

1922.



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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FINAL REPORT

from the

JOINT COMMITTEE OF PUBLIC ACCOUNTS

UPON THE

WAR SERVICE HOMES COMMISSION.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

FINAL REPORT

UPON THE

WAR SERVICE HOMES COMMISSION.

INTRODUCTORY.

The Joint Committee of Public Accounts commenced in March, 1921, an investigation of the administration of the War Service Homes Commission, and the expenditure being incurred in providing homes for returned soldiers and their dependants.

The Committee had previously, at the request of the Government, reported upon certain transactions of the War Service Homes Commissioner, and the knowledge the Committee then gained convinced members that an examination of the affairs of the Commission was essential.

PROCEEDINGS OF THE COMMITTEE.

In the course of its inquiry the Committee visited not only the capital city in each State, but many other centres to which the operations of the Commission had extended. The proceedings generally were conducted in public, but where occasionally it was deemed advisable sittings were held *in camera*.

Progress Reports have from time to time been presented by the Committee as under :

	Parliamentary Paper.	Session.
Progress Report—New South Wales	No. 121 ..	1920/21
Second Progress Report—Tasmania	No. 149 ..	"
Third Progress Report—Western Australia	No. 151 ..	"
Fourth Progress Report—Queensland	No. 164 ..	"
Fifth Progress Report—Victoria	No. 11 ..	1922
Sixth Progress Report—South Australia .. .	No. 12 ..	"

WAR SERVICE HOMES LEGISLATION.

When introducing the Australian Soldiers' Repatriation Bill into the Senate in July, 1917, Senator E. D. Millen, Minister for Repatriation, intimated that the provisions of this measure were not to be regarded as the last words upon repatriation. He had then under consideration, amongst other proposals, a scheme for the provision of homes for returned soldiers and sailors and their dependants.

In the Senate, on the 11th December, 1918, Senator Millen moved—"That leave be given to introduce a Bill for an Act to make provision for homes for Australian soldiers and female dependants of Australian soldiers." The motion was agreed to, and on the same day the War Service Homes Bill was presented and read a first time.

On the 12th December the Minister moved the second reading of the Bill. He explained that the purpose of the measure was to enable members of the Australian Imperial Force and certain of their dependants to secure homes. There was a shortage of housing accommodation in Australia which would become accentuated by the return of the men who were still at the front. It was proposed to constitute, as administrative authority under the Bill, a Commissioner whose term of office would be seven years, at a salary of £1,500 annually. "A heavy responsibility," said Senator Millen, "would be placed upon him and to enable him to discharge this responsibility he is to be vested with a corresponding measure of independence. Of course he will be subject to the Minister in respect to all large matters, and, indeed, to all matters which in any sense of the term may be regarded as matters of policy."

MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Third Committee.)

The Honorable JAMES MACKINNON FOWLER, M.P., Chairman.

JAMES EDWARD FENTON, Esquire, M.P., Vice-Chairman.

Senate.

- * Senator THOMAS WILLIAM CRAWFORD.
- * Senator the Honorable JOHN EARLE.
- † Senator ALLAN McDUGALL.
- ‡ Senator Lt.-Col. WILLIAM KINSEY BOLTON, C.B.E., V.D.
- ‡ Senator RICHARD BUZACOTT.
- ‡ Senator JOHN DUNLOP MILLEN.

House of Representatives.

- JAMES GARFIELD BAYLEY, Esquire, M.P.
- WILLIAM MONTGOMERIE FLEMING, Esquire, M.P.
- JOHN HENRY PROWSE, Esquire, M.P.
- JOHN EDWARD WEST, Esquire, M.P.
- § MATTHEW CHARLTON, Esquire, M.P.

* Resigned 23rd July, 1920.—† Retired 30th June, 1920.—‡ Appointed 29th July, 1920.—§ Appointed 1st July, 1920; resignation tendered 13th January, 1922.

Two main duties were to be intrusted to the Commissioner. The first would be that of making advances to applicants from amongst those eligible to obtain such advances. The terms provided would be somewhat similar to those given by ordinary building societies "although more generous." The second set of powers intrusted to the Commissioner was to enable him to build in anticipation of the receipt of applications. The Minister pointed out that there would be three great advantages in this. The Commissioner would be able to buy land in a wholesale way much cheaper than in single allotments. There would also be a considerable saving effected by giving the Commissioner power to build in a wholesale fashion. Contractors had assured the Minister that "it would be possible to make a much more favorable offer if, instead of being invited to erect three or four cottages, they were asked to build ten or twenty cottages." The third power sought to be conveyed by the Bill was to enable the Commissioner "to make contracts and to purchase building materials in large quantities" and thus be placed in a position of great advantage. He would effect a saving perhaps of 10 per cent. on each cottage.

The Minister was asked at this point in his speech whether the Commissioner would undertake the work of building himself, or would be at liberty to let large contracts. Senator Millen replied "The Bill will leave him free to do either one thing or the other. In some cases it may be advisable to have houses erected by contract, while in others it may be advantageous for the Commissioner to make use of the resources of our Commonwealth Works Department. That, however, will be entirely a matter for him to determine."

The interest chargeable under the scheme would be 5 per cent. plus an amount to cover sinking fund, rates and insurance. It was proposed under the Bill that the Commissioner should have his own insurance scheme, from which there would be no effort to secure a profit. Power was given in the Bill to the Commissioner to enter into negotiations with such institutions as the State Savings Banks to do the work. The Minister had also discussed with the Deputy Governor of the Commonwealth Bank the question of whether this Bank could participate, but was told that it could only do so in a limited way. Senator Millen spoke approvingly of the State Savings Banks being intrusted with the work. He said "The point is that if the Commissioner himself did not make such arrangements with the Banks, he would have to create an extensive organization throughout Australia. At the same time the fact is that such organizations are in existence, and it will appeal to the common sense of honorable senators that, if we can make use of an existing organization, especially when it is under the control of the Government, with its trained staff and familiarity with the work, it is much better from a business point of view than to create a new organization to deal specially with this Bill."

