion, sex or nationality. I think it would have been impossible really to have found in the world enough accountants to have controlled the account in the finished way in which, for instance, a Government Department of the United Kingdom would hope to control its own account. I think, also, that UNRRA can be said to have made the best use it could of the accounting staff it had. It used them very largely not to produce finalised accounts but to work out the statistical kind of account which was essential for their management. In other words, they were more closely watching the immediate financial position than the long-term production of the finished account. Although we are bound to agree, of course, that the auditors' finding was correct, it is purely as an auditors' statement that it has to be considered and not necessarily as an explanation of the position apart from the financial position—of the conditions, that is, under which UNRRA had to work.

We will take the paragraph and the Account at page 55 together. Are there any questions on the paragraph or the Account? May I take it that the Account is approved. (*Agreed.*) Thank you, Mr. Sherwood; that is all we need you for today.

*(Mr. Sherwood withdrew.)**(Questions to Treasury arising out of Evidence given to the Committee of Public Accounts in 1948.)**

Sir ERIC BAMFORD, K.B.E., C.B., C.M.G., called in and examined:

Chairman.

4179. Sir Eric, there are certain questions which the Committee wish to raise with you arising out of the evidence it has

already taken this Session. A copy of those questions has been furnished to you, and

* Not printed.

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Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.

[Continued.]

a copy has been circulated to the Members of the Committee. The first question deals with charges for admission to galleries, museums, etc. under public control. We are told that before the war entrance fees were charged, at any rate on certain days, in the hope of meeting the cost of maintenance. We have had evidence that the one recent exhibition for which an admission fee was charged (I think that was at the Tate Gallery) attracted a record number of visitors. The question we want to put to you is whether there is not some evidence that the public appreciate exhibitions more highly if they have to pay some small fee for admission?—(Sir Eric Bamford.) That is a matter on which different views have been held at different times. As you know from the financial side the matter is quite a trivial one. The amount collected before the war from all the museums and galleries from admission fees was not more than £3,500 a year. We have had the matter under review recently and the Government has decided now that, looking to the greatest good to the greatest number it is better, as a general rule, that there should be free admission on all days of the week to the permanent collections. The particular exhibition which was referred to in evidence was the exhibition of Van Gogh pictures at the Tate Gallery and that, as the Committee know, was rather a special case. It was a loaned collection exhibited in one of the permanent Galleries. It was arranged by the Arts Council. It certainly had a very great success and in spite of the fact that an admission fee was charged there was a substantial profit over and above the actual costs of running the show. We do not think that that really proves anything as regards the permanent museums and galleries. It is natural that the Arts Council, who are financed by grant in aid, should, if they give a rather expensive exhibition in London, feel bound to recover the cost of the overheads which have been incurred; otherwise they can do very much less for other parts of the country.

4180. I understand there has been a decision of policy taken that in future the ordinary galleries and museums shall be free of charge. Does the position still hold good that, if the Arts Council itself organises a special exhibition in one of these galleries, charges may be made?—The policy is a general one, but it does not cover these special loan exhibitions which are run by the Arts Council or, possibly, other special cases.

4181. The policy does not apply to public gardens?—Not necessarily, no. Kew Gardens is, I think, still charged for and will probably continue to be charged for. This is a matter where one is always feeling some slight doubt every now and then as to whether it would not be a good idea

to charge. It is a matter which is occurring with regard to the exhibitions run by the Central Office of Information, for example. There are always two schools of thought on it. I think, on the whole, our feeling now is that these exhibitions exist in order to get people to see them and if you have special days some people are kept out who would otherwise have gone, and that in the general interest it is better not to charge. The amount at stake is so small that it really is not a question of any crucial importance.

Chairman.] Are there any questions on this matter?

Mr. Kirby.

4182. How much do you say was collected per annum pre-war?—£3,500.

Chairman.

4183. On the second question we put to you, which is a more substantial one, most of the Departments, including the Service Departments, state the numbers of their industrial staff in their Estimates, and I think the main exception from the rule is the Ministry of Works. We wanted to know whether you saw any objection to a suggestion that all Departments should disclose on the face of their Estimates the estimated total number of staff, industrial and otherwise?—No, we see no objection. This is done already in a good many cases, such as the Mint, the Forestry Commission, and the Ministry of Civil Aviation; and the only important cases where the numbers are not shown are the Ministry of Supply and the Ministry of Agriculture. It must be realised that in many cases the employment given by Departments is very seasonal and the notification on the face of the Estimates may have to be by way of a footnote giving maximum and minimum numbers. In the case of the Ministry of Works, at present the labour charges are merged in the total expenditure on specific works. Anything you put in could only be by way of a general note as to the average labour forces employed. The Estimates, I am sure the Committee would agree, cannot be expected to give an entirely reliable picture of the number of industrial staff employed at any one time. They indicate the amount of money expected to be spent over the year and the number of staff to which this is related is not a static figure, but may fluctuate very widely during the year. But in general we would agree with the Committee's suggestion.

Chairman. Are there any questions on this point?

Mr. Kirby. The Estimates Committee have wanted the same thing, generally.

Chairman.] They have considered this point?

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[Continued.]

Mr. Kirby.] It has been brought up, and the same point that you have emphasised has been stressed.

Chairman.

4184. Question 3 deals not with the policy of the tax-free concessions to Naval personnel on drink and tobacco but with the question of the accountancy regarding them. These are, I think, extra-statutory concessions. It seems rather hard to us that the Customs and Excise collection should apparently suffer, and it has been suggested that the Admiralty might pay over the appropriate sum to the Customs and Excise. There would then be something borne on the Admiralty Vote regarding this form of additional pay to Naval personnel. Can you see any objection to that?—We have considered that suggestion with the Departments. We do not see any real advantage in charging Navy Votes at this particular juncture. The practice, as you know, is of very long standing. It dates back for 60 years or more. It would cause a certain amount of inconvenience and distortion in comparisons between Defence Votes (it is quite a substantial sum) if the Navy Votes were charged and we think, as we thought before the war when this matter was considered, that the right course is to approach it from the view of getting the Customs Consolidation Act amended and getting statutory authority as soon as the Naval forces in the post-war period are sufficiently stabilised to make clear what scope the concession would have to have and what, if any, changes would need to be made. We have not put that to Ministers as a specific proposal for legislation because there is a great deal of work to be done yet in regularising the arrangements. We were engaged on that before the war and we think that the matter should be taken up again. We would prefer to approach it from that angle rather than make an accounting change and leave it at that. Perhaps I should add that we would, of course, agree that this is an extra-statutory concession and that therefore it certainly ought to be included in the statement of remissions of duty which are furnished to the Comptroller and Auditor General in accordance with the Committee's report of 1897.

4185. There is this new point, that since the war the cost of this extra-statutory concession has been amplified many times over by the huge increase in the tobacco and liquor duties?—Yes, the notional cost is very large, I believe. This is a very difficult subject, of course.

Chairman.] Are there any questions on this point?

Mr. Thurtle.

4186. This concession clearly is a payment in part to the Naval personnel, and

you will agree that it is a proper charge on Naval costs; do you agree to that?—We would prefer to say that it ought to be arranged by statute, if it is a permanent concession.

4187. Do you agree that it would be desirable that the public should know how big a sum is involved in this concession?—I agree.

Lieut.-Colonel Hamilton.

4188. You would agree that now, also, there is the factor of the dollar position. The tobacco very largely, I take it, comes from America?—The tobacco itself is a tax engine nowadays, and one sees clearly the amount of tobacco smoked bears no relation to the figure of £3 million which is the notional figure which this concession costs.

4189. I do not quite grasp what the objection is to charging this to the Admiralty Vote. Very briefly, is it the accounting difficulty chiefly, of getting the right amount?—We would prefer to end the anomaly by which this is an extra-statutory concession and think that if it is to be continued in this form it should be put forward as a matter for legislative authority to be obtained. We do find great inconvenience from sudden substantial changes of an accidental nature in one of the Defence Votes, which upsets comparisons. It causes more trouble than one would expect to make it for a short period if the period is reasonably short. I agree that we ought to get this going as soon as we may. It may take a year or so before it is practical politics to put something in a Finance Bill, but we should hope that the process of tightening up would begin now.

4190. You do contemplate that at a fairly early date the question will be further considered?—That is the way the Departments would like to deal with it. We have not Ministerial authority for legislation but we would like to proceed with it in that way.

Mr. Haworth.

4191. You would say that the real change is in the basis of taxation on these items. There is very little change in the original cost of the items themselves?—No. The cost of the items themselves is a very small matter. The tax is the big matter.

4192. So that the real cost to the nation, if it can be described as a cost to the nation, is in the non-collection of the tax, and, once the principle is admitted that the Navy ought not to pay tax, then there is not much difference between the previous practice and the present one?—No.

Mr. Kirby.

4193. Have you any idea what figure is involved?—The figure which has been men-

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[Continued.]

tioned is in the nature of £3 million, including tax.

4194. You did say at the beginning that you thought it was the wrong moment to bring about a change of this character. Were you thinking in terms of Treasury and other Governmental machinery or were you thinking in terms of foreign powers reading our swollen Navy Estimates?—No; we were merely accepting from the Admiralty that their post-war distribution of forces between ships at sea and shore establishments was so unsettled at the moment that it was difficult to form any considered view of the way in which the concession would have to be applied in a post-war world. The difficulties, you will appreciate, do arise in the case of shore-based Navy people. The Naval man at sea, like the Merchant seaman, is entitled to his creature comforts, to his free tobacco and his free rum, and no-one would grudge him them; but the difficulty really arises in the shore establishments and the comparison there between Royal Naval Air Force men and Royal Air Force men; sailors in barracks and soldiers in barracks; and the possibilities of evasion—all those troubles which have got to be looked into.

Chairman.

4195. Question No. 4 deals with matters in which the Estimates Committees are interested, so I am very glad Mr. Kirby is here today. We suggested when the Ministry of Works Accounting Officer was before us that there were a large number of Accounts which might be amalgamated and simplified. I expect you have seen the evidence, Sir Eric, and considered it?—Yes. We very much welcome the initiative of the Committee on this matter. The Accounts are obviously getting more and more complicated every year and any simplification we can achieve is a great help to everybody.

4196. You will consider that matter in conjunction with the Comptroller and Auditor General, will you?—Yes. I need not tell the Committee where we have got on this. We have made some progress with regard to the Ministry of Works. We are in discussion with them. With regard to the Ministry of Health we have views; but I gather you would prefer that this matter should be discussed direct with the Comptroller and Auditor General?

4197. I think that would be better. You share that view, do you not, Sir Frank, that there had better be discussions between you and the Treasury upon the precise form of these Estimates?—(Sir Frank Tribe.) Yes; I think that would be a wise thing. I do not know whether this Committee would feel disposed in its report this year to recommend some changes in principle, subject to the views of the Estimates Committee, and leave it to the Departments and the Treasury and my Department to

consider the details? I think if the principle were approved it could be worked out easily.

Chairman.] We thought of advocating in our report, Mr. Kirby, some changes in principle, not setting out any detail, but saying that they must be subject to the concurrence of the Estimates Committee. Is that agreeable to you?

Mr. Kirby.] I feel with this Committee in regard to the matter, but I have not been able to consult the Estimates Committee about it. What we thought was that this matter could be raised today and arising from it you could make a recommendation, shall we say in principle. Then the evidence taken here and the submissions later on by the Comptroller and Auditor General and the Treasury on the matter could come up before the Estimates Committee. They could then perhaps have some liaison with you before coming to final conclusions.

Chairman.

4198. I am much obliged. Are there any questions on this point?—(Sir Eric Bamford.) Could I mention that we have considered with the Ministry of Health one of the suggestions which were made about splitting up the Ministry of Health Vote into an administrative Vote and functional Votes? Perhaps it will be sufficient for me to say that we do find that a very difficult one at the moment, and we are not, as at present advised, in favour of the change. We will discuss the whole matter with the Comptroller and Auditor General.

Chairman.] Thank you.

Mr. Kirby.] I think we shall get a memorandum on that?

Chairman.] Yes.

Mr. Kirby.] Is that what is in your mind?

Chairman.

4199. I take it when the discussions upon this matter have reached some conclusions they could be put forward to the Estimates Committee and to this Committee?—We shall have to reach a conclusion before October if they are to be embodied in next year's Estimates. I do not know whether that will be possible. If no conclusion is reached before October we shall have to proceed as we are at present, though there are some things we would all agree, offhand, ought to be done. There is the question of the abolition of Class IX.

Chairman.] The Parliamentary dates are not at all clear at present. There is some talk of an October Session. It might easily be out of the question for the Estimates Committee to be set up to consider this matter before the end of October.

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[Continued.]

Mr. Kirby.

4200. I quite agree. The point I was trying to elucidate was not a question of when it is done, but will it be done in that form; that is, by a joint memorandum?—Could I ask if one change which I think is a quite minor one and one which I think everybody would agree to could be made, subject to confirmation by the Estimates Committee: that is the abolition of Class IX. That is a very inconvenient little Class, containing the Votes for the Exchequer contributions to local revenues. It would be a help if we could transfer both those to Class V. I do not believe any question of principle is involved in that.

Chairman.

4201. Sir Frank, have you considered this point?—(Sir Frank Tribe.) Yes. It was really arising out of this that I think the first proposal was made to this Committee. I should greatly welcome it. It seems to me that Class IX as a separate Class is somewhat of an anomaly and it would be to everybody's advantage if it were divided between the appropriate English and Scottish Votes.

Chairman.] I take it that the Estimates Committee have not considered this particular point, Mr. Kirby?

Mr. Kirby.] No.

Chairman.] Obviously you cannot express a view before it has been considered by your Committee.

Mr. Kirby.

4202. No, but there is no reason as far as I can see, offhand, why this Committee should not express their view upon it today and we could perhaps get together soon enough to embody the recommendation in our report?—(Sir Eric Bamford.) We could settle that point, if the Estimates Committee could give us an "all-clear," in advance of any discussions on more important topics, if the timetable looked like getting difficult.

Mr. Kirby.] If this Committee decided in that way I could put the matter before my Committee next week.

Chairman.] I think we may take it that the Committee of Public Accounts is in favour of abolishing Class IX.

Mr. Kirby.] We meet on Wednesday. You meet on Tuesday next week, I think.

Chairman.] Our report will not be made public until August. But that does not matter, because you can take up the point separately with your Committee.

Mr. Kirby.] What I want to do is to see the Minutes of Evidence of to-day and have a look at them before my Committee meet. I was wondering at what time you would be likely to frame this report embodying this recommendation with regard to Class IX.

Chairman.] Our report will not be out until early August. This question might be raised quite separately in the Estimates Committee before the end of this Session, so that the Treasury will have the "all-clear" to proceed with it when they frame their Estimates in October.

Mr. Kirby.] Exactly. That is what I intended. I was not sure when you were likely to present the report of your Committee and therefore whether we could get our Committee to consider it in time and, so to speak, back you up. But apparently there will be plenty of time.

Chairman.] It would be best if this could be taken up with the Estimates Committee before the Public Accounts Committee report comes out.

Mr. Kirby.] Exactly. That is what I was aiming at.

Chairman.

4203. Question No. 5, Sir Eric, deals with the simplification of Appropriation Accounts by omitting some of the notes in accounts which are now appended. Have you had any discussion with Sir Frank Tribe on this?—We have been in correspondence with the Exchequer and Audit Department on this, with particular reference to the dropping of some of these accounts, particularly those of grant-aided bodies which receive most of their funds from sources other than public funds.

4204. I think all I desire to be assured of is that you will pursue this matter with the Exchequer and Audit Department to see whether some of these unnecessary accounts can be cut out?—Yes, we can continue that with the Comptroller and Auditor General, and I think it will be to everybody's advantage if we can clear the decks a little.

4205. I take it you would be in agreement with the second suggestion, which is to continue the war-time practice of omitting statements in regard to overtime from the Appropriation Accounts?—I think there are three points in this question. One is the dropping of accounts, is it not?

4206. Yes.—The next is the omitting of certain notes; the third point is omitting statements of extra remuneration?

4207. Yes?—We would very much like to do more in the way of clearing these notifications in the Appropriation Accounts, and the main point to which we have addressed our minds is the pre-war rules about losses which require, in Civil Departments, that losses of £5 or over should be noted separately, and that cash losses of £25 or over should be in a special losses subhead. We raised this question at a meeting of Principal Finance Officers who were all very much in favour of cutting down these notes because they do mean a great deal of detailed work in Departments

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[Continued.]

—much more than one would expect. At the same time I think they add absolutely nothing to Treasury control. We should like to recommend the Committee to agree to a substantially higher limit for these losses notifications, up to, say, £50, subject to the qualification that where delegated powers of a Department to deal with losses are already in excess of £50 then only losses which are outside those delegated powers would be noted separately; and that is what in fact the Defence Departments and the Ministry of Supply already do.

4208. Have you anything to say on that, Sir Frank?—(Sir Frank Tribe.) I think

that would be satisfactory. If this Committee would agree to that in principle I think we could work it out in detail with the Treasury and then this Committee perhaps next year will have a chance of examining the revised Accounts to see if the modifications meet their convenience or whether too much has been done, or too little.

4209. I take it the Committee are agreeable to that?—(Sir Eric Bamford.) May I mention the third point, which was extra remuneration? We would agree to drop extra remuneration statements entirely.

TREASURY MINUTE ON PARAGRAPHS 1 TO 9 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

4210. We turn now to the Treasury Minute on paragraphs 1-9 of the Third Report of the Committee of Public Accounts, 1946-47. These are comments on our observations about standards of accounting and financial control. At the conclusion of paragraph 3 of the Treasury Minute, they state: "My Lords propose to call a meeting of Principal Finance Officers in the near future to consider the general question in the light of these reports." Has that been done Sir Eric?—(Sir Eric Bamford.) We held a meeting at the Treasury under my Chairmanship at the beginning of March, which considered this question from the point of view of the balance between manpower and the necessity for maintaining a proper standard of financial checks. We had present a representative of the Comptroller and Auditor General. We told the Principal Finance Officers in the light of the discussion we had already had with the Committee last year that the Comptroller and Auditor General would take a broad view in considering relaxations of checks and that his officers would co-operate with Departments in examining this matter. We pointed out, and it was agreed, that responsibility for dealing with these relaxations must, of course, rest with the Accounting Officers. One must not derogate from the

responsibility of the Head of the Department. But we arranged that the Treasury Officer of Accounts would advise and that we would take steps, of course, if any important case occurred, to consult the Public Accounts Committee.

4211. I think that is all you need say on that point. In paragraph 5 of the Treasury Minute, dealing with the tax arrears and shortage of staff on the assessment side, we are told that steps are being taken to strengthen the staff engaged in assessment. That is happening, is it?—That is happening but, as you know, the training of Inland Revenue staff is a matter which takes some time. There is almost two years training required for these more responsible posts, and it does take some time before the accession of new staff becomes really effective.

4212. Has there been any tendency for the existing staff to be poachers rather than gamekeepers, to take employment outside in advising people how to pay less tax than necessary?—I must be careful not to answer for the Inland Revenue, before next year.

4213. Their staff is being strengthened, is it?—Yes.

Chairman.] Are there any questions on the Treasury Minute on paragraphs 1-9?

TREASURY MINUTE ON PARAGRAPHS 10 AND 11 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

4214. We turn now to the Treasury Minute on paragraphs 10 and 11 of the Third Report of the Committee of Public Accounts, 1946-47. In our report we set out the arrangements regarding new works services and at the end of paragraph 11 the Committee recommended "that the proposed arrangements be accepted and reviewed by the Public Accounts Committee

next year." That is this year. I think we can say that, as far as the Public Accounts Committee are concerned, the new forms have proved satisfactory and we should not want to go back to the old ones?—(Sir Eric Bamford.) Thank you.

Chairman.] Are there any questions on the Treasury Minute on paragraphs 10 and 11 of our Third Report of last year?

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[Continued.]

TREASURY MINUTE ON PARAGRAPHS 12 TO 14 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

4215. We pass to paragraphs 12 to 14 of the Committee's Third Report of last year, dealing with statutory authority of Government Departments. We have some paragraphs in our Report, paragraphs 12 and 13, dealing with statutory authority for Departments to undertake various services. The principle concerned is enunciated in the first paragraph of the Treasury Minute, that is to say that "where it is desired that continuing functions should be exercised by a Government Department, particularly where such functions may involve liabilities extending beyond a given financial year, it is proper, subject to certain recognised exceptions, that the powers and duties should be defined by specific statute." When we get to paragraph 4 of the Treasury Minute, dealing with the National Savings Committee, the Department of Scientific and Industrial Research, and Universities and Colleges, in the concluding sentence the Minute states: "My Lords assume that the Committee, like the earlier Committees, do not press for special legislation to be introduced for these long-standing cases." What are the grounds for the assumption of their Lordships here?—(Sir Eric Bamford.) The grounds are the absence of any specific reference to those Departments.

4216. We made a specific reference to these Departments in our Report, did we not?—Yes, but you made no specific recommendations that special steps should be taken with regard to those particular Departments, and I am bound to say that the Treasury would deprecate any too careful application of this logical principle. We accept the principle; but we must reserve, of course, the right of the executive to incur expenditure on the authority of the Appropriation Acts in certain cases, and you cannot get this field completely tidied. As you know, the activities of the main Departments of State, the Treasury, the Colonial Office, the Home Office, and so on, spring from the Prerogative, and when the expenditure is mainly of an administrative character you may do more harm than good by attempting to define it in a statute. You would tie the whole thing up in a strait-jacket. We would not think it necessary to take legislation to authorise expenditure by the Treasury or these other Departments of State, and we would think there are advantages in leaving some other little corners of the field where, for one reason or another, there is no separate Vote, as they stand at present.

4217. You say "little corners of the field," but the grant for Universities is now a very substantial figure, is it not? It is £12 million?—It is a substantial figure. I

say "little corners of the field" compared with the total of Government expenditure. This is one of the cases where, frankly, I think policy does come into it. I think legislation would involve difficulties affecting the academic freedom of the Universities. We would much prefer to see that question left alone.

