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JOINT, COMMITTEE OF PUBLIC ACCOUNTS.

# THIRD GENERAL REPORT.

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#### MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE OF PUBLIC ACCOUNTS.

#### Third Committee.

Honorable James Mackinnon Fowler, M.P., Chairman, James Edward Fenton, Esquire, M.P., Vice-Chairman,

House of Representatives. James Garfield Bayley, Esquire, M.P. § Matthew Charlton, Esquire, M.P. William Montgomerie Fleming, Esquire,

Norman John Oswald Makin, Esquire, M.P. John Henry Prowse, Esquire, M.P.

John Edward West, Esquire, M.P.

- \* Senator Thomas William Crawford. \* Senator the Honorable John Earle.
- † Senator Allan McDougall, † Senator Lt.-Col. William Kinsey Bolton, C.B.E.,
- Senator Richard Buzacott.
- I Senator John Dunlop Millen.

#### Fourth Committee.

James Garpfeld Bayley, Esquire, M.P., Chairman. James Edward Fenton, Esquire, M.P., Vice-Chairman.

#### Senate

Senator Lt.-Col. William Kinsey Bolton, C.B.E., Senator Richard Buzacott. Senator John Dunlop Millen.

House of Representatives.

James Aitchison Johnston Hunter, Esquire, Norman John Oswald Makin, Esquire, M.P. Walter Mositt Marks, Esquire, M.P. Thomas Paterson, Esquire, M.P. John Edward West, Esquire, M.P.

# THIRD GENERAL REPORT

BY THE

# JOINT COMMITTEE OF PUBLIC ACCOUNTS.

#### INTRODUCTORY.

The Fourth Joint Committee of Public Accounts, at the request of the Third Committee, has the honour to submit the following Report of that Committee's proceedings during the term of its appointment.

#### MEMBERS OF THE COMMITTEE.

On the 29th April, 1920, the following Senators were appointed members of the Committee, viz. :—Senators Thomas William Crawford, the Honorable John Earle and Allan McDougall.

On the 30th April, 1920, the following Members of the House of Representatives were appointed members of the Committee: -Messrs. James Garfield Bayley, James Edward Fenton, William Montgomerie Fleming, the Honorable James Mackinnon Fowler, John Henry Prowse, and John Edward West.

These appointments were published in the Commonwealth Gazette, No. 39, of 6th May,

At the first meeting of the Committee held on the 8th May, 1920, the Honorable J. M. Fowler, M.P., was elected Chairman, and J. E. Fenton, Esq., M.P., Vice-Chairman of the Committee.

On the 30th June, 1920, Senator McDougall, who failed to secure his return as a Member of the Senate for New South Wales, ceased to be a member of the Committee.

On 1st July, 1920, Matthew Charlton, Esq., M.P., was appointed a member of the Committee, pursuant to an amendment of the Committee of Public Accounts Act, assented to on 29th May, 1920, whereby the personnel of the Committee was increased from nine to ten-seven to be Members of the House of Representatives.

On the 28th July, 1920, Senators Crawford and Earle resigned their positions as members of the Committee.

On the 29th July, 1920, Senators William Kinsey Bolton, C.B.E., V.D., Richard Buzacott, and John Dunlop Millen were appointed to the Committee.

On 13th January, 1922, Mr. Charlton tendered his resignation as a member of the Committee. He was discharged from attendance by the House of Representatives on 26th July,

On the 26th July, 1922, Norman John Oswald Makin, Esq., M.P., was appointed a member of the Committee to fill the vacancy.

# MEETINGS OF THE COMMITTEE.

The first meeting of the Committee was held on the 8th May, 1920, and the last meeting on the 14th October, 1922. Shortly afterwards the House of Representatives was dissolved, and Senators were discharged from attendance.

During its term the Third Committee held 261 meetings at various places as under :--

New	South Water	}		×	o. of Sittings.	Total
	Cessnock		 		1	
	Goulburn		 • •	• •	2	
	Newcastle	••	 		4	
	Sydney		 		14 .	21

Victoria				No. of Sittle	ige.	Total-
Castlemaine Melbourne	••	••	••	2 198		200
Queensland-	••	••	••	100	••	,,,,,,
Brisbane	••	• •		16	•	
Bundaberg Canungra	••	• • •	••	$\frac{3}{1}$		
Maryborough	••	••	••	$^2_1$		23
Toowoomba South Australia—	••	• •	••	1	••	25
Adelaide				5		5
Western Australia-						
Kalgoorlie Perth	••	••.		1 5		6
Tasmania—	••	••	••	J	• •	U
Burnie				1		
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						261

and examined 314 witnesses.

In conducting its investigations the Committee made many inspections, and in the course of its inquiries travelled 30,223 miles.

