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Secretariat

9 February 1973

CONFIDENTIAL

His Excellency the Governor,
Stanley,
Falkland Islands.

Your Excellency,

We were appointed by the Overseas Development Administration in December 1972 to carry out an examination of the public finances of the Falkland Islands and were given the following terms of reference by you on our arrival:

> "To examine the structure and activities of Government and make recommendations for improving the efficiency of Government, increasing revenue and achieving economies with the object of effecting a balanced budget and the restoration of the Colony's reserves to an acceptable level"

We arrived in the Colony on 8th January 1973 and have now completed our work. Our report is presented herewith.

During our visit we have received all the help we could possibly expect from the heads of Public Departments and indeed from all members of the Public Service whom we have approached. We have had the benefit of hearing the views of members of the Legislative and Executive Councils and of various members of the public. We should particularly like to express our gratitude to sheep-farmers who have offered us hospitality and so enabled us to experience conditions on the Camp at first hand.

Yours faithfully

J. E. Combon

H. Waller

ODA

GIVE
FALKLAND ~~CHATHAM~~
ISLANDS

FISCAL REPORT

CONTENTS

1. INTRODUCTION

1.1 General

Our investigations within our wide terms of reference have involved us in an examination of every source of public revenue (whether such revenue consisted of taxation, payments for services or income from investments) and of the expenses incurred by every department, our object being to determine what increases of revenue we considered to be possible and what expenses might be reduced and what services curtailed. We have set before ourselves the objective of restoring the Colony's budgetary position and building up again its depleted reserves.

1.2 Savings Bank

In the performance of this task our thoughts have been dominated by the position occupied in the finances of the Colony by the government savings bank and by the fact that during the last five financial years that bank has contributed an average annual sum of about £70,000 to the general revenue. This figure amounts to about 15 per cent of the average annual total revenue for the same period. In 1971-72 the savings bank contributed £142,000 which is 27 per cent of the total revenue for that year. The profits of the savings bank out of which these contributions were made have only been possible because depositors in the bank have been content to accept 2½ per cent (free of local income tax) on their money while the proceeds have been invested in London to return up to 7½ per cent.

Before making any further recommendations, therefore, we had to consider whether these large savings bank profits were likely to be earned in the future and also whether it was proper in any event for government to be so dependent upon contributions from this source.

We came to the conclusion that, as a source of revenue, the savings bank is vulnerable. It must be assumed than increasing numbers of depositors will cease to be satisfied with 2½ per cent and will find ways of obtaining higher returns on their money. This would certainly occur if local competition to the savings bank came into existence. There is at present no commercial bank operating in the Colony but we understand that it is government policy to encourage a suitable international banking organisation to open a branch and so make generally available such facilities as drawing and deposit accounts, loans, foreign exchange and investment advice. If this took place it must be anticipated that the competition would at least reduce the profits of the savings bank to a level where it could no longer subsidise government.

Apart from this possibility of falling profits we do not regard the present dependence upon the savings bank as socially desirable. Depositors to whom 2½ per cent seems a reasonable return are presumably among the less affluent and less sophisticated members of the community (and hence in general those least likely to benefit from the income tax exemption). The use of savings bank profits to supplement public revenues might therefore be described as the acquiescence by such people in a levy upon themselves which is used for the general purposes of government.

We are of the opinion therefore that reliance by the government upon the profits of the savings bank should be brought to an end as soon as possible. We have come to this conclusion with great reluctance because it has made the remainder of our task much more difficult in that we have had to seek for revenue and savings to make up for this reliance as well as filling other deficiencies. Nevertheless we have carried out our examination of government finances with this recommendation in mind.

We recognise however that dependence upon revenue of this size cannot be terminated at a stroke and we therefore recommend that this dependence should be phased out during the next few years and, if possible, reduced to nil within three years.

The first step that can be taken to reduce dependence upon the savings bank is to increase the rate of interest paid to the depositors. We deal with this in more detail in 4.1 .

2. TAXATION

2.1 INCOME TAX

2.1.1 Individuals

The present income tax code as it applies to individuals provides that the first £150 of income shall be free of tax and grants the following main personal allowances:

	£
Wife	130
Dependent relative	50
Child (basic)	100

Earned income relief - one-fifth of earned income with a maximum allowance of £400

After deduction of allowances the chargeable income is taxed at a series of increasing rates starting at 5 per cent and rising by seven steps to 35 per cent which applies to chargeable incomes exceeding £10,000.

We consider that the allowance of £150 (to which everyone is entitled) and the allowance of £130 for a wife are too low for present income levels and should be increased to £230 and £180 respectively, thus avoiding the collection of very small amounts of tax from very small incomes. As a result the income limit up to which old age relief applies should be increased from £500 to £600.

If these increases were made we consider that the present low rates of tax (5 per cent, 10 per cent, $12\frac{1}{2}$ per cent and so on) ought to be increased in order to replace from higher incomes the loss of tax from increases in the allowances and also to furnish further revenue. We recommend the following rates:

Chargeable Income	Rate
First £500	15 per cent
Next £500	20 per cent
" £500	25 per cent
" £1,000	30 per cent
" £1,000	35 per cent
" £1,000	40 per cent
on excess over £4,500	45 per cent

In Appendix I we show the effect on sample individual earned incomes of the application of these recommended changes in the allowances and rates. We estimate that their effect would be to increase the yield from income tax by £5,000.

2.1.2 Board and lodging

The Income Tax Ordinance charges tax on benefits in kind received by employees as well as on their money wages and authorises the amounts to be laid down in rules made by the Governor in Council. The present rules were made in 1968 and their nature can be deduced from the following sample values which they prescribe:

Farm manager's house	£80 to £100
Farm employee in outside house	nil
Farm employee in settlement house	£45 to £55
Ship's officers	£150 to £170

It is clear that these figures represent nothing like the true economic value of the benefits received and, bearing in mind that the farm employee receives not only accommodation but also meat, peat and probably electricity, that they have been distorted to the advantage of the Camp. But such distortion is most irregular. The farm employee who has a large family and would not be liable to income tax in any event obtains no benefit from the figures; the manager who is liable at one of the higher rates obtains the maximum benefit. The Stanley worker who receives all his remuneration in money is taxed on it in full.

We consider that the existing rules should be revised with a view to removing these inequalities in the burden of taxation.

2.1.3 **Profits tax**

This is a tax levied in addition to income tax upon the profits of businesses. The rates are 10 per cent and $7\frac{1}{2}$ per cent with an exemption for profits of up to £2,000 and an abatement for profits between £2,000 and £12,000. We can see no reason for the continuance of this additional charge upon one type of income and we recommend that the profits tax be abolished. The yield from individuals is in any event negligible and the company rate of income tax which we are proposing is designed to compensate for this abolition.

2.1.4 **Companies**

The company rate of income tax is at present 30 per cent. In view of our proposal to abolish profits tax we recommend that this rate be increased to 40 per cent. This would not give any significant increase of revenue.

In the case of director-controlled companies there is a limit upon the amount that can be allowed for remuneration of directors. The intention was presumably to prevent the artificial transfer of profits out of the Colony to non-resident directors. Where however the director is resident in the Colony (and so subject to Colony tax on his remuneration) there will be no serious loss of tax and the limitation can be an obstacle to business activities. We recommend that in such cases it be removed.

