

Brought up by *Senator*
J. D. Killen

1921.



pursuant to Statute
By Command
In return to Order

COMMONWEALTH OF AUSTRALIA.

of the Senate.

28-6-21

REPORT

FROM THE

JOINT COMMITTEE OF PUBLIC ACCOUNTS

UPON

THE PURCHASE OF SAW-MILLS AND TIMBER AREAS.

REPORT.

INTRODUCTORY.

The Joint Committee of Public Accounts, having completed its investigation into the question of the purchase and re-sale of Saw-mills and Timber Areas in Victoria by the War Service Homes Commissioner, has now the honour to present its Report to Parliament. This Report, together with the Interim Reports upon the Purchase of Saw-mills and Timber Areas in Queensland—presented to Parliament on 26th November, 1920—(Parliamentary Paper No. 82); and upon the Transactions of the War Service Homes Commissioner with Mr. J. T. Caldwell—presented to Parliament on 6th April, 1921—(Parliamentary Paper No. 83), completes the investigation of the acquisition of extensive timber areas and saw-mills by the War Service Homes Commissioner for the purpose of obtaining supplies of timber for the erection of War Service Homes. The Inquiry was undertaken at the request of the Government in accordance with wishes expressed in the House of Representatives.

COMMITTEE'S PROCEEDINGS.

Following the course adopted at the commencement of these investigations, the Committee has conducted this Victorian inquiry in public. Lieut.-Colonel James Walker (then War Service Homes Commissioner), the principal officers of the Commission, the vendor, the purchaser, and others associated with the transaction were examined. Evidence was also taken from the Chief Forester of the Forests Commission of Victoria, and from persons who had propositions for the supply of timber to offer the Commissioner.

The Committee paid visits to the mills acquired, and inspected the more accessible portions of the timber areas from which supplies are being drawn. Portion of the timber country in the Fumina district, which the Commissioner had under consideration, was also visited.

EFFORTS TO OBTAIN TIMBER.

To carry out his programme for the erection in Victoria of 2,000 brick houses and 750 wooden houses per annum, the Commissioner required at least 12 million super. feet of hardwood each year. 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 under consideration as possible sources of supply at a later stage.

A fair extent of unexploited timber country remains untouched in Victoria, and the Forests Commission of this State, recognising the importance of the work, was prepared to reserve those areas which the War Service Homes Commissioner might indicate as suitable for his purposes. Certain areas in the Fumina district have in fact been held in reserve for some time past pending a decision by the Commissioner. But the opening up of these areas would entail an expenditure by the State of nearly £300,000 to provide railway facilities. The construction of the Association 18½ miles of line would, it was estimated, take at least 18 months; and the State would require a guarantee from the Commonwealth that it would transport 41,000 tons annually for 10 years over this railway. Nothing has been done in this direction.

Both as regards price and quantity of timber for the requirements of the scheme, it was obviously undesirable to deal with individual timber merchants, and the Commissioner therefore approached the Hardwood Millers' Association of Victoria, a body representing 75 per cent. of the producers of hardwood in the State. Several conferences were held. Members of the Association promised the Commissioner every assistance; they agreed to give his orders preference over any others in hand, and, as far as possible, to supply the timber required at the special price of 14s. per 100 super. feet for bulk orders, with 1s. extra per 100 super. feet for single-house lots, on trucks at sending stations. Mr. J. T. Horner, President of the Association, stated in evidence that they offered to supply 25,000,000 super. feet per annum for two years from the Warburton district.

On 31st July, 1919, the Commissioner lodged with the Secretary to the Association an order for 500,000 super. feet of hardwood—one-half to be available within one month and the balance within two months—and added "Delivery instructions following." In acknowledging receipt of the communication the Secretary intimated that the order had been divided amongst 22 different mills, each of which would supply certain quantities and render accounts. The Commissioner protested against such an arrangement, and suggested that he should deal only with the Secretary to the Association. To meet the situation, Mr. E. F. Ollis was appointed to act as the Association's agent. When the Commissioner placed the order for 500,000 super. feet, the Deputy Commissioner for Victoria was not in a position to accept delivery of large consignments of timber; he had no storage facilities, and building operations were not sufficiently advanced to absorb big quantities; consequently his first order was not placed with the Association until 4th October, 1919, and it only amounted to 5,685 super. feet. From that date up to 3rd December, 1919, sixteen orders were issued for a total of 228,012 super. feet. The majority of these orders was for quantities of

MEMBERS OF THE COMMONWEALTH PARLIAMENTARY JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Third Committee.)