#### INQUIRIES COMPLETED.

The Committee submitted to both Houses of Parliament the following Reports:

- (A) Second General Report.
- (B) Commonwealth Shipbuilding.
- (i) Purchase of Sawmills and Timber Areas in Queensland.
  - (ii) Transactions of the War Service Homes Commissioner with Mr. J. T. Cald-
  - (iii) Purchase of Sawmills and Timber Areas.
- (D) (i) War Service Homes Commission-Progress Report-New South Wales.
  - (ii) War Service Homes Commission—Second Progress Report—Tasmania.
  - (iii) War Service Homes Commission—Third Progress Report—Western Australia (iv) War Service Homes Commission—Fourth Progress Report—Queensland.

  - (v) War Service Homes Commission—Fifth Progress Report—Victoria.
     (vi) War Service Homes Commission—Sixth Progress Report—South Australia.

  - (vii) War Service Homes Commission-Final Report.
- (i) Sugar-Interim Report.
  - (ii) Sugar-Report.

The investigation of the Purchase of Sawmills and Timber Areas and certain phases of the Sugar question were undertaken by the Committee at the request of the Government.

# (A) Second General Report.

The Second General Report outlined the work of the Second Committee, and gave an epitome of the various Reports presented to Parliament by that Committee.

# (B) Commonwealth Shipbuilding.

Recognising the necessity for seeing that the large amount of public money involved in carrying out the Government's proposals for promoting the shipbuilding industry in Australia should be spent to the best advantage, the Public Accounts Committee undertook an investigation of this question. Shipbuilding on the scale and on the lines adopted by the Government had not proviously been attempted in Australia, and the experiment was being watched with much interest,

particularly in its financial aspects. Various shipbuilding yards were visited by the Committee, and the methods employed by those entrusted with the scheme were examined. The future prospects of the industry in Australia, having regard to the supply and quality of the labour and material available, were discussed.

The Committee recommended that if the Government intended to remain in the shipbuilding industry, it was absolutely necessary that it should be conducted on ordinary business lines, free from political and from such official control as was merely officious. It was considered that a uniform system of accountancy and costing should be adopted at all the shipyards included under the Government scheme, and that annual balance sheets should be submitted to Parliament.

Williamstown Dockyard was found to be inadequate and the lay-out defective for the work proposed to be carried out, and improvements in these respects were suggested by the Committee. Drastic re-organization of the Cockatoo Island Dockyard was recommended.

Standardization of vessels and the construction of a particular type in separate yards

were suggested as means of reducing costs and facilitating the work.

The Committee considered that a flat rate for the payment of the plating gangs should be substituted for the unsatisfactory and inequitable system then in operation.

Since the presentation of the Committee's Report the shipbuilding policy of the Government has been modified and a Shipbuilding Yards Board of Control has been established. Many of the Committee's recommendations have been adopted.

#### (C) (i) Purchase of Sawmills and Timber Areas in Queensland.

The scheme for providing homes for returned soldiers and their dependants having been launched, it became necessary for the War Service Homes Commissioner to obtain regular and launched, it became necessary for the War Service Homes Commissioner to obtain regular and adequate supplies of timber for the erection of the houses. Having failed to secure his requirements through the usual channels, the Commissioner decided to arrange for direct supplies. He therefore purchased, as a going concern, the old established business of Laheys Ltd., comprising timber areas and sawmills at Canungra and Beaudesert, with all the working plant, tramways, &c., and joinery works at South Brisbane, for the total sum of £243,600. Timber areas at Beaudesert, Blackbutt, Killarney and Samford, with three sawmills, were purchased from Mr. J. P. Brett for £220,000, in addition to which the vendor was given the right to the "tops" on all the properties acquired from both purchasers. The action of the Commissioner was subjected to considerable criticism in Parliament, and in consequence the Government asked the Public Accounts Committee to inquire into the matter. The necessity for the Commissioner's action. the value which the Commonwealth received as a result of the purchases and the question of the working of the properties were carefully investigated by the Committee.

In view of the policy at that time in regard to the erection of war service homes, the Committee found that the acquisition of the properties was necessary to insure the carrying out of the undertaking of the Commissioner, and that the terms upon which these had been secured were on the whole satisfactory. Certain phases of the transactions, particularly the question of the disposal of the "tops," were, however, considered to be capable of improvement, and recommendations were made accordingly. The Committee considered that tenders should be called for the future working of the properties by contract, but three members of the Committee were of opinion that the Government should retain direct control in its own hands. The Committee also emphasized the point that in estimating the ultimate probable savings to be gained by the course taken, it was necessary to remember that the purchase had been effected during a period of abnormally high prices, and that a decline in the value of Australian timber might result in no monetary advantage being derived by the Commonwealth.