2.1.5 **Tax Haven**

We have been asked to give our views upon the possible re-arrangement of the Colony's fiscal policy with the object of constituting it a tax haven. This would mean abolishing the income tax (or reducing it to a very low level) with a view to attracting financial business of a kind which seeks to exploit that situation. We consider such a change to be quite out of the question. Government services have to be paid for and there is no possible source of revenue which could replace income tax. Even if there were such a source the benefits that would accrue to the general population from tax haven status are very questionable and would probably be very small. Moreover, to the extent that the haven attracted British financiers, the Colony would be helping in the reduction of United Kingdom tax revenues out of which aid to the Colony is derived.

2.1.6 There are a number of other respects in which we consider that the Income Tax Ordinance is in need of revision. They include such matters as clearance certificates, depreciation deductions, time limits and relief from double taxation. Since they are of a technical nature and will not appreciably affect the revenue yield, we are not dealing with them in detail in this report but suggest that they should be taken up with the Colony's advisers in the United Kingdom.

2.1.7 **Timing**

The present law allows 90 days for payment of tax after service of the notice of assessment. This long period seems to be based on a theory of poor communications with the Camp which we find to be quite unrealistic under present conditions. We recommend that it be reduced to 30 days. We have in mind that the financial year 1973-74 is likely to be a difficult one for the Colony since tax on the expected high profits of 1973 will not reach the revenue until 1974 and it is desirable that as much as possible should be gathered in before 30 June. The reduction of the time for payment together with full use of the collector's power to enforce payment of tax not in dispute should enable this to be done.

2.2 ESTATE DUTY

The yield from Estate Duty is never likely to be very great. A large proportion of the private property in the Colony is owned by companies and, since they do not die, duty can only be taken on the value of the shares when the shareholders die. But more than half of such property is owned by companies registered in the United Kingdom and the law of the United Kingdom and the Colony is that such shares are situated in the United Kingdom. They are therefore subject to United Kingdom estate duty and, even if the deceased was domiciled in the Colony, modern international usage relating to double taxation is that the country of situation takes the duty and the country of domicile yields it.

Nevertheless the present rates of duty are very low. The highest is 10 per cent and this applies to estates exceeding £40,000 in value. The duty on an estate of £40,000 would be 10 per cent of (£40,000 - £5,000) = £3,500. There is an abatement of 50 per cent on agricultural property other than land.

We consider that the rates should be considerably increased and that the opportunity should be taken of changing from the present system by which rates apply to the whole estate, apart from the first £5,000 (a system which carries the complication that marginal relief has to be given when the estate exceeds by only a small amount one of the points at which the rates change) to the present United Kingdom system of charging increasing rates on successive slices of the estate, on the same lines as the income tax system.

We do not consider that there are sound reasons for charging agricultural property other than land at only one-half of the normal rate and we recommend that this abatement be abolished. We also consider that the period of three years prior to death during which certain gifts inter vivos are included in the estate should be increased to five years.

The following are the rates of duty which we recommend:

	Value of Estate £	Rates
First	5,000	nil
Next	5,000	10 per cent
"	5,000	15 " "
"	5,000	20 " "
"	5,000	30 " "
"	5,000	40 " "
excess over	30,000	50 " "

In Appendix II we show the effect on sample estates of the application of these recommended changes. Owing to the uncertainties of life and death it is difficult to estimate the increased yield but, on the basis of the figures for the past six years, we estimate an increase of £3,000.

2.3 CUSTOMS

2.3.1 Import Duties

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2.3.1 Import Duties

2.3.2 Quantitive

The only customs duties levied at present are import duties on alcoholic drinks, tobacco and matches. We consider that, of these, duties on imported spirits and cigarettes are susceptible of an increase.

The duty on spirits is at present £6.75 per gallon which gives a tax component in the retail price of a bottle of £1.12½. We recommend that the duty per gallon be raised to £8.25. This addition of £1,50 applied to an estimated import of 5,000 gallons would supply an additional revenue of £7,500 and would increase the price of a bottle by 25p.

The duty on cigarettes is at present £0.75 per pound which gives a tax component on a packet of twenty of 3¾p. We recommend that the duty per pound be raised to £1.25. This addition of 50p applied to an estimated import of 6,400 pounds would supply an additional revenue of £3,200 and would increase the price of twenty cigarettes by 2½p.

There is no import duty on motor fuels. Petrol is expensive and we do not recommend any tax on it. Diesel fuel is comparatively cheap, however, and we recommend an import duty on diesel fuel of 5p per gallon. On an estimated import of 100,000 gallons this would give a revenue of £5,000.

2.3.3 Ad Valorem

There are at present no ad valorem import duties and the suggestion has often been made that such duties should be imposed on certain products which can be regarded as luxuries. The contrary argument is that tourists are attracted by the opportunity of buying these goods free of tax and that this attraction should be retained.

We question the value of this contrary argument. Many of the visitors to the Colony will be lovers of wild life and probably not the type to flock into the shops in pursuit of tax-free bargains. They will bring their own cameras and binoculars. It is true that visitors from ships do seem to spend a lot of money but our impression is that they are attracted as much by novelty and quality as by absence of duty. In any event we consider that the need of government for revenue is paramount and we recommend that a start should be made with the imposition of ad valorem duties on selected goods. We suggest a duty of 20 per cent on the following, showing the estimated yield.

SITC Classification	Description	Estimated imports
553.0	Perfumery and cosmetics (excluding soap)	£4,000
861.4 .5 .6	Cameras and photographic equipment, including cine cameras, projectors, sound recorders and reproducers	£12,000
862.3 .4	Photographic materials	£1,000
864.1	Watches and clocks	£8,000
891.1	Gramophones & tape-recorders	£3,000
897.1	Jewellery	£1,000
		£29,000

Duty at 20 per cent: say £6,000

2.4 Purchase tax and value added tax

We have been asked to consider the possible introduction of these taxes but we consider that they are wholly inappropriate to the Colony. Both are essentially taxes borne by the consumer on goods produced in the country. Practically all the goods consumed in the Colony are imported and, if their consumption is to be taxed, an import duty is the obvious means of doing it.

2.5 Registrar General

The fees laid down in the Registration Ordinance (Second Schedule) are quite out of date and we recommend that they should be reviewed and multiplied by a factor of about five. The same applies to the fees prescribed by the Second Schedule of the Land Ordinance. The increase in revenue would, however, be only trifling.

We do not recommend any increase in the stamp duties upon conveyances etc. of land since they are expressed as percentages of the consideration and should increase with the increasing money value of land.

2.6 Contribution from South Georgia

The Dependency of South Georgia makes an annual payment of £4,500 to the Government of the Falkland Islands for services performed on her behalf. This figure is fairly arbitrary since everybody has understandably shrunk from the lengthy task of analysing government expenditure in order to make an accurate attribution to the Dependency. Without the benefit of such an analysis we cannot express an opinion on the adequacy of the figure but our general impression is that it would be difficult to justify an increase. We content ourselves therefore with the recommendation we have made under 3.5 that South Georgia should at least keep out of the philatelic field for a time and leave it clear for the Falkland Islands.

2.7 Licences

We have no significant changes to recommend in licence fees but we are of the opinion that the annual cost of a licence to deal in firearms, which is now only 50p, ought to be increased to £50 and that the charge for bearing firearms (at present 50p for the first and 12p for each additional) should be £1 for each weapon.

We think that the fee of 25p for permission to gather 1,000 penguin eggs ought to be 50 p for the right to gather 100.

