

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

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SECOND PROGRESS REPORT

FROM THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS

UPON THE

WAR SERVICE HOMES COMMISSION  
(TASMANIA).

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MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE  
OF PUBLIC ACCOUNTS.

(Third Committee.)

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

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- \* Senator the Honorable JOHN EARLE.
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- 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.

# SECOND PROGRESS REPORT.

## INTRODUCTORY.

Continuing its investigation of the administration of the War Service Homes Commission, the Joint Committee of Public Accounts visited Tasmania during the month of July last. Sittings were held in Hobart, Launceston, and Burnie. The Committee inspected a number of houses erected in and around Hobart, Launceston, and Devonport, and many of the areas of land acquired by the Commission. The principal officers and a number of former officials of the Commission were examined concerning the work of the Department in the State. Evidence was given by the Secretary of the Tasmanian Branch, as well as by representatives of various sub-branches, of the Returned Sailors' and Soldiers' Imperial League of Australia, who informed the Committee generally as to the complaints which had arisen throughout the State in connexion with the carrying out of the scheme. A number of individual applicants, who considered they had legitimate grievances concerning their treatment by the Commission, were given an opportunity to place their position before the Committee.

Since the commencement of operations in Tasmania, about May, 1919, there has been a succession of five Deputy Commissioners or Acting Deputy Commissioners in charge of the administration in that State. Although the Central Administration had laid down certain general lines along which the work of the Commission should proceed, each deputy no doubt had different ideas as to how the affairs in the State should be carried out, with the result, as apparent to the Committee at an early stage of its inquiry, that the position in Tasmania was anything but satisfactory. The deputies had not been in charge long enough to secure continuity of administration, and inefficiency and understaffing had also added to the disorganization.

When the present Deputy Commissioner took charge early in 1921 he found that what purported to be a records and accounts system was quite unreliable, and had to be re-written from whatever data happened to be available. It was therefore impossible to definitely and correctly ascertain the cost of any particular house. No central depôt had been established nor proper depôt accounts kept. Large quantities of stores were ordered without authority, and were kept on the various estates where building operations were in progress, in the Hobart office, and even in an adjoining lane. Eventually a depôt was established on an area acquired for building purposes, known as Ray's Estate, situated about 5 miles from the city, and a motor lorry was purchased and expected to do all the carting with the exception of bricks, sand, and metal. As a consequence work was delayed by the non-delivery of material.

Upon receipt of the present Deputy Commissioner's report on the position in Tasmania, Central Administration immediately sent the Internal Auditor of the New South Wales Branch, who is a qualified accountant, and the Chief Inspector of Works, to assist in reorganizing the office and bringing the work up to date. The report submitted by the auditor revealed an astounding state of affairs. He had, he wrote in his first report, expected to find more or less reliable records on which to base an investigation, but found accounts and statements, which had been certified to by the local accountant, then in charge, to be incorrect. He considered the system of ordering bulk material had been very loose, and had left opportunities for fraud, theft, and waste. The Works Staff had failed to recognise its responsibility to keep proper records; labour and materials used on one house were charged to another, and stores were moved, without check, from job to job. In order to test the costing methods two houses in course of erection were selected, and the quantity of materials charged up to them was compared with the amounts actually used as ascertained by a quantity survey by the Chief Inspector of Works. The result was as follows:—

Material.	House "A."		House "B."	
	Quantity charged up.	Quantity actually used or on the Allotment.	Quantity charged up.	Quantity actually used or on the Allotment.
Sand .. .. .	5 yards	3 yards	17 yards	4 yards
Bricks .. .. .	11,700	12,061	16,400	4,656
Metal .. .. .	4½ yards	6 yards	8 yards	6½ yards
Cement .. .. .	86 bags	27 bags	58 bags	29½ bags
Palings .. .. .	350	24	350	3
Shingles .. .. .	10,100	4,331	12,800	4,331
Laths .. .. .	5,000	5,000	5,400	5,800

Wages costs were also found in many cases to be excessive.

Soon after the present Deputy Commissioner took charge, a number of officers, including the chief clerk and accountant, were dismissed; others were disgraced, and several resigned. Complaints were made to the Committee by some of the officers that they had been harshly and unfairly treated. They certainly made it quite obvious that they had worked long and excessive hours in their efforts to cope with the situation, and there is no doubt but that at the outset of active operations the Deputy's office was much understaffed. Urgent requests to the Central Administration for further assistance were tardily and inadequately met.

