

1918: DEFINING VICTORY

MANAGING THE WAR: THE DEPARTMENT OF DEFENCE 1914-1919 **Eric M Andrews**

Books on war retain a wide popular appeal. This is not surprising: battles and campaigns can be fascinating; the personalities and the experiences of service men and women are often emotionally moving; and the follies of high command illustrate the gross misjudgments which can be made by those in power. But there is a temptation to skim over passages dealing with defence administration. In comparison with other matters, it seems such a dull subject. Yet in all wars the administrative machine is vital, and weaknesses in it can be fatal. There are many lessons to be learnt for those who have eyes to see, and Australia's experience in the First World War is no exception.

When war broke out in 1914, the Defence Department was tiny. It had been created in 1901 as one of the original departments at federation, when its central civilian administration had only 13 members (compared with 19,000 civilians in June 1997).¹ The Secretary for Defence ran the Department, supervised the civilian and industrial branches, co-ordinated the civil and military sides, and dealt with other Departments and the general public. Under him were a Chief Accountant, a Chief Clerk, six Clerks, one Senior Messenger, two Messengers and a Caretaker. The total cost for the year was £3600.²

They were all housed in Victoria Barracks, Melbourne: it was cramped, but pretty informal. The acting Chief Clerk shared an office with another person, next to the record room where three clerks worked. Security was incredibly lax. Reporters could gain access through three possible entry ways—two through the departments of Customs and Home Affairs. They were never allowed into Central Registry, but they did seem to have gained access on most days to the Minister, the Secretary or—when he was absent—the Chief Clerk.

The department administered a force of merely 28,500 men, either permanent, militia or volunteers. In addition there were 29,000 members of Rifle Clubs, 2600 military reserves and 9000 school cadets.³ The staff in the Department's 'Central Administration' slowly grew, but by 1914 still only numbered about 29 people—mainly in Melbourne, but with small sub-branches in each State. It was in fact seriously understaffed,⁴ even for the times, and was put under great pressure when compulsory training was introduced in 1911.

The department was therefore inevitably overwhelmed by the outbreak of war, when public recruiting drives led to an expeditionary force of nearly 330,000 men and women, sent to different theatres of war. The sheer burden of administering this, and providing the logistic and other support services, such as pay and transport, was unprecedented. At the same time, the public appeal of the recruiting drives made it difficult to get extra staff for the department itself. The government quickly restricted enlistment by Defence organisation personnel themselves,⁵ but that did not solve the problem: many of the most suitable civilians outside had already enlisted: and since the Public Service in general had been almost entirely recruited from 15-year-old school leavers seeking a secure but undemanding job, there was no pool of talent in the organisation itself to draw on. To make matters worse, with the shortage of capable first division officers, the government used defence personnel elsewhere. The Secretary, Samuel Pethebridge, went to Rabaul as Colonel to administer Germany's Pacific Islands, and Thomas Trumble became Acting Secretary.

Yet the Australian government reserved the right to administer the AIF itself. Its first commander, Sir William Bridges, established the Australian Intermediate Base in Cairo as a section of the British base under Sir John Maxwell, but in 1916 Maxwell created a separate HQ AIF which went to Horseferry Road in London under Bridges' successor, General Sir William Birdwood. He had the right to communicate directly with the Australian Minister for

Defence, Senator Pearce, and was helped by a large staff in London. He was also in an area with good communications—unlike Chauvel who had been left administratively on a limb in the Middle East.⁶ Technically, therefore, AIF administration was divided between Melbourne and London: but as Birdwood was both controller of AIF headquarters and commander in France, his attention was divided between the two posts, so where the Canadian and New Zealand administrations in London became large and effective and gained initiative, AIF headquarters remained weak—a purely administrative body, with all policy decisions referred back to Australia.⁷ Everything therefore depended on the efficiency of 'Defence Central' back in far off Melbourne.

By that time, however, the range of its duties had exploded. The 'Expeditionary Force Branch', set up in the Adjutant-General's Department to deal with all correspondence concerning the AIF, had become the 'Base Records Office'. Beginning with one officer and two clerks in three rooms, by June 1917 it occupied three buildings with a staff of 328 who worked from 9 am to 8.30 pm daily. It liaised with AIF HQ in London, through which went all communications with the British War Office. Each mail from abroad brought orders from 147 Infantry Units, 22 Light Horse Units, 47 Artillery Units, 260 Army Service, Medical and Miscellaneous Units. It also kept a personal history card for each member of the AIF.⁸ Meanwhile, the Military Board, via the Quartermaster General's branch, was heavily involved in the development of ordnance and clothing factories. There was a Contract and Supply Board, a 'Chemical Advisor's Branch', and by mid 1916 an Arsenal Branch. There followed a major empire-building scheme—or 'rationalisation', depending on one's point of view—by JK Jensen, who headed the Factories Branch. This involved Senator Pearce and 'Defence Central' as well.⁹

In financial matters, the Army pay organisation, which had been tiny in 1914 since most pay was organised through unit commanders, had vastly expanded, while the Accounts Branch had the horrendous—and near impossible¹⁰—task of calculating for Treasury the expenses of the war, not counting the ordinary expenditure of the Defence Department. This was needed because the British government had agreed to meet accommodation and travel expenses overseas of the AIF.¹¹ Some extremely complicated accounting followed.

The Defence organisation also built and maintained 44 hospitals, both general and specialised; ran internment camps; and was involved in censorship and recruiting.¹²

There was therefore a massive expansion of military administration, both in staff numbers and their duties. The combined military and civilian staff at HQ Melbourne increased from 267 in 1914 to 1483 in 1918. Victoria Barracks became overcrowded, and a 'temporary' wooden building was set up on the parade ground for 'Central Administration'. Then in September 1916 a new Branch of the Military Board, under the Military Secretary, was created to deal with the expected 'Yes' Vote in the referendum and the decision to call up all eligible males for service within Australia in the meantime.¹³ Perhaps it was as well the referendum was lost: the administrative chaos that would have resulted otherwise would have been horrendous. As it was, constant changes in the structure of the department and the names of its sections¹⁴ led to difficulties in liaison and communication, while there was overlapping between the military and civilian organisation, so administrative functions were carried out by whatever personnel seemed best. This caused some complexity: though the head of the Finance Branch was listed as being 'Lt Col TJ Thomas', in fact he was a civilian public servant with an honorary rank. Similarly, George Macandie was fleet paymaster of the RAN but held the honorary rank of Commander.