Dealing with the financial aspect of the measure, the Minister calculated that at least 25,000 applications for homes would be received. Estimating the average loan at £500 that would represent a commitment of £12,500,000. Spread over a number of years, the Minister was of opinion that 100,000 applications might be anticipated, and, if so, £50,000,000 would be involved in the scheme.

The Government would probably have to face a loss of at least 1 per cent. on these transactions, which would include the administrative expenses. Though these were charged by building societies and banks, it was not proposed under the Bill to debit them to applicants. It was necessary to establish the most liberal housing scheme which could be devised, so that those whom it was intended to benefit could take advantage of it. It had to be within the reach of applicants. The aim of the Government was to establish a scheme which would be applicable to ordinary wage earners, and to give them homes for a sum not greater than that which they paid as rent. Under this scheme, on a £600 house, taking the full period of 37 years, the occupant would have to pay 13s. 6d. per week—rates and insurance would be additional. On the 26 year period the weekly charge would be 15s. 4d.

In the course of the consideration of this measure in the Senate approval was generally expressed of its object and nature. Many material alterations were, however, made. The clause placing persons employed in the proposed scheme under the Public Service Act—in effect making them permanent civil servants—was taken out, and another substituted giving the entire control of the staff to the Commissioner. Trafficking in houses was made permissible only in cases of great hardship. The scope of the insurance was widened, and provision was made for giving leasehold homes on Commonwealth Crown lands.

In the House of Representatives the Minister for Works and Railways introduced the Bill on the 19th December, 1918, and moved the second reading on the same day. It was the last day but one of the session, and the debate was brief. On the following day, in Committee, the stated salary of the Commissioner was struck out "for technical reasons," and put under the determination of the Governor-General in Council. Some other minor changes were made; the Bill was returned to the Senate, when the amendments were approved and the report adopted.

On the 17th October, 1919, a member of the Government moved in the House of Representatives for leave to bring in a Bill to amend the *War Service Homes Act 1918*, and on the 22nd of the same month the Bill was read a first time. On the second reading, the same day the Minister, Mr. Massy Greene, explained that "there were no new principles in the measure beyond an amendment to allow war workers, munition workers, and others to participate in the benefits of the Principal Act, and a provision to prevent estate agents or similar persons from using the term "War Service Homes" as an advertisement. The other amendments were merely of an administrative character. The Bill was reported on the 22nd October without amendment. Two days later, in Committee, in the Senate a paragraph was added to allow war nurses to take advantage of the scheme in building hospitals. The House of Representatives adopted this amendment.

On the 19th of August, 1920, the Minister for Repatriation presented in the Senate another *War Service Homes Bill*, which he explained "in no way disturbed the main principle of the Act." The amendments now proposed were to further extend the scope of the original measure, to put additional checks on trafficking, and to increase the amount to be advanced from £700 to £800. The reason for the last-named alteration was the increased cost of building operations and materials. "Another provision was also rendered necessary by an oversight in the existing measure." It was now proposed to restrict the freedom of the Commissioner in any one transaction to £5,000. For any expenditure beyond that amount the Commissioner would have to obtain Ministerial approval. Hitherto the limitation had applied only to land purchases. In the House of Representatives a clause was added to this measure instructing the Commissioner to submit an annual Report and balance-sheets.

On 29th June, 1921, Senator Millen moved "That leave be given to introduce a Bill for an Act to validate certain acts performed by persons purporting to act as War Service Homes Commissioner and Acting War Service Homes Commissioner, and to validate the appointment of a person as Acting War Service Homes Commissioner." The Minister, when introducing the measure, explained that it was necessary because it had been found that Lieut.-Colonel Walker, the Commissioner, was an uncertificated insolvent, and that it was therefore obligatory to remove him from office. His appointment being irregular, it was advisable that his actions as Commissioner should be validated. It was also required to validate the acts of the Acting War Service Homes Commissioner. The Bill was passed in both Houses as submitted by the Government.

PRELIMINARY WORK.

The *War Service Homes Act* came into operation on the 6th of March, 1919—the day on which the Commissioner was formally appointed. The task before the Commissioner was undoubtedly a formidable one. Applications for homes had been mounting up in numbers in all parts of Australia, and already there was considerable complaint about the delay in getting to work. The Commissioner aimed at building 8,000 houses per annum when the scheme had got into full swing; and even at this rate he estimated that it would take three years to clear off the accumulation of applications. Thereafter it was anticipated that the demand for war service homes would gradually ease off until in about fourteen years the operations would automatically end.

The scheme had to start from zero. There were capable and experienced officers in the Commonwealth Works Department, but they were not consulted nor their services availed of in any way in the initiation of the scheme.

The Commissioner, chosen by the Minister for Repatriation, was Lieut.-Colonel James Walker, an officer with military experience in the South African War and the Great War. He was in civilian life a contractor, and his work had been carried on principally in North Queensland. His first step was to create a central staff, with a Chief Clerk and a Chief Accountant, a Director-General of Works—who was also Principal Architect—and a Chief Inspector of Works. With the inauguration of the day-labour system the duties of some of these officers were re-arranged; the Director-General of Works became Director of Lands, and his second in command was appointed Controller of Supplies, with which position was bracketed that of Principal Architect after the rush of preparing plans was over. For a time the Chief Accountant acted also as Secretary, but subsequently the positions were separated. In each State Deputy Commissioners were appointed to take charge. Colonel Walker chose these officers himself, without reference to the Minister. They were not all returned men, though, other things being equal, the Commissioner stated that he gave preference to soldiers. Under these responsible branch heads, there were employed on the administrative work at the date on which Colonel Walker gave the evidence (8th March, 1921) a total of over 600 persons, of whom 98 per cent. were returned soldiers. In constructional work the numbers varied considerably according to requirements.