2.8 Crown lands

The rents from this source are very small but they need not be quite as minute as they are at present. There seems to be a standard rent of 1¼p per acre. We do not think that an increase to 5p would be unreasonable as opportunity offers.

2.9 Government housing

Rents for government houses fall short of economic rents to a quite alarming extent. We feel we have to recognise however that it would be impossible to charge rents which an independent landlord would be able to obtain since strong precedents for subsidised government housing have been established in this and all other British Dependencies. We suggest therefore that a review should be made of the existing scales with a view to achieving a general doubling of rents and an increase of revenue of £5,000.

3. SERVICES

3.1 Audit.

We consider that under the circumstances the audit of the Colony should continue to be undertaken by a private firm of Chartered Accountants and provision financially should be made under the Treasury Vote. Accordingly we advise that the Audit provision should be removed from Vote III.

It will be argued by some that the Vote should remain so that it can be seen that the Audit is autonomous but we think this principle is well fulfilled in the audit being undertaken by a private firm.

3.2 Aviation.

This is a revenue earning service. The Estimates show the following figures:-

Estimated Total Recurrent Expenditure	£31,598
Estimated Total Revenue	£21,500
Subsidy	£10,098

A more realistic estimate of cost would be:-

a.	Recurrent expenditure as per Estimates	£31,598
b.	Buildings S.P.W. valuation at £19,000 depreciation and interest at 8% on an annuity basis over 50 years	1,550
c.	Beavers £50,000 cost depreciated over 10 years plus 8% interest on an annuity basis	7,451
d.	7½% of Miscellaneous Appropriate Votes (overheads under other votes)	3,000
		£43,599

Cost per flying hour of two Beavers flying 550 hours per annum

$$\frac{43599}{1100} = £39.63$$

Passenger cost per flying mile with an average of three passengers at 100 m.p.h.

$$\frac{39.63}{100 \times 3} = 13.21 \text{ per mile}$$

A/...

A better estimate of the subsidy would therefore be:

Annual cost	£43,599
Present estimate of revenue	21,500
Subsidy	22,099

We consider that there is justification for some subsidation of this vital national service but not to the present extent of 50 per cent. 25 per cent would, we think, be a more reasonable figure. This would give a cost of 10 p. per mile. How the new cost of £32,700 is collected from passengers as between the boarding fee, the mileage and freight we leave to the D.C.A. to agree with the F.S. We estimate an increase to revenue of £11,200.

It has been represented to us that it would be cheaper if Government employ its own ground staff rather than have it on secondment from the R.A.F. We think this could be "penny wise pound foolish". We found this vital internal air service highly efficient and one learns from long experience that one does not interfere with an organisation which is operating efficiently.

The maintenance and handling of the Beavers must be of a high comparative standard and these standards are more likely to be maintained from an undertaking like the R.A.F. where comparisons are possible than from freelance operators, even if they could be found. To have ground staff on secondment from an international air operator would be even more expensive than secondments from the R.A.F.

At paragraph 3.3 we have suggested when the time comes that consideration be given to "Harbours" being absorbed into Aviation Department as a new Department of "Ports and Aviation" which will handle the Sea and Air Ports as well as lighthouses, beacons and aviation, particularly when the new airport is completed.

The recommendations about cost made above would absorb the present cost of concessionary fares and freights. We see no reason to interfere with these provided they are strictly controlled.

We do not think that it will be possible at present for the pilot to collect cash for tickets before flights. So long as there is a possibility of the cost having to be adjusted as a result of having to drop passengers short of or overfly their destinations for various reasons it is better to continue the present system. We are, however, recommending that payment of fares should be made to the Treasury.

The amalgamation of the posts of air service clerk and the movement of the Air Office to the hangar have been suggested but we think this would be highly inconvenient to the public and would not recommend it.

3.3 <u>Customs & Harbour & Agriculture</u>

This is an unusual group of subjects to combine under one officer. It has presumably occurred because they are small departments and it was difficult to know what else to do with them.

Eventually there surely must be an Agricultural Officer because the whole economy is based on agriculture. The agricultural content of the Department as it is at present is confined almost to Stanley and is usually the responsibility of the town authority.

We/...

We cannot see what could be done immediately about this. When an Agricultural Officer is appointed, which is likely to be after the form of assistance to the farmer is settled, agriculture will be re-established as a separate Department.

When the new airport is completed and the Director of Civil Aviation has the responsibility of administering it another air pilot will be necessary. At this stage, Customs could go to the Treasury and consideration be given to a Department of Ports and Aviation to include the sea as well as the airport as these may combine well now that the "Forrest" is being chartered. "Forrest" spares and victualling could then be transferred to the Supplies Officer. In the meantime we cannot see any economies in this Department.

3.4 **Education.**

This Department would be more correctly entitled "Education and Information" as the Superintendent of Education also fills the role of Information Officer. The main wastage in this Department lies in the fact that Primary and Junior Secondary classroom and teaching capacity in Stanley is under-used while Primary provision is duplicated in a boarding establishment in Darwin. In addition there is a service in the Camp of peripatetic, mostly unqualified, teachers of relatively high cost and low effectiveness in terms of teacher/pupil ratio.

The educational facilities in Stanley are being used only to about half their capacity and could absorb all the children from the Camp of 8 years of age and over provided boarding facilities were provided in Stanley and the parents in the Camp would co-operate.

Assuming for the purposes of this paragraph that financial considerations are the only considerations, (and they are not) then £7,000 could be saved by closing down Darwin School against the building of a hostel in Stanley estimated at £80,000. Depreciated over 50 years and paying interest at 8% on this sum the annual payment would be £6,550. The transaction would therefore be an exchange of about £7,000 recurrent expenditure in Darwin for an annual capital investment of about £7,000 in Stanley. On financial grounds alone there would be no overwhelming case for giving priority to investment of aid capital in the Stanley Hostel. We understand that the Darwin building was a gift or loan from the Falkland Islands Company.

If, however, the peripatetic service in the Camp could be phased out over, say, the next three years, then there would be a further saving of £4,000. The advice of the Educational Adviser must be sought on whether formal education can be abandoned until 8 years of age without detriment to the child, and also there is the further political problem of getting public acceptance to abandoning formal education until 8.

There may, however, be overwhelming educational and social arguments for centralizing education in Stanley. This must await the Educational Adviser's report.

3.5 **Medical.**

The Estimates of recurrent expenditure and revenue for 1972-73 are as follows:-

Recurrent expenditure	£60,356
Hospital and Medical Fees	6,000

This is a social service and we would not expect the revenue to meet the expenditure. It is 12.6% of total recurrent expenditure and this/...

this is second highest spending Department.

The Medical Department divides for administrative purposes into the following Sections:-

(1) Stanley Out-patients
(2) Stanley Hospital
(3) Camp Medical Service
(4) Medical Treatment outside the Falkland Islands
(5) Public Health Services

(i) Airport Health Control
(ii) Port Health Control
(iii) Public Services Stanley.

Again we think the most intensive and therefore the most economic use can be got of the personnel employed by centralising services. However comforting it may be to have a doctor stationed in Fox Bay and Darwin, the fact remains that on the evidence before us these doctors were, in the past, under-used and did nothing which could not have as well been undertaken from Stanley provided that transport could be maintained and, if possible, improved. Evidence given to us shows that a Camp doctor could go days without seeing a patient and it appears these Camp-based services can be more expensive for transport than Stanley based services. The advantages in individual cases in having Camp-based doctors have also been demonstrated to us. However, we feel that the advantages of centralisation both medical and economic far outweight the disadvantages.