4218. I do not know whether you have our Report of last year in front of you?—I have.

4219. If you will turn to paragraphs 47 and 48, they deal with the same subject. We were there dealing with the statutory authority for the Admiralty to undertake commercial work, and in paragraph 48 (this was Treasury evidence a year ago) we stated: "The Treasury regarded the question as one of degree. In the case of the Ministry of Supply and the Ministry of Works it was clear that the point at which statutory approval was desirable had been reached, but they did not consider this point had been reached in the Admiralty establishments, where the work was relatively inconsiderable. Your Committee do not dissent from this view, but recommend that the question should be re-considered if the amount of commercial work undertaken by the Admiralty establishments should show any considerable increase in future years." So it really is a matter of how big the baby is, is it not?—Sometimes how big it is; sometimes how odd it is, I think.

4220. You still do not think that the case of the Universities or the D.S.I.R. would fall within the general principle enunciated before the war?—No. Our Departmental view is that these are things which are better left alone, at this stage at any rate.

4221. They are continuing?—They are continuing.

4222. They are forms of expenditure which are permanent now? They are both continuing and substantial?—The Grants to Universities in particular are continuing; and they are substantial, yet we would still feel that it is better to leave that in a fluid state rather than attempt to define what it would be very difficult to define, namely, the relationship of the University receiving the money to the Education Departments.

Chairman.] We shall perhaps be able to go further into that when we come to the Vote which deals with the Universities a little lower down the agenda. Are there any questions on the Treasury Minute on paragraphs 12-14 of our Third Report of last year?

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[Continued.]

TREASURY MINUTE ON PARAGRAPHS 15 TO 17 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

4223. We turn now to the Treasury Minute on paragraphs 15-17 of the Committee's Third Report of last year, which deals with the record of outstanding loans, etc. The Treasury Minute on these paragraphs is quite satisfactory to us, in the light of our recommendations. It will be the practice in future for a list of all outstanding loans to be recorded. That is right, is it not?—(Sir Eric Bamford.) Yes.

4224. Except where there may be special circumstances where the Accounting Officer considers it would be better not to publish them?—Then they will be furnished to the Committee.

Chairman.] Are there any questions on the Treasury Minute on paragraphs 15-17 of the Third Report of the Committee of Public Accounts, 1946-47?

TREASURY MINUTE ON PARAGRAPHS 18 TO 22 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.] I have no questions to ask on the Treasury Minute on these paragraphs of our Report of last year. Has

any Member of the Committee any questions he would like to put to the witness?

TREASURY MINUTE ON PARAGRAPHS 23 AND 24 OF THE THIRD REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS, 1946-47.

Chairman.

4225. We turn now to the Treasury Minute on paragraphs 23 and 24 of our Third Report of last year, dealing with Trading Accounts. We have the Trading Accounts for a number of Ministries which we did not have before. The only point on this is as to the date upon which these Trading Accounts can be furnished to the Comptroller and Auditor General. Would it be possible in future years for them to be got out a little earlier?—(Sir Eric Bamford.) May I ask Mr. Jones to answer that? (Mr. Jones.) Departments were, of course, in greater difficulties in 1946-47 than they are likely to be faced with in later years. There will be new Accounts started in 1947-48 and again in 1948-49 and they may present difficulties to Departments which are not apparent to us at the moment. We would certainly hope that Departments would be able to comply with the statutory date for presenting these Accounts to the Comptroller and Auditor General, which is the 30th November. I am afraid a number of them failed to meet that date this year. We certainly agree that they should do everything they can to enable the Accounts to be with the Comptroller and Auditor General not later than the 30th November.

4226. These are Accounts for the financial year ended 31st March, as a rule?—Yes.

4227. And the statutory date for them to be furnished to the Comptroller and Auditor General is the end of November?—Yes, the 30th November.

4228. In this first year they did not reach him until March or, in some cases, April, I believe?—I believe that is so.

4229. It would be a convenience to you, Sir Frank, if they were presented to you at any rate nearer to the statutory date?—(Sir Frank Tribe.) Yes, it certainly would. If the Treasury will do as Mr. Jones has suggested and ask Departments to do their best to render the Accounts earlier, that will be a great help to me. In this year it was a great rush. The Trading Accounts volume had to be produced in time for this Committee to consider the Trading Accounts at their meetings at the end of May, and it really gave me extremely little time for my consideration of the Accounts.

4230. Perhaps you will follow that point up with the Departments, Sir Eric?—(Sir Eric Bamford.) We will do our best.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

Chairman.

4231. We turn now to the Civil Appropriation Accounts, 1946-47, to paragraphs 1-9 of the report of the Comptroller and Auditor General, which are general. I have one point on paragraph 3. The war-time waiver of adjustments between Depart-

ments, we are told, has generally been brought to an end as from 1st April, 1946. Are there some particular cases where it continues after that date?—(Sir Eric Bamford.) It is mentioned that continuance during 1946-47 is necessary in certain cases.

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[Continued.]

4232. We are told it continued during 1946-47 as between the Admiralty, the War Office, the Air Ministry, and the Ministry of Supply?—Yes.

4233. Is that the main exception or the only exception?—(Mr. Jones.) That particular exception, of course, ceased as from 1st April, 1947. There are continuing exceptions. I do not think they are of very great moment. For example, no adjustment is at present made between the Defence Departments and the Ministry of Pensions for patients accommodated in the hospitals of the Ministry of Pensions, who may be serving soldiers or sailors. That is merely done to save accounting work. There is also a certain amount of the waiver still continuing between the Defence Departments, where the amounts are unimportant, and there is a certain amount of reciprocity. The exceptions are made merely to save accounting work.

4234. Are there any questions on paragraphs 1-8? Paragraph 9 deals with the superannuation position of civil servants transferred to nationalised undertakings. The Comptroller and Auditor General draws Parliament's attention to the fact that whereas, as I understand it, a civil servant transferring before reaching pensionable age to private commercial employment would have forfeited his pension rights and the new employer would have had to make the terms of his employment correspondingly attractive in order to induce him to take up his employment there, when a civil servant transfers to a public board the general rule is that his pension rights are carried with him to his new employment. Is that right?—(Sir Eric Bamford.) The application of the approved employment arrangement was considered by the

Treasury to be in accordance with previous practice.

4235. Surely the improved employment arrangements had never covered employment in a commercial undertaking?—They had, in fact, covered employment in one or two commercial undertakings where there were special reasons affecting the public interest. There was no change in principle, though, of course, a great change in the numbers of people affected.

4236. Now it is the invariable rule, is it not, that anybody transferring from the civil service to a public board carries his pension rights with him?—There has been one substantial change in the position which was reported on by the Committee last year, and that is the passing of the Superannuation (Miscellaneous Provisions) Act, 1948. This Act empowers the Treasury, in agreement with a public board, to make rules by which a civil servant who transfers to a board service would be pensionable under the board's scheme for the whole of his service in both employments. The Exchequer, in such a case, would pay a transfer value to the board representing the capitalised value of the accrued civil service pension. This is a two-way arrangement. It could work the other way round—from a board to the civil service. It is a case which depends entirely on the agreement with the boards. If this new machinery does not appeal the method of approved employment, which is the natural one for transfers for limited periods, will apply.

Chairman.] Are there any questions on paragraph 9 of the report of the Comptroller and Auditor General on the Civil Appropriation Accounts?

CLASS I.

VOTE 3.

REGISTRATION OF ELECTORS.

VOTE 6.

PRIVY SEAL OFFICE.

(On these Accounts no questions were asked.)

VOTE 12.

GOVERNMENT HOSPITALITY.

Chairman.

4237. I see on this Account that you took a Supplementary Estimate for £25,000, but that the balance carried forward in the Grant in Aid Account at the end of the year was £31,000. That seems to require a little explanation?—(Sir Eric Bamford.) Yes. A supplementary provision of £25,000 was taken to meet expenditure in

connection with a visit of members of the Supreme Soviet, but their visit was postponed and in effect only £884 was expended in 1946-47, leaving a substantial balance in the fund at the beginning of the next year. Then it proved in the next year, if the Committee want me to complete the story, that the U.S.S.R. delegation was not willing to accept or had changed its mind about the size of the programme. A great

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[Continued.]

deal was planned in the beginning which they were not able to find time to carry out, and the amount of expenditure in the end was very much less than had been expected.

4238. I was only going to suggest upon this that it might have been a suitable case for a footnote to the Account to explain to the casual reader why a supplementary had been taken when in fact it was not required?—I think that is a fair criticism.

Chairman.] Are there any questions on the Account?

Major *Bruce*.

4239. I should like to know if you have any figures by you at the moment as to the normal amount of expenditure in pre-war years on Government hospitality? Have you any figures?—Yes, I have the figures, if the Committee would like to have them. The expenditure in 1939-40 was £19,000 and in the normal year before that I should say it was about £12,000.

Major *Bruce.*] Thank you.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (*Agreed.*)

VOTE 19.

REPAYMENTS TO LOCAL LOANS FUND.

(*On this Account no questions were asked.*)

VOTE 20.

ROYAL COMMISSIONS, ETC.

Chairman.

4240. Could you tell me in regard to the receipts at the foot of page 3 how the Scottish Savings Committee came to receive the sum of £19 13s. 6d. as interest on surplus cash invested? It is mysterious enough to have the Scottish Savings Committee borne on a Vote for Royal Commissions?—(Sir *Eric Bamford.*) I am afraid I have no note on that. Would the Committee like a note?

4241. I think it is hardly a substantial enough item to trouble about?—(Sir *Frank Tribe.*) If the Committee is interested I can explain it. I understand that the Honorary Secretary of the local Group, instead of dealing with the proceeds of the sale of Savings Stamps in the usual way, invested £876 of proceeds in the Post Office Savings Bank and proceeded to get the interest on that Post Office Savings Bank investment. There is no imputation at all of any

improper motive. The interest earned was duly brought to account. He misunderstood the regulations, I think.

4242. It is a saving of £19 13s. 6d. to the public purse, so to speak?—If the money had been paid through the ordinary channels it would presumably have earned interest in an authorised way, not in this unauthorised way.

4243. The interest in that case would have gone to the holders of the certificates and not to the Exchequer, would it not?—No. This was money which had been handed over to the Secretary for saving. The holders were getting their interest anyhow. He put the money he received into the local Post Office Savings Bank instead of handing it in to the Savings Committee.

Chairman.] Are there any questions on the Account? May I take it that the Account is approved? (*Agreed.*)

VOTE 21.

SECRET SERVICE.

VOTE 23.

TREASURY CHEST FUND.

(*On these Accounts no questions were asked.*)

TREASURY CHEST FUND ACCOUNT, 1946-47.

(*On this Account no questions were asked.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS I.

VOTE 24A.

REPAYMENTS TO CIVIL CONTINGENCIES FUND.

CIVIL CONTINGENCIES FUND ACCOUNTS, 1946-47.

Chairman.

4244. On page 3 of the Civil Contingencies Fund Accounts, under "Details of

advances repayable from the Vote for Repayments to the Civil Contingencies Fund", the second item from the foot of

24 June, 1948.]

Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.

[Continued.]

the page is: "Partial repayment of gifts made to Exchequer in earlier years", a figure of £150. Can you tell the Committee how it comes about that the Exchequer generously gives back part of gifts it has received?—(Sir Eric Bamford.) That was a compassionate case where a man made a gift to the Exchequer. He then fell ill and was in great trouble and sickness. He thought of the sums he had given to the Exchequer and he felt very sad and wrote and asked the Treasury if he could have them back to meet his expenses. The Treasury, having a very soft heart, naturally agreed.

4245. And gave him back part?—I think we gave him back £150 out of £223.

4246. Sir Frank, I believe this Account is certified, is it not, by you for the first time?—(Sir Frank Tribe.) Yes, this is the first time. We found that dating from 1862 the practice had been for the Account to be followed by copies of correspondence between the Treasury and my Department. It seemed a rather antiquated system and we agreed with the Treasury that for this year and onwards it should be certified in the usual way.

Chairman.] We are getting quite up to date! Are there any questions on the Account? May I take it the Account is approved? (*Agreed.*)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS III.

VOTE II.

MISCELLANEOUS LEGAL EXPENSES.

Chairman.

4247. Subhead C is for the salaries of the Railway and Canal Commission. Would you give me some details of those salaries? I do not necessarily require the names of the people who receive them. But who are the most highly-paid salaried staff of this Commission, and what do they do?—(Sir Eric Bamford.) There is the Commissioner at £3,000 a year; a Commissioner part-time, remunerated by fees, £200, a Registrar at £850 and one clerical officer. There is a total staff in 1948-49 of three. The previous year it was five.

4248. Is there one whole-time Commissioner at £3,000?—There is one whole-time Commissioner at £3,000, yes.

4249. What does he do?—In the period dealt with by these Accounts the Commission dealt with several applications under the Mines (Working Facilities and Support) Acts 1923 and amending Acts, and with one appeal under the Railways (Valuation for Rating) Act 1930, which was heard and determined in favour of the railway company. The application under the Mines Acts was set down for the period March, 1946 to December, 1946 and was heard and determined before the end of December 1946. There was another very complex case which is now being considered and has not been completed. In addition, over 150 interlocutory proceedings were heard and determined in Chambers by the Registrar, including the taxation of costs of the Railway Assessment Authority and five local authorities arising out of an appeal by the London and North Eastern Railway Company from a determination of the Railway Assessment Authority. There is a good deal of business, apparently.

4250. You are satisfied that there is sufficient work here to keep a whole-time

Commissioner busy?—I understand that is the case.

4251. The Commission sits with a High Court judge presiding?—They have a High Court judge. It is noted in the Estimates that in addition to the appointed Commissioner a judge of the Supreme Court of England, Scotland or Northern Ireland attends at the hearing of cases. The judge presides.

4252. He gets no extra remuneration for presiding?—There is nothing in the Estimates, no.

4253. There is one other question I want to put to you on the Account and that is on the Acquisition of Land (Assessment) Act, Subhead J. The expenditure was £5,400. When we look at the details of receipts on the following page, towards the foot, we see that they were £2,278. The fees charged are supposed, are they not, to meet the cost of the salaries?—They are dependent on the number of cases submitted to arbitration and are calculated on an *ad valorem* basis.

4254. Is it not the intention that the fees should pay for the expenses of the arbitrations?—Broadly, as in all these judicial cases, that would be the principle, but I do not think it necessarily follows that in any given year the fees will cover the cost.

4255. But over a period that is the intention?—Yes.

Chairman.] Are there any questions on the Accounts?

Mr. Thurtle.

4256. This salary to the Railway and Canal Commissioner is a fixed salary, not dependent upon the number of appeals or

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Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.

[Continued.]

any litigation in a given year? If there were no litigation at all it would still be paid?—Yes.

Major Bruce.

4257. Could you say what these Sheriff's expenses, £30,741 7s., consist of?—The sorts of items in the expenditure which is incurred by the County Sheriffs, which in practice falls usually on the Under-Sheriff, are the provision of lodgings for judges at Assizes, the fitting up of courts, the provision of balloting boxes, and so on.

4258. £30,000 is rather a lot of money for that. Is there any degree of entertainment in it?—The whole of the expenses of the Assizes are met in this sum of £30,000.

4259. How many Assizes are there?—There are Assizes, I take it, in all the counties. There are three a year, and in practically every county.

4260. Turning to Subhead C, when the Chairman asked you whether you were satisfied that there was full-time occupation for this Commissioner and whether you were satisfied that the money was satisfactorily spent, your answer was that you "understood" that that was so. Does that mean that you, yourself, think this money is economically spent, or that you only understand that it is economically spent?—I can judge only from a description of the duties and from the fact that there was a reduction in the staff from five to three, which I think shows that the staff is being adjusted in accordance with the work. It does not sound at all disproportionate. I mentioned the number of 150 interlocutory applications which were settled in Chambers, in addition to these very complex cases of assessment. I would not pretend that I am in a position to say anything of my own knowledge in

this particular case. (Sir Frank Tribe.) Perhaps I might say that in the year of account the Estimate made provision for two Commissioners at £3,000 a year each and for one Registrar at £750. The interlocutory work is all done by the Registrar, I believe. (Sir Eric Bamford.) Yes.

4261. These things are very often shrouded in mystery. "To determine interlocutory proceedings" and so on, is terminology which brings to mind a whole lot of work. But we dispose of 70 Questions a day in the House of Commons. I should imagine a great many of these are just as simply settled. Are you quite satisfied in your own mind that this is reasonable expenditure?—I have no reason to think otherwise.

Mr. Haworth.

4262. Still on Subhead C, do you know if any change is likely to take place, as a result of the Transport Act, 1947, in the Railway and Canal Commission?—I am not aware of any change.

4263. I should imagine there would be changes?—I am told there are possibilities but I do not know of any definite arrangement.

4264. I suppose a good deal of this work did change as a result of the passage of the Transport Act. I take it the Treasury would be watching, would they, to see that there was not a redundant Department left?—It is the Treasury's business to make sure that this is properly administered and that, if it is not necessary, it is wound up.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (Agreed.)

CLASS IV.

VOICE II.

UNIVERSITIES AND COLLEGES, &c., GREAT BRITAIN.

Chairman.

4265. The expenditure here in the year of account was £6½ million. These are all grants in aid to a deposit account which is administered by the University Grants Committee. That is right, is it not?—(Sir Eric Bamford.) Yes.

4266. In the Estimates for the current year the figure has grown, I think, to £11½ million?—Yes, to just under £12 million.

4267. This figure compares with something very much smaller before the war, I suppose?—About £2½ million.

4268. What control does the Treasury exercise over the final expenditure of the money?—The final expenditure is the responsibility of the Universities and the

grants are given in the form of block grants in order to preserve the freedom of the Universities.

4269. They are not given upon any sort of rule of thumb basis—a percentage of total expenditure or anything of that kind?—They are given after very careful examination by the University Grants Committee who visit all the institutions and examine the position thoroughly. They take into account all the factors, including the quality and size of the student body and of the academic staff, the different characters and costs of the different departments. The Arts Department is, of course, very much less expensive than the Science and Medical and Applied Science Departments.

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Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.

[Continued.]

4270. In making these grants out of the Fund, do the Committee have regard to the needs of the particular Universities? Is that the governing principle?—To the character of the University, the needs of the University and the amount of local support, or support out of its own funds which the University already has.

4271. What does the University Grants Committee consist of? Is there a representative of each University on it?—It consists of members appointed by the Chancellor, after consultation with the Minister of Education and the Secretary of State for Scotland. They are intended to be a body of independent experts who are familiar with University administration, and between them cover the main studies, not necessarily all the institutions but the main functions.

4272. But they are not representative of the Universities who receive the grants?—No. They are an expert body whose duty it is to report to the Chancellor and advise the Chancellor.

4273. What type of person serves on this body? Are they commercial men—business men?—The present composition seems to be practically entirely professorial. Sir Walter Moberley is the Chairman. Dr. Truman is the Deputy Chairman.

4274. When you say they are professorial, they have not necessarily thereby acquired any great experience or knowledge of financial matters?—Not necessarily, no.

4275. Do they actually decide how much money each University shall have, or have they a limited amount to apply and they have got to make the best disposal of it they can?—They make recommendations to the Chancellor.

4276. They go through all the figures of the needs of the different Universities, examine them, check them, say what they think is a reasonable sum and push it forward to you. Is that right?—That is it.

4277. But the members of the Committee are mainly drawn from the Universities who have received the grants?—That is so, I think.

4278. Is there anybody upon the Committee who has special financial experience?—The Government Departments, of course, attend the meetings of the Committee as assessors. They are entitled to be there and advise the Committee, though they have no vote.

Chairman.] Are there any questions on the Account?

Major Bruce.

4279. In the event of the assessors on this Committee being in disagreement on financial grounds with anything the Committee decide, the assessors would, presumably, be in a position to inform the

Departments whence they came that they had in fact so disagreed?—That is the object of their appointment, yes.

4280. Presumably the Minister concerned would be susceptible to Parliamentary questioning if any question arose?—He could be questioned.

4281. One further point. I see that during the year we spent about £1½ million on medical and dental education and teaching hospitals in the form of recurrent grants. The total is about £1½ million. Has that practice grown up in comparatively recent years, or did that practice exist pre-war?—The present grants are indeed divided, as you say, between the block grants for general purposes and special grants fixed annually for medical, dental and agricultural education—anything which crops up in the quinquennium. They are made as the result of specific recommendations by Government Departments and will eventually presumably be absorbed into the block grants when the next quinquennial assessment is made. The quinquennial arrangement dates back to before the war.

4282. Yes. Let me make myself quite clear. You did say, in reply to an earlier question, that the total sum granted in respect of Universities as a whole was about £2¼ million?—Before the war.

4283. In the years before the war. We had expenditure this year of £1½ million on what are broadly medical and dental purposes alone, apart from general purposes. Can you give me any indication as to what that expenditure was before the war on medical and dental education and on teaching hospitals? Together they amount to £1½ million?—The dental education in particular is a new item. I should imagine there was nothing before the war. It was given in accordance with the recommendation in the report of an inter-Departmental Committee on Dentistry of 1946.

4284. What was the total in respect of the other two, medical and teaching hospitals? How much money did we give the University hospitals before the war for that?—I will see if I have the details.

4285. It would be rather interesting to know?—I am afraid we have not analysed it in that way.

4286. It is likely to be very small in view, of course, of the total of £2¼ million?—It must have been very small.

4287. About the loans that are made in the non-recurrent grants, I take it that as and when those are repaid you bring them to account in this Account?—They would be brought to account, yes.

4288. Are these loans, broadly speaking, over a fairly long period?—There is just this one outstanding loan of £105,000 to Reading.

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Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.

[Continued.]

4289. That is in respect of capital construction?—Yes; it is an interest-free loan for the purchase of a site.

4290. How long do you expect it will be before you get it back?—It was for the purchase of a site and I am told that it is for a good many years.