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

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

Senate.

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

House of Representatives.

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

* Resigned 28th July, 1920.—† Retired 30th June, 1920.—‡ Appointed 29th July, 1920.—§ Appointed 1st July, 1920.

less than 8,000 super. feet, and on 4th December, 1919, the last three orders were cancelled. Of the total quantity ordered, only 121,886 super. feet have been delivered—the last delivery being on 20th February, 1920.

Repeated attempts made to obtain deliveries of timber failed, and on 1st June, 1920, the Deputy Commissioner intimated the cancellation of other orders, including some which had already been executed. But on 3rd August, 1920, he inquired from the Association what the balance of 380,000 super. feet might be expected, and added that it could be consigned to Graham-street, Port Melbourne. In his reply of 26th August, 1920, the Secretary to the Association stated that as the instructions for delivery did not follow within the time limit for the supply of the timber, as mentioned in the Commissioner's communication of 31st July, 1919, the order was regarded as having lapsed.

The Deputy Commissioner then directed the attention of the Association to the fact that deliveries had taken place outside the time limit. The Association, however, maintained its attitude, and on 18th September, 1920, the Secretary informed the Commissioner, by direction of his Executive, "that as the conditions under which the Association undertook to influence its members to supply the requirements of the Commission, and the ordinary business rules prevailing in the trade have not been observed by the Commission, my executive and members of the Association have long since regarded themselves as under no obligation to supply any further requirements of the Commission." At this stage the papers were referred to the Crown Solicitor for opinion, but no action has been taken.

In October, 1919, Messrs. Sampson Brothers, trading as the Tyers River Saw-milling Company, offered to supply the Commissioner with hardwood at 12s. 6d. per 100 super. feet f.o.r. Melbourne, if he would advance the necessary capital. To provide 120,000 super. feet per week the amount required was £9,000, and if an additional 60,000 super. feet were needed, the amount would be £15,000. The company had applied for timber licences over mountain ash areas in the Telbit Forest, 8 miles from the Erica Railway Station on the Walhalla line, on which it was estimated that there would be ten years' cutting at the rate of from seven to ten million super. feet per annum. The company proposed repayment in quarterly instalments, including interest, over a period of ten years, or by the deduction of the sum of 6d. per 100 super. feet of timber delivered. In March, 1920, six months after negotiations had begun, and after the licences from the Forest Commission had been obtained, Mr. Sampson was verbally informed by the Commissioner that it was not proposed to proceed with the offer, but no reasons were given. The Director of Supplies stated in evidence that shortly after his appointment he reviewed the whole file relating to this proposal, but "the position was so nebulous as to make it impossible to make any recommendation." The proposition was, of course, open to the objection that some months would elapse before timber could be expected from this source.

On 18th January, 1920, Messrs. Sampson Brothers made another offer. They advised the Commissioner by letter that they were prepared to enter into a contract to supply 500,000 super. feet per month for twelve months at a flat rate of 16s. 6d. per 100 super. feet f.o.r. Melbourne. The firm had under offer of purchase three saw-mills complete and in full working order, capable of maintaining an output of from 6,000,000 to 8,000,000 super. feet per annum. Two of the plants were situated at Toolangi; together with 640 acres of freehold land and timber rights over 1,500 acres—estimated to yield 16,000,000 super. feet. The third plant was at Erica; and the property there comprised 50 acres of freehold land and timber rights over an area of 2,500 acres containing on an average 30,000 feet to the acre. The price for the Toolangi areas and plants was £18,000, and for the Erica property £3,800.

At a later date the firm stated that, if the Commissioner purchased the properties, it was prepared to supply the timber at 14s. per 100 super. feet, and would agree to re-purchase the property by a deduction of 2s. 6d. per 100 super. feet from the payments for timber supplied. The Consulting Engineer reported favorably on the proposal, but the Director of Supplies considered that as the timber would have to be carted 11 miles by road, and as the road was closed against timber traffic for four months of the year, the proposition did not appear to be as favorable as shown in the report. The Commissioner subsequently informed Mr. Sampson verbally that there was no likelihood of the project being proceeded with.