We therefore advise that all doctors should be based in Stanley. In making this recommendation we are well aware of, and sympathetic to, the problems of the Camp. We have heard disquieting comments about intimate jetty-end consultation with doctors seeing patients while the pilot of the Beaver is biting his nails off, and the doctor's concern is divided between that for his patient and that for not holding up the flight. The answer to this is surely in overnight visits from Stanley to each Settlement. One of the Stanley-based doctors should be the "Camp Doctor" and spend all his time on tour round the Camp and in dealing with emergencies. There should be a rota of doctor's visits which should be strictly adhered to so that patients can assemble in the settlements to be seen. At the same time radio contact witha doctor once a day from the Camp should be available and the service should be improved to provide for confidential conversations. Scrambling devices should be fitted to new VHF telephone equipment which is under consideration. In the meantime letters can ensure privacy. After three to six months of regular visits to Camp and after a backlog of minor ailments have been cleared up, even this one Camp Doctor may find time on his hands though there is ample opportunity, we understand, for medical research in the rather special condition of the small population of the Islands.

There will then be two doctors for Stanley to cope with items 1, 2, 4 and 5 above . . Based on 1971 figures, which are the only ones presently available to us, two doctors should be an adequate establishment for the time being, though it may need review at the time the new airport is opened. We note from the Medical and Sanitary Report for 1971 that the average number of outpatients seen in the Stanley Hospital Clinics was 8 and that the hospital bedstate was as follows: occupancy potential 9,855 bed days, actual occupancy 5,788 bed days, of which 2,555 bed days were taken up by chronic invalids. So the effective occupancy rate was 3,233 bed days or 9 a day. This would not normally be considered a very heavy burden of work for even one medical officer.

We advise reduction of the medical officer establishment from four/...

four to three, a saving of:

(a) One Medical Officer's Salary and Gratuity £4,145

(b) Maintenance of Fox Bay and Darwin surgeries 140

Every effort should be made to decrease costs under Vote VII (b) 14, Overseas Medical Treatment, by using spare capacity in the Stanley Hospital and spare Medical Officer capacity. This should not, however, be done at the expense of building up expensive equipment for the Theatre in Stanley unless it can be shown that the capital outlay is considerably less than recurrent cost in the terms of an annual payment.

3.6 Posts and Telecommunications Departments.

We undertook a detailed inspection of the Postal Section of the Posts and Telecommunications Department but could reach no conclusion other than that it was efficient.

We recommend that the post of Superintendent of Posts and Telecommunications be abolished and that the Postmaster becomes head of this Department on a higher Grade. We recommend £2,256 (Sedgwick), an increase of £480 per annum.

The financial position in Departments of the Post Office estimated for 1972/73 is given below. These figures do not include the Wireless Station for reasons stated below.

Expenditure	Philatelic	Posts	Telecommunications	Broadcasting	B.A.S.
Personal Emoluments	1,812	5,528	20,583	2,525	981
Other charges	2,255	11,987	5,124	4,079	-
Capital					
Buildings	-	2,043	1,634	408	-
Equipment (Annual Payment)		149	3,800	1,490	-
Cost	4,067	19,707	31,141	8,502	981
Revenue	16,000	11,090	28,701	1,100	-
Result	11,934	8,617-	2,440-	7,402-	981-

We were fortunate to be in Stanley at the time of the arrival of an overseas surface mail by the "A.E.S." ship at the same time as an overseas airmail arrived. The figures for this mail were as follows:

Airmail/...

Airmail.

From	Bags	Weight	Ordinary	Registered C.O.D. Insured	Total Packets
United Kingdom	3	36	1452	8	1450
Argentine	10	65	508	97	605
Uruguay	2	13	59	11	70
Parcels					
United Kingdom	1	19.7	11	2	13
Surface Mail Newspapers and Letters					
United Kingdom	84				
Parcels					
United Kingdom	134	3240	433	189 value £1,535	627

On arrival, mail is handled immediately. This is efficient but costly, and is at present running on a proportionately heavy subsidy from the general taxpayer. The possible courses of action are:-

(1) to leave it as it is on the subsidy

(2) to raise the price of postage to meet the cost and maintain the present service

(3) reduce the service and raise the cost

Surface mail has spent a long time getting to the Falklands and as far as the Camp is concerned, parcels and newspapers have to await trans-shipment and may be another month before reaching their destination. If surface mail arrives just before or during a week-end the normal practice is to work over the week-end and evenings to clear it from the ship and sort. Post Office staff are paid an additional allowance for this. The allowance has, so far, been a flat rate, but it is suggested that this should be switched to an overtime payment. Whichever way it is done it is an added expense over salaries.

The alternative is not to handle mail over weekends or in overtime. As far as the Camp is concerned this procedure would hurt no one for reasons mentioned in the previous paragraph. At the worst, Stanley would get its parcels two or three days later than it would previously have done.

The external air mail arrives only on weekdays but usually sometime in the afternoon. It is sorted and disposed of the same day. As will be seen from the Table above it was 15 bags and continues to grow. It cannot be sorted before 4:30 p.m. Officers could reasonably be expected to stay an extra half hour on a busy evening to work, without extra remuneration, as we all have to do, but they should not be expected to work on through the evening to complete the sort before leaving. Mail unsorted at 5 p.m. could wait until the following day.

Further, when we were observing the Post Office operation, air mail to the Camp received on Monday's plane was all delivered to the Camp by/...

by Wednesday. This is fast handling from airport to house in the Camp. A speed which it would be difficult to equal anywhere. It is costly.

There are in Stanley six Post Boxes situated at:-

1.	Post Office	C.
2.	Ross Road West	W.1.
3.	Philomel Street	E.C.
4.	King/Allardyce Street	W.C.
5.	Davis/Villiers Street	S.C.
6.	Hebe/Fitzroy Road	E.1.

There is a collection from Boxes and delivery service to houses in Stanley twice daily. But it would be wrong to say that four postmen service only the six boxes as has been implied in a statement made to us. A breakdown of the work of all seven officers concerned in postal services is as follows:-

Allocation of work of the clerical staff of the Post Office to services.
Percentage of total hours

Officer	Posts	Telecommunications	Broad-casting	B.A.S. South Georgia.	Philatelic
Snr. Off. 1	60	25	5	10	
Officer 1	80	12	6	2	
Officer 2	15	83	2	-	
Officer 3	40	50	10	-	
Officer 4	60	25	5	10	
Officer 5	60	23	12	5	
Officer 6	60	40			
	375	258	40	27	
Post Master	40	25	5	10	20
	415	283	45	37	20
Officers allocated to each section	4.15	2.83	.45	.37	.20

Less than five officers including the Postmaster are committed full time to mail including the collection from boxes, delivery to houses and sorting, franking, etc. registration C.O.D. insurance. The whole staff becomes involved when external mail arrives.

Reference to the table above shows that there was 1.6 Kg of mail for every head of population (man, woman and child) and this is high by any standards. Of this mail no less than 307 packages were "cash on delivery" valued at £1,535. C.O.D. mail requires special individual handling/...

handling, which involves a considerable amount of writing.

If the Services are left as they are then £8,617 will have to be raised by additional charges in the form of postage. This would not be practicable, therefore we recommend:-

(a) the handling of mail outside normal working hours should stop and no allowances or overtime paid. An extra half hours work may be expected of staff on busy evenings without payment.