4291. You will not turn the heat on yet?—Not yet. (Sir Frank Tribe.) I am told the loan becomes an outright grant if and when development takes place; otherwise the land is to be sold and the money refunded.

Chairman.] Are there any further questions on the Account? May I take it the Account is approved? (Agreed.)

CLASS V.

VOTE 11.

WIDOWS', ORPHANS' AND OLD AGE CONTRIBUTORY PENSIONS.

(On this Account no questions were asked.)

CLASS VI.

VOTE 12.

DEVELOPMENT FUND.

(On this Account no questions were asked.)

DEVELOPMENT FUND ACCOUNTS, 1946-47.

(On these Accounts no questions were asked.)

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS VI.

VOTE 17.

DEVELOPMENT GRANTS.

(On this Account no questions were asked.)

CLASS VII.

VOTE 11.

RATES ON GOVERNMENT PROPERTY.

Chairman.

4292. At the top of page 409 Subhead H is: "Rates on buildings occupied by representatives of British Dominions and of Foreign Powers." The practice is for the Exchequer to pay the rates upon these properties to the local authorities so that they shall not suffer a loss of revenue, but I think you recover something; in fact there is a figure on this page. There is a footnote: £49,000 was repayment on buildings occupied by these people. Do you try to secure from the occupants of these houses something equivalent to the value of the services they obtain from rate-borne expenditure?—(Sir Eric Bamford.) This is a reciprocal arrangement with the representatives of foreign powers, by which we relieve them of the non-beneficial portion

of the rates payable, for services like education and so on. They pay the beneficial portion, for services like drainage, and services which are of advantage to them. This is done on a reciprocal basis, only where we get the same sort of exemptions in other countries.

4293. Are you assured that you do obtain from the occupants of this property the full equivalent of what you call the beneficial services?—I understand it is quite a definite figure in each case.

4294. It is a fixed proportion of the rates which would be paid on the property?—It is an ascertainable figure which is obtained.

Chairman.] Are there any questions on the Account? May I take it that the Account is approved? (Agreed.)

TITHE ACT, 1936, ACCOUNTS, 1946-47.

(On these Accounts no questions were asked.)

(National Debt: Funds left in trust for the reduction of the National Debt—Position at 31st March, 1947.)

Chairman.] The Committee has dealt pretty fully with this, I believe, in previous years. I have no questions. Has

any Member of the Committee any questions?

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Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.

[Continued.]

TRADING ACCOUNTS AND BALANCE SHEETS, 1946-47.

Chairman.

4295. We turn to the Trading Accounts and Balance Sheets, 1946-47, paragraphs 1 and 2 of the report of the Comptroller and Auditor General, which are general. These, Sir Frank, are your two introductory paragraphs to the whole of the Trading Accounts and Balance Sheets volume?—(Sir Frank Tribe.) Yes.

4296. I do not know whether you would like to make any observations to the Committee on paragraph 2?—I have tried in that paragraph to explain what these Accounts attempt to set out and what they do not aim at doing. There is considerable misunderstanding, I think, in the country at large on Government Trading Accounts, and I hoped this paragraph might be read, learned, marked and inwardly digested by everybody who is interested in the subject. I think that is all I need say about it. With regard to the last sentence of paragraph 2, in which I state: "Losses on normal trading are carried forward as debit balances on the Profit and Loss Accounts," the Committee will remember that in some of the Accounts we have examined in the last two weeks the distinction between losses which are real trading losses and losses which are really subsidies has been made quite clear. We found last Tuesday, on the other hand, that the distinction was not shown in the Ministry of Food Trading Accounts, and I think the real answer is that the Ministry of Food does not do normal trading. All its losses are regarded as subsidies and its profits, as Sir Percivale Liesching explained, are made on certain less essential items in order to enable greater expenditure to be incurred on more basic foodstuffs.

4297. We are told in the eighth line of paragraph 2 that there are cases where a loss is deliberately incurred in order to stabilise the general cost of living, or to assist a particular industry. What sort of case have you in mind there?—This was written in conjunction with the Treasury. I think aluminium is probably a case which the Treasury had in mind. (Mr. Jones.) That is the case we had in mind, the subsidy to aluminium. It has now been discontinued, but it was operating through these Accounts in 1946-47.

4298. Is that the only case where a loss is deliberately made upon a raw material to assist industry?—I think there is possibility of an additional one. I think there is a certain amount of tin mined in Cornwall which is purchased by the Ministry of Supply.

Chairman.] Are there any questions on paragraphs 1 and 2 of the report of the Comptroller and Auditor General on the Trading Accounts and Balance Sheets, 1946-47?

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Major Bruce.

4299. It is true, is it not, Sir Frank, that there are five forms of subsidy altogether? There is a cash subsidy which can be paid to the producer; a cash subsidy which can be paid, in effect, to the consumer; there is a price subsidy that can be paid to the consumer or to the producer, as the case may be, and then there is a concealed subsidy in the form of the actual service provided which costs the country money. Is it not possible to distinguish those one from another in any way in the Accounts?—(Sir Frank Tribe.) I see great difficulty in dealing with them in the Accounts, as I tried to explain last time. I should like to consider Major Bruce's question at rather greater length before I commit myself to a final answer. I am not sure what he means by a "cash subsidy to the consumer."

4300. I did not mention a cash subsidy to the consumer. I think that is one I omitted. It is a price subsidy to the consumer. It is a cash subsidy to the producer?—This year the Departments have done their best, helped by the Treasury, to produce Trading Accounts, and this is the first year they have produced Trading Accounts of this size. They have given the Committee a lot of information but it may not be all the information that they would like to have.

Chairman.] Perhaps next year we may have more time to digest the information.

Major Bruce.

4301. When the Consolidated Accounts are prepared, would it be possible to make perfectly orthodox transfers of the balances from the new Trading Accounts straight away to the Consolidated Fund rather than to adopt this principle of again setting them out *in extenso* so that it is very difficult to check the Consolidation from the individual Accounts?—The Consolidated Accounts bring in the general overheads of the Department. If we may we will examine Major Bruce's suggestions and possibly, between now and next November, we might have an opportunity of consulting him about the matter.

4302. Yes. I was merely trying to check through some of these individual Trading Accounts on to the Consolidated Account although I have not succeeded in doing it. It represented considerable difficulty to consolidate?—We have here a Treasury Officer of Accounts. I do not know whether he has any observation to make on the subject? (Mr. Jones.) We wanted to present in the Consolidated Account a mere summary of the figures, and I am not quite sure which particular case it is that Major Bruce is referring to. I have not myself done the arithmetic, so that I do not know

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Sir ERIC BAMFORD, K.B.E., C.B., C.M.G.

[Continued.]

how difficult or otherwise it may be to trace the entries from the detailed Accounts to the Consolidated Accounts.

4303. My complaint is that it is not simply a Consolidation Account at all. If it were a Consolidation Account it would merely gather together the balances of the individual Trading Accounts and on the debit side it would put in such overheads as are applicable to the whole lot and could not be dealt with conveniently in individual Trading Accounts. Whereas what in fact you do, I think, is to prepare a summary of a Consolidation Account and you put that in, which of course makes it very difficult for anybody who wants to check through

and make sure all the balances have been accurately brought to the Account?—We assumed the Committee would take them as read because they are covered by the Comptroller and Auditor General's certificate. We were anxious to show a picture which would show the out-turn on all heads of income and expenditure so that it was unnecessary to look at the detailed Accounts to arrive at a view of the year.

Major *Bruce*.] We would not like one Account to be missed out inadvertently, or anything like that.

Chairman.] Are there any further questions on paragraphs 1 and 2? Thank you very much, Sir Eric.

The witnesses withdrew.

Adjourned till Tuesday next, at 2.30 p.m.

TUESDAY, 29TH JUNE, 1948.

Members present:

Mr. PEAKE in the Chair.

Mr. Cuthbert.
Lieut.-Colonel Hamilton.
Mr. Haworth.

Mr. McAdam.
Mr. Thurtle.

Sir FRANK TRIBE, K.C.B., K.B.E., Sir W. EADY, G.C.M.G., K.C.B., K.B.E., and Mr. C. E. I. JONES, called in and examined.

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

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

Chairman.

4304. Sir Wilfrid, we start with the Civil Appropriation Accounts (Class X),

1946-47, paragraphs 1-5 of the report of the Comptroller and Auditor General. These first five paragraphs are, I think, formal?—(Sir *Wilfrid Eady*.) That is so.

VOTE 8.

ADVANCES TO ALLIES, &c.

Chairman.

4305. We turn to paragraphs 69-72 of the report of the Comptroller and Auditor General: "Advances to Allies, &c." In paragraph 69 the Comptroller and Auditor General tells us that there is an amount of £4,850,000 charged in this Account for the expenses of the Interim Treasury Committee for Polish Questions. Have you the figure of the total expenditure in the year of account on the Polish Forces and the Polish Resettlement Corps?—(Sir *Wilfrid Eady*.) No. I am sorry, but I am not able to give you an exact account. There was an amount of £1,400,000 in February, 1948, which had been unaccounted for in the sense that it had not been equated in the expenditure. This has been reduced

by £500,000, but there is still a certain amount outstanding where the accounts and the advances are not completely worked out, mainly relating to the East African area. The field over which this Committee worked is very wide and there are a certain number of details which are giving a good deal of trouble, and it will be, I am afraid, a few months yet before we can bring the advances and the expenditure absolutely into balance.

4306. My question was not so much related to the expenditure by the Interim Treasury Committee as to the total expenditure on the Polish Forces and the Polish Resettlement Corps in this particular year of account, 1946-47?—I beg your pardon. In the year of account there

29 June, 1948.] Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.

[Continued.]

was £4,850,000 expenditure as against the £5,350,000 Grant.

4307. That is under this Vote?—Yes.

4308. I was asking you if you had figures of expenditure on other Votes for the expenses of the Polish Forces and the Polish Resettlement Corps; but I think Sir Frank Tribe can probably help the Committee on this point?—(Sir Frank Tribe.) I have tried to take the figures out from the different Appropriation Accounts. On this Account there is £4,850,000 on Sub-head B, and Sub-head A also covers certain advances to Poles. I think the Treasury would agree that this Account contains £6,600,000 on Poles, and other accounts, mainly the Army Appropriation Account, contain sums which add up in total to £40 million. So that it looks as if something like £46½ million was spent

during the year of account on various aspects of the Polish problem.

4309. I think this is a matter, Sir Wilfrid, to which the Estimates Committee have devoted a great deal of attention, is it not?—(Sir Wilfrid Eady.) I am not quite certain yet what is the question with which you wish me to deal.

4310. Sir Frank has given me the figure for which I was asking, which is the total expenditure on Polish Forces and Polish Resettlement during the year of account?—I am afraid I cannot without notice give you the expenditure on other Votes, but if the Committee would like that I will let them have a note.

Chairman.] Sir Frank Tribe has given us some figures and I expect they are, in fact, accurate.

MR. E. W. JONES, O.B.E., A.S.A.A., Principal, Exports Credit Department, called in and examined.

Chairman.

4311. On paragraph 70, there was an agreement made in 1941 with Russia, under which they were to pay 40 per cent. cash down, I think, of any indebtedness due on supplies in excess of what was sent here from Russia, and that agreement was superseded, was it not, towards the end of last year?—Yes, on the 27th December, 1947.

4312. Could you give the Committee a short statement of the position resulting?—(Sir Wilfrid Eady.) If I might, I would like to divide the statement into two parts—a general statement about what the effect of the agreement was, and then an explanation of the major part of the actual transactions which are causing us difficulty, which are the supplies sent to Russia largely through the English and Scottish Commercial Corporation. The bulk of the money outstanding from Russia is in respect of the civil supplies which have been, in fact, mainly furnished to Russia through the English and Scottish Commercial Corporation, and the agreement at the end of December extended the period during which those supplies were to be paid for, and contained also a waiver by our Government of certain claims which in the past had stood against the Russian Government. The main difficulty that we have been having in respect of payment by Russia, I would like Mr. Jones, who knows this business, to explain to the Committee. It largely arises out of a dispute between ourselves and the Russian Government, or the Russian buying authority, as to the price which they should be finally expected to pay. Payment is due by the Russians in respect of goods for which contracts had been signed and invoices had been rendered, and a cash payment of 40 per cent. had been received and 60 per cent. had been advanced by our Government. Then there was a num-

ber of, not contracts, but supplies by us where there were no formal contracts, and no invoices have yet been received, and we have had no cash payments. Those are the ones which are causing the most difficulty. The balance outstanding of all these advances is about £31 million. This will be paid as to 50 per cent. under the original terms—that is five annual instalments beginning at the end of the third year—and 50 per cent. in twelve annual instalments beginning at the end of the fourth year. That was the extension of time to which I have referred. The value of the new contracts which have been made is somewhere between £20 million and £25 million. There was a dispute, as I said, about the price we were charging, and in order to get the contracts signed and payments beginning, we offered a very substantial reduction in the price of the contracts. But Mr. Jones will be able to tell the Committee in greater detail about that. (Mr. E. W. Jones.) The main difficulty about outstanding payments is in respect of one set of contracts: that is for power stations. They were ordered some years ago; they were ordered during the war. With the coming of peace they have naturally got set back at the manufacturers' works. Last year's fuel crisis affected them more than anything else in the country, because British power stations came along, and the Russians have now taken the stand that they do not intend to pay for these stations until they are completely delivered. We have tried all we can by putting in for payments on account; we have put in invoices to Moscow and invoices in London; but we have not been successful. They are counter-claiming now for damages or compensation for delay in delivery. They maintain that the delay in delivery has upset the five-year plan in every respect; the power stations upset steel plants; the steel plants upset the motor car works, and they are

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now claiming on the English and Scottish Commercial Corporation for substantial compensation for delay in delivery. I do not think that will be finalised until either the whole of the remaining equipment has been promised or is within sight of going. Until that happens I am afraid we shall have a large sum, of at least £20 million, outstanding. There are numerous smaller accounts that are going in from day to day, the bread and butter business, clearing up old things, and we have had payments on account of those in the last year.

4313. Do these agreements contain any provision for arbitration in the event of your being unable to reach agreement?—No. There was a general agreement between what was the United Kingdom Commercial Corporation, in those days, and the Russian Government. There was no provision for arbitration. The agreement was drawn up during the war as the best they could manage at that time.

4314. Do I understand that under the 1941 agreement, under which 40 per cent. cash was to be paid, there were considerable sums outstanding when the new agreement was entered into in December last?—(Mr. E. W. Jones.) Yes. We have received in the last 18 months about £2 million from them on account of old outstanding liabilities.

4315. What was the amount of the old outstanding liabilities?—I could not give you the exact figure. I do not think some of it was ever billed. I should have thought there was about £5 million to come there.

4316. Under the new agreement the interest was—?—(Sir Wilfrid Eady.) Reduced to $\frac{1}{2}$ per cent.

4317. In place of the $2\frac{1}{2}$ per cent. previously?—Practically 3 per cent. (Mr. E. W. Jones.) The $2\frac{1}{2}$ per cent. was never effective. (Sir Wilfrid Eady.) On a previous occasion I informed the Committee of one very large claim which we had at one time against the Russian Government, which we decided in the end to waive, for over £12 million in respect of the cost of the transport arrangements between Persia and Russia. The Russians maintain this was part of the joint war effort, and the Treasury authorised a write-off of that expenditure.

4318. That is mentioned in paragraph 72?—Yes.

Chairman.] Has any Member of the Committee any questions on paragraphs 69 or 70?

Mr. Cuthbert.

4319. On paragraph 69, following on the question of the expenditure on the Poles, I take it the expenditure was in respect of Poles in this country who were serving us during the war?—Yes.

4320. It was not paid over to the Government of Poland?—This was advances made to the Interim Polish Committee which was dealing with the Poles in this country and a certain number of Polish refugees in other parts of the world, such as East Africa and other places.

Mr. McAdam.] On paragraph 70, did I understand you to say that prior to the 1941 agreement there was still a certain amount outstanding?

Chairman.] Prior to the 1947 agreement.

Mr. McAdam.

4321. Prior to the 1941 agreement?—No, not before 1941.

4322. I understood you to say that there was some amount outstanding prior to the outbreak of war and that was included in the amount now outstanding?—No, not before 1941. There was a good deal outstanding between 1941 and the final agreement made last year.

Mr. Haworth.

4323. Is the English and Scottish Commercial Corporation Ltd. the successor to the United Kingdom Commercial Corporation Ltd.?—No. They ran in parallel. I think the simplest explanation is that the United Kingdom Commercial Corporation was dealing with what one might call ordinary commercial business, or not quite ordinary commercial business but business on a commercial basis, with various countries where ordinary trading was difficult to arrange because of war conditions. The English and Scottish Commercial Corporation was, on the other hand, more an agent of the Government for carrying out certain decisions on policy, for example, pre-emptive purchases of special materials like wolfram to prevent their getting into the hands of the Germans. Although they were nominally together they ran rather a separate kind of business. All the business that the English and Scottish Commercial Corporation did—all this exceptional business—was under the authority of particular Government Departments. The bulk of the business the United Kingdom Commercial Corporation did was ordinary commercial business and it kept strict commercial accounts and in fact was able to turn in a surplus of over £1 million at the end of its trading period, whereas the English and Scottish Commercial Corporation carries very large sums indeed of irrecoverable expenditure which is war expenditure.

4324. Are the English and Scottish Commercial Corporation administering any portion of the 1947 agreement, or was that purely a war-time agreement?—(Mr. E. W. Jones.) The English and Scottish Commercial Corporation are still delivering supplies to Russia and therefore will be paid under the 1947 agreement for those supplies.

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[Continued.]

(United Kingdom Commercial Corporation Ltd.: Statement of Affairs as at 31st July, 1946.)

(United Kingdom Commercial Corporation Ltd. (In Voluntary Liquidation): Statement of Affairs as at 31st July, 1947.)

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1945-47.

VOTE 8.

ADVANCES TO ALLIES, &c. (continued).

Chairman.

4325. We pass to paragraph 71, which tells us that the United Kingdom Commercial Corporation went into voluntary liquidation on 31st July, 1946. We will take with this paragraph the Accounts of the Corporation: there is a statement of affairs as at 31st July, 1946, and a similar statement for a year later. If you will look at the second of the two statements there is appended to it a list of liquidation expenses which totals just over £24,000, including salaries in London and overseas of £16,000 odd. I dare say you will remember that in our report two years ago we expressed the hope that there would be no unnecessary expense incurred in the liquidation of this concern, seeing that it had no shareholders in the ordinary way except the British Government. Can you say that the assurance given us in the Treasury Minute on that report that no unnecessary expenses would be incurred has in fact been carried out?—(Sir Wilfrid Eady.) Looking at the liquidation expenses, they all seem quite consistent with that assurance. The heavy items, for insurance, for travelling and for London and overseas salaries account for some £20,000 out of the £24,000 which are the liquidation expenses. The organisation did succeed in running itself off very rapidly. I think it is not possible to speak with any certainty about every pound there but these liquidation expenses, in relation to the spread of the job plus the speed at which we wanted it run off, did not seem to us, at the Treasury, unreasonable.

(Accounts of the English and Scottish Commercial Corporation for the year to the 31st March, 1947.)

CIVIL APPROPRIATION ACCOUNTS (CLASS X), 1946-47.

VOTE 8.

ADVANCES TO ALLIES, &c. (continued).

Chairman.

4329. We pass to paragraph 72 of the report of the Comptroller and Auditor General with which we will take the Accounts of the English and Scottish Commercial Corporation Ltd. I think Mr. Haworth has put this question already, in a rather different form. The question is whether this Corporation is still functioning and entering into new commitments?—(Sir Wilfrid Eady.) It is functioning in respect almost entirely of the Russian business. (Mr. E. W. Jones.) There are a few other

4326. Is this the total of the liquidation expenses, or would there be further sums chargeable in the ensuing year?—In the United Kingdom Commercial Corporation I think this would run it off—all of the 13 companies. (Mr. E. W. Jones.) There will be some more. (Sir Wilfrid Eady.) I am sorry. There will be some more liquidation expenses still to come, but they are quite small. (Mr. E. W. Jones.) Twelve out of 13 companies have been written off the Register. (Sir Wilfrid Eady.) The United Kingdom Commercial Corporation has not yet had its name deleted from the Register and therefore there may conceivably be some claims against it; but 12 out of the 13 companies have been completely liquidated.

Chairman.] Are there any questions on these Accounts of the United Kingdom Commercial Corporation Ltd. or on paragraph 71 of the report of the Comptroller and Auditor General in the Civil Appropriation Accounts?

Mr. Cuthbert.

4327. From the Balance Sheet we see that there was a surplus on Realisations Account of over £1 million. That was after paying taxation to our own Government, was it?—Yes.

4328. So that really, as it was a Government concern, they not only made a surplus but got tax as well to the extent of £1½ million sterling?—Yes, that is so.

debts to collect besides those from Russia. We are trying to collect those.

4330. But it is not entering into new commitments?—(Sir Wilfrid Eady.) No.

4331. That is to say that the Ministries concerned, like the Ministry of Food, have taken over from the Corporation the business of making future contracts?—That is so.

4332. A great many of the contracts made by this Corporation, as you explained to Mr. Haworth, were based on policy deci-

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[Continued.]

sions. Can you say whether the Ministry of Food is, to-day, purchasing let us say, dried fruits at far above the world price for policy reasons?—I could not say that without notice, about that particular commodity. I will let the Committee know. I do not think it would be doing so for policy reasons as distinct from commercial policy reasons which may be a market guarantee. There is nothing like these big items on wolfram and hides, and that sort of thing.

4333. What I mean is, if the Government nowadays want to assist, a particular Government, they would not do it through paying an unduly high price for food products?—No. The way they would assist the economy of a country would be to give it a long-term contract at a reasonably stable price. But there are none of these pre-emptive purchases here.