STATE ORGANIZATIONS.

Although the Minister in introducing the Bill made it quite clear that the Commissioner would be left free to undertake the work of building should he so determine, there is no doubt that the intention was to utilize as far as practicable those existing governmental agencies which were actually engaged in financing and building houses in the various States. The Minister who moved the second reading of the War Service Homes Bill in the House of Representatives (Mr. Groom) said:—"Wherever it is possible to take advantage of the experience of those State institutions, it is proposed that the Commonwealth shall do so." Special provision was made in the Act for this to be done.

The Governor of the Commonwealth Bank had been consulted by the Minister in connexion with the housing phase of repatriation as early as July, 1917, but when Senator Millen was introducing the War Service Homes Bill in the Senate in December, 1918, he said that "the Bank was not at all equipped for this class of work." Subsequently, however, the Commonwealth Bank did come into the scheme. Its activities have already been detailed in the Committee's various Progress Reports.

In November, 1918, Senator Millen had opened negotiations with the State Savings Banks in Victoria and New South Wales. Matters had almost been brought to a satisfactory conclusion when the negotiations were broken off by the Commonwealth Government. An extract from a letter dated 21st June, 1919, sent from the Secretary to the Commonwealth Treasury to the Inspector-General of the State Savings Bank, Victoria, gives the reasons—

"I regret having to inform you that, under circumstances which could not have been foreseen, the Government has reluctantly decided not to enter into the agreement with the State Savings Banks.

When yourself and others were approached, in the first instance, it was understood that the Commonwealth Bank did not desire to carry on the business. Within the last few days, the Governor of the Bank has informed Ministers that objections previously raised by the Bank are now withdrawn, and that he desires to undertake the work.

Mr. Miller having given assurance that he is in a position to undertake immediately commence the duties which it was proposed to intrust to the State Savings Banks, the Government feels obliged to carry on operations through its own institution."

In Western Australia a Worker's Homes scheme had been in operation for some years, and the Premier was approached in December, 1918, by the then Acting Prime Minister suggesting the use of this organization for the War Service Homes programme in Western Australia. When the negotiations were in progress, the Commonwealth authorities brought them to a sudden conclusion, intimating that they had made other arrangements.

In South Australia the State Bank had carried on a house-building scheme since 1910. In 1916 the State Government, in order to stimulate recruiting, promised to make special provision for homes for the soldiers on their return. This scheme was proceeding satisfactorily when the Commissioner sent an officer to investigate the position in South Australia, and, despite his report, inaugurated a State branch of the Commission. Some weeks later the Minister instructed the Commissioner to cease operations in South Australia. Subsequently arrangements were made for the State Bank to carry out the work with funds provided by the Commonwealth.

In Queensland a Workers' Dwelling scheme had been in existence, but at this time was in abeyance.

Tasmania had not any State scheme of house building.

COMMISSION'S OPERATIONS.

The Commissioner, having determined to enter upon actual building operations, drew up a programme providing for the construction of 8,000 houses per annum throughout the Commonwealth. He considered that the cheapest and most expeditious method would be to acquire large areas of land and erect big groups of houses in anticipation of requirements.

A Director of Lands was attached to Central Administration as the officer directly responsible to the Commissioner for the land transactions, lay-outs, and surveys. Arrangements were also made for the Commonwealth Surveyor-General, and his representatives in each State, to assist in the work, but this agreement does not appear to have operated very harmoniously. The Surveyor-General pointed out to the Commissioner that land was being purchased more quickly than it could be used profitably, and prices were being inflated by the haste displayed. Still the purchase of land proceeded apace throughout Australia. For example, the Commissioner despatched a special officer to New South Wales with instructions to purchase sufficient land for the early erection of 5,000 houses. This officer was also deputed by the Commissioner to discuss the general land policy with the Minister. Senator Millen then laid it down that only sufficient

land was to be acquired to meet the requirements of the current twelve months. The Commissioner however, issued instructions that a minimum programme of three years and a maximum of five years' acquisition should be effected in the very near future. The areas of land which had been purchased or acquired by the Commission up to 30th June, 1922, totalled 2,540 acres at a cost of £549,788. In addition, a total of 167 acres of land was utilized by the Commonwealth Bank in carrying out its portion of the scheme. But as the Bank built only single houses, and numbers of the allotments were provided by the applicants themselves, separate figures relating to the land transactions of the Bank are not available, the amount in each case being included in the total cost of the individual homes.

Several areas of particularly unsuitable land were purchased by the Commission, and in such cases it has had to incur extra expense in remedying defects. These areas have already been referred to in the Committee's Progress Reports on the respective States in which the land is situated.

To provide applicants throughout Australia with houses, the Commissioner had 500 different designs prepared by his architectural staff in Melbourne. Frequent exception was taken to these designs during the Committee's investigations, not only on account of their unsuitability for the climatic conditions of some of the States, but because their elaborate and expensive nature placed them beyond the means of many of the soldiers. In drawing these plans there appeared to have been very little attempt, if any, to keep below the limit of the amount provided by the Act. Later designs by the architects attached to the State branches proved more acceptable.

The Federal Council of the Australian Institutes of Architects and the Returned Soldiers' Branch of the Royal Victorian Institute of Architects offered to assist in the supervision of the work. These offers were not accepted by the Commissioner, who preferred to create his own architectural staff.

