

1922.



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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SIXTH PROGRESS REPORT

FROM THE

FROM THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS

UPON

WAR SERVICE HOMES (SOUTH AUSTRALIA).

## SIXTH PROGRESS REPORT

### INTRODUCTORY.

To complete its investigations of the War Service Homes scheme in the various States, the Joint Committee of Public Accounts in March last visited South Australia, where the work of providing homes for returned soldiers and their dependants was being carried out by the State Bank of South Australia. The Board of Trustees of the State Bank afforded the Committee every opportunity of acquainting itself with the work performed by that institution. A number of houses erected, and others in course of construction, by the Bank around Adelaide were inspected by the Committee, and the Inspector-General, who is the chief administrative and executive officer of the Bank, gave the Committee much useful information. Evidence was also given by a former Deputy Commissioner for War Service Homes (Mr. W. J. Earle), a representative of the Commonwealth Bank, the State Organizer of the Returned Sailors and Soldiers' Imperial League of Australia, the Secretary of the Benmark's Repatriation Committee, as well as by a number of individual applicants.

### COMMISSION'S ACTIVITIES.

In August, 1919, a branch of the War Service Homes Commission was inaugurated in South Australia, and Mr. E. K. Baker, then Chief Clerk at Central Administration, was appointed Deputy Commissioner. At the same time the Commonwealth Bank was advised of the intention of the Commissioner to operate in that State, and accordingly the Bank arranged for its Adelaide Branch to proceed immediately with the carrying out of work similar to that being performed on behalf of the Commission in other States.

The Deputy Commissioner did not undertake any constructional work, but merely received applications, and after obtaining certificates of eligibility, passed the applications over to the Commonwealth Bank. After about two months it was decided to hand over this work to the Department of Repatriation. The Deputy Commissioner for Repatriation (Mr. J. W. Bell) was appointed also Deputy Commissioner for War Service Homes, and the Commission as a separate organization in South Australia ceased to exist for the time being.

In the following March the Commissioner considered that, in view of the probable early retirement of the Commonwealth Bank from building operations, it was desirable that the position in South Australia should be investigated. He, therefore, sent Mr. W. J. Earle, then Supervising Engineer to the Commission, to South Australia for the purpose of making a "complete investigation report" as to the desirability of the Commission inaugurating construction in that State. This officer concluded a lengthy report, dated 7th April, 1920, by suggesting co-operation with the State Bank of South Australia, and recommending that a supervisor, on behalf of the Commissioner, be attached to the Bank to watch the Commission's interests. The State Housing Minister had promised him that the Bank would undertake the whole of the work for an administrative charge of 10s. per cent., and that an amending Bill would be introduced into Parliament to bring the State Act into line with the War Service Homes Act. Mr. Earle admitted to the Committee that he did not think it was a wise policy, when there was an establishment already in existence doing excellent work, to create another organization to carry out the same work. His report was not acted upon by the Commissioner, and four weeks later Mr. Earle was instructed to proceed to Adelaide as Deputy Commissioner to open, equip, organize and carry on a State Branch of the War Service Homes Commission.

On 6th May, 1920, the honorable member for Adelaide moved the adjournment of the House of Representatives to discuss the proposed establishment of the War Service Homes Commission in South Australia. In the course of the debate it was suggested that, as there was already in existence in that State a scheme for providing returned soldiers with homes, the Commonwealth should co-operate with the State authorities. In closing the debate the Minister representing the Minister for Repatriation intimated that Senator Millen would be very pleased to meet representatives of South Australia on this question with a view to its settlement.

Next day the Deputy Commissioner was instructed to suspend further action, and to incur no capital expenditures. Upon being asked by the Commissioner for a report on the proposal that the State Bank take over the operations of the Commission, Mr. Earle categorically condemned the work, organization, and policy of that institution.

### 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 McDOUGALL.
- ‡ 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 28th July, 1920. —† Retired 30th June, 1920. —‡ Appointed 29th July, 1920. —§ Appointed 1st July, 1920. —¶ resignation tendered 13th January, 1922.