Chairman.] Are there any questions on paragraph 72 or on the Accounts of the English and Scottish Commercial Corporation Ltd. for the year to 31st March, 1947?

Mr. Cuthbert.

4334. On paragraph 72, with regard to this rather large sum of £48 million which has been written off the £84 million Treasury advances, did that include the cost of the railway through Persia as well as road charges and so on?—No, it did not include the railway.

4335. The railway is quite separate from anything here?—Yes.

Chairman.

4336. We pass now to the Account, which is at page 56. This Account is headed: "Advances to Allies", and in the year of account there was a grant of £20 million and an expenditure of £16½ million. Then below that there is a statement of receipts payable to the Exchequer, amounting to £30 million. Presumably those are repayments of advances made previously?—(Sir Wilfrid Eady.) Yes, during the war.

4337. Is Parliament told in any way, from time to time, what is the amount of these outstanding debts?—They appear in the Finance Accounts.

4338. Members have before them a volume of the Finance Accounts?—On the very last page, the folder page at the back, you will see the amount of the advances during war—

Mr. E. W. Jones withdrew.

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS I.

VOTE 4.

TREASURY AND SUBORDINATE DEPARTMENTS.

Chairman.

4346. We pass now to the Civil Appropriation Accounts, 1946-47, Class I, Vote 4, the Treasury and Subordinate Departments. The Account is at pages

time; and most, but not all, of the agreements are published at the time they are made.

4339. They are the statements on pages 68 onwards, is that right?—It is really page 71 which gives the figure outstanding at 31st March, 1947.

4340. That tells us that there is nearly £12 million outstanding, lent to China?—Yes.

4341. And just over £15 million lent to Czechoslovakia?—Yes.

4342. Are there good prospects of those two liabilities being discharged ultimately?—There are two agreements in China, one of the 5th June, 1941, in respect of a loan of £5 million, and another one of 2nd May, 1944, for a loan not exceeding £50 million. The terms were settled for the 1941 agreement and the repayments have been made in accordance with the annuity laid down in the agreement. The terms of the agreement of May, 1944, have not yet been settled. £8 million advances have been made under that agreement. That would almost certainly, because of its size, be one of those long-term repayments with, probably, an interregnum period without repayment. As to the Czechoslovakian loan, the instalments are not yet due.

4343. The instalments have been paid up, have they?—Yes.

Chairman.] Are there any questions on the Account?

Mr. Hayworth.

4344. On page 56, there is a sum of interest appearing for four countries but there is no interest for the remainder of the countries which are shown on page 71 of the Finance Accounts. Is that because the agreement does not lay down any interest to be paid?—No. In some cases the date at which the repayment starts has not yet arrived. There is interest provided for in all these, of varying amounts from ½ per cent. for the Russian loan, and upwards.

4345. But it begins in some cases three years afterwards?—Yes, according to the date at which the agreement was made.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

14-19. Subhead C on page 14 is: "Chancellor of the Duchy of Lancaster: Additional Salary." Would you explain that item to us?—(Sir Wilfrid Eady.) This is the addition that falls on the Treasury

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[Continued.]

Vote in addition to the money payable out of the Duchy funds.

4347. That is because the salary payable by the Duchy is £2,000?—Yes, that is right, and there is an extra £1,000 on the Treasury Vote to make the salary £3,000.

4348. On the following page, Subhead G is: "Exchange Control," an expenditure of £841,000. The footnote tells us: "It is not possible to anticipate exactly the cost of administration of Exchange Control." What is this money expended upon?—This is almost entirely the money expended upon the staff employed by the Bank of England, on administering the day-to-day business of Exchange Control. It is a very large staff which they employ. £832,000 is the figure for the Exchange Control administration, and then there was some small items of nearly £9,000 on the acquisition of securities by the Bank of England.

4349. Is it concerned with the administration of the Exchange Equalisation Account?—Indirectly, but this is the actual business of the exchange control under the Exchange Control Act, and what were previously the Administrative Regulations. When I was giving evidence on the Exchange Equalisation Account last year I think I explained that now these two payments to the Bank of England are divided. There is the exchange control which is on the Treasury Vote and the administrative expenses of the Exchange Equalisation Account which are an Account charge. Would the Committee wish that I should amplify that by showing the distribution of the two expenditures between the Exchange Equalisation Account and the Exchange Control? I have given it previously. I cannot carry it in my head at the moment.

4350. As I understand your answer, the whole of this £841,000 is for administering Exchange Control?—That is right.

4351. As distinct from the Exchange Equalisation Account?—Yes. I am afraid I do not remember the Exchange Equalisation Account administrative expenses, but I can let you have a note of them.*

4352. It is right and proper, is it, that the Exchequer should bear this burden of administering the Exchange Control and not the people who desire foreign exchange for different purposes by means of a commission or a charge such as one's bank makes?—I should think that an expenditure of £840,000 is not an unreasonable

* Paper circulated to Members; not printed.

(Colonial Development Act, 1929: Statement of Loans outstanding at 31st March, 1947.)

Chairman.] At page 102 of the Civil Appropriation Accounts there appears a statement of loans outstanding under the Colonial Development Act. I have no ques-

amount to fall on public funds for the amount of control that that gives us. There is a certain return that the Bank of England get on certain exchange dealings within the Exchange Control as distinct from the Exchange Equalisation Account, but it cannot make up the larger part of this.

4353. I have two further points. At the foot of page 18 there is "Surplus Stores, &c. Liquidation Account." That, I seem to remember, is something to do with the last war but one, is it not?—Yes; some of it goes back to 1917. Then there is an outstanding claim also in respect of the 1914-18 War.

4354. Is it hoped to get this matter finalised?—A claim amounting to £53,000 is still outstanding. We have in fact issued an authority to waive the last amount of this money.

4355. This item will not appear in the Accounts again?—No.

4356. On page 19 is a statement of loans outstanding at 31st March, 1947. There was a loan to the Central Electricity Board. That, I assume, has been taken over by the British Electricity Commission?—Yes.

Chairman.] Are there any questions on the Account?

Mr. Cuthbert.

4357. On page 15 may I follow up this Exchange Control expenditure of £841,000? I quite see that any profits accruing are probably not sufficient to cover that, but I wondered if that should not go in, now the Bank of England is nationalised, against any profits they make in the general way of their business?—Bank of England profits, do you mean?

4358. Yes. I know it would be out of one pocket and into another, but I am thinking of the taxpayers' interest in it?—I think the Bank of England would maintain, quite reasonably, that this huge job they are doing on Exchange Control is not ordinary Bank of England work. They were much the most effective instrument we could get for the job. Before they were taken over they were in fact doing this as a kind of agent, on a strict cost of expenses charge. I should have thought that the Treasury's new interest in the Bank of England would still want the Account to be carried in that way. This is a duty which the Bank of England are carrying out for a Department and they expect to be reimbursed their out of pocket expenses.

Chairman.] Are there any questions on the Account? May I take it that the Account is approved? (Agreed.)

tions upon this statement. Has any Member of the Committee any question he would like to ask?

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[Continued.]

CIVIL APPROPRIATION ACCOUNTS, 1946-47.

CLASS I.

VOTE 24.

MISCELLANEOUS EXPENSES.

Chairman.

4359. We pass now to Class I, Vote 24: "Miscellaneous Expenses." We turn first to paragraph 15 of the report of the Comptroller and Auditor General, which is at page vii. This paragraph deals with the arrangements regarding silver made with the United States during the war. We have a liability, have we not, within a reasonable period of time to send back to the United States 88 million fine ounces of silver?—(Sir Wilfrid Eady.) That is right.

4360. Was it not hoped when we debased our currency, if that is not too strong an expression, a year or two ago, to save some silver with a view to transmitting it back to the United States?—Yes, that was one of the purposes that we expected from the use of cupro-nickel in place of the alleged silver.

4361. Has any saving of silver resulted from that legislative measure?—Not an appreciable amount which we could set aside as a reserve for that, because there are certain industrial requirements of silver which have to be met, and we have been meeting those out of our silver balances and out of the gradual accumulation. It is not very easy to see at what rate over the next few years we shall accumulate reserves of silver for the discharge of this obligation, but there should be a gradually increasing proportion. It may depend upon what happens about our need of silver for industrial requirements and the price of silver. I think I can say this, that we do expect to be able to find an appreciable amount of the liability out of the savings of silver. That was one of the purposes of it. But I would not care to say at what rate we shall accumulate a reserve.

4362. I suppose that depends upon the rate at which you withdraw the old coins and issue the new ones?—Two things have happened. First of all, since August, 1947, the silver position rather changed, after the convertibility crisis, and then the astonishing demand for change in the last six months or so has slowed down the rate at which the Bank of England have been able to withdraw silver. In fact they had to put some of the silver coins withdrawn back into circulation while the Mint

was tuned up to the higher production of cupro-nickel. That is what makes me say that it is very difficult to say that each year we shall be able to set aside so much; but there is enough silver in the coinage to cover our liabilities by the time the whole cupro-nickel conversion has taken place.

4363. Would you like to make a statement upon the silver position, generally, to the Committee?—Yes, if I might. Since 1939 we have had four systems of intervention for silver. From 1939 until 1943 the pre-war open market dealings in silver were superseded by bulk purchase by the Treasury, mainly from India. We obtained in this way some 73 million standard ounces of which the Mint, in those four years, took rather more than 40 million ounces and the rest went into trade purposes for essential purposes, including the manufacture of exports and in connection with photography. During 1942 the position on the Bombay bullion market radically altered. There was a rather sharp inflation in India between 1941 and 1943. It was checked in the financial year, 1943-44, but the result was that there was a considerable hoarding of silver and the Government of India were unable to continue selling bulk silver to us. We had therefore to rely upon lend-lease silver from the United States. By 1946, when lend-lease finally came to an end they had sent under lend-lease some 88 million ounces of silver without charge but on the condition that it was replaced in specie ounce for ounce within 5 years of the date on which the President of the United States declared the emergency to have ended. He has not yet made such a declaration.

Mr. Haworth.

4365. I should like to know whether this £3,405,000 is being set on one side for liability, or is it being swallowed up?—That is sterling received for the sales of silver that goes into the general revenue.

Chairman.] Are there any further questions on paragraph 15? The Account is at pages 51-53. I have no questions on the Account. Has any Member any questions on the Account? May I take it that the Account is approved? (*Agreed.*)

PUBLIC INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 1947.*(On this Account no questions were asked.)*

CONSOLIDATED FUND ABSTRACT ACCOUNT, 1946-47.

Chairman.

4366. Will Members turn to the Consolidated Fund Abstract Account, 1946-47? The report of the Comptroller and Auditor

General is at pages 9-12. Paragraph 3 gives us the nominal amount of the National Debt at the 31st March, 1947, of £25,630 million, representing an increase of

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[Continued.]

nearly £2,000 million on the previous year. That is due, I suppose, to the Budget deficit on the year, plus certain what is called below-the-line expenditure?—(Sir Wilfrid Eady.) That is so.

4367. Can you give the Committee the overall rate of interest payable on the National Debt?—On the whole of the National Debt?

4368. Yes.—I should think a little under 2 per cent., but I will give the Committee the exact figure.

4369. A little under 2 per cent.?—I think a little under 2 per cent.*

4370. The National Debt is between three and four times the figure at the end of the 1914-18 war, is it not?—Yes, rather more than three times. I think it was about £8,000 million then.

4371. But the interest charged today has not grown by any means in the same proportion?—No. I should think it is about half what the average rate of interest was at the end of the 1914-18 war.

4372. Perhaps it would be interesting for the Committee to have those figures?—Yes, I will put those figures in.*

Chairman.] They would like to have the overall rate of interest today as compared with the overall rate of interest in, say, 1920. Are there any questions on the report of the Comptroller and Auditor General on the Consolidated Fund Abstract Account, 1946-47?

Mr. McAdam.

4373. On paragraph 3, at the 31st March, 1947, the nominal amount of the National Debt, excluding external debt arising out of the 1914-18 war stood at £25,630 million. With regard to the debt

* Paper circulated to Members: not printed.

(Finance Accounts of the United Kingdom, 1946-47.)

CONSOLIDATED FUND ABSTRACT ACCOUNT, 1946-47 (continued).

Mr. Haworth.

4377. The second item on page 37 of the Finance Accounts of the United Kingdom, 1946-47, is: "Leader of the Opposition," a figure of £2,000. Has that amount been paid for the year ended 31st March, 1947?—(Sir Wilfrid Eady.) For the year 1946-47?

4378. Yes.—Yes. It has not been paid this year.

4379. But it was paid for that year, was it?—Yes.

Chairman.] There is one matter I should like to be informed about on the Consolidated Fund Abstract Account. The fourth item on page 2 is: "Other Consolidated Fund Services," and there is a sub-heading: "Miscellaneous Services," a

which we contracted to the United States during the 1914-18 war, nothing, I understand, has been repaid as far as interest is concerned since 1931?—I think that is the last year. The American Government have not approached us in recent years with any suggestion of repayment.

4374. At that time the debt stood, I understand, at £1,200 million?—More than that, I think.

4375. With interest payments have you any idea what the actual indebtedness to the United States is on that?—I should have to look it up in the Finance Accounts for last year, when we did show the capital sum and the additional sum required in respect of accumulated interest. I will also put that information in if I may.*

Mr. Haworth.] I want you to help me, Mr. Chairman. There is on the agenda an item in brackets: "(Finance Accounts of the United Kingdom, 1946-47)." Is this before us, or will this be before us?

Chairman.

4376. Yes. The Finance Accounts are circulated for the information of Members. This is not an Account which we have to consider, is it, Sir Frank?—(Sir Frank Tribe.) No. The Finance Accounts are circulated primarily because the Consolidated Fund Abstract Account is not very intelligible unless one has the Finance Accounts to read with it.

Mr. Haworth.] I wanted to ask one question on these Finance Accounts, if that is in order. If they are coming up in any other way, that is all right. Is this the only opportunity?

Chairman.] I think this would be the best opportunity for you to put your question.

* Paper circulated to Members: not printed.

figure of £7 million, the details of which we find on page 41 of the Finance Accounts of the United Kingdom. If you have the Finance Accounts of the United Kingdom before you, on page 41 you will see that that £7 million is built up in a variety of ways and includes issues under the Trade Facilities Acts of just over £1½ million. Could you explain that item?—Yes. These are payments made under the guarantee under the Act of interest and principal, mostly where the default of the borrower has been due to the war. The Trade Facilities Act did put a guarantee on. It includes in this year, as a matter of fact, a repayment in full of one loan of £1½ million to save interest. That was an electric and tramway company operating in Athens. It was a British company though the company is registered in Greece. The original

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[Continued.]

loan was £2 million, subscribed by an insurance company here, and it was redeemable by instalments. The instalments have been extended, but the difficult situation in Greece, both with regard to payment of debts and, subsequently, politically, has made the servicing of this loan from Greece almost impossible. I am afraid we have come to the conclusion that this is a case where we shall save ourselves a lot of bother by repaying the original loans in full rather than continuing to pay them interest on default.

4380. This is where the British Government had given a guarantee in order to assist British trade, is it?—Yes; an English company wanting to develop a public utility in Athens, as we have done in other parts of the world, went to one of the major British insurance companies to raise the capital. We underwrote the capital and interest for the loan from the

insurance company. After a short period of repayment the instalments began to fall into arrear. Strictly speaking, all we are obliged to do at the moment is just to pay the interest, but that would be accumulating so steadily in relation to this principal that the most economic thing seemed to be to repay the loan.

4381. The Treasury are now the creditors of the debenture holders?—Yes, against this public utility in Athens.

4382. If a suitable occasion arises you will try to get your money back?—Yes. You do not write these things off, because it is conceivable that in four or five years' time electric power in Greece, especially with E.R.P. help, might be more profitable again.

Chairman.] Are there any questions on the Account? May I take it that the Account is approved? (*Agreed.*)

NATIONAL LAND FUND ACCOUNT, 1946-47.

Chairman.

4383. Will Members turn now to the National Land Fund Account, 1946-47? This is the first Account of the Fund established under the Finance Act, 1946?—(Sir Wilfrid Eady.) That is so.

4384. Fifty million pounds was paid into the Fund from the Consolidated Fund. The idea is that the Commissioners of Inland Revenue shall, in suitable cases, accept real property in payment of Estate Duty, and this Fund shall reimburse the Inland Revenue?—Reimburse the cash account of the Inland Revenue. That is the effect of it.

4385. In that case I suppose the land in question will become the property of the National Land Fund for the moment?—Yes. It has handed over the administration either to the National Trust or, in the case of one big property, to the Ministry of Agriculture.

4386. The footnote to the Account states: "During the period ended 31st March, 1947, the Commissioners of Inland Revenue agreed to accept three properties in satisfaction of death duties." I take it what happens is that they consult the National Land Fund (if one can consult a Fund) before they agree to accept land in payment of Estate Duty?—Yes. They consult the Treasury, in effect.

4387. If the Treasury said: "No, we do not think that is a suitable bit of land to accept in payment of Estate Duties", or: "We do not think that is an acceptable bit of property", then I take it that the Commissioners of Inland Revenue would not accept it?—That is so. The approach can be pretty clearly shown from the type of property which the Treasury has accepted so far. It is property with either a great historical interest or distinctive natural

beauty and, in one case, a particularly attractive proposition for the development of the Youth Hostels Movement. There is a kind of public value about the property as well as its private value.

4388. The Finance Act lays down nothing as to the type of property which should be accepted in this way and therefore it seems to me it is entirely within the purview of the Treasury. That is so, is it not? The whole matter of what type of land is acquired is entirely for them. Is that right?—Yes, that is right.*

4389. But the intention is, I think you told me, that land taken over in this way should be handed over to someone else to manage?—Yes. The Act of Parliament creating the Fund said the property may "be transferred to or to the trustees for any body of persons not established or conducted for profit and having as its object, or one of its objects, the provision, improvement or preservation of amenities enjoyed, or to be enjoyed by the public."

4390. So that the type of body to whom you can hand property over is limited?—Yes. The three examples illustrate the range of it. Three properties have gone to the National Trust. One property has gone to the Ministry of Agriculture and one property to the Youth Hostels Association.

4391. Section 50 (3) provides: "The property shall be disposed of in such manner as the Treasury may direct, and in particular . . . The Treasury may direct that all or any of the property shall . . . be transferred to or to trustees for any body of persons not established or conducted for profit." It looks to me as if the Treasury

* Note by Witness: I find that the Treasury acts on the advice of a Committee of the Ministry of Town and Country Planning.

29 June, 1948.] Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.

[Continued.]

had a fairly free hand as to how to dispose of the property?—I think that is quite true. I think they probably have discretion to take what property they decide and to do with it what they decide, but I should suggest that the indication of the kind of purpose does not limit it but does give an idea.

4392. The Treasury are not bound to dispose of the property. They can, as I understand it, continue to hold the property?—Yes. The Ministry of Agriculture does hold it in one case.

4393. It is not the intention that the Treasury shall be a landowning Department?—No.

4394. You could, I take it, hand over property to the Commissioners for Crown Lands under these powers?—Yes, I think so.

4395. Is there any machinery laid down for informing Parliament of property acquired or disposed of by the Treasury?—By way of formal report under the Act?

4396. Yes. I see it now in the Act. It is subsection, (4) of section 50: "The Treasury shall lay before both Houses of Parliament as soon as may be after the end of each financial year a statement giving particulars of any transfers under subsection (3)?"—That is the disposal of property by the Treasury, not the acquisition. I follow. You want to know whether there is a requirement on the Treasury to disclose not only what they have done with it but what they have acquired.

4397. It would appear that the only obligation laid down by the Act is to render a statement of disposals?—Yes. The Treasury never contemplated they might become landowners. There was no question of any intention other than this purely book-keeping transaction, really, for the Inland Revenue.

4398. The £50 million has been credited to the Fund and invested as we see from the Account, and the last statement is a statement of securities held at 31st March, 1947, and at that date the Fund had made a capital profit of about £400,000. No doubt that has tended to diminish since that date with the fall in Stock Exchange prices?—Yes.

Chairman.] Has any Member of the Committee any questions on the Account?

Mr. Cuthbert.

4399. When the property is taken over, who does the valuation of it?—The Inland Revenue Valuation Department.

Mr. Haworth.

4400. Although you say there is nothing in the Finance Act, Mr. Chairman, would

the Treasury regard themselves as bound to act according to the speech of the Chancellor when he was announcing this? If I remember rightly the Chancellor indicated the lines upon which he proposed to accept land in payment of death duties. Would the Treasury take into account the speech that he made at that time?—That is almost a constitutional question, is it not? Obviously, while the Chancellor who made the speech is Chancellor of the Exchequer you would pay account to what he said; but the Treasury is only strictly bound by the Act of Parliament, though if there were any question about it they would, I think, refer back to the original description of the scheme. But they are only bound by the statute.

Lieut.-Colonel Hamilton.

4401. It is stated that the decision rests entirely with the Treasury. Has any sort of advisory committee been set up to consider the question of the suitability of the properties?—I am not familiar with what happens in order to get advice. The three major properties that have been taken over are such special properties. There is no regular advisory body.*

Chairman.] Your question is directed to the point as to whether the Treasury are specially good judges of amenities?

Lieut.-Colonel Hamilton.] That was rather in my mind.

Chairman.

4402. You have not established an Amenity Department, have you?—No. The Committee know quite well the three major properties that have been taken over. They are the Westmorland property, including Lake Brotherswater in the Lake District; the Trout Beck property, near Windermere, and the Mount Edgcombe property on the River Tamar, near Plymouth. There are two lovely pieces of property, one with a farmhouse equipped with 17th Century furniture and the Mount Edgcombe, which has probably the most magnificent museum of contemporary furniture. Those suggest a fairly high standard of amenities, and there is this rather attractive place on the coast of Cornwall for forming part of the chain of the Youth Hostels Association, which is a different approach to the thing.