Mr. A. T. Sampson, who appeared before the Committee to explain the offers made by his firm, complained of the unbusinesslike methods adopted. Full information was supplied by him, but he was unable to obtain any response from the Department.

Mr. Sampson also complained that after he had obtained the option over the mills at Toolangi and Erica, a possible competitor was given access to the files, and that their propositions had been submitted to him. He also alleged that when Mr. Bentley, the owner of the mills in question, interviewed Mr. Bradshaw in connexion with the proposed sale, that official invited Mr. Bentley to call and see him when the option held by Mr. Sampson had expired. Mr. Bradshaw denies that statement.

Mr. F. E. Dixon, a shareholder in the Rubicon Lumber and Tramway Company Limited, appeared before the Committee, and pointed out that by buying the interests of the company he represented for £14,000 and erecting additional mills, the Commissioner could have obtained supplies of timber cheaper than under the existing agreement. This company's mill cuts about 1,000,000 super. feet per annum, and the cost, as given by Mr. Dixon, was 11s. 8d. per 100 super. feet in 1919, and 15s. 11d. per 100 super. feet in 1920. Owing to some unpleasantness at his first interview with the Commissioner, Mr. Dixon had never submitted details of his proposition for consideration. In these circumstances the Committee did not investigate the matter further.

PURCHASE AND RE-SALE OF PROPERTIES.

On 16th December, 1919, Mr. G. W. Knott, who was said to be the largest supplier of hardwood to the Victorian market, was approached by the Commissioner with a view to the purchase of his interests. This gentleman held mills and timber areas in various parts of the State, for which he asked £46,387, reduced later to £45,000. The Commissioner was not prepared to purchase unless he found some one who would take the properties over immediately and work them. Negotiations with Mr. Knott therefore lapsed for a time. When they were re-opened in March, 1920, Mr. Knott stated that he would sell for £45,000, but would withdraw from the sale one of the properties comprising a forest area of 1,300 acres on the Latrobe River, about 10 miles from Nayook Railway Station, and a mill in course of erection there. This property had been estimated by Mr. Knott, in his original offer of sale, as worth £7,150. Its withdrawal meant, therefore, in effect, that the price was now increased to the Commissioner by that amount, who nevertheless, on 25th March, 1920, agreed to buy at £45,000. Mr. Knott also claimed that there should be added—

- (a) the actual cost of permanent development of the properties effected since 15th December, 1919;
- (b) the actual cost of fodder and mill stores on hand at the date of taking over the properties;
- (c) interest on £45,000 at 6 per cent. per annum from the date of taking over to the date of payment.

This was conceded, and the agreement between Mr. Knott and the War Service Homes Commissioner was signed on 2nd September, 1920.

During the interval between these two offers the Commissioner, looking for some one who would take over and work the mills and timber areas for him, met Mr. Reynolds Driver in connexion with a proposed contract for the supply of Queensland pine. Mr. Driver was a practical saw-miller of many years' experience, and had been manager of a large timber concern in Western Australia. He was informed of the proposal to purchase the Knott properties, and, after inspection, he agreed to take them over at the purchase price, together with stores, &c., on hand, and to supply the Commissioner with approximately 10,000,000 super. feet of timber per annum for three years. Mr. Driver took possession of the properties on 17th May, 1920.

DESCRIPTION OF THE PROPERTIES.

The properties comprised—

(1) IN BEECH FOREST.

Freehold Land—Crown grants totalling 672 acres 2 roods 37 9/10 perches.

Agricultural Leases—Areas amounting to 775 acres 2 roods 2 perches.

Timber Licences—in respect of areas covering approximately 1,970 acres.

Grazing Licence—over 47 acres.

Three Saw-mills situated as under—

No. 1 Mill.—4½ miles by wooden tramway from Ferguson Railway Station, 127 miles from Melbourne. The mill has been in operation about eight years, but it is estimated that with an output of 120,000 super. feet per month there is another seven years' cutting in sight. The timber consists principally of mountain ash, with some blackwood and beech.