Early in June, 1920, when building operations were about to be commenced, Mr. Earle was recalled to Melbourne, and Mr. J. Thompson, Chief Inspector of Works, became Acting Deputy Commissioner, and remained in that position for several months. In February, 1921, the staff was reduced to an officer in charge, with a few juniors. In the following June the office was closed, and the routine work transferred to the Deputy Commissioner for Victoria. One of the complaints brought forward in Adelaide by the representative of the Returned Sailors and Soldiers' Imperial League of Australia was the lack of an official representative of the War Service Homes Commission in South Australia to whom applicants could go for information or for the submission of complaints. He instanced cases in which a little local knowledge would have possibly led to settlements without inflicting hardship on the applicants or their dependants, such as had occurred. The witness suggested the appointment of some permanent Federal official already stationed in Adelaide.

During the whole time the Commissioner had officers in South Australia no constructional work was undertaken by them, all applications to build being handed over to the Commonwealth Bank, after certification of eligibility. The Commission's operations were confined to the purchase of houses and the discharge of mortgages—work which the Commonwealth Bank was also performing. The transactions of the Commission in this State are shown hereunder:—

	Number.	Amount.
		£
Applications approved	121	72,159
Houses purchased	117	69,431
Mortgages discharged	4	2,700

#### COMMONWEALTH BANK.

When the Commonwealth Bank commenced operations, on 11th August, 1919, there was a scarcity of labour and materials, and much difficulty was experienced in obtaining suitable contractors. One firm, which had contracted to build 56 houses for the Commonwealth Bank, went insolvent after completing part of its work. Contracts for the erection of the remainder of the houses were subsequently re-let, but at prices from £40 to £75 per house higher. The delay and increased price caused considerable dissatisfaction amongst applicants, who, realising the position, had reluctantly to consent to the extra charge. In this instance, as in other cases where contractors have taken an undue length of time to complete their work, a claim has been made by the Commissioner under the penalty clause of the contract. This claim is at present in the hands of the liquidators.

The operations of the Commonwealth Bank, brought to a close in March, 1922, were as follows:—

	Number.	Amount.
		£
Applications approved	342	217,946
Houses purchased	220	132,398
Mortgages discharged	12	5,979
Houses built	109	
House assisted to complete	1	82,699

The houses built comprised—

34 which cost from £613 to £650; 10, from £650 to £700; 52, from £700 to £750; 6, from £750 to £800; and 7 over £800.

These figures include, in some instances, amounts contributed by applicants.

It was explained that the costs were on the whole higher than those of the State Bank, because at that time the State institution could only deal with persons in receipt of less than £300 per annum, unless the applicants were prepared to put down 40 per cent. of the value of the property, consequently applicants in better financial circumstances, and desiring more expensive houses, went to the Commonwealth Bank.

The houses erected by the Commonwealth Bank were all on land purchased or submitted by the applicants.

#### NEGOTIATIONS WITH THE STATE.

When it was proposed to commence operations in South Australia under the War Service Homes Act it was represented to the Commonwealth Government that the State had already a housing scheme for returned soldiers in operation, and it would be unwise for the Commonwealth to undertake the same work, as the duplication would result in higher costs owing to the two authorities competing for land, material, and labour. The matter was discussed by Senator Millen with Mr. G. R. Laffer, the State Minister for Repatriation, at the Premier's Conference in July, 1920, when Mr. Laffer undertook to communicate further with Senator Millen after

conferring with his colleagues. No communication being received, a reminder was sent, and on 9th September, 1920, Mr. Laffer intimated that the Cabinet had decided to discontinue operations under the Advances for Homes Act from the end of that month, so far as the provision of homes for soldiers and their dependants was concerned. In the following month, however, the Premier of South Australia submitted through the Prime Minister a definite proposition for the building of soldiers' homes by a system of advances through the State Bank the Commonwealth Government to advance the necessary money to the State Government as required, charging not more than 4½ per cent., and the State Government to be allowed a commission of 10s. per cent. on the balance of mortgages current at the end of each financial year to cover its costs—this rate being the same as that paid to the State Bank. This proposal was reported upon unfavorably by the War Service Homes Commissioner, who urged that he be allowed to proceed in South Australia as he was doing in the other States. The Assistant Minister (Mr. Rodgers), however, continued negotiations, and in February, 1921, he advised the Commissioner that an arrangement was in an advanced stage whereby the South Australian Government would be permitted to complete its programme of soldiers' homes with financial assistance from the Commonwealth.