4403. You do not foresee the possibility of great jealousy between deceased landlords, some whose property has been accepted and others whose property has not?—I am not sure whether the imprudence of the Treasury would give either of them satisfaction.

Chairman.] Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*)

* See footnote to Question 4388.

29 June, 1948.] Sir WILFRID EADY, G.C.M.G., K.C.B., K.B.E.

[Continued.]

CZECHOSLOVAK FINANCIAL CLAIMS FUND AND REFUGEE FUND ACCOUNTS,
1946-47.

Chairman.

4404. The last sub-paragraph of paragraph 1 of the report of the Comptroller and Auditor General on page 3 tells us: "In October, 1946, the Czechoslovak Government resumed the service of the loans referred to in Article 1A." Are the Czechoslovak Government continuing to pay the interest on these loans?—(Sir Wilfrid Eady.) Yes.

4405. Under Article 1A, it is: "Interest payable to British holders in the Czechoslovak State Loan, 1922, and certain other loans"?—I have not handy the date in respect of which the last payment was made, but I will send that in to the Committee. Payments are being made on it.

4406. The Czechoslovak Refugee Fund will, I take it, be wound up, will it?—Yes, that will be wound up.

4407. It has a substantial surplus?—The Financial Claims Fund will be wound up.

4408. No—I was speaking then of the Refugee Fund, the second Account?—That has a substantial balance, still. It is running itself down.

4409. Is it still bearing the cost of certain Czechoslovak refugees?—No, it is not. There is a possibility that it might be used to help refugees since the recent political disturbances in Czechoslovakia, but that would not be easy without one or two

rather important conditions which we have not yet fully explored, including the question whether other countries would also regard this as a service which they ought to help. I do not think we should want to take this over as a sole liability.

Chairman.] Are there any questions on the Account?

Mr. McAdam.

4410. I do not know whether this question will be in order. It is in regard to Czech gold that was ultimately handed over to the Bank for International Settlements. Could we have any information as to what has transpired in respect to that? Has it been handed back to the Czech Government?—I would like to put in a written statement about anything that has happened to Czech gold. I should want to be sure about my facts as to where Czech gold is.

4411. Could you supply the information?—Yes.*

Mr. McAdam.] Could I have the information, Mr. Chairman?

Chairman.] Yes. Are there any further questions on the Account? May I take it that the Account is approved? (*Agreed.*) That concludes your evidence. Thank you very much, Sir Wilfrid; we are much obliged to you.

The witnesses withdrew.

Adjourned till Tuesday, 27th July, at 2.30 p.m.

* Paper circulated to Members: not printed.

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APPENDIX 1

PAPER handed in by Sir Eric Bamford, K.B.E., C.B., C.M.G., on the 19th February, 1948

1945-46

COMPARISON OF AUDITED EXPENDITURE WITH
EXCHEQUER ISSUES

AND

GENERAL ABSTRACT OF APPROPRIATION ACCOUNTS

(After Audit by the Comptroller and Auditor General, and Review by
the Public Accounts Committee of the House of Commons)Treasury,
February, 1948COMPARISON OF AUDITED EXPENDITURE in 1945-46 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	486,534,460	10 1	486,534,460	10 1	—	—	—	—
NAVY	1,810	0 0	721,845,070	15 11	}	—	164,318,880	13 10
ARMY	1,510	0 0	1,467,989,697	3 4				
AIR SERVICES	1,110	0 0	521,731,948	5 4				
	4,430	0 0	2,711,566,716	4 7				
CIVIL SERVICES	559,749,570	0 0	2,185,768,034	1 4				
REVENUE DEPARTMENTS	144,798,000	0 0	148,005,879	8 2				
VOTE OF CREDIT	4,410,000,000	0 0	*233,530,250	19 9				
TOTAL	5,601,086,460	10 1	5,765,405,341	3 11	—	—	164,318,880	13 10

* Expenditure shown in Vote of Credit Appropriation Account	£	s. d.
Less Excess Expenditure of Army, Navy, Air, and other Votes already included under the respective Votes (see following page)	4,575,206,544	9 7
	4,341,676,293	9 10
	<u>233,530,250</u>	<u>19 9</u>

1945-46

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, 1945-46			Expenditure, 1945-46			Differences between Exchequer Grants and Net Expenditure (Column 3 and 6)	
	Estimated Gross Expenditure (1)	Authorised Receipts in Aid of Grants (2)	Exchequer Grants (3)	Gross Expenditure (4)	Actual Receipts in Aid (5)	Net Expenditure (6)	Surpluses (7)	*Deficits (8)
	£	£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Navy	50,001,990	50,000,180	1,810	771,845,250 15 11	50,000,180 0 0	721,845,070 15 11	—	721,843,260 15 11
Army	250,001,660	250,000,150	1,510	1,559,875,183 17 2	91,885,486 13 10	1,467,989,697 3 4	—	1,467,988,187 3 4
Air Services	78,001,220	78,000,110	1,110	588,860,831 19 1	67,128,883 13 9	521,731,948 5 4	—	521,730,838 5 4
TOTAL, NAVAL, MILITARY AND AIR SERVICES ...	378,004,870	378,000,440	4,430	2,920,581,266 12 2	209,014,550 7 7	2,711,566,716 4 7	—	2,711,562,286 4 7
Civil Services :								
Class I	6,499,138	1,317,046	5,182,092	5,728,280 4 9	885,243 13 6	4,843,036 11 3	1,105,611 3 0	766,555 14 3
" II	39,988,225	383,050	39,605,175	45,181,687 10 0	382,804 16 2	44,798,882 13 10	3,747,839 3 1	8,941,546 16 11
" III	25,244,541	2,006,061	23,238,480	27,692,521 19 2	1,980,531 12 9	25,711,990 6 5	411,487 19 4	2,884,998 5 9
" IV	129,269,704	9,876,839	119,392,865	127,283,796 10 6	9,875,555 19 7	117,408,240 10 11	2,044,969 2 6	57,807 10 5
" V	240,359,780	6,750,770	233,609,010	225,473,912 4 4	4,858,100 6 5	220,615,811 17 11	14,875,232 18 5	2,537 3 0
" VI	42,802,655	4,680,895	38,121,760	43,202,771 14 3	4,005,652 6 5	39,197,119 7 10	3,875,637 0 6	1,882,034 16 4
" VII	28,395,265	2,389,212	26,006,053	42,693,997 0 1	2,388,218 18 7	40,305,778 1 6	4,721,503 10 1	4,950,996 8 4
" VIII	41,736,196	85,143	41,651,053	78,955,062 10 9	85,143 0 0	78,869,919 10 9	47,668 16 9	19,021,228 11 7
" IX	64,196,692	1,278,000	62,918,692	64,194,392 1 11	1,278,000 0 0	62,916,392 1 11	2,299 18 1	37,266,535 7 6
" X	665,638,200	665,636,110	2,090	2,164,334,195 3 9	613,233,332 4 9	1,551,100,862 19 0	100 0 0	1,551,098,872 19 0
TOTAL CIVIL SERVICES ...	1,284,130,396	694,403,126	589,727,270	2,824,740,616 19 6	638,972,582 18 2	2,185,768,034 1 4	30,832,349 11 9	1,626,873,113 13 1
Revenue Departments :								
Customs and Excise ...	6,767,200	197,600	6,569,600	6,251,026 14 0	197,600 0 0	6,053,426 14 0	516,173 6 0	—
Inland Revenue ...	14,821,290	178,500	14,642,790	14,627,521 19 0	178,500 0 0	14,449,021 19 0	193,768 1 0	—
Post Office ...	130,374,113	6,114,113	124,260,000	133,617,543 15 2	6,114,113 0 0	127,503,430 15 2	—	3,243,430 15 2
TOTAL REVENUE DEPARTMENTS ...	151,962,603	6,490,213	145,472,390	154,496,092 8 2	6,490,213 0 0	148,005,879 8 2	709,941 7 0	3,243,430 15 2
Vote of Credit ...	4,750,000,000	—	4,750,000,000	{(I) 4,341,676,293 9 10	{	4,341,676,293 9 10	{174,793,455 10 5	—
				{(II) 233,530,250 19 9	—	233,530,250 19 9		
	6,564,097,869	1,078,893,779	5,485,204,090	10,475,024,520 9 5	854,477,346 5 9	9,620,547,174 3 8	206,335,746 9 2	4,341,678,830 12 10
Deduct Vote of Credit Expenditure (1) already included under Army, Navy, Air and other Votes (see Column 8).	—	—	—	4,341,676,293 9 10	—	4,341,676,293 9 10	—	4,341,676,293 9 10
TOTAL FOR VOTED SERVICES	6,564,097,869	1,078,893,779	5,485,204,090	6,133,348,226 19 7	854,477,346 5 9	5,278,870,880 13 10½	206,335,746 9 2	2,537 3 0

THE COMMITTEE OF PUBLIC ACCOUNTS

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	Estimated Expenditure	Actual Expenditure	Less than Estimate	More than Estimate
	£	£ s. d.	£ s. d.	£ s. d.
Consolidated Fund				
National Debt Services { (a) Interest, etc. } { (b) Sinking Fund }	465,000,000	{ 455,446,241 5 11 9,553,758 14 1 }	—	—
Excess Profits Tax post-war refunds (part deducted for tax)	—	1,253,000 0 0	—	1,253,000 0 0
Payments to Northern Ireland Exchequer	11,000,000	12,266,550 7 5	—	1,266,550 7 5
Other Consolidated Fund Services	8,000,000	8,014,910 2 8	—	14,910 2 8
TOTAL OF CONSOLIDATED FUND SERVICES	484,000,000	486,534,460 10 1	—	2,534,460 10 1
GRAND TOTAL OF EXPENDITURE		5,765,405,341 3 11		

* These deficits were met from the Vote of Credit with the exception of the sum of £2,537 3s. od. in respect of Scientific Investigation, &c. (Class IV, Vote 10) for which an Excess Vote was agreed to by the House of Commons in March, 1947 (House of Commons Paper No. 61 of 1946-47).

† Exclusive of receipts realised in excess of authorised Appropriations in Aid viz.: £8,215,984 15s. 7d. which were surrendered to the Exchequer by write off from the Exchequer Grant for 1946-47.

The savings on Votes for the year 1945-46 amounted to £206,335,746 9s. 2d. shown in column 7 and were dealt with as follows:—

	In the Financial year			
	1946-47		1947-48	
	£	s. d.	£	s. d.
Written off from the Exchequer Grant Accounts out of Ways and Means of 1945-46	87,237,284	18 6	—	—
do. 1946-47	6,939,646	4 3	—	—
do. 1947-48	—	—	3,191	5 7
Paid to H.M. Exchequer by the Paymaster-General	112,155,624	0 10	—	—
	206,332,555	3 7	3,191	5 7

APPENDIX 2

PAPER handed in by *Sir Eric Bamford*, K.B.E., C.B., C.M.G., on the
19th February, 1948

**TREASURY MINUTE DATED 28th JANUARY, 1948, ON THE
FIRST, SECOND AND THIRD REPORTS FROM THE COM-
MITTEE OF PUBLIC ACCOUNTS, SESSION 1946-47**

My Lords read the First, Second and Third Reports from the Committee of Public Accounts, Session 1946-47, dealing with the Appropriation and other Accounts for 1945-46, on which They make the following comments:—

FIRST REPORT

Excess Vote. Class IV. Vote 10.—Scientific Investigation, etc.

My Lords note the comments of the Committee.

SECOND REPORT

Losses incurred by the Exchequer as the result of Currency and other transactions by members of the Armed Forces and Civilian Organisations serving in Europe.

Write to:—

The Under-Secretary of State,
War Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Army Council to the comments contained in the Second Report from the Committee of Public Accounts, Session 1946-47, regarding the losses incurred by the Exchequer as a result of currency and other transactions by members of the Armed Forces and Civilian Organisations serving in Europe.

2. My Lords are in agreement with the conclusions of the Committee which They note were agreed to by the House of Commons after Debate on 21st July, 1947.

3. In paragraph 45 of their Report the Committee recommend that the appropriate authorities should take all necessary steps to stop the practice of obtaining services and local products in return for goods and not by payment in Marks. My Lords endorse this recommendation, although They appreciate the difficulties of stamping out barter transactions between servants of the Crown and the local population in countries where there is a famine of goods. Their Lordships do not doubt that the Army Council have given the fullest consideration to the Committee's recommendation, and My Lords will be glad to be informed of the measures which They understand have been taken with a view to stopping this practice.

I am, etc.

Write to:—

The Secretary,
Admiralty.
The Under-Secretary of State,
Air Ministry.
The Under-Secretary of State,
Foreign Office (German Section).

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Lords Commissioners of the Admiralty [the Air Council] [the Secretary of State] to the comments contained in the Second Report from the Committee of Public Accounts, Session 1946-47, regarding the losses incurred by the Exchequer as a result of currency and other transactions by members of the Armed Forces and Civilian Organisations serving in Europe, and to the views on this subject which My Lords have caused to be conveyed to the Army Council in the relevant paragraph of Their Minute dated 28th January, 1948.

I am, etc.

THIRD REPORT

Paragraphs 1 to 9.—Standards of Accounting and Financial Control

1. In these paragraphs the Committee review the progress that has been made since the end of the war towards the resumption of higher standards of accounting and financial control and deal also with particular cases where the Committee consider further measures to be necessary.

2. My Lords' aim in this matter is to hold the balance between the high standards of accounting and financial control expected from Government Departments and the need for economy in manpower. They are aware that adequate standards have not yet been reached by all Departments and nothing should stand in the way of attaining the controls necessary for proper administration and to prevent fraud. On the other hand, My Lords are glad to note that the Committee raise no objection to Their intention not to aim at the restoration of all pre-war checks, but to continue and to extend the method of selective checks where experience shows this to be possible without undue risk.

3. My Lords fully endorse the Committee's desire that Departments should undertake periodic reviews of the work that is being done, as well as that left undone, in order to ensure that the staff available is employed on the most profitable work. The Organisation and Methods staffs in Departments and at the Treasury provide one important agency for this review. My Lords have informed all Accounting Officers that They regard it as most important to intensify reviews by Departments of the numbers of staffs in relation to essential duties and have asked them to impress upon staffs at all levels the need for eliminating inessential work. Their Lordships have recently asked a number of the larger Departments to report whether any additional relaxations could be introduced without impairing proper administration or safeguards against fraud, and My Lords propose to call a meeting of Principal Finance Officers in the near future to consider the general question in the light of these reports. My Lords will not fail to consult with the Committee if any important relaxations of financial checks are proposed.

4. My Lords now turn to the comments of the Committee regarding the arrears of Inland Revenue taxes. Their Lordships wish to emphasise that the arrears of £780,000,000 mentioned by the Committee as outstanding at the end of the accounting year 1945-46 do not represent collectible revenue, for they include all assessments, whether under appeal or provisional in character and irrespective of whether the tax will ultimately prove to be payable or not. The Comptroller and Auditor General's Report made it clear that of the arrears of £437,000,000 for Excess Profits Tax at 31st March, 1946 the amount due and payable at that date amounted to £110,000,000. It is estimated that of the total arrears of £780,000,000 for Income Tax (excluding P.A.Y.E.), Sur Tax, National Defence Contribution and Excess Profits Tax, only £191,000,000 was due and payable at the end of the accounting year 1945-46.

5. Their Lordships share the desire of the Committee that the arrears of taxes should be reduced as rapidly as possible. The Committee will be aware of the provisions in Section 8 of the Finance (No. 2) Act, 1947, for interest to be charged on unpaid taxes as from the date on which the assessment was determined and the tax became due. It is mainly in the field of determination of assessments which are under appeal or provisional in character that the Department is suffering from a shortage of trained staff. My Lords understand that steps are being taken to strengthen the staff engaged in assessment, but it must be borne in mind that the delays in this field are due to shortage of staff in the professional world as well as in the Department.

Write to :—

The Commissioners of Inland Revenue.

GENTLEMEN,

I am directed by the Lords Commissioners of His Majesty's Treasury to invite your attention to the comments contained in paragraphs 2, 3, 4, 7 and 8 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding

arrears of taxes and to the views of Their Lordships in the relevant paragraph of the Treasury Minute dated 28th January, 1948.

2. My Lords are confident that the Commissioners have this matter under constant review and that they are making every effort to expedite the recruitment and training of staff in order to reduce the arrears of taxes due to be collected.

I am, etc.

Paragraphs 10 and 11.—Form of Estimates and Accounts for Works Services.

My Lords are glad to note the recommendation that the proposed arrangements for furnishing the Committee with a list of the estimates for, and expenditure on, new works services of £100,000 or more, related to the Appropriation Accounts for 1946-47 of the Defence Departments and the Ministry of Supply should be accepted and reviewed by the Public Accounts Committee of 1947-48. My Lords have arranged that similar details will be made available to the Committee, where appropriate and necessary, to supplement the published information on works services in other Votes.

Paragraphs 12 to 14.—Statutory Authority of Government Departments

1. My Lords note that the Committee are in full agreement with the principle enunciated by the Public Accounts Committees of 1932 and 1933 that, where it is desired that continuing functions should be exercised by a Government Department, particularly where such functions may involve liabilities extending beyond a given financial year, it is proper, subject to certain recognised exceptions, that the powers and duties should be defined by specific statute.

2. My Lords, for Their part, re-affirm Their intention to continue to aim at the observance of this principle. Their Lordships think it well to re-state the views expressed by Their predecessors on the Report of the Committee of 1933, which They fully share:—

“ My Lords note that the Committee accept generally the assurances which have been given them as regards expenditure which is not covered by the statutory powers of Government Departments.”

“ They are aware that there are many items of expenditure, often on a large scale, appearing on Votes from year to year for which no other authority exists than the successive Appropriation Acts.”

“ It is of course clearly within the right of Parliament to provide even continuing grants on the authority of the Appropriation Acts, but My Lords concur in the view of the Committee that the power should be used within reasonable limits and They will endeavour to comply with the wish of the Committee that, when it has been exercised to authorise continuing grants, opportunity should be taken to insert regularising clauses in any appropriate legislation which may be in contemplation. They are glad to note that the Committee do not press for special legislation to be introduced for the purpose of placing on a more regular footing the whole of this type of expenditure.”

3. My Lords have the application of the general principle to particular services under constant review and They do not doubt that the Committee are aware that many continuing services which were begun under war-time procedure have already been covered by legislation. They feel obliged to state, however, that the heavy programme of legislation confronting Parliament at the present time makes it inevitable, in Their view, that a number of these services (in addition to the exceptions recognised by former Committees) should continue to rest for the time being on the authority given by the Appropriation Acts.

4. My Lords now turn to paragraph 13, in which the Committee refer to the Votes for (a) the National Savings Committee, (b) the Department of Scientific and Industrial Research and (c) Universities and Colleges, etc., Great Britain. Votes

for each of these services had been in existence for many years before the Committees of 1932 and 1933 enunciated the principle mentioned above and My Lords assume that the Committee, like the earlier Committees, do not press for special legislation to be introduced to deal with these long-standing cases.

Write to :—

The Under-Secretary of State,
Home Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Secretary of State to paragraph 13 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding statutory authority for grants in respect of Police expenditure.

2. The Secretary of State will observe that the Committee express regret that statutory authority for Exchequer grants towards Police expenditure was not obtained in the Police Act, 1946. My Lords are sure that the Secretary of State will take the Committee's comments into consideration with a view to the introduction of legislation at the first suitable opportunity.

I am, etc.

Paragraphs 15 to 17.—Record of Outstanding Loans, etc.

My Lords draw the attention of Accounting Officers to the Committee's recommendations that the Appropriation Accounts should include (a) a list of all outstanding loans for the recovery of which the Department is responsible, other than loans recorded in the Finance Accounts of the United Kingdom, and (b) particulars of any shares in commercial companies held by Departments at the end of the financial year. Where the Accounting Officer considers that publication of details of loans to commercial firms is undesirable, My Lords agree that it will suffice to publish only the total amount of such loans, provided the Department furnishes the Public Accounts Committee with a detailed list of the loans making up the total amount recorded in the Appropriation Account.

Paragraphs 18 to 22.—Superannuation Schemes for Public Organisations.

My Lords note the comments of the Committee.

Paragraphs 23 and 24.—Trading Accounts.

1. My Lords accept in principle the Committee's view that Parliament should be informed of the outcome of the trading services of Government Departments through the publication of trading accounts certified by the Comptroller and Auditor General. The Trading Accounts for 1946-47 of the Ministry of Food, the Raw Materials Departments of the Ministry of Supply and of the Board of Trade, and the Royal Ordnance Factories will be published shortly; and My Lords have arranged for the resumption of publication of the Post Office Commercial Accounts, the Dockyard and other Production Accounts of the Navy and the Trading Accounts of the Stationery Office, starting with accounts for 1947-48. My Lords have this question under consideration in connexion with certain other trading services, in respect of which no decision has yet been reached to publish trading accounts owing to manpower difficulties or to uncertainty whether the service will continue to be carried out by a Government Department.

2. Their Lordships wish to inform the Committee that They have agreed that publication need not be resumed of the trading accounts of Richmond Park Golf Course, the Government Wool Disinfecting Station, and certain activities of the Ministry of Agriculture and Fisheries and the Department of Agriculture for Scotland; Their Lordships are satisfied that no useful purpose is served by publishing trading accounts for these services.

Paragraphs 25 to 29.—British Council—Financial Control.

Write to :—

The Under-Secretary of State,
Foreign Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Secretary of State to paragraphs 25 to 29 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding the financial control of the British Council.

2. The Secretary of State will note that the Committee express the view that there has been in the past some lack of appreciation by the Council of the canons of government accounting, but that they were glad to learn of the measures taken by the Council to ensure proper financial control. The Committee also trust that the Council will issue a comprehensive code of instructions at an early date.

3. My Lords fully endorse the Committee's comments. They understand that the Council has under review the need for securing further improvements in the control of expenditure, and that certain changes in the Council's internal arrangements are contemplated to this end.