No. 2 Mill.—2½ miles by wooden tramway from Wyelangta Railway Station, 133 miles from Melbourne. This plant has been working for about four years. With an output of 120,000 super. feet per month, it is estimated that there is still nine years' cutting in sight. The timber is almost wholly mountain ash.

No. 3 Mill.—Half-a-mile by wooden tramway from McKNott Railway Siding, 136 miles from Melbourne. This site has been operated upon for about twelve months, and it is estimated that there is approximately ten years' cutting ahead—chiefly of mountain ash, with a small proportion of messmate.

Nos. 1 and 2 Mills are situated on areas held under timber licence from which the logs are being obtained, while No. 3 Mill is on a block of freehold land adjoining a forest area from which logs are obtainable.

(2) AT REEDY CREEK, VIA BROADFORD.

(a) Saw-mill located $17\frac{1}{2}$ miles, 12 miles by road and $5\frac{1}{2}$ miles by wooden tramway, from Broadford, 47 miles by rail from Melbourne, situated, according to Mr. Knott, approximately in the centre of a forest area of about 1,000 acres. As a matter of fact, the area over which this mill is licensed to cut is shown on the plan supplied by the Forests Commission of Victoria as 2,750 acres and during its inquiry the Committee received an official intimation from that Commission that this mill will be authorized to cut all saw-milling timber over an adjoining area, estimated to contain 3,000,000 super. feet.

(b) 40 acres of freehold land at the tram terminus on which are erected cottages, stables, &c.

During the months from April to October, road cartage from Reedy Creek to Broadford is prohibited by the local council, and the output of the mill is then stacked at the tram terminus.

(3) AT CHEVIOT.

Saw mill located 18 miles by wooden tramway from Cheviot Railway Station, 83 miles from Melbourne, working on an area of 1,032 acres. This mill has been operating for about 15 years, and at the present time the timber being felled has to be brought 4 miles to the mill. It is estimated that there are about 500 acres left carrying from 12,000 to 15,000 super. feet to the acre.

An adjoining area of 3,000 acres has been reserved by the Forests Commission of Victoria for War Service Homes purposes should it be desired. It was stated that 1,000 acres of this area could be worked in conjunction with the present area, but the balance is situated on the other side of the mountain range and would have to be operated from Alexandra.

(4) AT HEALESVILLE.

Portable engine, saw-milling plant, fittings, &c., lying on the ground at the Healesville Railway Station. This plant was in bad order when delivery was taken, but portion has since been repaired and taken to Beech Forest, where it is in course of erection.

PRICE PAID.

The total price paid to Mr. Knott for the properties, exclusive of certain cut timber, &c., was as follows:—

	£	s.	d.	£	s.	d.
Crown Grants	11,750	0	0			
Agricultural Leases	4,250	0	0			
Timber Licences	9,000	0	0			
Mill Buildings, Cottages, Stables, &c.						
Live Stock, Rolling Stock, &c.						
Mill Plants, Machinery, Log Trams, &c.						
Engine, Plant, &c., at Healesville	20,000	0	0			
Rights under Grazing Licence (47 acres)						
Rights under licences for the use of tramlines over certain land						
	<hr/>					
	45,000	0	0			
Add Cost of Development and Additions to Plant from 15th December, 1919, to date of taking over—17th May, 1920	3,570	15	6	48,570	15	6
Stores, Oil, Fodder, &c., on hand at 17th May, 1920				4,846	7	8
Interest on £45,000 at 6 per cent. from 17th May, 1920, to 6th September, 1920				823	9	10
Making a Gross Total of				£54,245	13	0

INSPECTION OF PROPERTIES.

These mills and areas were inspected on behalf of the Commonwealth by Mr. A. Combes, then Consulting Engineer to the War Service Homes Commission. His inspection, however, was of a most cursory nature. He reported that the machinery was "very second-hand" and somewhat under-powered, and that the plants, although in fair working order, were not well situated for economical working, and would require moving in the near future. But in view of the position then obtaining for the supply of timber, he recommended that the properties be acquired.

The machinery and working plants were inspected by Mr. D. Healy, machinery merchant and engineer, of Melbourne, who submitted a detailed report and valuation respecting each piece of machinery. He found that "the mills were fairly equipped as Victorian saw-mills go." His valuation of the machinery, plant, live stock, tram lines, &c., was £17,495, excluding the plant at Healesville, upon which he did not report.