### ACQUISITION OF LAND.

Omitting single blocks purchased for individual applicants, about 133 acres of land have been acquired in Tasmania at a cost of over £35,000. Owing to the cessation of building operations by the Commission much of this land is still vacant. Around Hobart there are 25 acres, which cost over £8,000, upon which not a single house has been erected; whilst around Launceston 20 acres, which cost more than £4,000, are lying idle; in addition, there are vacant areas of 3 acres and 10 acres near Hobart and Launceston respectively which have been compulsorily acquired, the price for which has not yet been settled. On the three principal areas around Hobart only limited building operations have taken place, as shown hereunder:—

Estate.	Price paid.	Area.			Number of Lots.	Number of Houses Erected or in course of Erection.
		£	A.	R.		
Mezger's .. .. .	2,887	8	1	25	41	9
Harbroe's .. .. .	3,500	7	3	4	46	36
Grove .. .. .	3,220	31	3	38	141	22
Total .. .. .	14,607	48	0	27	228	67

At Devonport  $7\frac{1}{2}$  acres were acquired for £900. This land has been subdivided into 28 allotments, and five houses are in course of erection.

The Committee was informed that the amounts paid by the Commission for certain lands showed remarkable increases compared with the prices at which they had been purchased by the vendors. It was stated that Mezger's Estate at Moonah, comprising a little over 9 acres, had been bought for £550 on 28th June, 1919, whereas within three months of that date the Commission had paid £2,887 for  $8\frac{1}{4}$  acres of it; and that the Grove Estate at Glenorchy, consisting of nearly 96 acres, was purchased by the vendor on 2nd December, 1916, for £8,000. Thirty-two acres of this estate were sold to the Commission in three separate transactions between January and June, 1920, for £8,220.

Traversing these statements, the vendor, Mr. E. C. Tregear, an estate agent in Hobart, explained to the Committee that in June, 1914, he sold 10 acres of Mezger's Estate to a syndicate, of which he was a member, for £2,687 10s., £1,200 being in cash and the balance under a mortgage. The land was then subdivided, and as blocks were sold they were conveyed direct from the original estate to the purchasers. The amount of liability to the estate was thus reduced, until in June, 1919, only £550 was owing. Mr. Tregear paid this sum, and the unsold balance of the land was transferred to him subject to a mortgage of £850. Mr. Tregear added that the land was not sold by him to the Commission on an acreage basis, but at a valuation of 30s. per foot, which, he maintained, was a lower price than what had been obtained for other allotments on the estate. Further, the Commission bought the land at the price stated on condition that the vendors constructed a subdividing road through the property at their own expense.

The Committee found that there was an artificial lake about 300 feet by 100 feet on this estate, which, though now drained, will have to be filled in before this portion of the land can be utilized for building purposes. The area purchased by the Commission for £2,887 was valued by the Federal Land Tax Department in Tasmania at £2,350.

Referring to the Grove Estate, Mr. Tregear stated that the land purchased by him for £8,000 in 1916 was subject to a mortgage of £12,000 and a bank overdraft of £5,000. The original purchase price of the land in 1916 was about £137 10s. per acre, but to this had to be added the cost of subdivision and drainage. The Commission effected its purchase of this area in three transactions, and had selected some of the best portions of the estate. The first parcel bought comprised about 14 acres for £3,722. This land cost the vendors £1,925, plus £1,600 for development—a total of £3,525, thus showing them a net profit of £197. Subsequently four allotments were bought by the Commission at £1 per foot, and in June, 1920,  $16\frac{1}{2}$  acres fronting the railway station, and described as the best land in the block, were purchased at the rate of £250 per acre. Owing to the establishment of a number of new industries in this locality, land values have appreciated considerably during the past few years.

This Grove Estate was originally submitted by the then Deputy Commissioner, Mr. W. J. Earle, as one proposition, and the purchase of 60 acres at a cost of £12,000 was recommended by the Commissioner for Ministerial approval. The Minister (Senator E. D. Millen) considered that insufficient data had been supplied to enable him to give a decision, and the Deputy Commissioner was so advised. A week afterwards, however, the Deputy informed the Commissioner that he had secured an area of about 14 acres of this estate at a cost of £3,722; subsequently a few allotments were bought for £350, and finally 16½ acres were purchased for £4,148. As items of expenditure in excess of £5,000 had to receive the sanction of the Minister, the purchasing of the property in this way by separate transactions avoided the re-submission of the matter to him.