4. My Lords urge that the comprehensive codes of instructions on establishment matters and on financial control and accounting should be issued at the earliest possible date. I am to request that Their Lordships may be furnished by the Secretary of State not later than 31st March, 1948, with a report on the measures taken to give effect to the Committee's recommendations.

I am, etc.

Paragraphs 30 to 32.—Expenditure by the British Council in the Colonies.

1. My Lords have carefully considered, in consultation with the Colonial Office, the Committee's recommendation that it might be more appropriate to place upon Colonial Governments the responsibility for all educational and cultural work on behalf of their local population, rather than that the British Council should undertake any work in the Colonies. Their Lordships have reached the conclusion, however, that there is a place for British Council activities in the Colonies which cannot be filled as effectively or economically by any other organisation and which cannot appropriately be handed over to Colonial Governments. This work is primarily intended for the benefit of the Commonwealth as a whole and its efforts are directed to strengthening the cultural ties between this country and the Colonies. My Lords share the view of the Secretary of State that it would be inappropriate to ask Colonial Governments to bear expenditure of this kind.

2. My Lords recognise, however, that the British Council undertook educational and other work in the Colonies during the war which may be said to have had as its primary object the cultural advancement of the local population and which Their Lordships agree might be undertaken by the Colonial Governments themselves. The activities of the Council are now being reviewed so that work of this kind may be handed over to Colonial Governments as soon as possible. It has been decided that Colonial Governments should be invited to take over certain library and educational services forthwith.

3. My Lords are in full agreement with the Committee's recommendation that all possible steps should be taken to avoid overlap between the Council and Colonial Governments and that the Council's expenditure in the Colonies should be audited by the Colonial Auditor. Their Lordships understand that the Secretary of State is preparing revised instructions defining the work to be undertaken by the Council on his behalf; it is Their desire that the annual estimates of the Council shall be closely scrutinised with a view to eliminating expenditure which should be borne by Colonial Governments. The agreement of Colonial Governments is being sought to an arrangement whereby audit of the Council's expenditure will be undertaken from 1st April, 1948, by the Colonial Auditor, who will be asked to call particular attention to any instance in which there appears to be overlap of the Council's expenditure with that of the Colonial Government.

Paragraphs 33 to 35.—Colonial Food Yeast, Limited.

Write to :—

The Under-Secretary of State,
Colonial Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Secretary of State to the comments contained in paragraphs 33 to 35 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding Colonial Food Yeast, Limited.

2. The Committee recommend that further examination should be given to the question of liquidating Colonial Food Yeast, Limited and substituting a direct agency agreement between the Colonial Office and the West Indies Sugar Company. As a result of semi-official discussions between the Colonial Office and the Treasury, My Lords understand that the Secretary of State remains of the opinion that any such change in the arrangements at the present stage, when the scheme is still partly experimental both as regards production and marketing, would be detrimental to efficiency. Their Lordships also understand that the Secretary of State proposes to reconsider the future of the scheme in the light of new developments now in prospect regarding the method of financing and carrying out projects for developing resources in the Colonies.

3. In these circumstances, My Lords are prepared to agree that present arrangements should be continued until 30th April, 1948, when They will be glad to be furnished with the recommendations of the Secretary of State on the future of the scheme. If the Secretary of State then recommends that the project should be continued as a Colonial Development and Welfare scheme, My Lords will wish to be informed whether it will be possible to negotiate a direct agency agreement between the Colonial Office and the West Indies Sugar Company.

I am, etc.

Paragraphs 36 to 39.—Administration of Insurance Schemes.

1. In paragraph 38 the Committee express the hope that every opportunity will be taken to reduce the number of separate buildings occupied by the Ministry of National Insurance, the Ministry of Labour and National Service and the Assistance Board for the administration of the social service schemes. My Lords have constantly sought to achieve this end. It is the accepted policy that the local offices of the Ministry of National Insurance and the Assistance Board should be housed in the same premises wherever possible. The implementation of this policy has, however, been impeded by the severe shortage of suitable buildings to house the combined staffs. A complete survey has been made of the local premises occupied by the Ministry of Labour and National Service and by the Assistance Board; and the Ministry of National Insurance have opened offices in a number of these buildings where suitable accommodation was found to be available. The question of local accommodation for the Ministry of National Insurance was re-examined recently in the light of the scarcity of suitable buildings and the reduction in the Government building programme; as a result My Lords are satisfied that every effort is being made by the Departments concerned to share office accommodation wherever this is practicable.

2. In paragraph 39 the Committee, while recognising that there may be difficulties in the way of a complete merger of the staffs and services of the three Departments, state that they feel confident that economies could be secured by some measure of administrative integration. My Lords have endeavoured to ensure the integration of certain common services, but the accommodation difficulties referred to above have proved a serious handicap. It has been decided that the Ministry of National Insurance and the Assistance Board should share common service staffs to the maximum extent practicable and that the work of home visiting should be carried out wherever possible by staff of the Ministry. It will not be possible, however, to make much progress in giving effect to this decision until the changes in the statutory functions of the Assistance Board

proposed in legislation now before Parliament have been brought into force. It has also been agreed that any local staff that can be spared by one Department should be lent to the local offices of the other Departments to assist in dealing with seasonal fluctuations of work. Their Lordships can assure the Committee that it is Their desire to secure economies in manpower by providing common services for the three Departments in local centres to the maximum degree possible and that They will continue to keep the matter under close review.

Paragraph 40.—Estimates of Cost.

Write to :—

The Secretary,
Ministry of Works.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Minister to the comments contained in paragraph 40 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding estimates of cost.

2. The Committee observe that the cost of temporary houses and other constructional works has been seriously under-estimated and hope that every effort will be made in future, when any project is proposed, to present as accurate an estimate as possible of the total cost likely to be incurred. The Committee also consider that it is prejudicial to economy and efficiency that the estimates of cost, on which may well depend the decision to adopt or continue a particular line of action, should so frequently be unreliable.

3. While My Lords recognise the difficulties of framing reliable estimates in present circumstances, They are in full agreement with the views expressed by the Committee. The Minister will appreciate that Their Lordships' control of expenditure on works services loses much of its effectiveness if the estimates submitted for Their sanction prove to be seriously inadequate. They therefore trust that the Minister will use every endeavour to comply with the Committee's recommendations.

I am, etc.

Paragraph 41.—Standardisation of Fittings.

Write to :—

The Secretary,
Ministry of Works,
The Secretary,
Ministry of Health.
The Secretary,
Department of Health for Scotland.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Minister [Secretary of State] to the comments contained in paragraph 41 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding the standardisation of fittings.

2. The Minister [Secretary of State] will note the Committee's recommendations that every effort should be made to ensure the maximum standardisation of fittings for housing work and that local authorities should be required to conform to common national standards.

3. My Lords are aware that the Departments concerned with housing have played a leading part in recent years in the formulation and adoption of British Standards for housing fittings and They have no doubt that the Minister [Secretary of State] will pay the fullest regard to the Committee's recommendations.

4. My Lords would be glad to be informed of the extent to which it has been found possible to require local authorities to conform to national standards in this matter.

I am, etc.

Paragraphs 42 to 54.—Navy.

Write to :—

The Secretary,
Admiralty.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Lords Commissioners of the Admiralty to the comments contained in paragraphs 42 to 54 of the Third Report from the Committee of Public Accounts, Session 1946-47.

Paragraphs 42 and 43.—Arrangements for Securing Economy in Manufacture.

2. My Lords note that the Committee welcome the arrangements proposed with a view to securing economy in manufacture and They would be glad to be furnished with the conclusions reached by the Board when the Departmental Committee has reported.

Paragraphs 44 to 46.—Warship Prices ; Future Arrangements for Control.

3. My Lords do not doubt that the Lords Commissioners of the Admiralty fully appreciate the importance of making such arrangements as will ensure that on the general resumption of warship construction fair and reasonable prices shall be secured in the absence of effective competition. My Lords will be glad to hear the result of discussion with the industry in this matter.

Paragraphs 47 and 48.—Statutory Authority for the Admiralty to Undertake Commercial Work.

4. My Lords note that the Committee do not dissent from Their view that the amount of commercial work undertaken in the Naval dockyards and other manufacturing establishments of the Admiralty had not reached the point at which statutory approval was desirable. My Lords request that the Board will bear in mind the Committee's recommendation that the question should be reconsidered if the amount of such work should show any considerable increase in future years.

Paragraphs 49 to 54.—Production of Civilian Goods in Admiralty Establishments.

5. My Lords endorse the Committee's recommendation that any labour retained as a war potential should be the subject of continual and rigorous review to preclude any possibility of this labour being in excess of current minimum requirements. Their Lordships understand that the existing arrangements provide opportunities for a review of this kind and They trust that any cases such as the Committee have in mind will be followed up.

I am, etc.

Paragraphs 55 to 58.—Antedating of Payable Orders.

Write to :—

The Secretary,
Ministry of Supply.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Minister to paragraphs 55 to 58 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding the antedating of payable orders.

2. My Lords are in complete agreement with the Committee's view that strict compliance with provisions of Section 24 of the Exchequer and Audit Departments Act, 1866, is essential to Parliamentary control of expenditure. The Minister will no doubt ensure that there is no recurrence of the irregular antedating of payment documents.

I am, etc.

Paragraphs 59 to 62.—Sale of Government Factories by Private Treaty.

Write to :—

The Secretary,
Ministry of Supply.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Minister to the comments in paragraphs 59 to 62 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding the sale of Government factories by private treaty.

2. My Lords understand that the Minister accepts in principle the Committee's recommendation that a date should be fixed after which the factories which still remain unsold should no longer be available on specially favourable terms to firms in the light metal industry. Their Lordships would be glad to be furnished with details of the arrangements made to give effect to the recommendation.

I am, etc.

Paragraphs 63 and 64.—British Sugar Corporation, Limited.

1. My Lords note the comments of the Committee. Their Lordships have decided that the reasonable rate of interest to be allowed to the British Sugar Corporation Limited for the year 1946-47 should be $3\frac{1}{2}$ per cent.

2. My Lords understand that as a result of the record output in that year the Corporation, under the incentive agreement with the Ministry of Food, earned a larger amount than in any previous year and so felt able to maintain in respect of that year the former dividend of $4\frac{1}{2}$ per cent. on share capital.

Paragraphs 65 to 69.—Petroleum Pipelines in the United Kingdom.

Write to :—

The Secretary,
Ministry of Fuel and Power.

SIR,

I have laid before the Lords Commissioners of His Majesty's Treasury your letter of 31st December, 1947, containing the recommendations of your Ministry on the question of the peacetime use of the petroleum pipelines in the United Kingdom, which has been re-examined in accordance with the suggestion made by the Committee of Public Accounts, Session 1946-47, in paragraphs 65 to 69 of their Third Report.

2. My Lords note that the Committee's suggestion has been fully considered by your Ministry and the Ministry of Transport, in consultation with the Railway Executive Committee and the Petroleum Board, and that the conclusion reached for the reasons stated in your letter is that the peacetime use of the pipelines (other than the section from Avonmouth to Stourport) is impracticable.

I am, etc.

Paragraphs 70 to 75.—Coal Charges Account.

Write to :—

The Secretary,
Ministry of Fuel and Power,

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Minister to the comments in paragraphs 70 to 75 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding the Coal Charges Account.

I am, etc.

Paragraphs 76 to 80.—Advances and Loans to Local Authorities.

1. In these paragraphs the Committee review the relationship between the grants made by the Ministry of Health to certain metropolitan boroughs whose loss of revenue involved them in financial difficulties and the surplus balances accumulated by the London County Council during the period from 1st April, 1941, to 31st March, 1944, as a result of the Council's precepts being in excess of current requirements.

2. In accordance with the Committee's recommendation, My Lords have given careful consideration, in consultation with the Ministry of Health, to the question whether the general taxpayer should bear any part of the cost that has arisen as a result of the London County Council's over-estimate of expenditure. For the reasons outlined below, My Lords do not consider that the cost borne by the general taxpayer could be shown to have been greater than it would have been if the surplus balance of the London County Council had remained constant during the whole period.

3. The Committee recognise that, in so far as the surplus balance of the London County Council at 31st March, 1944, is used to keep down the rates, the excessive grants will be in effect partly refunded so long as the Ministry's grants to metropolitan boroughs continue. The amount of the increase in the balance of the London County Council during the period to 31st March, 1944, which could be regarded as having been provided from Exchequer grants is about £2,000,000. During the period from 1st April, 1944, to 31st March, 1946, when the scheme for meeting actual deficiencies on the accounts of the assisted boroughs came to an end, My Lords understand that the Council's balance was reduced by about £2,000,000, of which about £500,000 may be attributed to the assisted boroughs.

4. In levying precepts for 1946-47, the London County Council budgeted for a further decrease in their balance of about £9,000,000, with a consequential reduction in their precepts on the boroughs. The wartime scheme for deficiency grants was replaced on 1st April, 1946, by a revised scheme, under which lump sum grants were agreed for the two years 1946-47 and 1947-48 following negotiations between the boroughs and the Ministry of Health. It is estimated that, but for the reduction in the Council's precepts in 1946-47, the lump sum grants for that year would have been increased by about £1,000,000 and those for 1947-48 (which were based on the grants for the previous year) by about £500,000. It would appear, therefore, that the whole of the excess payments of about £2,000,000 will in effect have been recovered by the end of 1947-48.

Paragraphs 81 to 84.—Assistance to Colonies occupied by the Enemy.

Write to :—

The Under-Secretary of State,
Colonial Office.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Secretary of State to the comments contained in paragraphs 81 to 84 of the Third Report from the Committee of Public Accounts, Session 1946-47, regarding the assistance rendered to Far Eastern Colonies formerly occupied by the Enemy.

2. My Lords understand that discussions between the Colonial Office and the Colonial Governments on this matter are proceeding. Their Lordships share the desire of the Committee that settlements should be reached as soon as possible with the several Colonies concerned and They would be glad to be furnished by the Secretary of State with a report showing the progress made in arriving at such settlements not later than 31st March, 1948.

I am, etc.

Paragraphs 85 to 89.—Control Price of Aluminium.

1. In Paragraph 89 the Committee recommend that in all cases where it is necessary to assist industries by the sale or purchase of raw materials at uneconomic prices, specific provision (similar to that included under Subhead I of the 1946-47

Estimates of the Ministry of Supply to meet the loss on the sale of home produced aluminium at the controlled price) should be made in the appropriate Estimates. My Lords understand that, from the date when the issue price of aluminium was increased to £80 a ton to cover the weighted cost of all purchases both from home production and from Canada, all expenses, including the excess cost of purchases at home, have been charged to the Trading Services Subhead and included in the Trading Accounts. Accordingly no payments on account of aluminium have been charged against the provision under Subhead I in 1947-48 and the Estimates for 1948-49 will make no provision for aluminium under the Subhead for Assistance to Industry. My Lords have arranged, however, that the Trading Services Subhead of the 1948-49 Estimates shall contain a note of the estimated excess cost of purchases of British aluminium over the cost of equivalent purchases from Canada. A similar note will be made of the excess cost of the home production of tin.

2. My Lords have also arranged that the Trading Services Subhead of the Board of Trade Estimates for 1948-49 shall indicate the amount included in respect of subsidies incurred by the purchase and sale of raw materials at uneconomic prices in order to implement the cost of living stabilisation policy and the policy of developing the production of home-grown flax. My Lords trust that the action indicated above will sufficiently meet the Committee's wishes in this matter.

Paragraphs 90 and 91.—Food Subsidies.

In paragraph 91 the Committee suggest that, so far as this is not already the case, all expenditure on the Food Production Votes of the Ministry of Agriculture and Fisheries and the Department of Agriculture for Scotland should be taken into account in the calculation of total expenditure on food subsidies. My Lords are unable to agree with this suggestion. The various services concerned are primarily designed to increase the general efficiency of agriculture, to stimulate the home production of food, and to ensure that the agricultural resources of the country are utilised in the national interest. Some items of this expenditure are in no sense subsidies, either to consumer or producer; and even though it might be argued that some element in the rest of the expenditure could be appropriately regarded as a food subsidy, it would be virtually impossible to determine with any precision what this element is. Moreover, considerable confusion might be created in public discussions of current policy if entirely new items were introduced into the food subsidy calculations. In these circumstances My Lords are of the opinion that the present arrangement under which only the acreage payments borne on the Votes in question are treated as part of the food subsidy should be maintained.

Paragraphs 92 to 94.—Subsidies to Particular Classes.

Arrangements have been made to ensure that the subsidies on the National Milk Scheme and the Milk in Schools Scheme will be shown separately in the Trading Accounts which are to be presented to Parliament.

Paragraphs 95 to 97.—Powers of Ministry of Food in relation to long-term contracts.

My Lords note that the Committee are not satisfied that the Ministry of Food have power to enter into contracts extending beyond the date of expiry of the Supplies and Services (Transitional Powers) Act, 1945. Having now taken the advice of Their Solicitor on this question, My Lords are able to assure the Committee that the statement made by the Ministry of Food, which is summarised in paragraph 96 of the Report, correctly states the legal position, and that there is no doubt that the Minister has legal powers to make contracts extending beyond 10th December, 1950. But My Lords readily agree that the established practice referred to in paragraph 12 of the Committee's Report requires that the powers of the Ministry of Food to incur expenditure on long-term commitments should be defined by statute at the first convenient opportunity; and, as the Committee were informed, the Ministry are now engaged on the preparation of such legislation.

Paragraphs 98 to 102.—Raw Materials.

Write to :—

The Secretary,
Board of Trade.

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Board of Trade to the comments contained in paragraphs 98 to 102 of the Third Report from the Committee of Public Accounts, Session, 1946-47, regarding adjustments in prices of raw materials.

Paragraphs 98 to 100.—Timber.

2. In these paragraphs the Committee refer to the delay which took place in giving effect to the decision reached in November, 1946, to increase the selling prices of timber. The Committee note that softwood prices were not increased until 1st May, 1947. My Lords understand that the increases in the prices of hardwood and plywood were made in August, 1947.

3. The Board will note that the Committee draw attention to the fact that it was estimated in August, 1946, that continuance of the existing prices would result in an excess of replacement costs over selling prices being incurred at the rate of about £9,000,000 a year and in the exhaustion of the accumulated profit of £7,000,000 at 31st March, 1946, by the end of the following year. My Lords understand that the trading accounts for 1946-47 show a loss on trading during the year of £6,874,000 and that the balance of profits from previous years remaining at 31st March, 1947, was £670,000.

4. The Committee comment that the delay in increasing selling prices in the light of increased replacement costs was due to the depletion of staff of the Timber Control. My Lords understand that the revision of the price schedules and the drafting of the necessary Orders is specialised work which could not be undertaken by inexperienced staff and that it was found impossible to complete the work before it became clear that further substantial increases beyond those contemplated earlier were necessary to cover the rising costs of purchases.

Paragraph 101.—Flax.

5. The Committee mention that trading in flax resulted in a loss of £1,250,000 in 1945-46 and that further losses seemed likely in 1946-47. My Lords understand that the total loss during these two years was about £2,250,000. Of this sum, £1,950,000 represents losses incurred in the disposal of stocks acquired under wartime agreements, which were unsuitable for peacetime use and involved certain abnormal costs which My Lords agreed should be ignored when selling prices were revised in 1944; and the balance of £300,000 represents the loss on normal trading in the two years. My Lords were informed by the Board when Their sanction was sought for increases in selling prices in 1947 that a small profit on normal trading was expected in 1947-48, but that the increased prices would not cover further losses in the disposal of wartime accumulations of low-grade flax and tow which would be sold at the best prices obtainable. My Lords approved these proposals and selling prices were increased from 25th August, 1947.

Paragraph 102.—General.

6. Their Lordships trust that the Board will pay careful regard to the Committee's recommendations that trading results should be subject to frequent review with a view to prompt adjustment of prices and that, where the work of revising price schedules is likely to take a long time, selling prices should be subject to an over-all percentage increase necessary to cover current costs. My Lords would be glad to be informed at an early stage should any case arise in future in which shortage of staff seems likely to cause serious delay in implementing a decision to increase selling prices of raw materials.

I am, etc.

Paragraphs 103 to 108.—Control Office for Germany and Austria.

Write to :—

The Under-Secretary of State,
Foreign Office (German Section).

SIR,

I am directed by the Lords Commissioners of His Majesty's Treasury to request you to invite the attention of the Secretary of State to the comments contained in paragraphs 103 to 108 of the Third Report from the Committee of Public Accounts, Session 1946–47, regarding the accounts of the Control Office for Germany and Austria (now the German Section of the Foreign Office).

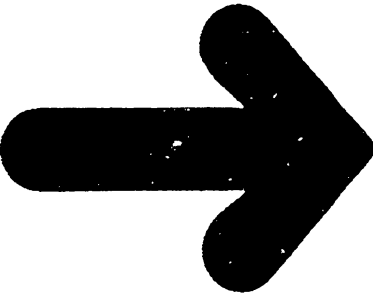
2. My Lords entirely agree with the Committee's recommendations that immediate steps should be taken to remedy any defects in the accounting for cash and stores and to ensure that all cash and store accounts are subjected to an adequate departmental examination before being rendered to the Comptroller and Auditor General.

3. The Committee's recommendations have been carefully considered by the Treasury and the Foreign Office. Their Lordships have sanctioned the Secretary of State's proposals for the establishment in Germany of a staff to advise the Military Governor on all financial matters arising from the administration of the Control Commission and to undertake the departmental examination of the relative cash and store accounts. My Lords have also approved proposals for strengthening the accounting staff in the headquarters of the Foreign Office (German Section), including an increase in the number of staff employed on the departmental examination of salaries and allowances.

4. My Lords trust that these measures will ensure that the defects in the accounting and auditing arrangements criticised by the Committee are remedied without delay. They do not doubt that the Secretary of State will keep the matter under constant review and will consult with Their Lordships if experience indicates that any further steps are necessary to maintain satisfactory standards of accounting and internal audit.