The coherence of the whole system depended on 'Central Registry' in the Secretary's Branch, through which all correspondence passed. Staff in Registry classified it and then distributed it to the relevant officers, who would handle routine matters themselves, but reserve more important or difficult ones for the Secretary—if necessary for subsequent submission to the Minister. The telephone directory had similar divisions in it, so that—in theory—members of the public with questions could speak directly to officers in that section.¹⁵

The work load was horrendous. A report issued by the department in 1917 claimed the average number of papers dealt with per day had risen from 750 to 4000; letters despatched from 27,504 to 116,916; London mail from 600 to 1242 items; and telegrams from 3752 to 19,904.¹⁶ The 1917-18 Royal Commission noted that the Chairman and Deputy Chairman of the Contract and Supply Board were also Acting Assistant Secretary in the Defence Department and Director of Equipment and Ordnance Services respectively, and even before they got those jobs, 'their ordinary departmental duties compelled them to work seven days a week, and until a late hour each night'. Needless to say, they gained no relief for their additional duties.¹⁷

Extra help obviously had to be hired, but the government was desperate to keep costs down. They had risen from 1.1 per cent of GDP and 18.8 per cent of Commonwealth outlays in the year 1913-14 to 12.5 per cent of GDP and 62.1 per cent of Commonwealth Outlays by 1917-18.¹⁸ Not that this was surprising: a major war was under way and expenditure was bound to rise. Government reluctance to face this fact, however, meant that the enlargement of the Department was painfully slow. The number of permanent staff in Central Administration under the Public Service Act only rose to 50 by mid 1915. By 1916 there were 62, but the department had enormous difficulties in recruiting trained and or experienced people, and had to appoint at the lowest levels. Most were temporary.¹⁹ It resorted to the then unprecedented action of employing female clerks and typists (who were however forbidden to work after 6 pm, due to the lack of lighting along St Kilda Road). Jensen later boasted that he employed the first female clerk ever in the Public Service, and this allowed it to ban the employment of men who were eligible to enlist.²⁰

The situation was made worse when large numbers of ex-servicemen returned and claimed precedence—which the government had offered them to encourage recruiting. The first wounded soldiers returned to Australia in July 1915 and they were duly given precedence.²¹ Further concessions to returned soldiers by amendments to the Commonwealth Public Service Act in 1915 allowing full leave of absence during the war to public servants who joined the AIF, and granting preference to returned servicemen with a satisfactory record, led to even fewer qualified applicants. Able and ambitious people were unwilling to accept temporary work for the duration of the war, only to be replaced by a demobilised soldier once peace came. Moreover, many returned servicemen had been traumatised by the war, or at the very least grown used to an open-air life, and did not make good clerks.²²

As a result, some highly unsuitable people were employed, and mistakes and muddles followed, such as the reluctance to authorise hospital ships and the chaos in medical arrangements during the Gallipoli campaign.²³ Back in Australia, there was a report of a navy who took up clerical work, as well as a groom and 'a member of an illegal organisation' who was later taken away by plain-clothes police.²⁴ Central Registry grimly pointed out that it required intelligence to work in the branch, and an ability to classify correspondence, précis material, and master the technical terminology in use. Mistakes in classification of papers and indexing led to the loss of files and confusion, and the Finance Member complained about untrained temporary clerks and the lengthening hours of work.²⁵

Under great pressure, the Defence Department seemed accident prone. The newspapers, being censored in most matters during the war, found relief in 'patriotically' hunting down what they termed 'maladministration, corruption and ineptitude'.²⁶ These were easily found in the supply system used by the Department. It had been bad enough in 1914,²⁷ but once war came the government tried to meet the unprecedented demands by what today would be called 'outsourcing' or 'privatisation'. When this was combined with slackness in contracting and accounting, the result was disastrous.

In 1914 Arthur Kidman, a merchant, sold inferior food at inflated prices to the AIF and the Tropical force sent to New Guinea. Major AG O'Donnell, the Deputy Assistant Quartermaster-General who was in charge of purchasing supplies in NSW, was in league with him and received kick-backs. (When he was tried in 1915 O'Donnell claimed that he had won all the cash he was putting into his bank account at the races—but he was unable to remember the names of the horses or his bookmakers!²⁸)

In September 1916 a personable young man, FR Sanderson, who claimed to have invented an 'electric gun', conned a State Governor, prominent businessmen in Sydney and Adelaide, and a future Justice of the High Court of Australia, into forming a syndicate to support him, and Pearce to grant him access to a section of Cockatoo Island to produce it. The scam was spotted by Jensen. So it is hardly surprising that when in January 1918 a picnic was arranged for Defence Department personnel at the bayside town of Mornington in Port Phillip Bay, the press got word of it, and maliciously highlighted a speech on the 'they only serve who also sit and wait' theme. No further picnics were held.

Acquisition problems led to other embarrassments. Before the war no permanent officers had any interest in the military uses of motor vehicles, but a group of militia officers had formed the 'Australian Volunteer Automobile Corps'. The first CO of the unit was—naturally—the owner of one of the largest car companies in Australia, H Tarrant. When war came and the government desperately wanted transport (the War Office had asked it to supply some) it naturally asked Tarrant and F Bracey, Manager of the motoring division of Dalgety and Co, to form an Advisory Board to help the Department buy motor vehicles. No one seems to have considered Tarrant's vested interests. He acquired 27 German lorries (of the 135 the Department needed—one wonders where he thought the spare parts would come from!). The resultant press campaign led to questions in federal parliament and bitter complaints by his rivals in the motor industry.

To quieten the scandal, the government appointed a businessman and ex-Treasurer and Town Clerk of Sydney, R McC Anderson, to report on the financial and business operations of the Department. He dismissed the accusations against Tarrant, arguing that he had provided a service to the country (and when trade rivals complained again in 1916—this time accusing Tarrant of gaining an unjust amount of the repairs to defence vehicles—two other reports verified this, but nevertheless tried to justify the practice).²⁹

Anderson however also visited and inspected all major defence establishments, and wrote a blunt and forceful report. He was highly critical of the Navy for laxity and dual control under both the Public Service and Defence Acts. He regarded the Finance Member as simply a Chief Accountant who had exceeded his authority, with nit-picking criticisms that led to friction and ill-will. The Ordnance Department—its staff again working under various awards—was 'a synonym for ineptitude',³⁰ while the Public Service Commissioners seemed to have had no responsibility for seeing that the men they appointed were actually efficient.³¹ The Minister was harassed; and the Defence organisation 'a series of fragments working in disunion'. He suggested dividing Defence clearly into three separate groups—Civil, Naval and Military. The Secretary's Department should control the organisation generally, and the secretary take the chair of the Council of Defence. The First Assistant Secretary should cover the general administration of the department and coordinate naval and military matters. The Second Assistant Secretary should be the civil member of both the naval and military Boards, and report to the Minister.