The fact that Mr. Driver was satisfied to take over the properties at the price paid was regarded by the Commissioner as sufficient evidence of their value.

The Committee endeavoured to ascertain from various witnesses estimates of the probable quantity of timber which could be obtained from these areas. A consensus of opinion indicates that at least 60,000,000 super. feet of sawn timber are available.

AGREEMENT WITH MR. DRIVER.

After Mr. Driver had taken possession of the properties, the Minister for Repatriation (Senator E. D. Millen) caused the proposal to be submitted to Mr. A. E. Barton, Consulting Accountant, of Sydney, for investigation. On 22nd June, 1920, Mr. Barton sent in his report. He pointed out that the transaction was practically completed, and that it possessed objectionable features. It was the sale of a readily realizable Government asset, without competition, to a private individual. As the Commissioner was already committed to the deal, Mr. Barton endeavoured to secure modifications, which would make the transaction better suited to a Government Department, and obtained Mr. Driver's consent to an alteration whereby the ownership of the property remained with the Commissioner until such time as Mr. Driver had supplied the timber he had contracted to deliver. Mr. Barton also had provision made that the cost, to the Commissioner, of the timber supplied by Mr. Driver should not exceed a sum amounting to 10 per cent. less than the current market price for the same class of timber.

On 9th September, 1920, an agreement between the War Service Homes Commissioner and Mr. Driver was signed. Under this agreement Mr. Driver undertook to cut and deliver to the Commissioner 30,000,000 super. feet of timber at an average rate of 833,333 super. feet per month; the Commissioner agreed to pay for the labour expended and expenses incurred by Mr. Driver in cutting and delivering the timber, and to sell the properties to Mr. Driver under certain conditions. The rates which the Commissioner agreed to pay Mr. Driver are set out in the agreement as under, but the Commissioner may allow claims for higher amounts if he is satisfied that the increases are due to Arbitration Court awards or to royalties.

(a) From Beech Forest on trucks at sending station:—

All timber (except Blackwood, Weatherboards and Palings)	11s. 6d. per 100' super.*
Blackwood	20s. 0d. "
Weatherboards, 2 ex 6" x 1½" — dressed, rounded edge	28s. 9d. "

Palings—

6' - 6" x ½"	28s. 6d. per 100 count
5' - 6" x ½"	23s. 6d. "
6' - 5" x ½" and 4" x ½"	21s. 0d. "
5' - 5" x ½" and 4" x ½"	

Two-thirds of the quantity to be supplied to consist of palings 6' - 6" x ½", and one-third of the other sizes.

(b) From Broadford and Cheviot on trucks at sending station:—

All timber (except Weatherboards)	15s. 6d. per 100' super.
Weatherboard Timber, 6" x 1½"	23s. 6d. "
One-third of the quantity of timber to be supplied from Broadford and Cheviot is to be for weatherboard.	

* This amount of 11s. 6d. is not to be taken as the basis upon which the arrangement between Mr. Driver and the Commissioner was made. Mr. Driver's offer, as accepted by the Commissioner, was to supply scantling and building boards at 15s. 0d. per 100 super. feet on trucks Melbourne or suburban stations. The Commissioner, however, decided to pay the freight, which was at that time 2s. 6d., thus reducing the amount to 15s. The difference, 1s. 6d., is a deduction credited to Mr. Driver towards the purchase of the properties. The same arrangement applies to the other items, with the exception of blackwood, in which case 1s. 0d. is deducted from 20s.

Mr. Driver agreed to purchase the properties for an amount of £48,570 15s. 6d., less 1s. 6d. per 100 super. feet of timber and 1s. 6d. per 100 count of palings delivered under the agreement, which deductions would be credited to his account towards the purchase of the properties. Should the Commissioner at any time after the expiration of 18 months from 17th May, 1920, give three months' notice in writing that he requires no further supply of timber, the properties shall be sold to Mr. Driver from the date given in the notice. In that case the purchase money is to be reduced by the amount credited to Mr. Driver in respect of timber supplied, and the sum of £500 being amount of deposit paid by him to the Commissioner. Of the balance of the purchase money the sum of £15,000 is to be paid in cash on the date of purchase, and the remainder within two years. In the event of no notice being given by the Commissioner the sale will be completed on 23rd May, 1923, on which date £15,000 in cash is to be paid by Mr. Driver to the Commissioner, and the balance within twelve months. In that case the settlement on the expiration of the three years agreement would be on the following basis, provided, of course, that the full quantity of timber had been supplied:—