5. In conclusion I am to ask that Their Lordships may be informed of the arrangements made for the audit of the accounts of the Joint Export-Import Agency.

I am, etc.



APPENDIX 3

PAPER forwarded by *Sir William Dawson Croft*, K.B.E., C.I.E., C.V.O.,
on the 15th April, 1948

DUTY-FREE NAVY STORES

Joint note by the Admiralty and Board of Customs and Excise

The Public Accounts Committee, after their Session on 9th March, handed to the Chairman of the Board of Customs and Excise a note of the following questions which the Committee desired should be answered by the Admiralty and the Board jointly. This note embodies the joint views of the Admiralty and the Board.

Question (1).—Estimated value of concessions now current and outside strict interpretation of Customs Consolidation Act, 1876.

The total cost in duty of all concessions Statutory and otherwise for the year 1946-47 was about £8,000,000. The Statutory provisions dealing specifically with the shipment of stores in naval vessels are in terms obsolescent but on the analogy of what is allowed to merchant ships clearing for "parts beyond the seas" by Section 126 of the Customs Consolidation Act 1876 probably between one third and one half of this sum may be regarded as legitimate.

Question (2).—How many naval personnel are serving in Privileged Shore Establishments and how many such Establishments are there?

Approximately 75,000 men: 50,000 of whom are serving in some 60 large Establishments, the remainder being accommodated in about 180 subsidiary Establishments.

Question (3).—To how many of these Establishments do civilians or men of other Services have access?

At most naval shore establishments there are a few civilians employed as N.A.A.F.I. Canteen Staff, cleaners, boilermen, gardeners etc. The number of these is, however, kept to the minimum and they are not allowed access to the quarters occupied by the naval personnel.

There are some R.A.F. personnel accommodated in certain R.N. Air Stations but in general these premises do not enjoy the tobacco privilege.

Tradesmen, etc., are also allowed necessary access to naval shore establishments.

It will be seen therefore that civilians and men of other Services do have access to privileged shore establishments, but all reasonable precautions are taken to prevent dutiable stores reaching unentitled persons, and where the proportion of unentitled persons is large the tobacco privilege is refused to the naval personnel.

Question (4).—What steps are taken by either department to ensure that personnel do not take ashore or outside Privileged Shore Establishments more than the authorised amount of duty free stores?

The gangways of all ships in harbour or dock are manned by the Naval Regulating Staff; all Dockyards are patrolled and exits guarded either by R.M. Police or Admiralty Civil Police and the exits of Privileged Shore Establishments are guarded by Regulating Staff or Sentries. The duties of the Regulating Staff include the challenge and search of naval personnel and their baggage when passing out of the ship and the Police and Customs' Officers carry out similar duties ashore as respects both naval personnel and civilians and their baggage.

Officers of Customs and Excise board every ship on arrival from overseas and make visits to ships in harbour; they may search H.M. Ships, though this is rarely done; they visit dockyards as frequently as possible and augment the Police at the exits and they make periodical visits at varying times and of varying frequency to shore establishments to carry out preventive duties. Special arrangements may be made, with the co-operation of Commanding Officers of H.M. Ships, for dealing with large parties going on leave or being transferred to a shore establishment.

Smuggling offences committed by naval personnel are normally dealt with under the Naval Discipline Act, but in exceptional cases the Customs Authorities may seek the agreement of the Admiralty to proceedings in a Civil Court. Proved offenders are severely dealt with. Other disciplinary steps are taken, e.g., if a man going on leave is detected in an attempt to smuggle he is at once returned to his ship to await enquiry and necessary disciplinary action.

The whole question of safeguarding duty free goods is at the present time under review by the Admiralty with the object of deciding what further instructions, if any, are desirable in the interests of minimising smuggling.

Question (5).—How are non-smokers and teetotallers dealt with?

All officers and men over the age of 18 are entitled to take up the tobacco issue on payment or to buy supplies from the mess or canteen whether they are smokers or not. Boys are not allowed to take up the Service tobacco issue.

The rum ration or grog money in lieu is only allowed to men over the age of 20 and they must elect which they wish to receive. The cash allowance known as grog money is 21s. a quarter or 3d. a day for broken periods.

Officers do not receive the rum ration. They may buy in their messes wines or beer by the glass, or spirits by the "tot" but are not allowed wine or spirits in bottle.

APPENDIX 4

CORRESPONDENCE WITH SIR WILLIAM DOUGLAS, K.C.B., K.B.E., ON RATES ON UNOCCUPIED, REQUISITIONED HOUSES

House of Commons, S.W.1,
13th May, 1948.

Dear Sir William,

PUBLIC ACCOUNTS COMMITTEE

After reading through the proof of your evidence on requisitioned houses, my Chairman has decided that there are some further points, which he would like elucidated. I am enclosing two copies of a list of questions, and I should be glad if you would let me have your answers not later than the 10th June.

Yours sincerely,

(sgd.) J. S. CRAWFORD,
Clerk to the Committee.

Sir William Douglas, K.C.B., K.B.E.,
Ministry of Health,
Whitehall, S.W.1.

(Class V, Vote 1
Evidence Qq. 1843-1889)

*Further Questions to
Ministry of Health*

(A)—*Delay in Making Use of Requisitioned Houses*

1. Q.1852 refers to replies received from 14 authorities: have replies since been received from other London boroughs and what total number of unoccupied houses, etc., does it now disclose?
2. How many requisitioned houses have been released since, say, mid-1947 without any use having been made of them during the period of requisitioning?
3. Is Islington one of the 14 boroughs referred to in Q.1852, and what are the Islington figures of unoccupied houses, etc.?

(B)—*Rates on Unoccupied, Requisitioned Houses*

1. What is the statutory position, in the London area, as regards the entitlement of local authorities to levy rates, in full or in part, on unoccupied property?
2. Have rates (or a contribution in lieu) been paid generally on properties directly requisitioned by Government Departments for periods when the Department was not occupying them? If so, on what grounds?
3. If, as it appears, the Ministry of Health have paid full rates on properties requisitioned by local authorities irrespective of whether the properties have been available for occupation, has this been done in conformity with the practice on direct requisition (B.2 above) and, if not, on what grounds?
4. What is considered to be the justification for paying rates on properties which have not yet been made habitable, since, if they had not been requisitioned, the owners would presumably not have been in a position to make them habitable seeing that the local authority itself could not do so?
5. How is the rateable value on requisitioned property assessed?
6. Can any estimate be given of the total cost to the Exchequer of payments of rates on requisitioned property in London which had not been made available for occupation?

Ministry of Health,
Whitehall, S.W.1,

7th June, 1948.

Dear Crawford,

PUBLIC ACCOUNTS COMMITTEE

Enclosed are the answers to the Questions you forwarded to me with your letter of the 13th May. Question B.2 being of general application has been answered by the Treasury.

With regard to the answer given to Question B.3, it is fair to state that six authorities in the London area have not followed the practice of the majority and did not levy rates in 1947/48 on unoccupied, requisitioned houses. Accordingly, we propose to inform the other local authorities that the Ministry will not reimburse any rates levied on unoccupied houses requisitioned by them under their delegated powers for the year 1947/48 and later. It is probable that they will protest, but it can at this date be argued that most of these houses are so much in need of repair that the authorities cannot have suffered loss of rate income by withdrawal from the letting market of these particular houses.

Yours sincerely,
(sgd.) W. S. DOUGLAS.

J. S. Crawford, Esq.

(Class V, Vote 1
Evidence Questions 1843-1889)

Replies to further Questions
to Ministry of Health

A.—Delay in Making Use of Requisitioned Houses

1. Replies have been received from 22 local authorities in London Region, including Islington. The following table shows the position as regards houses requisitioned up to 30th September, 1947, which had neither been occupied nor released by the middle of April, 1948. The figures in brackets are the figures included for Islington.

	Houses requisitioned			Percentage
	Before 1.4.47	Between 1.4.47 and 30.9.47	Total	
(a) Work completed or nearly completed... ..	69 (—)	27 (1)	96 (1)	12
(b) Work in progress	210 (45)	102 (—)	312 (45)	40
(c) Awaiting agreement with War Damage Commission, Minis- try of Health or both	83 (27)	39 (—)	122 (27)	16
(d) Revised schedule in prepara- tion, or out to tender or con- tract let	90 (24)	78 (—)	168 (24)	22
(e) Under review including possible derequisition	38 (—)	13 (—)	51 (—)	7
(f) Others	15 (—)	12 (—)	27 (—)	3
Totals	505 (96)	271 (1)	776 (97)	100

The 22 local authorities are the only ones in the Region who have any significant amount of empty accommodation. The total number of houses under requisition by them is a little over 29,000. This is nearly one-half of the total number of houses under requisition in London Region and 30 per cent. of the total number of houses requisitioned in England and Wales.

2. The number of requisitioned houses released since 30th June, 1947, by the 22 local authorities referred to in A.1 without any use having been made of them during the period of requisitioning is 1,003. Of these, however, 541 were released following representations by owners within 14 days of requisitioning and were, therefore, only held for short periods. The figures for Islington are 131 houses released since 30th June, 1947, without occupation, including 4 released following representations by owners.

3. No, but the Islington figures are now included in the replies to A.1, A.2 and B.6. At 31st March, 1948, Islington had 1,597 houses under requisition.

B.—*Rates on Unoccupied, Requisitioned Houses*

1. The Department is advised that Crown exemption from rating does not apply to houses requisitioned by local authorities for housing purposes under delegated powers. Such properties are, therefore, subject to the ordinary rating law. Payment of rates depends generally on beneficial occupation and normally houses which are completely unoccupied are deemed not to be in beneficial occupation and rates are not payable. There have, however, been cases where the Courts have decided that beneficial occupation exists even though the property was not occupied—see the reports in Annexes* 1 and 2 of proceedings in the High Court and the Court of Appeal in the Case of Associated Cinema Properties Ltd. v. Hampstead Borough Council.

Special provisions for the rating of empty property in the City of London are contained in the City of London (Union of Parishes) Act, 1907. Section 15 (1) provides that one-half of the general rate (but not the poor rate) is payable on empty property. There is no other similar exception.

2. The reply to this Question, which is given in Annexe 4, has been prepared by the Rating of Government Property Department and forwarded by the Treasury.

3. The Ministry of Health practice has been to recognise payment of rates on requisitioned houses from the date on which rates were levied by the rating authority and in the London area the rating authorities have, in general, levied rates from the date of requisition. The Ministry's practice was based on the correspondence with the Rating of Government Property Department which is shown in Annexe 3. The interpretation placed on this correspondence (and it is submitted that it was a reasonable one) was that contributions in lieu of rates would be paid from the date of requisitioning on grounds of equity if not of strict legality. From time to time questions on this subject were answered in the House of Commons—two examples are given in Annexe 4. In the light of present knowledge, it is possible to read more into the answers than was read into them at the time the questions were answered; but when they were read in conjunction with the correspondence with the Rating of Government Property Department they seemed to confirm that the Ministry was conforming to the general practice.

4. Thousands of families in London whose houses suffered bomb damage lived for long periods under conditions which would normally be regarded as intolerable before full repairs were executed. Had the requisitioned houses been left with owners it is probable that many of them would have been occupied earlier, but not necessarily in accordance with Government policy. The demand for housing was, and still is, so great that large numbers of people would probably have been prepared to go into damaged houses if they were assured that their tenancy would continue after repairs had been done. Requisitioned houses were of all kinds and sizes and in all sorts of condition; and the policy was to put them in reasonable order before installing occupants. Small houses in good condition would normally be occupied quickly, with little delay beyond

* Not printed.

that necessary to comply with formalities. Large houses and badly damaged houses would often not be available for occupation for long periods. It may perhaps be argued that by paying rates to local authorities from the date of requisitioning they have received more than they were entitled to in equity, but the Department has no machinery for determining in each case from what date it would be equitable to pay rates. It would not have been fair to refuse to pay rates for all empty periods prior to the date of occupation, and if this course were proposed, it would meet with strong opposition in London.

5. Rates on property requisitioned for housing purposes are based on the rateable values appearing in the Valuation Lists, i.e., the Department pays the same as a normal occupier would pay. If, by reason, e.g., of the conversion of a house into flats, the value of a house is increased, it is open to the local authority to apply to the Assessment Committee to have the Valuation List amended. If the assessment is increased the Rating Authority could then charge rates on the higher figure.

6. The cost to the Exchequer of rates levied in 1947/48 on empty, requisitioned property by the 22 local authorities referred to in the reply to Question A.1 was £48,000 (Islington £6,191). No estimate can be given of the total rates levied on empty, requisitioned property in London since requisitioning began.

ANNEXE 3

COPY

Ministry of Health,
Whitehall, S.W.1,
8th January, 1941.

Dear Mr. Bennett,

It will be seen from the attached copy of a letter from the Clerk to the Urban District Council of Potters Bar that this authority are taking the line that where premises are requisitioned for the purpose of accommodating persons rendered homeless by enemy attack, and are reserved for that purpose pending need, the premises are legally in beneficial occupation and rates should accordingly be borne by the Exchequer as from the date of requisitioning. You will observe that the Council maintain that the Treasury have already agreed to accept this position in the case of properties retained by the Military. If this is so, we must accept the further extension of the principle which is now put forward by the Council.

I understand from Hudson of this Department that you would be in a position to advise on this point, but if not perhaps you would kindly pass the matter on to the appropriate officer.

Yours faithfully,
(sgd.) F. INGERSON.

E. H. Bennett, Esq., M.B.E.,
Rating of Government Property Department,
Welcombe Hotel, Stratford-on-Avon.

Rating of Government Property Department,
The Welcombe Hotel, Stratford-on-Avon,
16th January, 1941.

M.326/550/R/41

Dear Ingerson,

With reference to your letter of the 8th instant, the Clerk to the Potters Bar Urban District Council is correct in his statement that we are paying contributions in lieu of rates as from the date of requisitioning in respect of property which has been requisitioned by the Military Authorities whether there is actual occupation, in the physical sense, or not.

We are, similarly, paying contributions as from the date of requisitioning for the accommodation (hotels, etc.) which has been reserved for Government Departments in the event of evacuation.

Apart from the legal question whether properties which have been requisitioned are, *ipso facto*, in "beneficial occupation," it has been recognised that, by the withdrawal of the properties from the letting market, the Rating Authority has been deprived of rate-income which should be made good.

Yours sincerely,

(sgd.) E. H. BENNETT.

F. Ingerson, Esq.,
Ministry of Health (R.A.),
Whitehall, London, S.W.1.

Ministry of Health,
Whitehall, S.W.1.

8th November, 1943.

Dear Bennett,

I refer to your letter of the 16th January, 1941 (copy enclosed), regarding the payment of rates on requisitioned property whilst there is no actual physical occupation.

I assume that this is not affected by the High Court decision on 3rd November, 1943, that six houses in Hampstead rented, but not used, were not rateable?

Yours sincerely,

(sgd.) F. INGERSON.

E. H. Bennett, Esq., M.B.E.,
Rating of Government Property Department,
Welcombe Hotel, Stratford-on-Avon,
Warwickshire.

Rating of Government Property Department,
The Welcombe Hotel, Stratford-on-Avon,
25th November, 1943.

M.326/R/43

Dear Ingerson,

With reference to your letter of the 8th instant (AGD6A) we do not propose to vary the practice referred to in our letter of the 16th January, 1941, in regard to the payment of contributions in lieu of rates in consequence of the High Court decision in the case.

We shall, however, review the position before meeting claims for the next financial year.

Yours sincerely,

(sgd.) E. H. BENNETT.

F. Ingerson, Esq.,
Ministry of Health (R.A.).

ANNEXE 4

Contributions in lieu of Rates by Treasury Valuer on Property Requisitioned by the Crown under Defence Regulation 51

In general if the Rating Authority was receiving rates up to the date of requisition then contributions in lieu of rates were made on existing rateable value whether the property was in "beneficial occupation or not." This was done so that no "loss of rates" should be occasioned by virtue of the requisition.

The Treasury Valuer (then Mr. Madge) attended a Conference with Messrs. Tribe and Wilcox at Treasury Chambers on 26th September, 1939, when Mr. Bacon's report to the Treasury dated 1st December, 1914, was discussed. Mr. Bacon was instructed to make good the loss by Sir John Bradbury on 19th January, 1915, under Treasury Reference 26931/14. Mr. Madge was authorised to proceed in the spirit of Mr. Bacon's minute adapted to modern conception of "Loss." This policy was implemented throughout the Emergency and the following replies in the House of Commons refer:—

(A) Reply by Captain Crookshank to Mr. Lipson in the House of Commons on 9th October, 1939.

(B) Reply by Sir Kingsley Wood (then Chancellor of the Exchequer) to Rear-Admiral Beamish in House of Commons on 21st May, 1942.

In practice, contributions in lieu of rates were not normally granted on premises which were not producing rate income when requisitioned until such date as they became "beneficially occupied." (Copy of Application Form that Local Authority had to fill in before contributions in lieu of rates were granted is attached—it will be seen that they had to state date to which rates were paid on existing Assessment.)

The questions and replies referred to at (A) and (B) are as follows:—

(A)—HOUSE OF COMMONS OFFICIAL REPORT

9th October, 1939

REQUISITIONED BUILDINGS (RATES)

61. Mr. Lipson asked the Financial Secretary to the Treasury whether he is aware that many local authorities are suffering great loss of rates in consequence of the requisitioning of important buildings in their areas; and will the Government make equivalent grants to these authorities to compensate them for this loss?

Captain Crookshank: I am aware that the position is as stated in the first part of the question. The Government propose to make appropriate grants to the local authorities concerned in cases where rates have ceased to be payable consequent upon the requisitioning of rateable property during the present emergency. The Treasury Valuer is giving consideration to cases as they arise, and is already in communication with several authorities.

(B)—HOUSE OF COMMONS OFFICIAL REPORT

Thursday, 21st May, 1942

Rear-Admiral Beamish asked the Chancellor of the Exchequer whether he will now make a statement regarding contributions to local authorities in lieu of rates, in respect of properties and camps now occupied by the Army and Royal Air Force, with particular reference to East Sussex rural and urban districts?

Sir Kingsley Wood: I assume that my hon. and gallant Friend refers to land and other properties which have been requisitioned for war purposes and to temporary camps which have been erected for the accommodation of troops and Royal Air Force personnel. It is recognised that it would be unfair that local

authorities should suffer a diminution in rate income in consequence of the requisitioning of properties for War purposes, and it is the general practice in such cases to grant contributions in lieu of rates based on the assessments existing at the time the property is requisitioned. On the other hand, the construction of temporary camps and other establishments for the accommodation and training of troops during the war emergency should not have the effect of augmenting the rate income of the local authorities for those areas in which the camps, etc., may happen to be situated and no contributions in lieu of rates are, accordingly, granted in respect of such temporary structures. I may add for the information of my hon. and gallant Friend that where any services are rendered by local authorities to these temporary camps or establishments reasonable payments for the services are made on application. These arrangements apply to East Sussex rural and urban districts equally with the country as a whole.

APPENDIX 5.

PAPER forwarded by *Lord Robinson, O.B.E.* on the 7th June, 1948.

FORESTRY COMMISSION—ROAD CONSTRUCTION.

1. *Road Requirements.*

In the Forestry Commissioners' Report on Post-War Forest Policy presented to Parliament in June, 1943 (Cmd. 6447), the need of transport facilities for the extraction of timber was emphasised and attention drawn to the improvements made in the road systems in Great Britain during the inter-war years which had been of great use for the transport of timber (paragraph 90). It was also stated that 2,000 miles of forest roads could be made with advantage, during the next few years (paragraph 254).

Modern developments in timber extraction are towards the use of road transport. For the proper silvicultural management of the Department's plantations a much bigger mileage of new roads will be required. There are at present over 560,000 acres of existing plantations, 111,000 acres being over 20 years old, and it is estimated that during the next 20 years some 4,000 miles of new roads will be required. Primarily the roads are required for timber extraction but in some cases they are required for the development of new plantations and to facilitate fire fighting in young plantations.

2. *Origin of Forest Roadwork Scheme.*

The forest roadwork scheme was approved on 31st July, 1946. The major purpose of the scheme was the construction of forest roads. It was considered that the work would make a contribution to the relief of unemployment, would be well suited to the employment of the Polish Resettlement Corps and by facilitating the extraction of thinnings would help to reduce the Nation's shortage of timber.

3. *Progress.*

At the commencement of operations progress was disappointing owing to difficulties of organising and equipping, from scratch, an adequate Forest Engineering Branch. The severe weather during the winter of 1946-47 brought movement of plant to a standstill and for several weeks work on the ground was impossible. In consequence, none of the roads under construction at the end of March, 1947, was usable. In April, 1947, real progress became practicable and during the year to March, 1948, 230 miles of roads (including 48 miles of existing forest roads and tracks which were repaired and made usable for the extraction of timber) were completed. In addition, at the 31st March, 1948, a further 38 miles of new roads were under construction. Recruitment of manpower was through the machinery of the Ministry of Labour and employment rose to a maximum of 3,868 men (including Poles) in December, 1947.

4. *Expenditure to date.*

From the start of the scheme to the 31st March, 1948, the total expenditure exclusive of salaries and Travelling and Subsistence was £1,189,600 as follows:—

—	Capital Expenditure	Other Expenditure less receipts	Total net Expenditure Subhead I
To March, 1947	£ 6,700	£ 16,400	£ 23,100
1 year to March, 1948 ...	215,300	951,200	1,166,500
	222,000	967,600	1,189,600

Salaries included under Subhead A amounted to £3,735 in 1947 and £5,860 in 1948. Travelling and Subsistence charges included under Subhead B amounted to £325 for 1947 and £10,270 for 1948.

Allowing 20 per cent. of the capital expenditure as a fair apportionment to the work done during the period and taking no account of roads under construction, the average cost for all roads is approximately £4,720 per mile.