The Commissioner informed the Committee that it had not been his intention to build by day labour on a large scale, but the high prices submitted by contractors at the commencement of the scheme necessitated the adoption of that policy. When giving evidence in March, 1921, he told the Committee that he was then cutting out day work where possible and letting contracts. Up to 31st December last the Commission had erected 2,235 houses by day labour and 1,515 by contract. To carry on the day-labour system the Commissioner had to arrange for large quantities of supplies. The associations of merchants and manufacturers in the various States were approached by the Commissioner, but he considered that in many instances the terms offered by them were not sufficiently generous, having regard to the national character and the magnitude of the scheme. He thereupon formulated a policy of securing his requirements direct by expanding existing sources of supply and opening new ones, so that the demands of the general public would not be interfered with to any degree by the Commission's activities. In pursuance of this policy the Commissioner acquired extensive timber areas and sawmills in Queensland and Victoria—the purchase of which was reported upon by the Public Accounts Committee at the time (*vide* Parliamentary Papers Nos. 82 and 113, Session 1920-21). In other instances the Commissioner advanced to private firms large sums, free of interest, to enable them to supply the Commission with its estimated requirements. These cases have been dealt with exhaustively in the Report presented by the Public Accounts Committee on the Victorian branch of the Commission—Parliamentary Paper No. 11, Session 1922. Contracts were made with suppliers for general building material on terms which, in a number of instances, represented substantial savings on the current market prices. Many of these contracts were, however, entered into at the top of the market, and although for large quantities and long periods, in very few cases was provision made to meet any fall in prices. In many essential lines, such as timber, bricks, and galvanized iron, the Commissioner encountered difficulty in arranging for sufficient and regular supplies. In consequence, building operations were hampered at an early stage. Labour was scarce, and as outside contractors were offering higher rates than the Commission could afford, on account of its statutory limit of cost, jobs were frequently held up and their completion delayed for many months. This meant additional expense, and, on completion, day-labour homes were found in practically all cases to have far exceeded the original estimate.

FINANCIAL.

The War Service Homes Commission commenced its task towards the end of the financial year 1918-19 with a vote of £15,000—£5,000 from Loan Funds for Capital Expenditure, and £10,000 from Revenue to pay for Administration. The expenditure amounted to £2,273 and £5,067 respectively. The unexpended balances were carried forward. For the following year £4,000,000 was provided in the Estimates for Capital Expenditure and £140,000 for Administrative Expenses. The procedure in utilizing this money was for the Chief Accountant of the Commission to furnish a monthly statement to the Treasury showing the requirements, and the necessary

amount was then transferred to a Trust Account operated by the Commissioner. No proportionate amount of the total vote appears to have been allotted to each State, and beyond limiting Deputies to transactions under £1,000—subsequently increased to £2,000—little or no control appears to have been exercised over the rate of expenditure during the first year of operations.

At the close of the first complete financial year of the scheme it was found that the vote for Capital Expenditure had been exceeded by £839,000. In one State alone nearly £200,000 more than the amount anticipated had been spent. Representations to the Treasury resulted in additional funds being made available to meet the excess expenditure.

For the following year, 1920-21, it was estimated by the War Service Homes authorities that if "the programme as decided upon" were to be carried out, a vote of almost £10,000,000 would be required. The Chief Accountant of the Commission informed the Committee that "consultations with the Minister, Senator Millen, resulted in the application for funds being reduced to £7,000,000, but the Treasury gave only £6,000,000."

In August, 1920, the War Service Homes Commissioner advised the Treasury that £1,525,285 would be required to meet his expenditure for July and August. As this was at the rate of over £9,000,000 per annum, the Treasury asked for an explanation, and was informed by the Commissioner that the high rate of expenditure was largely accounted for by the Commission taking over certain uncompleted commitments of the Commonwealth Bank. On the 6th November, 1920, the Treasury called the attention of the Commissioner to the fact that up to that date Warrant Authorities had been issued for £4,020,000, and emphasized the necessity for the rate of expenditure being reduced so as to keep within the amount of £6,000,000 provided for the twelve months. In reply the Commissioner, with the approval of the Assistant Minister, informed the Treasury that the sum of £6,000,000 provided on the Estimates would be totally inadequate, and that if the functions of the Commission were to be effectively discharged further provision was necessary.

By the amendment of the War Service Homes Act in October, 1920, its scope was widened to include persons not previously admitted to its benefits. The Assistant Minister was then approached for an additional £5,500,000. Obviously this much more than covered the expansion of the Act, and appears to have been another effort to secure the amount by which the year's Estimates were reduced when submitted to the Minister. The War Service Homes authorities stated when asking for this sum that they could thus "pull down the accumulated applications sooner than they were doing, and satisfy most of them this year." On 3rd December, 1920, the Assistant Minister and the Commissioner interviewed the Treasurer, by whom it was stated that further funds could not be provided. The actual commitments of the Commission were then made known, and it was pointed out that it was necessary to obtain the money to satisfy approved applications, leaving out of consideration applications which would be submitted and those which had not advanced to the approval stage. It was then arranged that an extra £1,000,000 should be granted. The War Service Homes Commissioner expected that this extra £1,000,000 would be provided out of loan moneys, and was surprised to find that it was made up of £200,000 of receipts from the Commission's operations and £200,000 from the purchase money of the Queensland properties which had been paid for in Peace Bonds, for which the Treasury said it would not ask the War Service Homes Commission to provide cash. As this was apparently the most the Treasury was able or willing to do, the financial position of the War Service Homes scheme had to be reconsidered by its officers. Even with the £1,000,000 now granted, and carrying out no more than the approved applications in hand; it would require approximately another £1,250,000 to carry through to the end of June, this not being forthcoming, there was only one thing for the Commissioner to do—drastically curtail the scheme. An instruction had already been conveyed to the Deputy Commissioners in the various States that the purchase of existing houses was to cease. The Deputies were now instructed not to sign any more contracts for building, nor to proceed with any additional day-labour work. At the time of giving evidence before the Committee in March, 1921, a witness representing the War Service Homes Commission admitted that practically nothing was then being done, except completing the work in hand, and this state of things continued during the remainder of the financial year, though an additional amount of £475,000 was made available by the Treasury. Warrant Authorities issued by the Treasury during 1920-21 for Capital Expenditure totalled £7,475,733, all of which was expended.