A tentative arrangement was arrived at in July, 1921, whereby the South Australian Government, through the State Bank, undertook the construction of homes for soldiers and their dependants under the Advances for Homes Act; the Act was to be amended to provide for the inclusion of all beneficiaries eligible under the War Service Homes Act; and the limit of cost was to be £700; according to the State Act. The Commonwealth promised to advance the State the necessary money at 5 per cent. interest—the period of the loan not to exceed fifteen years. All repayments by the soldiers were to be handed to the Commonwealth monthly, and interest was to be abated on such sums. The construction, allocation, supervision, and collection of instalments were to be entirely intrusted to the State Government, but the Commonwealth was to be permitted to make inspections of the homes from time to time, either in course of construction or completed. The State agreed to furnish each month its proposed programme in advance, together with statements of the building operations, and the repayments.

The State Bank carried on the work under this arrangement, though the actual agreement had not been signed.

#### WORK OF THE STATE BANK.

In 1910 the South Australian Parliament passed an Act to enable the Government to make advances to persons of limited means, to provide homes for themselves. Under this Act the "Advances for Homes Fund" was created, and its administration vested in the Board of Trustees of the State Bank of South Australia, the money required being supplied out of loan funds.

When the need for men for the war was so keenly felt in 1916 the Parliament of South Australia, in order to stimulate the recruiting campaign, amended the Act to make special provision for the housing of soldiers. Further amendments were subsequently made, so that returned men and their dependants might be provided with homes on liberal and easy terms.

The facilities so offered for acquiring a home are in many respects identical with those provided under the War Service Homes Act. The Board of Trustees of the Bank may purchase a block of land, and erect a house thereon; build a house on land owned by an applicant; purchase a house and land; discharge a mortgage existing upon any land held by an applicant; purchase land, subdivide, and build houses upon it, and sell them to applicants. The Board has never advertised for land, but has selected and purchased sufficient for its requirements from areas offered to it when the land has been considered suitable and the price reasonable.

The Board has many designs and plans of houses, from which applicants can make their selection. Models of the houses and sketches in colour are also available for inspection. The aim of the Bank in its constructional work has been to obtain, firstly, stability, then convenience, and, lastly, ornamentation. All building is carried out by contract, and in some instances the Bank assists contractors financially to obtain their supplies. Practically all the work is in brick, or in stone and brick. Inspectors visit the houses when foundations are being laid, and at frequent and irregular intervals during construction. Roadmaking is in the hands of the local councils, which, however, are restricted by Statute to a nominal charge for construction, and, in consequence, this necessary work has been neglected in many localities.

Advances are made at the rate of 5 per cent. interest per annum, repayable by a uniform instalment comprising principal and interest within any period not exceeding 50 years. In the cases of houses not built of stone or brick, or existing houses purchased which have been erected for some years, the term of repayment is reduced to what may be considered the reasonable life

of the building. For a house costing £700 the occupier makes a weekly payment of approximately 14s., which liquidates the principal and interest at the end of 50 years, and also covers insurance. Special provision is made for widows who may occupy houses at a rental of 7s. per week during widowhood. In the event of their remarrying, the house may be purchased on the usual terms. The Board underwrites insurances on all its properties on the basis of the rates of private insurance companies.

Under the South Australian Act, any land with respect to which an advance has been made is exempted for a period of five years from State land tax, water and sewerage rates, and all other rates and taxes except municipal and district council rates; and no stamp duty is chargeable on any document in connexion with the transaction. No charge is made by the Bank for plans or specifications, nor are inspection, survey, or valuation fees imposed.

Prior to 1919 each applicant selected his own block of land, and submitted it to the Bank, but when the soldiers commenced to return in large numbers, it was recognised that the speediest way to meet the demand for houses was to build in groups. Statutory power was then obtained for the Bank to buy large areas of land, and subdivide them. Large numbers of houses were commenced on this system, and before they were completed every house had been allotted. In subdividing land the Bank allows six allotments to the acre, and where possible provides recreation areas, the development of which is left to the local residents. In arriving at the cost per house built under the group system the Bank averages the cost of the whole group, but allots the houses with the greater accommodation to the applicants with the larger families.