As for the senior staff in Defence, he thought the First Naval Member, Commander Creswell, 'has only the foggiest idea of modern management ... [He is an] exceedingly pleasant old gentleman, but an expensive luxury in his present position'. On the other hand the Chief Accountant, Colonel Laing, 'had not a good word to say of anybody, and in poetic justice not one witness I examined had a good word to say of him'.³²

Anderson's acerbic comments were not politically acceptable, but Pearce was determined to rid himself of a complete section of the administrative work, so in July 1915 he accepted Anderson's idea and hived off the Navy under its own Minister.³³ Anderson meanwhile had gone on to Egypt as DQMG, with the rank of Colonel, to 'reorganise and coordinate' administration there. This was needed, after the fiasco of the medical arrangements on Gallipoli, but Anderson was not the man to send. His range of duties were wide and not clearly explained, either to him or the CO AIF—nor had HQ AIF in Egypt been informed of his arrival. His bluntness and intolerance immediately resurfaced. He sent a five-page letter to Trumble that was so abusive and sarcastic that Pearce refused to receive it and Trumble returned it and sent a copy to HQ AIF in Cairo.

The official historian later delicately remarked: 'Certain irregularities, never fully explored, occurred at this early stage in Egypt.'³⁴ At the time Anderson simply wrote that the Pay department in Egypt was 'rotten', and carried many 'passengers, some of whom were making a profit in currency speculation'. Thomas had been sent out to audit, but 'he failed to grasp the essential features of failure', such as the fact that not a single unit ledger had been balanced!³⁵ This greatly upset defence mandarins: Trumble decided to keep a record of all Anderson's communications, and channelled them through Defence Central.³⁶ As staff numbers were inadequate, that in turn led to long delays and failures to reply. Anderson complained, but did not help his case by remarks like 'the evidence before me as to your methods of conducting the business of a great department is such as to make me feel solemn'.³⁷

The immediate result of Anderson's Report was the formation of the Contract and Supply Board in November 1915³⁸ and the amalgamation of all supply functions under the influence of Jensen and his Arsenal Branch, but despite this, it is clear that the Department's acquisition, storage and account-keeping methods remained unsatisfactory, with wide scope for fraud, as well as a very high incidence of items being simply lost. The department indeed admitted that the stocktaking results of February 1916 were unreliable.

Anderson meanwhile went on to irritating bigger and better targets. Hughes personally appointed him in April 1916 as Brigadier-General to be Commandant of AIF headquarters in London and the official Australian government representative at the War Office on financial and administrative matters, as well as Birdwood's link with AIF training and holding depots in England. He was soon thoroughly disliked by both British and Australian officers, and on extremely bad terms with the War Office—but Birdwood did not replace him, presumably because a really effective man would have been a threat to Birdwood's own position.³⁹

Back in Australia, the need to improve defence administration remained. The biggest weakness lay in the Paymaster's Branch, which, for all his criticisms of other parts of the organisation, Anderson had not investigated properly. The Auditor General's Report in 1915 had blamed delays in Treasury statements on late returns from 'the Military section of the Department of Defence'. In particular, accounts of the District Paymaster in NSW were 'in a most unsatisfactory position': an incomplete cash book, with some pages totalled in pencil and others not at all; cheques drawn without authority; Paying Officers' accounts not reconciled; and cheques and cash for unpaid salary and allotments left in the office safe.⁴⁰ Pearce had put it all under Thomas, but there was difficulty in finding skilled staffs. The Melbourne and Sydney sections had received over 2000 extra people, but many were untrained and unsuitable,⁴¹ and it was not until 1916 that a number of public accountants were taken in as officers.

By then it was too late: the long simmering crisis was about to come to a head. Lt DCW Howell-Price was on the administrative and instructional staff at Victoria Barracks, Sydney, in 1914. As Adjutant of the 9th Light Horse, he had begun by forging forage contracts, then in 1915 went on to paysheets for the unit's non-existent time in camp, cashing the resultant cheques himself. In the end he defrauded the department of £67,374⁴²—his salary at the time being £275 a year. Only his laziness led to his discovery: he neglected to forge acquittance slips, and a new Pay Officer became suspicious. Yet after all this, he was merely charged on two counts of forgery and sentenced in March 1917 to four years' imprisonment. Further possible charges were abandoned the following May, despite the Board of Inquiry strongly urging they be pursued. With good conduct and armistice remissions he was released in 1919 and only £19,756 was ever recovered.⁴³

By this time now the press was openly sniping the Defence Department. Jensen tried to play off the morning and evening papers against one another, but by 1917 there were too many stories of corruption and incompetence, and too much press and parliamentary criticism. In January the *Argus* declared there was 'something radically wrong' with the management of the whole Defence Department, and talked of waste and theft; the *Australasian* attacked extravagance, and the *Bulletin*, which had been running a campaign for years, claimed the government had raided its offices and used wartime press censorship to prevent criticism, for which it blamed Pearce, accusing him of incompetence and hypocrisy.⁴⁴

Spurred by these attacks and the mounting pay scandal in NSW, Pearce first in February set up a 'Committee to Examine the Pay Office'.⁴⁵ This did not satisfy Treasury, which had been demanding that it be given control over departmental pay officers for some time. Nor did it silence the press, especially the *Bulletin*, which described Pearce as a 'dull, commonplace bluffer whose administration of a great State Department [made] a story of inept, ignorant, wasteful bungling without parallel in Australian history'. Some day, when the people realise the enormous importance of administration, the fact that a man can make more or less eloquent speeches will be regarded as a matter of grave suspicion.⁴⁶

Pearce finally bowed to the pressure and on 2 July 1917 offered a 'Royal Commission into Defence Administration'. Three commissioners were appointed, all businessmen: WG McBeath (a Melbourne merchant); J Chalmers (manager of Farmer & Co, Sydney); and FA Verco (an Adelaide miller). None was a specialist accountant, and there was no Treasury representative—although two advisory accountants and a secretary were provided for the commissioners. The Secretary to the Treasury, JR Collins, was indignant: he had already argued there was no higher authority in matters of Government accounting than the Treasury itself.⁴⁷

The Commissioners, however, had a much wider mandate than just accounting. The Board of Inquiry into the Pay Office was disbanded, and the commissioners proceeded to investigate all contracts, supplies, and accounting and payment systems; and to visit the department's industrial establishments.⁴⁸ They produced a series of 'Progress Reports', a procedure which provoked continuing debate, stimulated by the delay of nearly three months in the publication of the first report. Public and press suspicion that the government was hiding something increased.