(b) the sorting of mail will be delayed and we fully expect that under certain conditions it might be as long as five days before parcels from overseas reach their addresses in Stanley after arrival in Stanley. The parcels have been on their way a long time and one more week is not going to hurt too much.

(c) the phased introduction of private mail boxes at a reasonable rental which will be accessible to the public outside normal working hours.

(d) the abolition of Stanley mail deliveries and the adoption of a poste restante arrangement. We feel sure that in the interest of the country in this difficult financial situation there will be those who will assist any aged person who finds it difficult to walk to the post office for his mail. For the general public it is not a long walk to the Post Office from any point in Stanley.

(e) the withdrawal of the Ross Road West, Philomel Street and King/Allardyce Street post boxes. The Davis/Villiers Street and Hebe/Fitzroy boxes to be emptied once a day by a member of the post office staff on the way to work.

(f) the phased reduction of the clerical staff by two. Officers leaving should not be replaced until the new establishment is reached. It would not be possible to reduce clerical staff further because of the necessity to centralise revenue collection on two points i.e. the Treasury and the Post Office.

(g) there should be one mail "drop" in the Camp per fortnight.

With the centralisation of the Revenue Collection the whole accounting system will have to be overhauled and we are recommending the introduction of the Copywriter but this is dealt with under paragraph 3.

We also advise that the Radio Telephone Centre should be transferred to the Post Office Building. This will necessitate the allocation to the Post Office of the Town Council Offices if the Town Council is abolished. Not only will this provide space for the R/T Centre but it will also give the Post Office much needed vaults for safe custody of stamps and cash.

It will be seen from para 3 above that we consider the subsidy on Postal Services to be £8,617. This will inevitably mean an increase in postal rates which has long been overdue.

We cannot leave the Post Office without comment on the overcrowded and difficult conditions under which sorting takes place. We do not think there is anything wrong, in the circumstances, with the use of the gymnasium for the sorting and distribution of parcels every three months. This is good intensive use of building space required only/...

only at intervals. But as the amount of air mail, both internal and external builds up, and it will, and possibly surface mail may be carried in spare air capacity, and the introduction of the poste restante arrangement the conditions in the sorting area, presently inadequate, will become intolerable and militate against efficiency. There is much wasted space in the Post Office Building already, in corridors and public access area which could be effectively used with some re-designing. Public Works should be asked to undertake this.

If all this advice is taken the savings and additional revenue will be:-

(a)	two clerks at £900 p.a., including holidays gratuities etc.	£1,800
(b)	mail sorting and overtime allowances	365
(c)	4 flying hours at £39 per hour	156
(d)	local postage to be increased from 1p to 3p	3,324
(e)	all air packets to be increased to 1st step airmail level of 5p. including post cards and air letters	600
		£6,245

The philatelic revenue appears to have reached a peak and started to decline. This, we are told, is because the Falkland Islands cannot compete from a small area in which there are three authorities issuing stamps, i.e. Falklands, South Georgia and British Antarctic Territory. There is no resident population in either of the last two territories and therefore no public expenditure and we feel that they should suspend issue of stamps and let the Falklands come into the market with a twice yearly commemorative issue which Government advisers think could be successful. Estimated income after deduction of commissions £16,000 per annum.

Telecommunications.

As far as external telecommunications are concerned, we would not wish to comment. The more cost efficient the telecommunications department becomes the less it will reflect in the revenue, at any rate until the present ESRO Agreement ends in 1977. This is because any surpluses go to abate an annual free payment of £34,000 from ESRO. This payment is to help Government to meet its hire-purchase instalments on equipment installed at a cost of £340,000 for which the hire rent is £34,000 per annum for 10 years. The agreement encourages Government to maintain revenue from telecommunications at a level at which revenue does not exceed operating cost, with cost of capital excluded.

It is better that the position remains as it is until the agreement ends when the Le Fevre report will in any case have been considered and decisions reached. Further, we understand that external communications are under review.

Internal Communications.

There are certain licences and charges for which the Post Office, we think, should remain the collection point in future. The ones which we advise should be reviewed are as follows:

Present/...

		Present Rate £	Revised Rate £	No.	Additional Revenue £
(a)	Radio Licence	1	2	900	900
(b)	Radio Ham	1.50	3	30	45
(c)	Telephone Rental	6.50	10	465	1,627
(d)	Hire of R/T sets to be reviewed when present old sets are replaced.				

We advise that the cost of internal telegrams should be increased by 1p. per word to 2p. per word. This will generate an additional revenue of about £1,200 and an overall saving of £2,400 as the total revenue from telegrams should be abated in the ESRO account by the cost of those which do not go through the Radio Station.

Broadcasting is a costly item but it is a social service and it must not be expected that the total deficit can be met from licence revenue.

It will be seen from the/ Table of Clerical staff above that a good deal of the time of post office staff is spent on B.A.S, and we think this could reasonably be claimed, say £1,000 p.a.

If a levy was to be made on the cost of radios then licences could be abolished. But the levy would have to be collected and administered and there would be an immediate drop in revenue of £1,800 p.a. Revenue is important over the next 24 months so we cannot recommend immediate cancellation of radio licences. But this is an exercise the Customs Officer could do, to find out how many radios are sold annually, and whether it was practical for the licence revenue to be got by levy. If so, phase out licences.

Broadcasting.

This is a small and important Department. It uses a wired (diffusion) system for Stanley only and a medium wave transmitter. The Broadcasting Engineer with supporting staff has therefore mainly a wired system to service as the transmitter is in the Radio Station and is serviced and operated from there. Because of the wired diffusion system in Stanley care of 'phones (also a wired system) has become part of the Broadcasting Engineer's duties but we understand this distracts from his programming function.

Even if there was someone else to service telephones and the Broadcasting Engineer took over the servicing and oversight of the transmitter this might still distract from programming but at any rate on the engineering side the present division of work seems sensible and reasonable.

There are just over 450 telephones in Stanley operating in good climatic conditions. Servicing these is not a very onerous task and we feel that the solution lies in organisation of work. The element of the public expecting immediate attention when a phone fails will, we are sure, be lurking somewhere.

We can see no cash saving in this Department.

3.6/...

35. **Power and Electrical.**

There are two main issues with this Department for us:-

(1) whether it needs to be a separate Department or whether it can be amalgamated with advantage with another Department and overheads spread; and

(2) the Tariff.

We think that management overheads could be saved by amalgamation. But we think the Department would merge better with the Public Works Department than Posts and Telecommunications which has been suggested. In this recommendation we have borne in mind that the mechanical engineering necessary and electrical engineering are more akin to Works function than Telecommunications and Posts. We recommend that such amalgamation should be undertaken at an appropriate time which might be on the retirement of the present incumbent of the Superintendent post and when the present capital re-organisation has been completed.

The tariff.

We have examined the tariff computation. In this costing the only capital element which has been included is the cost of the loan repayment, a loan which is on the softest possible terms. The arrangements made for repayment of the British loan without interest are all right for that purpose but for arriving at unit cost we would prefer to consider the loan "hard", depreciate capital over appropriate life periods of the asset with interest at 8 per cent expressed as an annuity. This interest rate is the one on which most ODA calculations are made and is more realistic a cost for capital than 5 per cent these days. On this basis the tariff computes as follows:-

TARIFF/...