When a soldier has been provided with a home under the State scheme he is permitted to dispose of it as he pleases, but he is not entitled to another dwelling unless he approaches the Bank under the conditions applicable to civilians. If he sells his house to another soldier he is not allowed to make a profit, but is paid the value of any improvements he may have effected. If selling to a civilian he may retain any profit, provided the Bank is not financing the purchaser.

The Bank has no empty houses on its books. If soldiers are not available or willing to take over any house which may have become vacant, they are either let or sold to civilians.

Serious delay was caused to some of the Bank work by the failure of a firm which had entered into contracts to erect 355 houses. Numbers of these contracts were re-let; and the second contractor also went insolvent. A third contractor now has the work in hand.

Operations have been carried out by the Bank in almost every country town—the supervision being in the hands of local inspectors who are appointed by the Bank. When there is any doubt regarding the construction an inspector is sent from Adelaide.

Special representations were made to the Committee, whilst in Adelaide, by the Secretary of the Renmark Repatriation Committee concerning the alleged suspension by the Bank of the work of providing soldiers' homes at Renmark. The witness stated that, owing to its present prosperity and the future prospects of the town, land values were high and likely to appreciate. Building was an expensive matter on account of the heavy transport charges, and practically no speculative building was going on. He contended that, as civilians were prepared to pay the high prices ruling, there was no reason why the Bank should expect to do better; and if a house, similar to those around Adelaide, could not be built in the country within the limit, then the soldier would have to do with a smaller house and less accommodation. The Inspector-General of the Bank informed the Committee that his great difficulty had been to obtain homes at reasonable prices in Renmark. The Bank had not ceased operations there, but he considered that abnormal prices were at present being charged for land, and for building. The Bank was seeking security, not only for itself, but particularly for the soldier. Thirteen soldiers had already been settled in homes built by the Bank within the financial limit, and three were in course of construction. As the latter could not be built within the £700 limit the applicants were paying the extra cost. The prices asked for the houses offered for sale were considered excessive, and the properties were not regarded as good securities.

Since the Committee took this evidence it has come to its knowledge that the Bank has arranged for the erection of eight houses on a portion of an area of land recently purchased by it at a reasonable price. A simple design has been adopted, and it is estimated that these houses will be available to the applicants for less than £700.

No charge is made by the Bank against the homes for administration or supervision. The State Government has hitherto compensated the Bank for the work carried out by it by a uniform charge of 10s. per cent., which is intended to cover its working expenses. It was pointed out to the Committee that under the proposed arrangement the State Government, in addition to undertaking the responsibility of repaying the money advanced to it by the Commonwealth, was also paying the Bank's expenses out of its own funds.

## OPERATIONS OF THE STATE BANK.

With advances received from State funds the Bank has carried out the following work of providing homes for returned soldiers:—

	Number.	Amount. £
Houses built	2,226	1,383,992
Houses in course of erection	35	
Existing houses purchased	2,384	1,276,528
Mortgages discharged	314	130,435
Total	4,959	2,790,955

The Bank ceased to receive applications for advances from State funds on 30th September, 1920.

Since undertaking the provision of soldiers' homes with money advanced by the Commonwealth, the Bank has approved of 2,338 applications, representing an amount of £1,511,248, made up as under:—

	Number.	Amount. £
Purchase of land and erection of dwelling	1,554	1,050,390
Purchase of existing properties	714	424,096
Discharge of Mortgages	70	36,762
Total	2,338	1,511,248

and, up to 3rd June, 1922, has carried out the following work:—

	Number.	Amount. £
Houses built	546	829,865
Houses in course of erection	666	
Existing houses purchased	574	348,106
Mortgages discharged	58	30,208
Total	1,844	1,208,179

## CONCLUSION.

As a result of its inquiries and inspections in South Australia, the Committee considers that the work carried out by the State Bank has been, speaking generally, very satisfactory. As the State housing scheme had been in existence for some years the Bank had gained much valuable experience, and had built up an organization which enabled it to handle the heavy demand for homes by soldiers returning from the war.

The Committee is of the opinion that there was neither necessity nor justification for the War Service Homes Commissioner attempting to enter into active building operations in this State.

J. M. FOWLER,  
Chairman.

Melbourne, 29th June, 1922.