As all the Commissioners were businessmen, they brought the typical prejudices of businessmen with them. In the First Progress Report (13 November 1917) they commented sarcastically on the poor qualifications of ordnance personnel in the Contract and Supply Board—'the dumping ground of the misfits, the inefficient, or the men unqualified by lack of business training'. Like Anderson, they were unhappy that personnel working in the Defence organisation were under different sets of regulations. They talked of 'the business of war' and the fact that 'the Defence Department has been conducting by far the largest commercial undertaking in the Commonwealth'. They criticised the accumulation of stores in 1915: only one AIF division had been sent overseas instead of three, so the Department was grossly overstocked. The problem they thought was an absence of businessmen in charge of spending. They suggested a central 'Business Board of Administration', with a District Business Board in each Military District, 'to take, subject only to the Minister, full control of the Business sections of the Defence Department'. It should be equal to the Military Board of Administration, directly responsible to the Minister, and be permanent with executive powers. They also recommended the appointment of an administrative Inspector-General, improved accounting and ordnance stores, and the formation of an Army Ordnance Corps. (It is amazing that one had not been formed by then.)⁴⁹

The government accepted the recommendations. A Business Board of Administration in defence was duly set up, and its Chairman made a member of the Military Board in place of the Finance Member.⁵⁰ Nevertheless, like most businessmen, they went too far. Pearce produced a two-page memorandum which pointed out that the Commissioners had ignored the fact that the Department of Defence was not a business organisation, concerned only with profit and loss, but a government department which had a war to run. The Quartermaster-General supported him, pointing to the weaknesses in businessmen's attitudes. Armies need reserve supplies of material, and are forced to stockpile—a point Pearce took up.

If the government thought that it could tame the commission by criticising it, or declining to replace one commissioner who retired due to ill health, it was mistaken.⁵¹ The Second Progress Report on 14 February 1918 was political dynamite! After noting the demands of the war and the reaction to Anderson's report, it heavily criticised the Finance section for the slipshod methods⁵² which had led to the Howell-Price affair. The Commissioners slammed the incompetence of the Pay Office of the 2nd Military District in Sydney, and were highly

suspicious of some officers who had incurred gambling debts—during office hours—with Howell-Price. They were 'deeply disturbed' by the decision not to take further action against him, which prevented the investigation of other offenders. The Department was incredibly benign in this matter: listening to representations from Howell-Price's father. The Military Board even found it necessary to minute that they did not think Howell-Price should be paid any compensation on his retirement!⁵³

The report then turned to the Ordnance Stores with their uncollected fines, chaos, and accounts in 'hopeless confusion'. They pointed out that there were both massive surpluses *and* deficiencies in the ledgers. They were scathing about the Auditor-General and urged the appointment of a Director-General of Military Accounts. They suggested a conference with the Treasury, the centralisation of the Pay Offices, new stocktaking and accounting measures, and improvement in personnel, so that 'while preference is given to returned soldiers, the greatest care be exercised to insure [sic!] that they are fitted temperamentally and by experience for the vacant positions'.

The Advisory Accountants were even more caustic, writing of 'serious improprieties and corruption'. The creation of an Army Pay Corps had led to improvements, but the system still needed tightening up. As for the Ordnance section, the 'regulations regarding the checking of stock on hand were in most cases absolutely ignored'. The 2nd Military District in Sydney was particularly bad: £300 of cloth had disappeared, and the loss or destruction of the issue vouchers precluded them from establishing how it had happened—an event which they dryly remarked 'was probably fortuitous'. Their greatest sarcasm, however, was directed against the NSW Pay Offices, discussing the Howell-Price case in great detail, and arguing that the Department should pay salaries sufficient to attract men capable of the work.

Once again the government rejected the criticisms. Pearce defended the Department, and showed the commissioners' criticism of them to the Quartermaster-General and Finance Member, who naturally protested vigorously. Pearce then asked the Commissioners to reconsider their report. The Chairman objected, and both the Commissioners and the Advisory Accountants refused to alter their reports. The confrontation was published in the *Argus* and Pearce had to stall in federal parliament. It was all humiliating.⁵⁴

The Third and Fourth Progress Reports were short and to the point. In the Third, on 20 February 1918, the Commissioners recommended that all defence personnel should be placed under Section 63 of the *Defence Act* until a year after the war had ended. They produced a draft Bill which became the basis of the *Defence (Civil Employment) Act*, No 17 of 1918. They also wanted the Business Board of Administration to be given powers to remove unsuitable temporary employees, and a Staff Committee to be set up: of the Public Commissioner, the Adjutant-General, and a representative of the Business Board of Administration.⁵⁵ The Fourth Progress Report (13 March 1918) dealt with the government factories and motor transport, and wanted a different system of accounting used.