French's Estate at Launceston was also the subject of some criticism. The purchase of this area, comprising 12 acres, for the sum of £1,500 was strongly recommended by Mr. W. J. Earle, when Deputy-Commissioner. The Commissioner approved, and the papers were forwarded to the Surveyor-General for completion of the transaction. Some months later the Surveyor-General reported that the price paid for this land was far in excess of local values—the Federal Land Tax valuation being £500. An independent valuation subsequently obtained at the instance of the Commissioner was £750. The land consists of a rocky outcrop on the side of a steep hill. The use of this land for War Service Homes purposes was objected to on the ground of excessive expense in road formation, cartage, and foundations, and the lack of soil for gardens; but, against this, it should be stated that the land is in a good residential area convenient to the city. While the purchase of this estate was in contemplation, Mr. Tregear motored Mr. Earle to Launceston, and in evidence stated that at the invitation of the latter he inspected the properties then under consideration around that city. Mr. Tregear maintained that he did not offer any opinion concerning these areas, as he was not acquainted with Launceston values, but admitted that, as the land was sold through his local agents, he would share in the commission.

The Committee feels it to be its duty to report the following particulars of a transaction between Mr. Earle and Mr. Tregear, which has been the subject of some public comment. It was adduced in evidence that on 15th December, 1919, Mr. Tregear notified the Registrar of Motor Traffic at the Police Department, Hobart, by letter, that he was transferring a motor car to Mr. W. J. Earle, who had purchased it, and asked that it be registered in the latter's name. Mr. Tregear stated in evidence that he sold the car to Mr. Earle for £500, of which £350 had been paid; he was paid £200 by cheque at the time of the sale, and "a few weeks ago" he received £50. When the proof of his evidence was submitted to Mr. Tregear for perusal, he altered the amount paid down from £200 to £100, and amended the time when he last received an instalment from "a few weeks" to "a few months." Mr. Tregear informed the Committee that he had no documents to support his statements. He was aware that Mr. Earle had sold the car in Melbourne in September, 1920, though he had not paid Mr. Tregear in full.

#### ERECTION OF HOUSES.

The houses inspected by the Committee comprised those built by the Commission under the contract and day-labour systems, and by the Commonwealth Bank by contract under the supervision of the local representatives of Messrs. J. and H. G. Kirkpatrick. No serious complaints were received concerning the construction of the houses; and the quality of the materials and workmanship generally was satisfactory. Great difficulty had, however, been experienced, particularly in the early stages of the operations, in obtaining a sufficient supply of materials, especially bricks, and an efficient and regular supply of labour.

About July, 1919, the Southern Sawmillers' Association offered to supply the Deputy Commissioner and the Commonwealth Bank each with 500,000 super. feet of hardwood at a special price delivered on the Hobart wharf, but neither offer was accepted. A few months later, however, the Deputy Commissioner entered into a contract with a Launceston firm for the supply of 250,000 super. feet of scantlings and 250,000 lineal feet of flooring at prices which, when freight to Hobart was added, were less favorable to the Commission than the offer made by the Southern Sawmillers' Association.

#### COST OF HOUSES.

Many complaints were made concerning the cost of the houses erected by the Commission under the day-labour system. In some instances applicants were supplied in writing with definite estimates, but when the costs were ultimately ascertained they greatly exceeded the amounts quoted. The following cases brought under the notice of the Committee may be stated briefly as typical of many others:—

In February, 1919, Mr. A. N. O. . . . . applied for a house to cost £700. On 28th July, 1920, he was informed by the Deputy Commissioner that the house was finished, and that the cost was £711. In replying to the applicant's letter

objecting to the extra charge of £11, the Department advised him, on 14th September, 1920, that the cost was then £780. On 18th January, 1921, the applicant was told that the cost was £842 4s. 2d.

About May, 1920, the Commission called for tenders to erect a house for Mr. C. . . . . A tender for £692 was received, but the architect to the Commission advised the applicant not to accept the tender as the Commission would build the house cheaper by day labour. Later the architect intimated that the price of the house with an iron roof, a special mantelpiece, and a gas bath-heater, would be £692, including the sum of £100, for which the Commissioner had discharged a mortgage on the allotment. Twelve months later Mr. C. . . . . obtained possession of the property, and he was given to understand that the total cost was then between £900 and £1,000; moreover, a shingle roof had been put on instead of iron as specified, a plain pine shelf had been fixed instead of the special mantelpiece, and no bath-heater had been supplied.