Tariff

	Present Cost £	Unit Cost £	Revised Cost £	Unit Cost p	Per Cent
Salary	12,933	.56124	12,933	.56124	20.65
Fuel	16,200	.70301	16200	.70301	25.85
Other charge	2,953	.128156	2,953	.128156	4.70
Loan Repayment	3,300	.143244	11,682 +		31.90
			5,394 ++	.87205	~~8.50~~
Sinking Fund	7,000	.303784	3,019 +++		~~4.80~~
Passages	3,092	.134205	3,092	.134205	4.85
Contribution to Revenue	7,522	.326347	7,522	.326347	12.05
	53,000	2.300000	62,795	2.725008	100.00

+ £100,000 value of new electric equipment depreciated over 15 years (Makers estimated life) at 8%

++ £66,000 buildings depreciated over 50 years at 8%

+++ £34,000 other assets distribution lines etc. depreciated over 30 years at 8%

Leaving the Contribution to Revenue at a fixed sum has reduced the return on capital to 3.75 per cent from 5 per cent and the object should be to phase out the item in the costing because provided proper provision is made for depreciation and interest there is no need for Government to make profit. Our terms of reference, however, require that we leave the amount in.

We recommend that electricity should not be sold at less than 2.725p. per unit and at this price it is still very reasonably priced against the cost of electricity in other Dependencies, where current is generated similarly. The extra revenue will be £9,795.

The saving on the Superintendent's salary when the post is eventually abolished will be £2,320 including passages. We would like to record that we think the Electricity Department is well run and efficient.

3.8 Public Works Department.

It is around the Public Works Department that a good deal of re-organisation will have to be done in the near future. One immediate problem arises out of the abolition of the Stanley Town Council and the absorption of most of its work into the Works Department.

When re-organised, we envisage the Department taking the following form:-

Superintendent of Works	Electrical Station Supervisor	Supervisor Senior Electrician Electrician Enginemen Mechanics Street Lights
	Mechanical Senior Mechanic	Mechanics Apprentices Drivers
	Maintenance General Foreman	Masons Carpenters Painters Plumbers

Water Filtration Plant Operator	Filtration Plant Operator Assistant Filtration Plant Operator Apprentices
Town Services Supervisor	Refuse Disposal Funerals and Undertaking Drainage Cemetery Fire Brigade Public Toilets Playing Fields

We have evidence that there has already been a good deal of re-organisation in this Department and the following posts in the current estimates have already been abolished: Senior Painter, Yard Foreman, Transport Officer and Motor Driver for which provision is made in the estimates amounting to £2,991.

The cost of Town Services is estimated for 1973 at -

Expenditure based on 1972 (after exclusion of items which can reasonably be considered notional) (excluding water)	£4,317
Expenditure on water	10,782
Total	£15,099

We think none of this expenditure should fall on the Camp.

It has been the practice in the past to separate water and general rates but we are not sure that such separations have always been equitable. We therefore think water and general cost should be combined and a General rate of 60.5 p per unit fixed i.e. 25000 x 60.5 = £15,125 The average rates per dwelling will go up to approximately £54.50 p.a. from £12.825 p.a. The increase to revenue will be -

Revised cost	£15,099
Less 1972 rates collected	4,395
	£10,704

We have assessed rates under this Head because Public Works is the Department upon which the burden of work will fall when the Town Council is abolished. In future rates should be assessed and collected in the Treasury.

We understand it is intended to introduce water meters into Stanley in the context of 1973-74 Estimates. If this is done, then water will be charged to the actual users of it in proportion to the amounts they use. When this happens the rates can be re-assessed on the basis of Stanley expenses other than water. The cost per gallon will, however, still have to be established and this is likely to be high. The high cost will result in considerable economies as demand which is elastic here will fall off and less water will be processed.

The grading of the Superintendent of Works post will have to be increased when the re-organisation takes place and we suggest £2,640 (Sedgwick) and a second senior officer will be required, either a young qualified Civil Engineer or an experienced Inspector of Works on the Civil side. It is unlikely that the sort of person we have in mind will be available locally.

There/...

There are no further economies we can see in this Department. It is one which is unavoidably growing.

3.9 Secretariat - Treasury - Central Store

It is in the re-organisation of this Department that the Key to economies and efficiency lies.

The Department presently has the following Sections:-

1. The Administration

2. The Treasury

3. Income Tax

4. Supplies Officer - Central Unallocated Store

5. Printing.

While this central organisation exists nevertheless Government Revenue is collected at the following points:

(1) Treasury
(2) The Broadcasting Department
(3) The Hospital
(4) The Police Station
(5) Public Works Department
(6) The Stores
(7) Customs
(8) Civil Aviation
(9) Post Office
(10) Public Call Boxes
(11) Schools
(12) Printing
(13) Library

These are the 13 pay points. There are items of revenue as shown in Appendix No. IV All the Departments have clerical staff involved in this function.

In spite of there being a Central Unallocated Store the following Departments have stores of one sort or another:-

(a) Education
(b) Medical
(c) Broadcasting/Radio/Wireless Station
(d) Electricity and Power
(e) Printing
(f) Secretariat

The object is to centralise all accounting on the Treasury and Stores on the Central Unallocated Store. Stores includes the ordering of stores and supply of stores to Departments. The advantage of this is that Departments need not be worried about their vote position near the end of the year if they have to order important stores as the unallocated stores cash balances carry forward.

It/...

It is envisaged that the Secretariat will divide as follows:-

Schedule

(a) Administration

(1)
(a) General Management
(b) Political Affairs
(c) Security
(d) External Affairs - local
(e) Standing Finance Committee
(f) Commerce
(g) International Air arrangements

(2)
(a) Establishment matters
(b) Housing
(c) Wildlife
(d) Immigration
(e) Tender Board
(f) Printing
(g) Film Library
(h) Leases
(i) Public Relations
(j) Stanley Affairs
(k) Stamp Issues
(l) Charitable relief

(3)
(a) The Constitutional Councils
(b) Biennial Report
(c) Office Supervision
(d) Indents
(e) Passports
(f) Passages
(g) Boards of Survey
(h) Diplomatic Bags
(i) Commonwealth Parliamentary Association

(b) Treasury

(a) Financial Policy
(b) Estimates
(c) Revenue - assessment and collection of all items so marked in column of Appendix IV
(d) Pay Roll
(e) Savings Bank
(f) Deposits
(g) Remittances
(g) Loans
(h) Advances
(i) Investments
(j) Pensions
(k) Provident Fund
(l) Note Security Fund
(m) Standing Finance Committee
(n) Cost of Living Index
(o) Cash - Change
(p) South Georgia Accounts Estimates
(q) Custody of Stamps
(r) Exchange Control

(c) Supplies Officer

(a) Unallocated Stores
(b) Ordering for Government
(c) Reception and distribution
(d) Medical
(e) Educational
(f) "Forrest"
(g) Public Works
(h) Power and Electricity
(i) Telecommunications spares
(j) Explosives
(k) Fuel and Petrol/oils
(l) Printing/Stationery

(d) Printing

(a) Stock Forms
(b) Gazettes and Legislation
(c) Government general requirements
(d) Private Printing

Centralised Accounting

The present accounting system is very well kept, is adequate but of the "Bob Cratchet" type. There is in it a good deal of tedious repetition. If all accounting is to be done centrally then mechanical methods are necessary if centralisation is to be made possible. It is unlikely that a machine which could cope with so many tabulations as are shown for revenue in Appendix IV would be feasible because of servicing problems and maybe expense. Nevertheless manual mechanical methods are possible on the "peg board" such as the Kalamazoo Copywriter. How many clerks can be saved will depend on how the work and the stationery sets can be organised. This we will deal within London.