Although for the year 1921-22 £4,000,000 was provided to meet Capital Expenditure only £2,548,406 was spent. This comparatively small amount of Capital Expenditure indicates a very great change in the affairs of the War Service Homes Commission. The Committee finds that this change is due to and indicative of an almost complete alteration of policy on the part of the Government in connexion with this scheme.

CHANGE OF POLICY.

At this point of its inquiry the Public Accounts Committee finds itself in a position of some difficulty. The change of policy is not yet complete, and its effect cannot be assessed. Transactions are in hand as a result of this change which would be embarrassed and hindered by being investigated and reported on by the Committee at this stage. Regarding the reasons for and the objects of the change, the Committee has no evidence, as it is out of its province to question Ministers on matters of policy. Under these circumstances the Committee is compelled to draw its work on this question to an end for the time being with a brief summary of the present position as far as it is known, together with such conclusions as have been arrived at on the broad issues of administration, and which have not been included in any Progress Report.

PRESENT POSITION.

The outstanding fact of the present position is that for over a year the building and purchasing of homes for those eligible under the Act had been almost at a stand-still. Recently the letting of contracts for the erection of a few houses per month in three of the States has been sanctioned, and such work is proceeding slowly. There is no work being done on the Queensland timber areas, or at the mills in connexion with these areas. Mr. R. Driver, who is operating under a contract the properties purchased by the Commission in Victoria, is carrying on, but is at loggerheads with the Commission regarding its failure to take delivery of timber as arranged. Disposals Boards have been appointed in the various States to dispose of materials acquired under the earlier policy, and a "Business Adviser" has been dealing with such matters as the cancellation of contracts for materials no longer required. The Queensland Pine Company, Yarraman, which has a contract to supply 500,000 super. feet of pine monthly to the Government until June, 1923, has refused to cancel its contract, and the Chairman of the Disposals Board in Queensland—the officer in charge of the Queensland Branch of the Commonwealth Works and Railways Department—with the assistance of Messrs. B. C. Brett and Co., who have been appointed selling agents, is endeavouring to find buyers for the timber which the Company compels the War Service Homes Commission to accept.

According to a statement, furnished to the Committee by the Chairman of the Central Disposals Board, the Commission's stocks on hand in the various States on 30th April last amounted to £954,431, made up as under:—

State.	Taken over by Disposals Board as book value.	Since delivered under contracts.
	£	£
New South Wales	214,046	11,980
Victoria	315,851	28,566
Queensland	13,869	
{ Material	243,010	27,448
{ Plant	5,389	
Western Australia	67,891	10,080
Tasmania	14,851	20
Total	875,487	78,944

Adjustment Boards have been created in the States to investigate difficulties which have arisen in connexion with the purchase and erection of War Service Homes.

Deputy Commissioners, as such, are being dispensed with, and their staffs reduced to the smallest possible dimensions.

It has recently been announced that arrangements have been completed with the Governments of Western Australia, South Australia, and with the State Savings Bank of Victoria to carry out the building operations on behalf of the Commonwealth. Negotiations with New South Wales and Tasmania have been unsuccessful, but are still proceeding with the Queensland Government.

The War Service Homes Commission is no longer directly under the Minister for Repatriation, but is now in charge of an Assistant Minister. Immediately under him, Colonel J. M. Semmens, Chairman of the Repatriation Commission, has also been Acting War Service Homes Commissioner since the removal from office of Lieut.-Colonel Walker.

In March, 1921, the Assistant Minister then in charge of the Department appointed an Advisory and Consultative Committee, consisting of Major-General Sir J. W. McCay, Mr. William Stuart, a Sydney contractor, and Lieut.-Colonel H. S. Evans, a consulting accountant, to consider the organization and business methods of the Commission. This Committee completed its work in about six months, and then tendered its resignation. The services of General McCay and Lieut.-Colonel Evans were retained by the Assistant Minister until quite recently—the former as Business Adviser, and the latter as Consulting Accountant. These appointments appear to the Committee to have been unnecessary.

OBSERVATIONS AND CONCLUSIONS.

A scheme, in which it was anticipated by the Minister than an expenditure of fifty millions of money would be involved, was no small undertaking. When it is remembered that the bulk of this money was to be expended in separate amounts of seven and, latterly, eight hundred pounds on the construction of houses under varying conditions throughout Australia, it is at once obvious that the utmost care and the highest degree of efficiency would be necessary to obtain satisfactory results.

Where agencies, such as had been created in several States, were already in operation, it would appear ordinary common sense for the Commonwealth to have utilized them, with this object in view, negotiations were entered into by the Minister in charge of the scheme, but they were abruptly concluded by the intervention of the Commonwealth Bank, which claimed and was conceded the right to be substituted for the State activities. The Public Accounts Committee has not been able to see any right to preference in this regard. The Commonwealth Bank has since been retired from participation in the scheme, and the Government is now asking the State organizations to undertake the work as originally proposed. The War Service Homes work of the Commonwealth Bank was put in hand with remarkable promptitude, and, on the whole, was carried out satisfactorily. The Bank limited the extent of its operations, and, whether a selective process was at work or not, it certainly had a large number of applicants for homes who had means of their own to utilize in addition to the statutory amount allotted to them. The dividing up, however, of the building operations between two organizations operating alongside each other had its drawbacks. The War Service Homes Commissioner, though apparently favorable at the outset to the introduction of the Commonwealth Bank into the scheme, subsequently adopted a somewhat hostile attitude, and considerable friction was developed. A defect in the agreement between the Bank and the Commissioner was that no responsibility in connexion with the work was carried by the Bank or its architects. Consequently, when the Bank brought its building operations to a conclusion, the Commission found itself saddled with some rather awkward responsibilities.

Having regard to the nature and extent of the work which had to be carried out under the agreement, the charges of the firm of architects who supervised the building operations for the Bank were not, as alleged, excessive. They confined themselves to the erection of single houses, the groups being left to the War Service Homes Commission. Through the Acting War Service Homes Commissioner, the Committee has obtained from the Governor of the Commonwealth Bank a statement indicating that the total amount of commission to which the architects are entitled is £48,950, and the expenses incurred by them £43,183.