The Commission thus ended its series of reports in a conciliatory fashion, noting the 'unprecedented nature and magnitude of the task, and the replacement of unsuitable personnel'.⁵⁶ Despite this, they provoked a series of bitter complaints and 'storm of criticism of the department's methods', especially in the press, which attacked the delay in publication and Pearce's performance as Minister. Federal parliamentarians thought he had been in the Department too long and saw everything through 'military spectacles'.⁵⁷ His political career was threatened, not for the first time.⁵⁸ Hughes had kept Pearce as Minister for Defence, but the latter had blundered in refusing to accept advice that two officers of the Department be seconded to the Commission to cross-examine witnesses and reveal the practical problems the department faced.⁵⁹ Pearce had only himself to blame, and produced a short—and rather lame—defence of the department on 18 March 1919, and Hughes had support him with a more forthright statement welcoming the work of the Commission, but stressing the enormous scale of the department's operations during the war. He must have been very unimpressed with Pearce, however, and it has been suggested that from then on the relations between the two men became 'rather cooler'. Pearce 'was sent to London' to organise the demobilisation and repatriation of the AIF.⁶⁰

The Auditor-General and the CGS, Brigadier General Hubert Foster, produced strong defences,⁶¹ but the gross incompetence and corruption in the pay and supply sections was undeniable, and the government was forced to react. On 15 March 1918 Cabinet approved the appointment of a Director-General of Accounts, a conference to simplify accounting procedures, changed titles in the Pay organisation, and checks on railway warrants and freight charges. It also took measures to improve the calibre of personnel in charge of accounting records and to ensure more care in placing returned soldiers in such posts. The Auditor-General's position was reconsidered. All personnel—including Clerks in the Secretary's office—were to come under the *Defence Act* for the duration of the war and one year afterwards.⁶²

The final two reports, on Naval administration, appeared on 4 October 1918 and after the war had ended on 13 February 1919. They suggested a reconstructed Board, and a Secretary who was permanent head of the Navy department. They criticised the purchase of a Wireless factory in Sydney at an inflated price. The Minister for the Navy, JA Jensen, had acted on his own initiative on this and other acquisition matters—sometimes against the wishes of the Naval Board—and in addition, a portion of the purchase price had been paid to Senator JJ Long of Tasmania. Long protested his innocence vehemently, but was ignored, and Jensen was dismissed from the Ministry, even though by that time he held another portfolio.⁶³

The government was embarrassed by these additional revelations and did not like the suggestion to strengthen the Naval Board, arguing that it ignored the basis of the Westminster system—ministerial responsibility. A Cabinet sub-committee suggested instead a four-man Board, reporting to the Minister. The matter was deferred until the return of Senator Cook (then Minister for the Navy) from Britain.⁶⁴ The Commissioners complained that they had been misunderstood: the Minister 'should be held responsible for the policy and finance of the administration', but he 'should not, unless under very exceptional circumstances, interfere with details of the administration. These should be intrusted [sic!] to the Naval Board and the expert officers of the Department'. It was an interesting argument,⁶⁵ and the opposite of Pearce's habits. By that time the war had ended, however.

After the war, the Commissioners' battle with the government⁶⁶ was hidden in the official history. Scott argued that the findings of the commission were 'rounds for congratulation' in that 'no major or even minor scandal was revealed'. This was nonsense: the misappropriation of £67,374 had to be a major scandal. According to Reserve Bank figures, the sum is equivalent to \$3,825,495 in today's currency.⁶⁷ Scott however was probably pressured into writing so blandly: there are hints that he deeply disagreed, and would have preferred to resign, but Bean followed his usual practice in the official history series of sidestepping criticism.⁶⁸ Shedden followed a similar line in his manuscript in the late fifties, arguing that the Commissioners' refusal to discuss matters, their rebuff to the government, and their direct appeal to the press, 'largely discounted the value of [their] report'. This suggests that the Commissions' reports still rankled some 40 years later. One can only agree with a BA Honours thesis produced in ADFA, that—despite the comments of both Bean and Shedden—as a result of the massive demands of the war, 'the Department of Defence came under immense administrative pressure' and that 'its small and inexperienced staff was completely overwhelmed by events'.⁶⁹

Not that the Defence Department was alone in its troubles. GE Caiden argues that the Public Service as a whole was in 'a state of disarray until 1916', and Royal Commissions into the Wheat Boards in South Australia and New South Wales revealed corruption by Ministers which led to their resignations.⁷⁰ Nevertheless, the problems the Defence Department faced during the war were unprecedented: the raising of the AIF and expansion of the navy; the shortage of trained officers; failings in the political leadership; political in-fighting with the elections and the referenda; the split in the ALP; press criticism and public emotionalism; and the lack of an adequately large and trained public service, both in the lower and senior grades. The war put enormous strains on the system, as it did on the armies of the day, which had become too large to administer or command effectively, with notorious results on the battlefields. Nor was Pearce a far-sighted and efficient administrator—whatever his defenders say.⁷¹ It was hardly surprising that some parts and personnel in defence failed.

Meanwhile, Central Administration continued its links with all sections of the defence organisation, except for the time being the Navy. Its role as a centre of communications and in the administration of the defence factories, continued, so when the 'Business Board of Defence' was established in April 1918, JT Grose, Finance Secretary of the Department of Defence, was a member, as well as being Civil Member of the Military Board.⁷² Senior departmental officers, however, had little impact on wider policy issues, partly because they were overwhelmed by the detail of administration, but mainly because of the politics—both international and national—of the day.

In Britain, Lloyd George created a small War Cabinet and developed a number of new Ministries, coordinated by a system of Committees, based on the Committee of Imperial Defence (CID), and using the CID secretariat. By 1918 he crowned the system with the Imperial War Cabinet.⁷³

Australia had none of this. Decision-making was personalised, and autocratic. The Governor-General, Munro Ferguson, regarded himself as the servant of the British monarch and government; while the Prime Minister, WM Hughes, was more akin to a President than a Prime Minister. Not surprisingly, the Council of Defence did not meet between 1915 and 1918,⁷⁴ and in so far as Hughes employed the Australian bureaucracy, it was his own 'Prime Minister's Department', which on one occasion 'altered the number of destroyers being transferred from the Singapore station to Aden without informing the Minister for the Navy'.

Nor was the secretariat helped by its political leader. Pearce was a cypher, complaining to the Senate in October 1914 that he had inherited 'a legacy of an almost vicious character from State administrations', whose defence ministers had so little to do that they could consider 'the minutest details of administration', in which he now found himself swamped.⁷⁵ He did not say why that precluded him from delegating more himself, or why, as an experienced Minister for Defence (1908-9, 1910-13, and 1914 onwards) he had not changed the system long before then. As Heydon puts it, 'It took three years, and a Royal Commission ... to bring proper business methods into what was a vast business undertaking'.⁷⁶

The basic reason may well have been the poor quality of the average Public Servant (discussed above), and the lack of educated and trained higher staff, so that decisions had to be made by the leadership, but Pearce's temperamental inability to delegate also played a large part. He has been credited with 'marked administrative ability'. He certainly worked long hours himself and insisted that others did so too.⁷⁷ but research suggests that working long hours beyond a certain point reduces the quality and output of work, and increases health and accident problems. It also led to tension. Pearce:

established a ... rather formal ... partnership with his senior officers, whether administrative or professional. He was always the Minister, they were always the officers ... Pearce's mastery of detail did mean that he did rather too much himself.⁷⁸