Owing to the change in the policy of the Government in regard to the War Service Homes scheme, practically the whole of the Queensland properties have been standing idle almost since the time of their purchase. Tenders were called for the working of the properties, but none was accepted. The "tops" were repurchased from Mr. Brett for the sum of £20,000. The joinery works and the stocks of logs have been sold, and certain of the smaller sawmills have been leased.

#### (C) (ii) Transactions of the War Service Homes Commissioner with Mr. J. T. Caldwell.

The difficulty of obtaining timber for War Service Homes purposes caused attention to be directed to the possibility of procuring supplies in the Pacific Islands. In connexion with the proposed acquisition of timber rights over the islands of Vanikoro and Tevai in the Santa Cruz

Group of the British Solomon Islands, statements were made in Parliament gravely reflecting upon the War Service Homes Commissioner and his officers. It was alleged that action taken by the Commissioner, or his officials, had seriously prejudiced certain interests which Mr. J. T. Caldwell claimed he had in respect of those islands.

The Committee examined the parties concerned in this matter at some length, and found that, although it had been inferred that a lease of the islands in question had been granted to Mr. Caldwell, no lease or substantial right of any kind had been obtained, nor did Mr. Caldwell have sufficient reasons for assuming that a lease would be granted to him. The Committee was of opinion that the War Service Homes authorities showed a lack of business acumen in proceeding with the negotiations for the acquisition of a lease before such had been produced, and without any independent information concerning the proposition.

It transpired during the course of the inquiry that an application for the timber rights on these islands had been lodged by another party some years prior to Mr. Caldwell's and was in the hands of the Imperial authorities.

### (C) (iii) Purchase of Sawmills and Timber Areas.

To carry out his projected programme of house construction in Victoria the War Service Homes Commissioner required large quantities of building timber. The urgent necessity for getting to work immediately made it impossible to spend time on the development of new timber areas, though some of these were considered as possible sources of supply at a later stage.

Conferences between the Commissioner and the Hardwood Millers' Association of Victoria led to an arrangement being made to secure supplies, but the result was disappointing.

Offers to supply the Commission with its requirements provided financial assistance was forthcoming were numerous, but were found in most instances, after investigation, to be unsatis-

The Commissioner having been unsuccessful in his efforts to secure supplies thereupon purchased outright the interests of Mr. G. W. Knott, one of the principal suppliers of hardwood to the Victorian market. The properties comprised freehold and leasehold land, timber licenses, and sawmills situated at Beech Forest, and two isolated mills and timber areas at Broadford and Cheviot the total price paid being £54,245. As the Commissioner did not propose to engage in the business of sawmilling he resold the whole concern to a practical sawmiller at the purchase price, on the understanding that the purchaser would supply the Commission with certain quantities of timber at specified rates which were not at any time to exceed a sum amounting to 10 per cent less than the current market price for the same class of timber.

The Committee was of opinion that for the failure of the arrangements between the War Service Homes Commissioner and the Hardwood Millers' Association neither side was blameless. The Commissioner was undoubtedly unbusinesslike in his methods, though it appeared to the Committee that the Association showed less consideration towards this patriotic scheme than might reasonably have been expected.

In making his offer to purchase the properties the Commissioner adopted the most readily available proposition for an ample supply of timber. Full value was paid for the properties. The Committee considered that the terms under which the properties were resold were satisfactory, with the exception that interest should have been charged on the deferred payments. Three members of the Committee were, however, of opinion that the timber areas and mills should not have been resold, but that the Government should have appointed its own officer to take control of the operations.

The Committee was of opinion that in any extension of the contract for the supply of timber provision should be made for the payment of interest on deferred payments, and that it should he made quite clear that the undertaking to supply at a price less than 10 per cent, under the "current market price" meant 10 per cent, below the sawmillers' wholesale rates.

It was recommended that the mills at Broadford and Cheviot should be removed to Beech

Forest to increase the supply from that district.

The Committee considered that steps should be taken to insure that timber before being used in the construction of the houses should be properly seasoned.

During the inquiry the Committee learned that in New South Wales timber for War Service Homes is carried over the railways at half the ordinary rates of freight. It was recommended that the Commonwealth Government should make representations to the other State Governments for similar sympathetic treatment.

The Committee found that throughout the transactions of the War Service Homes Commissioner the practice had been to disregard the usual methods employed in Government departments for obtaining supplies. The system of advertising large undertakings by the Government and publicly inviting tenders has been instituted for necessary and obvious reasons. It was recommended that the usual procedure of calling for tenders should be adopted.

Consequent upon the Government's change of policy a new contract for the supply of timber from these mills was arranged by the Commission. In this contract provision was made for the payment of interest on deferred payments as recommended by the Committee, but, not with standing the Committee's definite recommendation concerning the term "current market price," the same expression was again used. This contract is still the subject of arbitration and legal proceedings.