With the State activities cut out, and the Commonwealth Bank limited in its operations, an organization to carry out the work had to be created. A highly efficient central administration, with capable executive staffs in every State was necessary. Especially had the head of the organization to be a man with the greatest possible ability, energy, and experience. To obtain these qualities in private undertakings salaries are offered far in excess of that provided in the War Service Homes Act for the Commissioner. The person selected by the Minister for the position had certainly not had the experience, and the Committee has been forced to the conclusion that he was lacking in other respects as well. His first appearance as a witness before the Committee clearly indicated that he had a very poor grasp of his work, and he had frequently to be prompted by his secretary in matters which should have been well within his knowledge. The head-quarters officers and the State Deputies selected by him were also in several instances badly chosen, though here again the low salaries offered probably had something to do with the result. Having appointed his subordinate officers and handed over the control of various sections of the work to them, the Commissioner appeared to think that to a large extent his own responsibility ceased. There was a grave absence throughout the Commission of effective co-ordination of the work and co-operation between the officers.

The Commissioner got into difficulties at an early stage of his operations. In regard to materials and labour, Australia was in a disorganized condition as a result of the war. The production of Australian timber was hardly equal to the demand, and oregon, which under normal conditions is largely employed in building, was at famine prices and almost unobtainable. Other materials, such as bricks, tiles, and cement, were scarce, and the prices in several instances appear to have been "regulated." Unable to obtain sufficient materials in the ordinary way of trade, at what he regarded as fair prices, the Commissioner plunged into a scheme of securing the bulk of his requirements in a direct fashion. He negotiated purchases of timber areas and mills, and advanced capital, in several instances free of interest, to firms to enable them to enlarge their output, which was all to be at his call. The steps taken to test and value the timber areas acquired were, on the whole, careful and effective. Some of the contracts for other supplies were less carefully handled. The dealings of the Commission in timber with the firm of Messrs. E. A. and D. Green, of Footscray, are quite incomprehensible to the Committee, even after the

most careful investigation. The prices paid were not out of the ordinary as prices went at the time, but to buy large quantities on a high market for future deliveries was anything but prudent. Shippers naturally declared that there was no likelihood of a drop, but many users of oregon bought only for immediate requirements on the reasonable presumption that a fall would, sooner or later, take place.

The purchases of land by the Commission were carried out for the most part in a rather haphazard fashion. In some of the States, officers with little or no experience in this class of work bought areas of land far ahead of possible requirements in quite unsuitable localities. They were, however, acting on instructions to make haste in order to enable a commencement to be made at the earliest possible moment with group construction of homes. As a result, the Commission has now 9,020 building allotments which cost £421,241.

In the opinion of the Committee an altogether unnecessary office was created in the Commission—that of Director of Lands. The officer appointed was an enthusiast in town planning. But it was a mistake to attempt to achieve the ideals of this art in restricted areas, where low-priced allotments constitute an important factor in providing homes within the cost stipulated in the War Service Homes Act. In respect of one area of 33 acres, for example, a very pretty design of graceful curves was prepared. There were nineteen "open spaces" in the plan, but no provision was made for their upkeep. The lay-out was not an attempt to adapt the scheme to an undulating contour, which would have been perfectly proper and sensible. The area in question was practically level, and it required no special criticism of the design of the town plan to demonstrate that it provided a minimum number of allotments, while the expense of road-making, sewerage, &c., was considerably in excess of what would be necessary with a simpler lay-out. After several attempts at simplification, the town planning ideas were put aside and a rectangular subdivision was made, which provided ten additional allotments, without any crowding or any material reduction of the extent of the ground provided for each house.

It is considered that the Commonwealth Surveyor General could have done all that was necessary in regard to land transactions and subdivisions.

The group method of building had, on the face of it, much to recommend its adoption. It was naturally assumed that economy would be insured in various ways. There should have been less waste of material and a saving on supervision and cartage. Labour could also be utilized to more advantage. In some instances contractors undertook these groups, but the Commission for the most part determined to carry out the work directly by day labour.

The Committee found at an early stage of its investigations that group houses were not popular among the applicants, who objected to being segregated in this way from the ordinary community, and would have much preferred to choose allotments in localities suited to their individual requirements.

The building of houses by day labour was very badly managed by the Commission. Materials were not always delivered when wanted, nor in sufficient quantities. A foolish instruction took out of the hands of the architects of the Commission in the various States the responsibility for the execution of the work. The supervisors were not always well chosen, and even the best of them were handicapped by being given the oversight of more work than they could effectively control. The result has been that in nearly all instances the cost of homes erected under this system exceeded the maximum stated in the Act; in some cases the excess cost has turned out to be beyond all reason. The Committee was informed by the Deputy Commissioner for New South Wales that the average cost of the cottages he was building, including the land, would be approximately £800. It is now ascertained that this amount has been exceeded by as much as from £200 to £400 in many individual houses.

It has been obvious to the Committee all through its inquiry that it would be unfair to put upon the soldiers the excess cost of their homes. Detailed investigations of the cost and value of the houses erected by the Commission by day labour, which are now being made by the Adjustment Boards, indicate that some writing down will be inevitable. The loss for the whole scheme in this way will be heavy, but there is not sufficient information available at this stage to enable even an approximate estimate to be attempted.

The Committee takes strong exception to a clause in the undertaking which has to be signed by the soldier, whereby he agrees to purchase the property "at the capital cost to the Commissioner when ascertained." Many soldiers were surprised to find the Commission holding that this clause entitled it to charge them for the houses amounts far beyond what they had been led to expect.