On 15th January, 1920, Mr. T. W. L. . . . . applied to the Commonwealth Bank to have a house erected on land owned by himself. The plans were drawn up and tenders called for, the lowest of which was £845. The application was then taken out of the hands of the Bank, and the architect to the Commission drew up other plans providing for slightly larger rooms at an estimated cost of £885, plus 10 per cent. for overhead charges—or a total of £973. The amount in excess of the statutory limit was incurred at the instance of the applicant, who was prepared to pay it. The house was commenced on 10th June, 1920, and had taken thirteen months to erect. The applicant received no reply to his request to be supplied with the estimated cost of completion, but has been asked by the Deputy Commissioner to sign a tenancy agreement at a rental of £5 10s. per month, which represents instalments on a capital cost of £1,100. Mr. L. . . . . is not prepared to do this, as the house stands on his own land, and he does not see why he should acknowledge himself to be merely the tenant of a property of which he considers he is the owner. Mr. L. . . . . added that there were lengthy periods during the construction of the house in which no work was done, or when several men were doing odd jobs waiting for material. He further stated that in the early stages of the work there appeared to be a lack of supervision. On one visit to the house he found that a brick foundation for a fireplace had been laid where the plan showed a built-in wardrobe; and on another occasion a brick partition was being put up where the plan provided for a colonnade and a mock beam. Hardwood joinery was specified, but pine doors were supplied, and several weeks elapsed before the correct material arrived. The electric wiring was not done until the plastering was finished. At the applicant's request a few extras had been supplied, but on the other hand a number of items of at least equal value had been dispensed with.

Other instances occurred in which applicants had supplied their own labour and material to a considerable extent for which no credit was given or deduction made, yet the estimates were greatly exceeded.

It was contended by the State Secretary of the Returned Soldiers' League that in many cases the homes could have been built at the time for the amounts quoted, but, owing to the unreasonable delays on the part of the Commission, during which prices advanced, the soldiers were being called upon to pay more than they should.

When applicants objected to pay the excess amounts they were informed by the Deputy Commissioner, under instructions from the Central Administration, that they would be regarded as tenants only. At the time of the Committee's visit about twelve houses were vacant on account of their excessive cost.

The evidence showed that several factors contributed to the excessive cost of houses erected in Tasmania. Owing to defective plans and the absence of proper specifications, items were omitted from the bills of quantities, and the estimates given were, consequently, in many cases much too low. The haphazard way in which materials were delivered on the jobs was in all probability responsible for increasing labour costs. The workmen, when only a limited quantity of materials was made available to them, naturally regulated the pace of their work so that they should not suffer any loss of wages. Materials were also frequently transferred from houses and groups to others without the office being acquainted with the transfer.

A particularly striking example of the unreliability of the costing system and the inefficiency of the office records under past administration in Tasmania was found in the case of twelve houses "in course of construction." Only shallow concrete foundations had been put in, and in some

instances had not reached the ground level, yet the average cost of these shown on the account cards was about £140 each, whereas the labour and materials, according to the evidence, were valued at approximately £40 each. In one case the material was charged at £125 9s. and the labour at £38 5s. 11d. When the present Deputy Commissioner became aware of these charges he decided to proceed no further with the completion of the houses, and submitted the matter to Central Administration. He had never been able to discover how the cost of these foundations had been arrived at, and admitted it was quite possible that completed houses had been loaded up in a similar way.

Objection was also taken in a number of cases to the payment of interest over the long periods of construction, amounting in some instances to a considerable sum.

### COMMONWEALTH BANK.

For a time the Commonwealth Bank carried out the work of providing War Service Homes under terms and conditions similar to those in operation in the other States. Under this agreement 50 brick houses and 19 weatherboard houses were erected by contract at an average cost of £646, exclusive of the land.

### COMPLAINTS FROM COUNTRY DISTRICTS.

The general complaint from the country districts was the delay in transacting business with the Commission. Moreover, very little work had been carried out in country centres. Delays in dealing with applications had meant, in the case of houses to be erected, additional cost owing to rising rates in both labour and materials; and in the purchase of houses often caused an applicant to lose an opportunity of securing a house at a favorable price. It was also contended that the policy of purchasing already erected houses was preferable to building new ones, as it had been found that, in country districts, suitable houses could be bought cheaply. Many men had already been comfortably settled under that system. In support of this contention the following examples in Wynyard were mentioned in evidence:—The Commission called for tenders for the erection of a house of four rooms on a block of land owned by an applicant; the lowest price received was £460. The applicant was subsequently able to buy a five-roomed modern house, nearly new, together with the land, for £450. In another case the Commission purchased for an applicant a five-roomed house with a wide verandah, stables, and workshop, and half-an-acre of orchard and garden for £350. An eight-roomed house on one of the best blocks in Wynyard was bought for £530. A six-roomed weatherboard house with plaster walls, on a good block of land with a garden, was purchased for a war widow for £350. The departmental valuation of this property was £600.