	£	s.	d.
Amount credited to Mr. Driver for timber supplied—			
30,000,000 super. feet at 1s. 6d. per 100 super. feet	22,500	0	0
Cash to be paid on 23rd May, 1923	15,000	0	0
Balance to be paid within twelve months	11,070	15	6
Total	48,570	15	6

NEW PLANT.

The agreement also stipulated that Mr. Driver was to erect two new mills on certain areas in Beech Forest. The Committee saw these mills in course of erection. They are of substantial design, and appear to be well placed for economical working. The capital cost of £15,000 was advanced by the Commissioner to Mr. Driver, and this is being liquidated by a deduction of 1s. 3d. per 100 super. feet or per 100 count, as the case may be, in respect of timber or palings supplied from 1st January, 1921, to 23rd May, 1923. It is estimated the amount thus received will pay off the cost of the mills together with interest at 6 per cent.

COST OF TIMBER SUPPLIED.

Under recent Arbitration Court awards, which increased wages, placed the men on a weekly basis instead of an hourly engagement, and reduced the hours from 48 to 44 per week, costs of production have risen considerably. After consultation with the Industrial Registrar the following increases in prices have been allowed in respect of timber from these mills:—

All Timber and Weatherboard Timber (except Weatherboards and Palings)	7s. 6d. per 100 super. feet
Weatherboards	9s. 4d. "
Palings	3s. 0d. per 100 count "

These amounts include increases in royalties, which were recently raised about 6d. per 100 super. feet. Railway freights have also advanced considerably.

The cost to the Commissioner, on rails at Melbourne, after providing for—

- the sum of 1s. 6d. retained for the reduction of the capital cost of the properties;
- the sum of 6d. to cover the interest thereon;
- the sum of 1s. 3d. to liquidate the capital cost of the new mills erected and the interest thereon,

is as under:—

(a) From Beech Forest—

All Timber (except Blackwood, Weatherboards and Palings)	24s. 10d. per 100' super.
Blackwood	31s. 10d. "
Weatherboards—dressed, rounded edge	43s. 11d. "
Palings—	
6' - 6" x 1 1/2"	39s. 3d. per 100 count
5' - 6" x 1 1/2"	34s. 3d. "
5' - 5" x 1 1/2" and 4" x 1 1/2"	31s. 9d. "
6' - 5" x 1 1/2" and 4" x 1 1/2"	

(b) From Broadford and Cheviot—

All Timber (except Weatherboards) and Weatherboard Timber—on the basis of two-thirds of the former and one-third of the latter	29s. 10d. per 100' super.
--	---------------------------

TIMBER ON HAND.

It was part of the contract with Mr. Knott that the Commissioner would take over all felled timber in logs or split on the properties, and all stocks of sawn timber at the date of taking over, at a cost representing actual expenditure on labour, and that the seller would be permitted to carry out existing orders and contracts. The stocks on hand were stated to be as follows:—

In the log—	£	s.	d.
119,904 super. feet, which cost	349	8	8
Sawn Timber—			
909,557 super. feet, at 13s. per 100 super. feet	5,912	2	5
Laths—			
1,560, at 12s. per 100	9	7	2
Palings—			
5 ft.—5,900, at 15s. per 100	44	5	0
6 ft.—2,467, at 17s. per 100	20	19	4
Total	£6,336	2	7

Certain difficulties arose with regard to this timber owing to stock not having been taken at the time of taking over; and as more than half of the sizes of the sawn timber was unsuitable for War Service Homes requirements, but a portion was suitable for fulfilling some of Mr. Knott's orders which Mr. Driver had undertaken to complete, the whole stock was sold to Mr. Driver—the logs, laths and palings at cost price, and the sawn timber at 13s. 6d. per 100 super. feet. Mr. Driver has already paid for the logs, laths and palings, but in respect of the sawn timber, he has been permitted to spread the payment over 18 months—in equal monthly instalments bearing interest on the total at the rate of 6 per cent. per annum. The transaction resulted in a profit to the Commissioner of £227.