An unfortunate characteristic of the house-building ideas of the Commission was the designing of homes to cost almost invariably the full amount provided by the Act. This encouraged the tendency in many cases for an applicant, and particularly of a young couple, to get the finest and biggest house possible, the paying for it being a less obvious consideration

at the moment. But in one State at least—Queensland—there was a very general complaint that the class of house offered to applicants was altogether costlier than they could afford, and as a result, many of the houses built in that State remain unoccupied. Very general exception was taken to the first designs for War Service Homes issued from head-quarters. The walls and roofs were "broken" to a degree which added considerably to the cost, though a style of house, which depends for a pleasing effect on well-balanced proportions and simple lines, has been adopted and popularized by some of the best Australian architects. The verandah space provided was also inadequate for the requirements of States such as Queensland and Western Australia.

A serious defect in the organization of the Commission was found by the Committee in the Accountancy Branch. The officer appointed to the charge of this important part of the work was quite unequal to it. He had neither the technical qualifications nor the experience for the position, and the result was disastrous in many respects. The costing of the constructional work was simply chaotic in the early stages; checking of material was very defective, and stocktaking was neglected. The lack of effective and systematic accountancy control throughout the whole scheme of operations is an outstanding and deplorable feature which has confronted the Committee in all its investigations of the scheme.

The money for the War Service Homes scheme comes from two sources—Capital Expenditure is made available from loan funds, whilst Administrative Expenditure is met from revenue. This important distinction has not been properly regarded in the accountancy system of the Commission. It has, therefore, been impossible to arrive at an accurate percentage of Administrative to Capital Expenditure.

In the early stages of the scheme applications to the Treasury by the Commission for its financial requirements were made without the indorsement of the Minister. Official papers show that the Commission's Estimates of Expenditure for 1919-20—£175,000 for "War Services payable out of Revenue" and £7,000,000 for "Expenditure out of War Loan"—were sent on to the Treasury from the Commissioner's office signed only by a subordinate officer. The Treasury inquired whether the Minister for Repatriation had approved of these Estimates, and was informed that "the Minister has not yet given consideration thereto, but they will be placed before him without delay." Later when it became apparent to the Treasury that the amounts provided on the Estimates would be exceeded if the rate of expenditure indicated by the requests were continued, the Commissioner's attention was called to the situation. On a subsequent occasion the Treasury suggested that the approval of the Minister should accompany all applications for funds.

There has been a definite departure from the declared policy of the Commission in the expenditure to date of £7,430,000 on the acquisition by purchase of or discharge of mortgage on existing houses for eligible applicants. The idea at the outset was undoubtedly to build homes and not to buy them. Unable, however, to meet the demands for homes by building, and finding many applicants preferring to acquire existing houses, the Commission relieved the pressure by advancing money on approved properties. The figures indicate that considerably less was required to buy a house than to build one, and in this way the resources of the Commissioner may be said to have been husbanded. It is significant, also, that few complaints have reached the Committee in respect of purchased houses, though dissatisfaction has been caused by the Commission refusing in some instances to advance money for purchases.

Having pointed out the shortcomings of the Commission, the Public Accounts Committee has also to call attention to other aspects. The work of the Commission was by no means all failure and mistakes, though inevitably this side has had the most attention both in Parliament and outside of it. The undertaking was marked urgent from its inception. Work was started before the Commission was in a proper position to make a commencement, and was carried on thereafter at high pressure until brought to a sudden stop by the Government. The head-quarters staff was not equal to the strain, but in the States the Deputy Commissioners and their staffs, generally speaking, worked hard and well to meet the overwhelming demands made on them. In some instances the Deputies were badly selected, but the frequent dismissals of these officers by head-quarters cannot be taken as evidence in all cases of incompetency. After calling some of these men as witnesses and examining them carefully, the Public Accounts Committee has more than a suspicion that some of them were got rid of for putting head-quarters in the uncomfortable position of being transparently at fault in their control of the operations. The Deputy Commissioners have certainly made mistakes of their own, but they have often had to carry blame which did not belong to them. The Committee feels strongly that the change of policy which proposes to put an end to the building activities of these Deputy Commissioners comes at a time when, with the experience gained, the difficulties overcome, and the organization running smoothly, they were in a position to produce satisfactory results.

The change in the method of carrying out the War Service Homes scheme is still under way, and it would be premature at this stage to attempt to report on it. Government policy, as such, is outside the statutory scope of the Public Accounts Committee, but the Committee would be failing in its duty to Parliament if it did not point out some of the results of the change.

The outstanding feature of the new position, as already indicated, is the serious limitation of home building. A few houses are being constructed in some of the States, but the work has been practically at a stand-still for over a year. Of the men and women, for whom the scheme was intended, only a small percentage had up to the cessation of work obtained their homes. Disheartened and disgusted many of these have gone to other agencies for supplying homes. To the extent to which this has taken place—and it is considerable—the Commonwealth is certainly relieved of the responsibility, but the Committee is of opinion that it is more a matter for regret than congratulation.

Building materials, timber areas, and mills are no longer required. Never anticipating such a drastic change the Commissioner and his Deputies, in view of their large requirements, made heavy purchases and entered into contracts for supplies covering lengthy periods, and, unfortunately for the Commission, the current of supplies could not be stopped as easily as the building of houses. As the storage space of the Commission was limited, timber and other materials accumulated on the hands of the contractors, the responsibility for their safekeeping and for their cost of course remaining with the Commission. At the Beech Forest mills in Victoria there are at the present time some three million feet of timber stacked for which the Commission has paid and for which it has now no use. In Queensland the timber areas and mills, on which the Commission has expended £531,000, have been closed down, but half-a-million super feet of pine is still coming monthly under contract from the Queensland Pine Company. Disposals Boards in the various States are struggling to get rid of the Commission's stocks, but they find it a difficult task. The large buyers will have nothing to do with them, and the small ones will only purchase at prices low enough to counterbalance the difficulties of unsuitable sizes and cash payments. A Business Adviser has also been at work endeavouring to secure the cancellation of contracts with the lowest possible penalties to the Commission. On present appearances the losses on the realization of the Commission's stocks will be very considerable.