Factors which have contributed to high cost are: loss of time due to the exceptionally bad winter of 1946-47, the low standard of some of the workmen, the shortage of road-making machinery thus necessitating an excessive amount of "pick and shovel" work, the need to transport labour and the unnecessarily elaborate specification in some cases.

5. *Revision of Scheme.*

The whole scheme was reviewed in December, 1947, when less emphasis was placed on relief of unemployment. In consequence, work was closed down on those operations that were of low priority. Specifications were revised providing for the minimum amount of work required to serve the Department's purpose being undertaken, the standard of specification being determined by the nature of the sub-soil and the estimated quantity, and type, of timber to be extracted. Metalling is now kept to a minimum, and does not exceed a width of nine feet. Arrangements were also made for smaller gangs to be employed and the total number of men employed has been reduced to approximately 1,500.

APPENDIX 6

PAPER forwarded by *Sir James Barnes*, K.C.B., K.B.E. on 3rd June, 1948.

I. Statement covering further information requested by the Committee on supplies of aircraft and equipment to Allied Governments.

1. Country	2. Amount payable under agreement	3. Amount included in Column 2 for initial issues		4. Amount included in Column 2 for maintenance spares		5. Period for which maintenance provided
		Surplus equipment	Non-surplus equipment for which new procurement may be necessary	Surplus items	Non-surplus equipment for which new procurement may be necessary	
	£	£	£	£	£	Years
France ...	3,450,000	2,730,000	220,000	300,000	200,000	3
Holland ...	1,800,000	376,000	404,000	20,000	1,000,000	3
Belgium	1,480,000	557,000	400,000	50,000	473,000	1½
Norway ...	720,000	290,000	194,000	76,000	160,000	1
Denmark	450,000	178,000	108,000	7,000	157,000	1
Czecho-Slovakia.	354,000	70,000	72,000	12,000	200,000	1

Notes :

(i) The term "initial issues" means aircraft, M.T. and miscellaneous items to provide Unit Equipment for Stations, Squadrons, Schools and Ancillary Units.

(ii) The term "maintenance spares" means component parts to provide for replacements or repair of the items at (i).

(iii) The "maintenance" requirements have been issued concurrently with the "initial issues." There is no continuing commitment to provide further spares, etc. during the period of maintenance.

(iv) The relationship between Cols. 3 and 4 is not consistent in each case and no overall proportionate figure applies to all agreements. The reasons are various but the following are the chief of them :—

- (a) In some cases the agreements covered the disposal of the whole R.A.F. stocks at ex-R.A.F. Stations sited in the territory of the Allied Governments, all of which stocks would be noted as "initial issues". This has considerable significance in the cases of the French (Equatorial Africa, North Africa and Metropolitan France), Norway, Belgium. No separate maintenance backing, or only insignificant maintenance for specific items, was provided in such cases.
- (b) The amount representing surplus equipment is assessed at approximately one-sixth of book values of the items as purchased in bulk and at the more favourable war-time rates, whereas the non-surplus equipment is priced at the estimated higher replaceable cost of post-war production. Thus the cost of maintenance spares may appear relatively high in a particular instance.

II. Statement of the assessed value of aircraft, armament, technical stores and supplies delivered to the R.A.F. during the year 1946/47, with charge to Air Vote 3, under the arrangement for the waiver of inter-departmental adjustment between certain Government departments.

The figure to be added to the £255M. net expenditure shown in the Air Services Appropriation Account 1946/47 for the assessed value of aircraft, armament and other technical equipment supplied to the R.A.F. during the year 1946/47 is approximately £62M ; roughly divided as follows :—

Aircraft, airframes, engines, propellers, aircraft and engine spares	... ..	£42M.
Armament and Ammunition	... ..	£8½M.
(ther supplies, e.g., radar and radio equipment, mechanical transport	... ..	£11¾M.
	TOTAL	<u>£62M.</u>

APPENDIX 7

PAPER forwarded by *Sir Gilmour Jenkins*, K.C.B., K.B.E., M.C., on 3rd June, 1948
Qs. 2477-83

Note on the PROPORTIONS OF TOTAL ROAD EXPENDITURE borne by the EXCHEQUER AND LOCAL AUTHORITIES.

The latest available figures of total expenditure on highways and bridges relate to the year 1945-46.

Statement A below shows the mileage of roads in each class in that year ; the net expenditure (i.e. after deducting contributions from public utility undertakings, frontages, etc.) on maintenance, improvement and new construction, and the amounts borne by the Road Fund and the local highway authorities on each class ; and the total net expenditure and amounts and percentages borne by the Road Fund and the local highway authorities.

Statement B shows the mileage of roads in each class after the changes mentioned in questions 2477-80 ; the net expenditure that, it is estimated, would have been incurred on each class and the amounts that would have been borne by the Road Fund and the local highway authorities, and the percentages of total net expenditure that would have been so borne, if the changes in road classification and the new rates of grant which came into operation on the 1st April, 1946 had applied to the year 1945-46.

STATEMENT A

Class of road	Mileage	Net Expenditure	Road Fund	Local Highway Authorities
		'000£	'000£	'000£
Trunk	4,500	2,650	2,650	—
Class I	23,160	7,545	3,798	3,747
Class II	17,770	3,882	1,728	2,154
Unclassified	137,660	15,878	650	15,228
Total	183,090	£29,955	£8,826 (29%)	£21,129 (71%)

STATEMENT B

Class of road	Mileage	Net Expenditure	Road Fund	Local Highway Authorities
		'000£	'000£	'000£
Trunk	8,160	3,730	3,730	—
Class I	19,500	6,469	3,950	2,519
Class II	17,770	3,878	2,070	1,808
Class III	48,200	6,650	3,200	3,450
Unclassified	89,460	9,228	—	9,228
Total	183,090	£29,955	£12,950 (43%)	£17,005 (57%)

W1/41

APPENDIX 8

PAPER forwarded by *Sir Harold Emmerson*, K.C.B., on the 21st June, 1948

MINISTRY OF WORKS 1946/47

APPROPRIATION ACCOUNT, CLASS VII, VOTE 1

Statement on cost of administration

Questions 2179-2183

	(1)	(2)	(3)	(4)
		1938-39	Provisional Figures 1947-48	
				Adjusted figures (see Note 2)
<i>Cost of Administration : (see Note 1)</i>		£	£	£
(a) Works and Supply Services	1,126,000	9,440,000	8,610,000	
(b) Royal Ordnance Factories	408,000	—	—	
(c) Temporary Housing Account	—	800,000	650,000	
(d) Building Materials & Housing Fund	—	206,000	191,000	
(e) Control and Research Services	—	1,560,000	1,560,000	
TOTAL	1,534,000	12,006,000	11,011,000	
<i>Gross Expenditure and Receipts :</i>		£	£	£
(a) Works and Supply Services	13,301,000	77,966,000	78,796,000	
(b) Royal Ordnance Factories	8,656,000	—	—	
(c) Temporary Housing Account	—	21,050,000	21,200,000	
(d) Building Materials & Housing Fund	—	6,347,000	6,362,000	
(e) Control and Research Services	—	—	—	
TOTAL	21,957,000	105,363,000	106,358,000	
<i>Percentage Cost of Administration :</i>		per cent.	per cent.	per cent.
(a) Works and Supply Services	8.47	12.1	10.93	
(b) Royal Ordnance Factories	4.71	—	—	
(c) Temporary Housing Account	—	3.8	3.07	
(d) Building Materials & Housing Fund	—	3.25	3.0	
(e) Control and Research Services	—	—	—	
PERCENTAGE ON TOTALS	6.99	11.39	10.35	

NOTE 1. Cost of Administration :

The figures shown are for the expenditure on salaries and expenses of the Ministry of Works met mainly from Class VII, Vote 6, 1938/39—Vote 1, 1947/48, together with that on Allied Services (accommodation, superannuation, stationery, Post Office services, etc.) met from various other Votes.

For 1938/39 special data was available relating to (b) the construction of R.O.F.'s the cost of which, including the appropriate agency overhead charge, was recovered from the War Office (later Ministry of Supply). Compilation of the data was discontinued at the commencement of the war.

For 1947/48 *inter alia* special data is available for the calculation of the cost of administration of services charged to (c) Temporary Housing Account and (d) Building Materials and Housing Fund.

In the intervening years between 1938/39 and 1947/48 the Ministry of Works was created, with added functions, and the estimated administration costs relating to Control and Research Services, which have no direct relation to the cost of works and Supply Services carried out, have been excluded from the assessment of the percentage cost of administration of the latter.

NOTE 2

Subsequent to 1938/39 there has been a change in practice in regard to the incidence of charge of the salaries and expenses of certain grades of staff, e.g.

Clerks of Works, Storekeeping Staff, etc., and fees of outside Quantity Surveyors employed for preparation of bills of quantities.

In 1938/39 this expenditure was provided for and charged finally to the relevant Class VII Building, etc. Votes. This practice ceased during the war and for 1947/48 the costs are included in the figures shown in the costs of administration in Col. 3. For purposes of comparison the figures in the table for 1947/48 have been adjusted as shown in Col. 4 to the 1938/39 basis.

L1/18

APPENDIX 9

PAPER forwarded by *Sir Godfrey Ince*, K.C.B., K.B.E., on the 5th July, 1948

GOVERNMENT TRAINING CENTRES

Memorandum by the Ministry of Labour and National Service

At the Public Accounts Committee meeting on 6th May, 1948, the Committee desired that further information about the staff, cost, etc., of Government Training Centres should be submitted; this memorandum includes the required information.

1. Staff at Government Training Centres

Date	Numbers of Staff		Ratios of Trainees to Staff	
	Total Staff	Instructional Staff	Total Staff	Instructional Staff
1st July, 1945	1,202	517	2.7	6.1
1st October, 1945	1,213	519	2.8	6.7
1st January, 1946	1,531	641	3.6	8.5
1st April, 1946	2,506	1,054	3.6	8.6
1st July, 1946	3,767	1,686	4.1	9.2
1st October, 1946	5,235	2,346	4.3	9.6
1st January, 1947	6,287	2,787	4.1	9.3
1st April, 1947	6,813	2,990	3.6	8.1
1st July, 1947	6,291	2,702	2.8	6.5
1st October, 1947	5,019	2,146	2.1	4.9
1st January, 1948	3,195	1,024	1.7	5.4
1st April, 1948	2,453	726	1.7	5.9
1st May, 1948	2,283	672	1.9	6.5

The proportion of staff to trainees is always high during a period of change, whether of expansion or contraction. Classes which are being built up or allowed to run down are expensive in staff, and the most economical running is achieved when the programme is operating on a stable basis.

Programme changes are reflected in the above figures showing ratios of trainees to staff. At the end of the war there was the changeover from engineering to building training: early in 1947 there was the temporary reduction of entrants to training because of difficulty in placing building trainees owing to shortage of materials: in the autumn of 1947 there was the almost complete cessation of building training (except for disabled persons) following the reduction in the Capital Investment programme.

The extra staff costs caused by programme changes of this sort are further increased when the changes are thought to be only temporary, as staff cannot be lightly discarded if it is thought that their services are likely to be required again in the fairly near future. Moreover, it should be borne in mind that, even when a final decision has been taken, the staff are entitled to a period of one month's notice, and of the staff shown in post at any date during a period of contraction, it can be assumed that a number are under notice.

Other factors which prevent a speedier reduction in instructional staff are:—

- (a) For *building training* in Training Centres the standard ratio of trainees to instructors is 16:1. Training is completed on actual building operations "on site" when the ratio necessarily falls to 8:1. On the cessation of the building training programme the proportion of training on site was automatically increased.

(b) *Closure of centres and transfer of classes*: A major contraction in the training programme, such as occurred in the autumn of 1947, is not achieved solely by the reduction of staff and trainees, but involves the closure of training centres and the transfer of classes from one centre to another. This process naturally takes time and during this period managerial and supervisory costs are high, whilst maintenance staff may be actually increased.

(c) *Disabled Training*. The statutory obligation imposed upon the Ministry to provide training for disabled persons has meant the introduction of additional miscellaneous trade classes. The peculiar needs of the disabled entail a relatively smaller ratio of trainees to instructors.

(d) *Unfilled Places*. There are, at any given date, vacancies in most classes due to premature termination of trainees (left voluntarily, physically unfit, failure to report for training when requested to do so). In a number of occupations it has been found that block entry is the only satisfactory means of conducting the class and if a statistical return falls due on the date when there is a hiatus between the old class and the new, the ratio is adversely affected.

2. *Building labour employed in the construction of centres*

The total of 78 centres in use in April, 1947, was made up of:

Existing permanent centres	...	...	...	22
New permanent centres	...	...	...	19
Emergency temporary centres	...	...	...	37

The approximate number of building labour man-weeks employed in the construction of new centres and major adaptations of existing centres was 390,000; the amount of labour employed on the emergency centres which were housed in various types of existing premises was relatively small. By April, 1947, the work of adaptation and construction had been in progress for about two years and the figure of 390,000 thus represents an average labour force of about 3,750. The numbers of persons who completed a building training course at a Government Training Centre were 24,897 in 1946-47 and 26,229 in 1947-48.

Temporary centres providing only a limited range of training were set up to secure a more rapid expansion of training facilities urgently required to meet the needs of men leaving the Forces on demobilisation and to augment the building labour force having regard to the Government housing programme as then envisaged. Permanent centres were not only essential to the full range of the training programme as approved by the Government, but their adaptability for other essential purposes made them a valuable permanent asset.

3. *Approximate total cost of building training scheme, and numbers trained, in the years 1946-47 and 1947-48.*

Separate figures of cost for building training are not available because this training and training for other trades are provided in the same centres. On the basis of the approximate ratio of building training to all training, which was 90 per cent. in 1946-47 and 85 per cent. in 1947-48, the estimated total cost, in the two years, of building training at Government Training Centres was:—

	Capital Expenditure on premises, equipment, tools and furniture		Running Expenses	
	1946-47	1947-48	1946-47	1947-48
Borne on Vote for—	£	£	£	£
Ministry of Labour and National Service	—	—	5,600,000*	3,700,000*
Ministry of Works	4,000,000	1,600,000	175,000	300,000
H.M. Stationery Office ...	—	—	15,000	10,000
TOTAL ...	£4,000,000	£1,600,000	£5,790,000	£4,010,000

* Includes estimated sums representing the cost of trainees' maintenance allowances, of £3,800,000 in 1946-47 and £2,100,000 in 1947-48.

The cost of tools and equipment for all training at Government Training Centres was :

1946-47.	1947-48.	1948-49.
£1,197,970	£480,000 approx.	£250,000 estimated

4. *New Government Training Centres and the purposes for which they are being used (June, 1948) :*

Name of Centre	Stage of construction	Allocation	
		Ministry of Labour for training purposes	Other users
1. Felling	Completed	Yes*	—
2. Hull (Chamberlain Road) ...	"	Yes*	Remploy Factory
3. Leeds (Dewsbury Road) ...	"	Yes*	Remploy Factory
4. Sheffield (Handsworth Road)...	"	Yes*	Remploy Factory
5. Leicester (Humberstone Lane)	"	Yes*	—
6. Nottingham (Long Eaton) ...	"	Yes	—
7. Norwich	"	Yes	Remploy Factory
8. Barking	"	Yes	Remploy Factory
9. Kidbrooke	"	Yes	Remploy Factory
10. Enfield	"	Yes	—
11. Perivale	"	Yes	—
12. Sydenham	"	No	Ministry of Education and Industrial user.
13. Tolworth	"	No	G.P.O.
14. Chatham	Not completed	No	Under consideration by Board of Trade.
15. Chadwell Heath	" "	No	Part used temporarily by Ministry of National Insurance. Final allocation is for Industrial user and Remploy Factory.
16. Portsmouth	Completed	Yes	—
17. Bristol (Fishponds)	"	Yes	—
18. Plymouth (Honicknowle) ...	"	No	Industrial user
19. Swansea (Cockett)	"	Yes*	Remploy Factory
20. Birmingham (Yardley)	"	Yes	—
21. Coventry (Tile Hill)	"	Yes*	Remploy Factory
22. Wolverhampton (Coseley) ...	Not completed	No	Industrial hostel
23. Liverpool (Speke)	Completed	No	Industrial user
24. Manchester (Denton)	"	Yes*	Remploy Factory
25. Manchester (Radcliffe)	"	No	Industrial hostel
26. Preston	Not completed	No	Industrial hostel
27. Edinburgh (Granton)	Completed	Yes*	—
28. Hillington	"	Yes*	Remploy Factory
29. Milngavie	Being completed	Yes (when completed)	—
30. Dundee	Completed	No	Industrial user

* These Centres are to be used also for Industrial Rehabilitation courses.

Remploy Factories are managed by the Disabled Persons Employment Corporation and provide sheltered employment for severely disabled persons.

T1/91

APPENDIX 10

PAPER forwarded by *Sir Eric Bamford*, K.B.E., C.B., C.M.G., on the 24th June, 1948.

PUBLIC ACCOUNTS COMMITTEE

MEMORANDUM BY THE TREASURY

Questions 1221-1226

Statement of Estimated Expenditure on Government Information Services, 1948/49

SUMMARY

Home Departments	...	...	...	...	...	...	...	...	...	£	5,076,100
Oversea Departments (including British Council and B.B.C. Oversea Service)	...	...	...	...	...	...	...	...	...	11,621,700	
Adjustment for Central Office of Information Vote—net (see Note (a))	...	...	...	...	...	...	...	...	...	174,400	
										<u>£16,872,200</u>	
Less adjustment for expenditure by His Majesty's Stationery Office (see Note (b))	...	...	...	...	...	...	...	...	...	175,150	
										<u>£16,697,050</u>	
											TOTAL (see Note (c))

NOTES :

(a) The difference between £3,373,800, representing Allied Service expenditure by the Central Office of Information on behalf of the Departments listed, and the net total of the Vote for the Central Office of Information (£3,548,200) is accounted for by the Allied Service expenditure on behalf of minor Departments, expenditure not sponsored by any single Department, and a proportion of staff-costs attributable to recoverable services rendered to Exchequer Departments.

(b) Represents estimated net receipts from the sale of publicity literature at home and overseas (£186,000) less miscellaneous items of expenditure not shown against Departments listed (£10,850).

(c) Excludes Allied Services (except those shown in Cols. 4 and 5 of the attached Statement).

TREASURY CHAMBERS.

HOME DEPARTMENTS

DEPARTMENT, ETC.	Cost * of Information Staff	Operational Expenditure on own Vote	C.O.I. Allied Service expenditure	H.M.S.O. Allied Service expenditure	TOTALS
	£	£	£	£	£
Admiralty	18,800	29,100	45,000	6,500	99,400
Agriculture and Fisheries ...	5,500	55,000	73,000	6,500	140,000
Air Ministry	41,000	45,000	115,000	12,500	213,500
Civil Aviation... ..	13,000	6,500	9,000	300	28,800
Education	5,300	—	149,000	400	154,700
Food	29,700	532,000	8,000	10,100	579,800
Forestry Commission	1,400	900	—	—	2,300
Fuel and Power	11,000	69,500	146,000	13,800	240,300
Health	20,100	5,000	196,000	12,900	234,000
Home Office	4,400	—	27,500	—	31,900
Inland Revenue	1,900	—	—	—	1,900
Labour	21,100	10,000	472,000	17,500	520,600
National Insurance	7,300	1,000	19,000	33,500	65,800
National Savings Committee	24,300	477,200	150	30,000	531,650
Pensions	1,600	100	—	200	1,900
Post Office	32,700	72,000	23,000	2,000	129,700
Scientific and Industrial Research	4,200	5,500	28,500	1,400	39,600
Scottish Home Department... ..	24,200	21,500	56,000	300	102,000
Supply	18,400	14,100	67,000	200	99,700
Town and Country Planning	5,000	—	9,000	100	14,100
Trade, Board of	35,300	27,000	243,000	7,900	313,200
Transport	7,600	500	6,000	200	14,300
(Road Fund) (see NOTE)	—	613,000	—	—	613,000
Treasury (and Economic Information Unit)	19,000	200	569,650	42,700	631,550
War Office	72,000	57,500	115,000	7,700	252,200
War Damage Commission and Central Land Board	1,300	—	—	—	1,300
Works	9,000	2,000	4,000	3,900	18,900
TOTALS FOR HOME DEPTS. ...	435,100	2,044,600	2,380,800	215,600	5,076,100

NOTE.—Estimated expenditure for the Road Fund consists of (a) press, poster and film publicity through C.O.I. and H.M.S.O. (£270,000); (b) grants to Local Authorities for local Road Safety campaigns (£230,000); (c) deficiency grant to the Royal Society for Prevention of Accidents (£113,000).

OVERSEA DEPARTMENTS, Etc.

DEPARTMENT, ETC.	Cost of Information Staff (home and overseas)	Operational Expenditure	C.O.I. Allied Service Expenditure	H.M.S.O. Allied Service Expenditure	TOTALS
	£	£	£	£	£
B.B.C. Oversea Service	4,500,000 (Grant-in-aid)	—	—	—	4,500,000
British Council	1,551,600	1,018,400	—	—	2,570,000
Colonial Office	27,500	393,800	232,000	25,000	678,300
Commonwealth Relations Office	26,000	180,600	153,500	15,000	375,100
Commonwealth Relations Office (India and Pakistan)	97,700	90,200	16,000	2,000	205,900
Foreign Office	1,123,900	993,500	570,500	215,000	2,902,900
Foreign Office (German Section)	261,300	72,200	21,000	35,000	389,500
TOTALS FOR OVERSEA DEPTS.	3,088,000 (Plus £4,500,000)	2,748,700	993,000	292,000	11,621,700

HOME AND OVERSEA DEPARTMENTS, Etc.

	Cost of Informa- tion Staff (home and overseas)	Opera- tional Expendi- ture	C.O.I. Allied Service Expendi- ture	H.M.S.O. Allied Service Expendi- ture	TOTALS
TOTALS	£ 3,523,100 (Plus £4,500,000)	£ 4,793,300	£ 3,373,800	£ 507,600	£ 16,697,800

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