REEDY CREEK AND CHEVIOT MILLS.

During its inspection of the properties purchased from Mr. Knott, the Committee was impressed by the obviously unfavorable conditions under which the Reedy Creek and Cheviot Mills were worked. At Reedy Creek the sawn timber has to be carried 17 1/2 miles to the Broadford Railway Station—5 1/2 miles by wooden tramway belonging to the mill, and 12 miles by a road, which is closed against traffic from April to October in each year. The Cheviot mill is situated 18 miles by wooden tramway from the railway station, and the timber being cut at present has to be procured 4 miles away from the mill. In Beech Forest the mills are more conveniently situated, and are in direct tramway communication with the railway.

Neither the Commissioner nor Mr. Driver was desirous of taking over the Broadford and Cheviot areas, but Mr. Knott would not exclude these properties from the purchase.

Figures submitted to the Committee show that, notwithstanding more favorable freights, the timber from these areas costs the Commissioner considerably more per 100 super. feet than that supplied from Beech Forest.

It was suggested that it would be of advantage to the Commonwealth if the mills at Reedy Creek and Cheviot were removed and re-erected in Beech Forest. In any case the mill at Cheviot would have to be moved further into the forest in the near future in order to be economically worked.

PLANING MILL AT GELLIBRAND.

For the purpose of cutting and planing weatherboards Mr. Driver has installed, at his own expense, a planing mill at Gellibrand Railway Station, situated on the Beech Forest line, midway between the mills and Colac. The location of the mill at Gellibrand necessitates the double handling of the material, as it has to be reloaded again from the narrow to the broad gauge line at Colac. Efforts were made by Mr. Driver to obtain a site for the mill in the Colac Railway yards, but Mr. Miscamble, Victorian Railways Commissioner, informed the Committee that, owing to the re-arrangement of the railway yards at Colac, now being carried out, it was not possible to grant Mr. Driver a site where the timber could be taken off the narrow gauge line, run through the mill, and loaded into the broad gauge trucks. He pointed out that, even if Mr. Driver secured a site at Colac, he would have to pay the capital cost and maintenance charges of any sidings necessary.

CONTRACT FOR STRINGY BARK, ETC.

During the Committee's inquiry reference was made to a contract between the Commissioner and Mr. Driver for the supply of two million super. feet per annum of yellow stringy bark or blue gum or red mahogany timber for a period of three years from 1st September, 1920, at the rate of 27s. 6d. per 100 super. feet on trucks at Orbost, subject to any increases in the rate of wages or in royalties. The amount of such increases allowed up to the present is 1s. 11d. The freight from Orbost to Melbourne is 6s. 5d. per 100 super. feet. The Director of Supplies explained that this contract was entered into on account of the difficulty of securing at satisfactory prices supplies of redgum or jarrah for fencing posts and for stumps for wooden houses. A large quantity of jarrah had been purchased at the high price of from 41s. to 44s. per 100 super. feet, and the quality of certain redgum supplied at 35s. was most unsatisfactory.

It came under the notice of the Committee that small lots of redgum had been obtained by the Deputy Commissioner for Victoria from Mr. R. S. Falkiner at 25s. per 100 super. feet. Mr. Bradshaw stated that Mr. Combes had undertaken to arrange for regular supplies from that source early in 1920, but without result. It has since been ascertained that the annual output of Mr. Falkiner's mill is one million super. feet, and that supplies may be obtained about November next at 27s. 6d. per 100 super. feet on trucks at Vasey, subject to any increases in wages. The freight to Melbourne would be 5s. 5d.

CONCLUSIONS AND RECOMMENDATIONS.

1. The opening up of new timber areas in order to meet the requirements of the War Service Homes Scheme would have caused delay at a stage when it was necessary to secure immediate supplies. The Fumina areas appeared to the Committee to be the best offering at that time, but it does not consider that the responsibility of accepting the conditions attached to their development should be undertaken.