Numerous instances can be cited; one of Pearce's decisions as Minister at the Navy Office on 1 October 1914 was to challenge the award of a tender for the supply of marmalade, while in November at Victoria Barracks he dealt with Balaclava helmets for Range Finder Operators to the value of £13!⁷⁹

The effects of this habit were made insupportable by his political burden at the time. During the war he was leader of the Senate; Hughes' de facto second in command (and Acting Prime Minister while Hughes was in England in 1916); planner with Hughes of the two conscription campaigns; deeply involved in the Labor Party split and the organisation of a National Party Senate majority in 1917; and oversaw censorship.⁸⁰ It is hardly surprising, therefore, that 'he did too much work himself as Minister' and 'suffered a breakdown'.⁸¹

Moreover, he was prevented by the political crises in Australia from attending the Imperial War Cabinet in 1917. Hughes went to London in 1918, and dictated policy to his colleagues left behind in Melbourne, far from the sources of information and decision making. The

imperial system meant that 'it was the Prime Ministers who were being equated with their countries', and it is significant that Hughes did not take a member of Defence Central—let alone its secretary—with him when he went to London, but his political ally and Minister for the Navy, Joseph Cook, and his adviser Commander JG Latham (later to be Minister for External Affairs in the United Australia Party), as well as his wife, personal secretary, and doctor. Pearce at the time was in Britain—but had been given repatriation and shipping as his charge.⁸² Pearce may have been Minister for Defence, but it was an area that Hughes regarded as his own domain.

In such a situation, the Defence Department had no hope of being listened to. It was simply a functional department, and had no input into policy. The future would be different, for while the chaos of the war continued, a minor clerk was working his way up in the defence administration. Frederick Shedden had joined the Department in 1910— typically enough on leaving school at the age of 16, and at the lowest level as a junior clerk. Hard working and ambitious, he studied part-time, first for the Senior Public Examination of Melbourne University in 1914, to enable him to take university studies. At university, however, he failed two law subjects in 1915, and turned to accountancy instead, since he had been transferred to the Finance Branch of the Department early in 1915.⁸³ He became a Licentiate of the Incorporated Institute of Accountants of Victoria in December 1916. He was unusual in the department of his day, since he 'recognised the value of educational qualifications as a means to promotion'. In January 1916 he answered the recruiting questionnaire that he was prepared to enlist, but the Finance Branch by that time (with growing criticism formalised in the Anderson Report of April 1915) was not in the mood to let competent staff go. The Howell-Price scandal then broke, with the result that in March 1917 'Shedden was appointed Lieutenant in the AIF Pay Corps and sent to liaise with the AIF in Europe on accounting procedures'. It was a timely move, for as a result of the Royal Commission's report the Secretary of Defence was given responsibility for scrutiny and accountability of the expeditionary force expenditures.⁸⁴ In addition, Pearce thought that juniors should be given wide experience, so that if any war broke out in future, there would be someone in the department with experience of the initial wartime measures and administration needed. Shedden therefore went to London, and then for two months to France: the first at AIF HQ, and the second as paymaster with 4th Division. He was to return to Australia in December 1919.⁸⁵ He then studied at the Imperial Defence College in Britain in 1928, and finally became Permanent Secretary of Defence in November 1937. Despite the decimation of the defence organisation in the inter-war years, Shedden as Secretary of Defence—if not his department—was to have a much larger role to play in the decision-making process during the Second World War.