At this stage of the Committee's inquiry into the affairs of the War Service Homes Commission, the Committee felt it its duty to add the following special recommendation when presenting this Report to Parliament :---

"In the course of the investigations which the Committee has so far conducted into the transactions of the War Service Homes Commissioner, it has had forced upon it that there has been a grave lack of organization in the work of the Commission. The co-ordination of the various activities has been very defective, and at the same time a good deal of overlapping and consequent friction has taken place. The officers have not always been wisely chosen.

If the Government intends to maintain the scheme as originally contemplated the Committee unanimously recommends that a competent man be appointed as carly as possible to re-organize and supervise the Department with a view to efficiency and, economy.'

### (D) (i-vii) War Service Homes Commission.

In consequence of the number of complaints concerning War Service Homes which had arisen throughout the Commonwealth, and which had frequently been referred to in both Houses of Parliament, the Committee undertook an investigation into the system of administration in operation in the War Service Homes Commission, and the methods employed by those entrusted with the carrying out of the scheme laid down by Parliament. The Committee recognised the importance of seeing that the large amount of public money involved was being spent to the best advantage, and that the beneficiaries received all they were entitled to under the provisions of

In order that Parliament might be kept informed of the state of affairs found by the Committee to be existing, progress reports were brought down in respect of each State as it was visited, and a final report was presented giving an outline of the whole scheme from its inception. The inauguration of the scheme, the organization created, despite existing State and other facilities, the administration of the department, and the execution of the work throughout the Common wealth were dealt with. The financial position of the scheme, and the results achieved by the Commission up to the point where an almost complete change of policy on the part of the Government affected the whole of the Commission's activities, were investigated.

#### (E) (i) and (ii) Sugar.

Recognising the necessity for an investigation of the Sugar question, particularly as the Commonwealth itself had become a participant in the industry, the Committee decided to inquire into the matter. Whilst making its preparations to commence the work the Committee was asked by the Government to investigate and report upon the operations of the Commonwealth Sugar Control, an interim report being desired as to the retail price at which sugar could be sold in Australia under the existing contract for the purchase of the Australian sugar crop without loss

The Committee obtained the services of two public accountants, and after investigation submitted an interim report embodying the results of the accountants' examination of the position. At the same time the Committee pointed out that beyond satisfying itself of the accuracy of the figures presented by the Sugar Board, it had arrived at no decision regarding the more important question as to whether the Board's position was sound and satisfactory.

Further investigation was carried on almost until the adjournment of Parliament when a majority of the Committee decided that, owing to the limited time at the disposal of the Committee and the difficulty of obtaining reliable records, no finding of any value could be arrived at.

Five members of the Committee, however, presented a report which briefly touched upon the history of the sugar industry and the effect of Commonwealth control, but had particular regard to the retail price at which it was considered sugar could be sold in Australia. Unjustifiable debits against the Commonwealth Sugar Actount were pointed out, and means were indicated whereby it was thought that reductions could be effected in the cost of sugar supplied to the consumers of the Commonwealth. Interest charges had been permitted to accumulate, and considerable concessions and rebates had been granted to manufacturers for export. These concessions, it was considered, should have been a charge against the Consolidated Revenue. It was also made clear that the retail purchasers of sugar were being called upon a second time to pay an amount of £415,000 which represented profit made by the Government on sugar transactions but which had best transferred to Consolidated Revenue. These members were of opinion that £26 per ton would be a sufficient price for raw sugar, and that, after allowing for a fair apportionment of all charges for transport, refining and distributing the sugar, it could be retailed at £42 per ton, or 4½d, per lb. With more efficient organization and methods of production, and a careful revision of all charges, this price, it was thought, might be still further reduced.

It was considered that the making of a high-class mill-white sugar might well be investigated and encouraged, both in the interests of the sugar growers and the consumers.

Transactions relating to the purchase of certain consignments of foreign sugar were investigated by the Committee, but, owing to the restrictions imposed upon it by the Statute under which the work of the Committee is carried out, it was unable to completely investigate certain phases of the matter. So far as the Commonwealth accounts were concerned, the Committee discovered no overcharges or irregularities in connexion with the transactions.

#### LEGISLATION.

Experience having shown the necessity for certain amendments to the Committee of Public Accounts Act 1913, an amending Bill was introduced on 20th May, 1920, and was passed through all stages in both Houses on the same day. Under the amended Act the Committee was given power to compel the attendance of persons to give evidence and produce documents; witnesses were granted the same protection and privileges as witnesses in cases tried in the High Court. and penalties were provided for the punishment of offenders against the Act. Specific provision was made for the appointment of a Chairman and a Vice-Chairman, and for the payment of expenses to Members whilst engaged on Committee work.

Chairman

Office of the Joint Committee of Public Accounts, Federal Parliament House,

Melbourne, 15th March, 1923;