It was considered, further, that the plans of the Commission's houses were in many instances unsuitable for local conditions, and the designs were too expensive.

### PRESENT POSITION.

At the time of the Committee's inquiry in Tasmania many of the earlier troubles of the Commission appeared to have been overcome. The records and accounts systems had been brought up to date and placed on a more satisfactory footing. The issue of stores and bulk material was under proper control, and stock was taken every month. A new system had been inaugurated whereby the costing was carried out when the goods were delivered to the job instead of when the accounts were paid. The present Deputy Commissioner claimed that the cost of houses now in course of erection could be correctly ascertained within a few days of completion. The general improvement in this State had been more readily achieved owing to the slackening off of building operations.

### OPERATIONS IN TASMANIA.

The following table shows the position of the activities of the War Service Homes scheme in Tasmania as at 30th September, 1921. The figures for the Commission and the Commonwealth Bank are set out separately:—

	Applications Approved.		Number of Houses.					Existing Houses Purchased.		Mortgages Discharged.	
			Completed.		Under Construction.		Assisted to Complete.	No.	Amount.	No.	Amount.
	No.	Amount.	Allotted.	Unallotted.	Allotted.	Unallotted.					
Commission .. .. .	435	£ 271,707	168	23	24	..	1	198	£ 112,780	21	£ 12,267
Commonwealth Bank ..	385	219,073	67	..	1	..	2	285	157,555	30	12,974
Total .. .. .	820	490,780	235	23	25	..	3	483	270,335	51	25,241

## RECOMMENDATIONS.

The outstanding grievances in Tasmania were in relation to the cost of houses.

The great majority of the cases complained of to the Committee were those in which the soldier was given to understand his house would cost the sum stated to him at the outset by the Department. This amount has frequently been exceeded to the extent of £150, and even £200, and it has been complained by many of those who have been saddled with such expensive houses that their income is too small to enable them to meet the monthly payments.

The soldiers, unfortunately for themselves, with few exceptions, have made no definite contract with the Commission to build for the amount stated, and, as a matter of fact, have signed undertakings to pay "the capital cost when ascertained." Having placed himself unreservedly in the hands of the Commission is no reason why a soldier should be denied any redress of what is a legitimate grievance.

It appears to the Committee that there can be no claim on any applicant for a sum in excess of the maximum allowed under the Act, unless such extra expense was arranged for at the instance of the applicant himself.

It is undoubtedly a fact that some of the houses erected under the day-labour system have been charged to the occupants at considerably more than their worth. As, in the main, the extra cost in these instances is admittedly due to bad administration and defective supervision, it is not fair that the soldier should have to pay for these. Where a complaint of this kind has been made, a valuation, as at the time of erection of the house, should be obtained from an impartial source, and the price thus arrived at should be the price charged to the soldier.

Many cases came under notice where the value of the house is not challenged, but the complaint is that the cost is considerably beyond what the soldier had stipulated, and beyond what he is able to pay. Where houses of the class desired by the applicant are purchaseable this course of satisfying him might be taken, provided another eligible person can be found to take over his property. Where this is not practicable, the monthly payments might be reduced, and, of course, the period of payment extended accordingly.

Considerable delays have occurred in many instances in completing houses. As applicants have to pay interest on the expenditure from its inception, such delays may add considerably to the cost of the homes. Although interest on work progressing at the ordinary rate cannot be objected to, it is unfair to the applicant to be charged with the whole of the interest from the first payment, where work has been drawn out beyond a reasonable period.

Even at this stage of its investigations the Committee finds it quite impossible to make recommendations that would meet all the difficulties which have been encountered. These can best be remedied by competent and trustworthy officers vested with a certain amount of discretionary power, and dealing with each case on its merits in an earnest endeavour to carry out the intentions of Parliament towards returned soldiers.

J. M. FOWLER,  
Chairman.

Melbourne, 27th October, 1921.