Endnotes

1. As at 30 June, including ADI (Australian Defence Industries), *Australian Year Book*, 1998, 128.
2. Jensen ms, 1, MP598/30, item 4, AA.
3. John Mordike, *An Army for a Nation: A history of Australian military developments, 1880-1914* (Sydney: Allen & Unwin, 1992), 66; cf. M P Maginnis, 'Sir John Forrest: Defence Minister January 1901-August 1903', BA Hons thesis, UNSW, RMC Duntroon, 1981, 14, which quotes the 'Report of the Federal Military Committee' 1901, 2-8.
4. MD Wells, Senator Pearce and the Royal Commission on Defence Administration 1917-1918', BA Hons thesis, UNSW, ADFA, 1996, 8; GE Caiden, *Career Service: An Introduction to the History of Personnel Administration in the Commonwealth Public Service of Australia 1901-1961* (Melbourne: MUP, 1965), 112.
5. By 1916 Clerks, Class V, were being forbidden to enlist, 19/1/16 B539 AIF150/1/234 and 12/2/1916, B539 AIF150/1/109, AA. See also Jensen's comments, MP598/30, item 4, 10-11, AA.
6. There was a Records Office attached to GHQ EEF, but the Light Horse in Palestine had no direct access to the Australian government.
7. HS Gullett, *The Australian Imperial force in Sinai and Palestine, 1914-1918* (Vol VII of *The Official History of Australia in the War of 1914-1918*) (Sydney: Angus & Robertson, 1923), 192-3, Peter Dennis et al, *Oxford Companion to Australian Military History* (Melbourne: OUP, 1995), 15-16.
8. *Report Upon the Department of Defence from the First of July, 1914, until the Thirtieth of June 1917* (Melbourne: Government Printer, 1917), 211-17. But compare slightly different figures in AG Butler, *The Australian Army Medical Services in the War of 1914-1918*, I (Melbourne: Government Printer, 1930): 32-3, and III: 856 E Scott, *Australia during the War: The Official History of Australia in the War of 1914-1918*, XI (Sydney: Angus & Robertson, 1938), 231.
9. AT Ross, 'The Arming of Australia: The Politics and Administration of Australia's Self Containment Strategy for Munitions Supply 1901-1945', PhD thesis, UNSW, ADFA, 1986, vol 1, 17-18, 39-42, 57-60. See also Jensen ms, MP 598/30, AA; Scott, *Australia during the War*, 236-8, 265-7, and, for a fuller account, Ross' book, *Armed and Ready: The Industrial Development and Defence of Australia 1900-1945* (Sydney: Angus & Robertson, 1995).
10. See Treasury request July 1915, MP472/1/0 3/15/5494, AA.
11. Scott, *Australia during the War*, 232-5.
12. *Ibid*, 231.
13. Department of Defence, 'Report upon the Department of Defence: From the First of July 1914, until the Thirtieth of June, 1917. Pt 1: Compiled in the office of the Secretary, Department of Defence [in fact by Jensen], from information furnished by the Heads of Branches and Commandants of Military Districts, Melbourne, 1917', 223 (AWM).
14. Commonwealth Parliamentary Papers 1914-17, III: 515.
15. 'Report Upon the Department of Defence ... 1917', 415-16 (continuing to 551 with the detail), of Jensen ms, 1-3, MP598/30, item 4, AA.
16. 'Report upon the Department of Defence ... 1917', 429-30.
17. Defence—Navy and Defence Administration—Royal Commission First Progress Report 13 November 1917, *CPP, 1917-1919*, IV: 182.
18. *Defence Historical Brief*, Department of Defence, Resources and Financial Programs Division, November 1994.
19. The proportion of good candidates for the public service had been declining before 1914: Caiden, *Career Service*, 25.
20. Jensen ms, 11-12, MP598/30, item 4, AA.
21. 'Report upon the Department of Defence ... 1917', 420-23; Scott, *Australia during the War*, 296, 828.
22. Caiden, *Career Service*, 115, 123-4; Jensen ms, 13, MP598/30, item 4, AA.
23. Butler, *The Australian Army Medical Services*, I: 92-3, 162-3, 190, 495.
24. *The Navy, Army and Air-Force Journal* 1: 1, 1 (March 1932), 14.
25. 'Report upon the Department of Defence ... 1917', 365, 428-9.
26. Caiden, *Career Service*, 138.
27. The Auditor-General had complained about accounting for the Small Arms Factory in 1914, and the slowness of any response to his queries Accounts were over a year in arrears. 'Fourteenth Annual Report of the Auditor-General ... Being upon the Public Accounts for the Year ended 30 June, 1915', *CPP, 1914-1917*, III: 1479-1525.
28. Special Report of the Auditor-General ... being comments upon those portions of the Second Progress Report of the Royal Commission on Navy and defence Administration which relate to the Audit Office', *CPP, 1917-1919*, IV 259, 265; A1831/1 17/372A Pt 1, AA; *Sydney Morning Herald*, 23-5 June 191; Wells, 'Senator Pearce', 16-17.
29. 'Mechanical Transport Units Report', 18 May 1915, B539 Dept of Defence, Correspondence files 1914-1917, AIF 378/2/552, AA Vic; 'Mechanical Transport with the Australian Imperial Force', *Military Journal* April 1915, 230-35; Scott, *Australia during the War*, 234fn; *Australian Dictionary of Biography, 1891-1939*, vol 7 (Melbourne MUP, 1979), 62-3; Jensen ms, 26-7, MP598/30, item 4, AA; J Rich, 'Impropriety in the Defence Department? Favouritism in the allocation of Military Orders During World

War I', *Australian Journal of Politics and History* 38: 2, 206-9. For the War Office, Working Papers compiled in preparation of the Anderson Report, MP153/8, p 16a, AA.

30. Shedden ms, A5954/1 785/3, 500, AA.

31. Robert McC Anderson, 'Report upon the Business Branches of the Department of Defence, 5 April 1915', 5954 830/2, AA; A5954 1185/23, AA.

32. MP 153/8, AA.

33. Shedden ms, A5954 785/3, 507, AA.

34. Scott, *Australia during the War*, 277.

35. The correspondence can be found in PR83/20, AWM.

36. Correspondence 29 March-3 May 1916, Anderson, Trumble and Sellheim, AWM27 350/4.

37. Anderson to Trumble, 29 March 1916, AWM27 350/4.

38. Scott, *Australia during the War*, 278.

39. EM. Andrews, *The Anzac Illusion: Anglo-Australian Relations during World War I* (Melbourne: Cambridge University Press, 1993), 111.

40. 'Fourteenth Annual Report of the Auditor-General for the Year ended 30 June, 1915', *CPP*, 1914-1917, III: 1479-525.

41. Scott, *Australia during the War*, 277, 280.

42. C Meeking, 'How a Lieutenant Swindled the Army', *The Australian Accountant*, September 1979, 564-5, from which this account is taken.

43. For the Board of Inquiry, see MP367/1 609/2-1710 & A226/3/450, AA.

44. For using the *War Precautions Act* to prevent public disclosure, see Wells, 'Senator Pearce', 24; *Bulletin*, 25 January, 15 & 29 March, 5 & 12 April, 31 May, 14 & 28 June, 9 August, 20 October, 6 December 1917; *Argus*, 31 January 1917; Jensen ms, 48-52, MP598/30, item 4, AA.

45. Pearce to Hughes, 27 February 1917, 3DRL 2222, bundle 7, 72-75, AWM.

46. Wells, 'Senator Pearce', 29; *Bulletin*, 5 April & 31 May 1917.

47. *Argus*, 31 January 1917, 6 & 27 March 1917, 6. quoted in Rich, 'Impropriety', 209; for Collins, CP103/11, AA, cited in S Encel, *Cabinet Government in Australia* (Melbourne: MUP, 1962), 345. See also Wells, 'Senator Pearce', 32.

48. Rich, 'Impropriety', 212.

49. Special Report of the Auditor-General', Appendix E, *CPP*, 1917-1919, IV: 271 & 274 (Trumble had in fact suggested an Australian Ordnance Corps, which was gazetted on 19 July 1917).

50. Scott, *Australia during the War*, 280; 'Defence—Navy and Defence Administration—Royal Commission First Progress Report ... 13 November 1917', *CPP*, 1917-1919, IV: 185, 188; Ordnance Corps: Secretary, Royal Commission, to Department of Defence, 24 August 1917, A3832/1 RC17 Item 7, AA; Wells, 'Senator Pearce', 36, 41-2.

51. Defence—Navy and Defence Administration—Royal Commission, First Progress Report together with an announcement by the Prime Minister and memorandum by the Minister for Defence, 13 November 1917, *CPP*, 1917-1919, IV: 175-190; Quartermaster-General, MP367/1 612/1/483, AA.

52. For example, £10,000 cash found in the NSW Pay Office, missing pay sheets, and overpayment of allowances.

53. Second Progress Report of the Royal Commission, *CPP*, 1917-19, IV: 195-6; Memorandum from Military Board to Pearce, 24 July 1916, A2023 A226/3/450, AA.