It is impossible at this stage to forecast the ultimate loss or gain which will result from such a change in policy as has occurred in connexion with the War Service Homes scheme.

In considering the financial aspect of this scheme, it should not be lost sight of that the Capital Expenditure involved is not expenditure of money in the ordinary way. The advances made to applicants for War Service Homes bear a moderate rate of interest and are repayable. Up to 30th June last the repayments amounted to £2,299,978, and this money is being utilized in the carrying on of the scheme. Once the outstanding applications have been satisfied, the demand for homes should gradually decline, whilst as time goes on the amount of repayments will continue steadily to increase. In this way a point should be reached at which advances from the Treasury will be no longer necessary to finance the scheme.

In view of the stated intentions of the Government and Parliament, the Committee is of opinion that the financing of the scheme has fallen short of its requirements.

Appended are statements showing the total expenditure on the scheme and the number of houses provided in the various States up to 30th June last.

ADDENDUM.

The following is recorded, as provided in sub-section 2, section 2b, of the *Committee of Public Accounts Act 1913-1920*—

In the course of the consideration of the draft Report, Senator BRZACOTT moved—That the words "In many cases the Commissioner exercised the powers vested in him without consulting the Minister" be inserted on page 10 after the word "handled" in the second last line.

Seconded by Senator BORTON.

The Committee divided on the motion—

Ayes (2).
Senator Bolton
Senator Brzacott

Noes (3).
Mr. Fleming
Mr. Proviso
Mr. West.

and so it passed in the negative.

J. M. FOWLER,
Chairman.

Melbourne, 26th July, 1922.



STATEMENT OF WAR SERVICE HOMES EXPENDITURE TO 30th JUNE, 1922.

Financial Year.	1918-19.		1919-20.		1920-21.		1921-22.		Total.
	£	£	£	£	£	£	£	£	
Amount provided on the Estimate	4,000,000	4,000,000	4,000,000	4,000,000	14,000,000				
Administrative Expenditure	140,000	178,000	100,000	415,000					
Capital Expenditure	2,278	4,720,870	6,594,164	1,247,467	12,561,788				
(f) Ex Loan Fund	2,278	4,720,870	6,594,164	1,247,467	12,561,788				
(h) Ex Receipts from War Service Homes		117,470	881,569	1,900,989	2,299,978				
Total	2,278	4,838,349	7,475,733	2,548,466	14,864,766				
Administrative Expenditure—									
Ex Revenue	5,067	115,327	189,546	137,113	447,053				

Note.—The whole of the repayments and other moneys received by the Commission is used in its operations; any further money required is provided from Loan Funds.

OPERATIONS OF THE WAR SERVICE HOMES SCHEME TO 30th JUNE, 1922.

F. S. State.	Houses completed.			Houses slated to complete.			Houses purchased.			Mortgages discharged.		
	Commis- sion.	Common- wealth Bank.	Total.	Commis- sion.	Common- wealth Bank.	Total.	Commis- sion.	Common- wealth Bank.	Total.	Commis- sion.	Common- wealth Bank.	Total.
New South Wales	1,636	657	2,293	22	34	56	2,090	1,833	3,923	297	566	863
Victoria	765	320	1,075	11	1	12	1,679	1,734	3,413	81	192	273
Queensland	920	464	1,384	12	3	15	674	581	1,255	51	181	232
South Australia	Nil	109	109	Nil	1	1	114	218	332	4	12	16
State Bank			612*						739			71
Western Australia	367	169	526	3	9	12	472	502	974	99	52	151
Tasmania	211	68	279	3	1	4	197	284	481	24	31	55
Totals	3,889	1,777	6,278	51	49	100	5,226	5,162	11,117	556	1,034	1,661

* 652 houses also under construction.

Amounts Expended

Financial Year.	1918-19.		1919-20.		1920-21.		1921-22.		Total.	
	Capital.	Adminis- tration.	Capital.	Adminis- tration.	Capital.	Adminis- tration.	Capital.	Adminis- tration.		
Central	£	£	£	£	£	£	£	£	£	
New South Wales	3,453	24,040	16,711	257,191	10,987	881,001	23,558	1,102,232	63,709	
Victoria	569	1,668,601	31,978	2,930,740	64,178	735,006	47,768	5,341,237	144,477	
Queensland	2,278	838	1,367,569	24,030	1,884,007	43,148	385,201	29,271	3,708,016	67,287
South Australia	210	806,321	19,541	1,379,162	39,116	401,600	15,988	2,646,083	67,534	
Western Australia		100,836	3,421	95,423	3,697			262,276	6,318	
Tasmania		491,391	12,584	551,095	18,848	115,481	2,308	1,127,967	49,830	
Total	2,278	5,067	4,838,349	115,327	7,475,733	189,546	2,548,466	137,113	14,864,766	447,053

Included in these figures are—

Expenditure on the Queensland Timber Areas £531,000.

Advances by Central to the South Australian Government—

1920-21 £250,000

1921-22 487,000

£737,000

Capital Expenditure by Victorian Branch in South Australia .. 36,169

£773,169

Financial Year.	1918-19.		1919-20.		1920-21.		1921-22.		Total.
	£	£	£	£	£	£	£	£	
Administrative Expenditure under various Heads									
Salaries	2,487	39,893	95,809	76,113	214,302				
Contingencies	2,580	39,214	74,318	45,348	161,460				
Expenses of Commonwealth Bank			28,986	19,419	7,354			55,659	
Purchase and Maintenance of Plant			7,231					7,231	
Miscellaneous							8,398	8,398	
Total	5,067	115,327	189,546	137,113	447,053				

Note.—In 1919-20 approval was granted by Treasury for expenditure on the purchase and maintenance of plant used in construction, to be charged against revenue, this expenditure being then recognised as irrecoverable. Since 1st July, 1920, further expenditure under this head has been charged to capital expenditure, and recovered by flat rate charges against construction.