The Stores records are good and well kept and the stores efficient. All ordering can be done through / them and reception of supply. The system may need little adjustment on centralisation. It is a store of 5,000 items, a financial ceiling of £45,000 but like so many Departments has building problems. It is housed in 11 buildings.

A slip system for journal entries i.e. those other than cash, will have to be designed for advising the Centre of transactions from Departments, and also non-cash transactions in the Treasury.

Another matter which badly needs attention is the grouping of revenue and expenditure items so that less tabular analysis is necessary. Revenue items are unnecessary for accounting here. This is a real work generator.

Ideally for centralisation purposes the ground floor of the Secretariat needs to be laid out as a Bank across the front of the building with executives' offices at the rear of the counter area with visual supervision through glass partitions.

We would hope to reduce the total Government establishment of 28 by about 10% in this way, but much will depend on cost of installation, how much mechanisation is possible, satisfying the auditor and complying with Colonial Regulations. Saving say £3,000.

The Printing Works.

This is a highly efficient little unit which produces a high standard of work.

The only way in which it is not efficient is costwise.

Revenue/...

Revenue £150
Expenditure £4,500

The investment in machinery must be about £10,000, £6,000 of which is in a linotype machine. The press is exclusively "letter press". No off-set facilities are available.

We doubt whether the Press is running at more than quarter of its capacity, and the Linotype hardly has a 1½ days work a week.

As in many of the Colonial Printing Works there are large piles of assembled type of Government Stock forms, in the case of the Falklands about 200 many of which require one run of 500 a year.

Apart from these forms there is little the Press does which could not adequately be done on a good duplicator.

The cost of abolishing the Press now it exists would be high as other equipment for stencilling forms would be necessary.

Imagine setting up the type to print 150 Gazettes, 39 of which go to Government Departments, 16 to subscribers, 21 to Libraries free, 17 free copies are issued to members of Constitutional Councils etc. 58 go on to the shelves of the Secretariat store where about two tons of paper has accumulated. One issue has a £24.80 subsidy. The cost of one for an 88 issue is 31p. without capital or overheads.

The aim should be to make the Press pay for itself and ultimately Government printing by taking all the private sector printing available. We have seen much printing here which was done in U.K. which could have been done in the Government Press. Properly costed plus profit the Press could compete favourably with U.K. prices. Public relations work is necessary and we see this on the schedule of a Secretariat Officer. Selling Government services to the public is what public relations are all about.

3.10 <u>Insurance of government assets</u>

We have been asked to examine the policy adopted in the insurance of government property. The following are the larger insurances now carried:

(a) houses and buildings (with more important contents) against fire risks (premium £2,600);

(b) m.v. "Forrest" against total loss (premium £1,554);

(c) Beavers against fire while in hangar (premium £360);

(d) legal liability for passengers in Beavers up to £6,000 per seat (premium £182). It appears that, by virtue of instruments made under the U.K. Carriage by Air Acts, £6,000 is the legal limit of government's liability so long as wilful misconduct cannot be established.

It has been suggested that economies might be effected if government carried more of its own risks. We consider however that this would be too dangerous in the present depleted condition of the reserves and that it is right that there should be cover against the bigger dangers. The present policy seems to us to constitute a reasonable balance and we do not recommend any change. The new power-house plant will, of course, have to be insured when it is taken over from the contractors.

3.11 Family allowances

It has been suggested to us that these allowances might be graduated so as to give higher benefits to the poorer families. We consider however that the administrative costs of such an operation render it impossible. We have proposed increases in the income tax personal allowances which will give a measure of relief to many families with small incomes and we therefore recommend that the family allowances be left as they are.

4. INVESTMENTS

4.1 Savings Bank Profits

In 1.2 we have recommended that government dependence on transfers from savings bank profits should be reduced and ultimately extinguished. The first step that can be taken in this direction is the increase in the rate of interest paid to depositors and we find a widespread opinion that this ought to be done.

The rate to be adopted depends upon whether the existing income tax exemption is to be continued. We do not like this exemption since it means that the true gross rate depends upon the depositor's top rate of tax. The rate of $2\frac{1}{2}$ per cent is the true rate for a man who is not liable to income tax but at present it is equivalent to a gross rate of 3.03 per cent to a man with a chargeable income of £1,000. If the rates of tax which we recommend in 2.1.1 were adopted it would become equivalent to 3.12 per cent. Nevertheless we acknowledge that the exemption has a certain irrational attraction and we consider that its withdrawal would create more work in the Income Tax office without a proportionate increase in the yield of tax. We therefore recommend that it should be retained and, on this basis, that the rate allowed to depositors should be increased to $3\frac{1}{2}$ per cent.

4.2 Investment Policy

We have been asked to give consideration to the policy adopted by the Colony government (on instructions from the Secretary of State) in the investment of monies held in the special funds of which the savings bank, the old age pension equalisation fund and the note security fund are the most important. Over half of the funds of the old age pension equalisation fund are already invested in equities and we have considered whether it would be wise to recommend a similar switch by the other funds.

An improved investment policy by the savings bank ought, in accordance with the views we have already expressed, to benefit depositors rather than government, while the note security fund is hardly an appropriate instrument for a more adventurous outlook. But in any case, we do not consider, in view of the history of U.K. equities in the past five years, that investment in them would necessarily constitute an improved policy and we do not think that the present time is appropriate for considering a change.

5. NEW REVENUE ITEMS

5.1 Lottery

We have received from many quarters the suggestion that a Colony lottery might be profitable to government. The suggestion comes in two main forms. The first envisages exploiting the new communications with Argentina by the sale of tickets in Latin America where the appetite for lotteries is supposed to be insatiable. The tickets would have to be sold and the profits retained in the local currency and this factor probably confines the possibility to Argentina where government will be incurring increased peso debts. We do not think it at all likely that the Argentine authorities would grant a licence to establish a lottery in competition with existing state and provincial lotteries but, if they did, the compulsory taxes and charitable contributions combined with the cost and administrative complexity of setting up agencies for the sale of tickets would, in our opinion, make the project impossible.

Similar objections do not apply to the alternative form of the suggestion which is that the tickets should be sold widespread by post on the model of the Malta lottery. We do not know enough about such lotteries to offer an opinion on the feasibility of setting one up in the Falkland Islands and we suggest that expert advice should be obtained from someone who has had the necessary experience. We content ourselves with pointing out that the cost of the security printing of tickets and of broadcasting them speculatively across the world would be very high indeed and an elaborate central organisation would be required which it would be quite beyond the capacity of the Colony to arrange out of its own man-power. There is probably now a difficulty (which Malta may already have experienced) arising out of the shrinking of the Sterling Area in June 1972.

5.2. Commemorative coinage

An agent in England who arranges such things suggested that the Colony should make a special issue of coinage to celebrate the Silver Wedding Anniversary of the Queen and Prince Philip. The suggestion came too late to exploit that particular anniversary but it is recommended that further information be obtained with a view to making use of the next suitable occasion.

The essence of the device is that the Colony Government authorises the issue of special cupro-nickel commemorative coins. The manufacture of these coins and their sale to collectors at above their nominal value is arranged by the agent in England who pays the government the face value of those sold.