54. Wells, 'Senator Pearce', 58-62; Memorandum for Cabinet, 13 March 1918, A3832/1 RC17. item 9, AA; Shedden ms, A5954/1 785/3, 515, AA, reflects the ill-feeling against the commissioners at the time. Advisory Accountants Memorandum to the Royal Commission, 22 March 1918, A3832/1 RC17, item 5, AA; Defence—Navy and Defence Administration—Royal Commission, Second Progress Report together with Report by the Finance Member the Quartermaster-General; Solicitor-General ... Prime Minister 14 February 1918, *CPP*, 1917-1919, IV: 199-250, Memorandum for Cabinet, 13 March 1918, A3832/1 RC17, item 9, AA.

55. MP367/1 559/25/11, AA; Defence—Navy and Defence Administration—Royal Commission; Third Progress Report, 20 February 1918, *CPP*, 1917-1919, IV, 277- 82.

56. Defence—Navy and Defence Administration—Royal Commission Fourth Progress Report, 13 March 1918, *CPP*, 1917-1919, IV: 283-98, 'Government Factories' accounting problems, Jensen ms, 287-92, MP598/30, item 3, AA.

57. Scott, *Australia during the War*, 279; Wells, 'Senator Pearce', 72-3.

58. PR Heydon, 'Sir George Pearce as Administrator', *Public Administration* (Sydney) 27: 4 (December 1963), 314. When the Nationalist Party was formed in 1917, he had been heavily criticised by members of the Liberal Party, who had even demanded his removal from office as the price of amalgamation with Hughes' breakaway ex-Labor men.

59. Jensen and Trumble, Jensen ms, 28-30, MP598/30, item 4, AA.

60. Shedden ms, 509-10, A5954/1 785/3, AA, Pearce and Hughes' statements, *CPP*, 1917-19, IV 301-4, B; Beddie, 'Sir George Foster Pearce (1870-1952)', *Australian Dictionary of Biography* 11: 179; W Perry, 'The Rt Hon Sir George Foster Pearce (1870-1952): Trials and Triumphs of an Australian Defence Minister', *Defence Force Journal* 75 (March/April 1989), 49. For relations between Pearce and Hughes, see PG Edwards, *Prime Ministers and Diplomats, the making of Australian foreign policy* (Melbourne: OUP in association with the Australian Institute of International Affairs, 1983), 49, and Peter Heydon, *Quiet Decision: A Study of George Foster Pearce* (Melbourne: MUP, 1965), 83-4.

61. Special Report of the Auditor-General ... being comments upon those portions of the Second Progress Report of the Royal Commission on Navy and Defence Administration which relate to the Audit Office, 2 April 1918, *CPP, 1917-1919*, IV: 251-76. For the CGS, Wells, 'Senator Pearce', 73-6.
62. Defence—Navy and Defence Administration—Royal Commission; Decisions Arrived at by the Cabinet, 15th March 1918, on the Second, Third and Fourth Progress Reports, *CPP, 1917-1919*, IV: 299-300; *An Act Relating to Civil Employment in the Department of Defence*, AWM27 301/5; Director-General of Accounts, A3832 RC17, item 7, AA.
63. Scott, *Australia during the War*, 282-5; 'Navy and Defence Administration—Royal Commission: Report on Navy Administration', *CPP, 1917-1919*, IV: 305-32; Long, A3832/1 RC17, item 4, AA; Jensen, *ibid*, item 3.
64. Shedden ms, A5954 785/3, 520-21, AA; 'Navy and Defence Administration—Royal Commission
65. 'Royal Commission on Navy and Defence Administration—Report on Navy Administration', *CPP, 1917-1919*, IV: 339-43.
66. Shedden ms, A5954 785/3, 507-16, AA.
67. I am indebted for this information to Joseph Kearns of the Economic Policy section of the Reserve Bank. According to their figures, one pound (£1) Australian in 1917 is equivalent to \$56.78 in 1996.
68. EM Andrews, 'Bean and Bullecourt, weaknesses and strengths of the official history of Australia in the First World War', *Revue Internationale d'Histoire Militaire* 72 (1990): 25-47.
69. Wells, 'Senator Pearce', 10.
70. Caiden, *Career Service*, 119-20, cited in Wells, 'Senator Pearce', 15; Scott, *Australia during the War*, 598-604.
71. Heydon, *Quiet Decision*, 60; Caiden, *Career Service*, 120.
72. Military Order No 209, 15 April 1918, in Memo to CEW Bean (undated), AWM27 301/6.
73. J Ehrman, *Cabinet Government and War 1890-1940* (Cambridge: CUP, 1958), 51-75; FA Johnson, *Defence by Committee: The British Committee of Imperial Defence 1885-1959* (London: OUP, 1960), 144-62.
74. R Hyslop, *The Council of Defence 1905-1939*, *Canberra Historical Journal* 27 (March 1991): 42.
75. *CPD* 75: 105 (14 October 1914), quoted in Perry, 'Pearce', 46-7.
76. Heydon, 'Pearce as Administrator', 327.
77. *OCAMH*, 461-2; Heydon, 'Pearce as Administrator', 316.
78. Heydon, *Quiet Decision*, 148, 155.
79. *Ibid*, 151; 'Pearce as Administrator', 316, 324; MP472/1 1/16/3459, AA.
80. Beddie, 'Pearce', 179.
81. Heydon, 'Pearce as Administrator', 320: 'officers of the present Department of Defence would shudder if they read many of the papers of the First World War in which Pearce minuted documents with instructions direct to the Adjutant-General or the QMG or similar officers'.
82. Edwards, *Prime Ministers and Diplomats*, 32, 35-8, 43, 45.
83. D170/2/139, AA.
84. Alan Thompson, 'Role of the Secretary and CDF', paper presented to the JCF ADTs defence subcommittee inquiry into the higher management of defence, 1986-7, vol II, *Submissions and Incorporated Documents*.
85. C Dixon, 'Sir Frederick Shedden and the Preparations for War 1933-1941', MDefStds thesis, UNSW, ADFA, 1993, 5-6, citing A5954 12/4, AA. See also B539 AIF 150/1/109, AA. Pearce and experience, Shedden papers, A5954/1 1195/11, AA, JP Buckley, 'Sir Frederick Shedden, KCMG, OBE, Defence Strategist, Administrator and Public Servant', *Defence Force Journal* 50 (January/February 1985), 23.