2. It was unfortunate for the War Service Homes Scheme in Victoria that the arrangement made for the supply of hardwood by the Hardwood Millers' Association fell through. The blame for this is charged by the Commissioner to the Association. The Association places the responsibility on the Commissioner. Neither side is blameless. The initial mistake was in not making a contract. The loose indefinite "arrangement" was bound to result in misunderstanding and friction. A second mistake was the ordering by the Commissioner of 500,000 super. feet of timber before the Deputy in charge of building operations in the State was ready to take delivery. The orders eventually given were for comparatively small quantities, for which a price of 1s. extra per 100 super. feet had been arranged. The millers soon showed a disinclination to deliver these orders. The officers of the Commission declare that they made repeated applications at the head-quarters of the Association for supplies, and at last had to turn to Mr. Driver, who, having taken over the areas and mills purchased by the Commissioner, was by this time able to send a quantity of timber. The final demand on the 3rd August, 1920, by the Deputy Commissioner for the balance of the 500,000 super. feet was definitely refused by the Association. The Commissioner was undoubtedly unbusinesslike in his methods, but it appears to the Committee that the Hardwood Millers' Association showed less consideration towards this patriotic scheme than might reasonably have been expected.

3. In making an offer to purchase Mr. G. W. Knott's properties, the Commissioner adopted the most readily available proposition for an ample supply of timber. Full value was paid for these interests, particularly as the Nayook mill and timber area were withdrawn from the sale without any reduction being made in the price originally agreed to by Mr. Knott. The terms under which the properties were sold to Mr. Driver were satisfactory, with the exception that interest should have been charged on the deferred payments. While there is no doubt that Mr. Driver has been treated very favorably by the Commissioner, the price at which the timber is being obtained for the War Service Homes is lower than the rates which would have to be paid if the usual sources of supply were depended on.

4. If an extension of the present time limit of three years can be arranged with Mr. Driver, the Committee considers that it would be advantageous to do so. Such extension should provide for the payment of interest on deferred payments, and it should be clearly understood that the undertaking to supply at a price at least 10 per cent. under the "current market price" means 10 per cent. below the saw-millers' wholesale rates.

5. Owing to the unfavorable and expensive conditions under which the Broadford and Cheviot mills are working, it is recommended that these mills should be removed to Beech Forest to increase the supply of timber from that district, provided that the State Forests Commission offers no objection to the Commissioner disposing of the rights held in the former areas.

6. It appears to the Committee that the offers made by Messrs. Sampson Brothers should have received closer consideration, and that the Commissioner should at least have extended to the firm the courtesy of advising them by letter of the result of their efforts to assist him in obtaining supplies of timber.

7. Steps should be taken to ensure that timber, before being used in the construction of houses, shall be properly seasoned.

8. Negotiations recently conducted show that supplies of redgum can shortly be obtained at prices slightly lower than those being paid for stringy bark; but unfortunately the Commissioner has a three years' contract for the supply of the latter. It is recognised that redgum is a much superior timber for the purposes for which stringy bark is now being utilized, viz., fencing posts and stumps for wooden houses, and if arrangements can be made to absorb the stringy bark in other directions, it is considered that the redgum should be obtained and used for those purposes.

9. In New South Wales timber for War Service Homes is carried over the railways at half the ordinary rate of freight. This concession amounts to a large sum per annum, and is of considerable and direct benefit in the reduction of the cost of the soldiers' homes. The Committee is of opinion that the Commonwealth Government should make representations to the other State Governments for similar sympathetic treatment in connexion with the scheme.

10. Throughout the transactions of the War Service Homes Commissioner the practice has 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. Even in this instance, the Committee does not consider that anything would have been lost by adopting the orthodox course, while it would have saved all parties concerned from insinuations, which, so far as the Committee's investigations have gone, have no foundation in fact. The usual procedure of calling for tenders should be adopted.

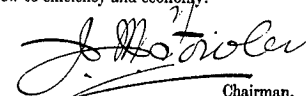
DISSENT.

Messrs. Charlton, Fenton, and West are of opinion that for reasons of economy, and in order to conserve the assets, the timber areas and mills should not have been sold to Mr. Driver, but a competent and reliable man should have been appointed by the Government to take control of the operations in connexion with these areas.

SPECIAL RECOMMENDATION.

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 early as possible to re-organize and supervise the Department with a view to efficiency and economy.



Chairman.

Melbourne, 18th May, 1921.