6. CONCLUSION

As will be apparent from what we have already written in this report, we have been very impressed throughout our stay in the Colony by the comprehensive services supplied by government to the population, especially in the department of Aviation, Medicine and Posts and Telecommunications. We acknowledge that the geography and nature of the Falkland Islands make them unique in their needs and that the provision of many of these services is essential to the life of the community. Nevertheless we are convinced that those who enjoy these services do not pay enough for them. They have been subsidised to too great an extent out of general taxation and out of income derived, in one way or another, from the Colony's investments.

While we believe that the level of taxation should be increased to some extent, the recommendations upon which we lay most stress are those designed to reduce the element of subsidy in certain services. This will be apparent from our forecasts of additional revenue and of savings as follows:

Appendix III: Expected additional yield from taxation	£34,700
Appendix V: Possible additional yield and savings in services	70,192
	£104,892

APPENDIX I

Income Tax

The following table shows the income tax payable on sample incomes applying the allowances and rates recommended in 2.1.1. The calculations assume that the income is wholly earned and that the taxpayer is entitled to an allowance of £14 for old age pension contribution. The figures in brackets show the corresponding tax under the present law.

Income	Single	Married	Married one child	Married two children
£	£	£	£	£
300	- (3.80)	- (-)	- (-)	- (-)
500	23.40 (18.60)	- (5.60)	- (-)	- (-)
800	59.40 (48.90)	32.40 (32.00)	17.40 (19.60)	2.40 (9.60)
1,000	86.20 (72.90)	56.40 (53.40)	41.40 (39.50)	26.40 (27.00)
1,500	166.20 (142.55)	130.20 (119.80)	110.20 (102.30)	90.20 (84.80)
2,000	264.00 (231.85)	219.00 (202.60)	194.00 (180.10)	170.20 (157.60)
3,000	556.80 (462.44)	502.80 (427.60)	472,80 (405.10)	442.80 (382.60)

APPENDIX II

Estate Duty

The following table shows the duty payable on sample estates at the rates recommended in 2.2. The figures in brackets show the duty payable at present rates on the assumption that the estate included no agricultural property to which the 50 per cent abatement applies.

Estate	Duty
£	£
5,000	- (-)
10,000	500 (200)
15,000	1,250 (500)
20,000	2,250 (900)
25,000	3,750 (1,400)
30,000	5,750 (2,000)

APPENDIX III

Summary of expected increases of yield from taxation, etc.

Paragraph	Description	Increased Revenue £
2.1.1	Income tax	5,000
2.2	Estate Duty	3,000
2.3	Customs:	
	spirits	7,500
	Cigarettes	3,200
	Diesel	5,000
	ad valorem	6,000
2.9	Rents	5,000
		£34,700

APPENDIX IV

Revenue Items

Revenue	Rate	Point of Assessment	Point of Collection	Approx. No.	Suggested points of Collection
	£				
1. Radio Licence	1.00	Post Office	Post Office	1,100	Post Office
2. Radio Ham Licence	1.50	" "	" "		
3. Land/Ship/Mobile/ R/T	2.00	" "	" "		
4. Letter Box Rental	0.60	" "	" "	180	" "
5. Telephone	6.50	" "	" "	463	" "
6. Loudspeaker Diff.	2.00	" "	" "	350	" "
7. Speaker Wire	0.50	" "	" "		" "
8. Hire of R/T set	2.00	" "	" "		" "
9. Leased telephone circuit		" "	" "		" "
10. Call Boxes		Call Box	" "		" "
11. Wire telegraphic Equip.		Post Office	" "		" "
12. Stamps		" "	" "		" "
13. Telegrams		" "	" "		" "
14. L/D telephone calls		" "	" "		" "
15. Commission on Money & Postal Orders		" "	" "		" "
16. Parcel Post		" "	" "		" "
17. Savings Bank		Treasury	Treasury		Treasury
18. Land Line Rentals		"	"		"
19. Electricity A/c	V	P.W.D.	P.W.D.		"
20. Electricity Instal/R	V	P.W.D.	P.W.D.		"
21. Gun Licence	0.50	Police	Police	671	"
22. Driving Licence	0.25	"	"	700	"
23. Vehicle	2.00	"	(3 yearly)	495	"
24. Trailer	0.50	"	"		"
25. Dog	1.50	"	"	30	"
		Working dogs free			
26. Trout	-	"	"	92	"
27. Penguin Eggs	0.25 per 1,000 + 12½p add. 1,000	"	Control	30	"
28. Fire Arms Dealer	1.00	"	"	2	"
29. Vehicle Testg.	0.50	"	"	24	"
30. Prov. Drivg. Licence	0.25	"	"		"
31. Testing Fee	0.50	"	"	24	"
32. Public Service Vehicle	1.00	"	"	3	"
33. Income Tax	-	Tax Officer	"		"
34. Companies Tax		" "	"		"
35. Profits Tax		" "	"		"
36. Sweepstakes		Treasur	"		"
37. Estate Duty		"	"		"
38. Liquor Licences	30.00	"	"		"
39. Publican	30.00	"	"		"
40. Packet	10.00	"	"		"
41. Club	10.00	"	"		"
42. Tobacco	3.00	"	"		"
43. Slaughter House	0.50	"	"		"
44. Export Wild Life		"	"		"
45. Kelp		"	"		"
46. Occasional		Legal	Legal		"
47. Stores		Stores	P.WD		"
48. School Materials		School	School		"
49. Govt. Publications		Secretariat	Secretariat		"
50. Printing		Printing	Printing		"
51. Machine Hire		PWD	PWD		"
52. Civil Aviation Charges		C.A.	C.A.		"

Revenue	Rate	Point of Assessment	Point of Collection	Approx. No.	Suggested points of Collection
	$				
53. Customs Duties					
Beer, Ale, Stout Etc.					
Spirits					
Tobacco					
Matches					
Wines		Customs	Customs		Treasury
54. Court Fees		Legal	Legal		"
55. Supreme Court		"	"		"
56. Magistrates		"	"		"
57. Registrar		"	"		"
58. Customs Services		Customs	Customs		"
59. Shipping		"	"		"
60. Hospital & Medical		Medical	Medical		"
61. Dental		"	"		"
62. Quarantine		Customs	Customs		"
63. Passports		Secretariat	Secretariat		"
64. Boarding School		Education	Education		"
65. Grazing		Customs	Customs		"
66. Commission on Drafts		Treasury	Treasury		"
67. Harbour Dues		Customs	Customs		"
68. Wharfage		"	"		"
69. m.v. Forrest		"	"		"
70. Hire of Alert		"	"		"
71. Rents Crown Lands		Treasury	Treasury		"
72. House Rents		PWD	PWD		"
73. Water Rate					
74. Library					
75. Rates					
76. Land Sales		Secretariat	Treasury		"

APPENDIX V

SUMMARY OF POSSIBLE SAVINGS AND/OR ADDITIONAL REVENUE ON SERVICE ITEMS

Para	Description	Possible	Probable
3.3	Aviation	11,200	
3.4	Education		4,000
3.5	Medical	4,285	
3.6	Posts and Telecommunications	28,217	
3.7	Electricity	9,795	2,320
3.8	Public Works	2,991	
3.	Rates	10,704	
3.	Secretariat and Dept. Votes	5,000	
		£70,192	£6,320