

(d.) If, on the other hand, he found that the total rates would be very much less than the total expenditure required, then the difference between these two sums was the assistance required, and the shire was placed in a class where the endowment under that class would approximately give the assistance required.

(e.) Having done all this, the classification was then considered from the point of view of any special circumstances that would warrant either a slight increase or a slight decrease in the endowment of any shire.

(f.) When this was done the whole scheme and details were considered by the Commission, who either adopted the Engineer's classification, or else amended it to such extent as they considered necessary.

The apportionment so made has hitherto been accepted. I did not find any evidence either in the department or among the shires that would lead me to suppose that any serious objection to the apportionment had ever been made; although, of course, some of the shires, not knowing all the facts, may have sometimes felt a little passing soreness that they were not placed in a more favourable class.

The classification made for the last triennial period, 1910-12, was as follows: 27 shires were in Class I, and got nothing; 41 shires were in Class I, and got 10s. in the pound; 10 shires were in Class II, and got 15s. in the pound; 9 shires were in Class III, and got 20s. in the pound; 7 shires were in Class IV, and got 25s. in the pound; 14 shires were in Class V, and got 30s. in the pound; 26 shires were in Class VI, and got from 40s. to 133s. in the pound.

In order to understand the working of the endowment system in New South Wales, it must also be understood that, except for the works in urban areas in a shire, the shires have no power whatever to raise a loan for road or other works. By "an urban area" is meant a town or township that is not a municipality. All the revenue, moreover (with very small exceptions), which a Shire Council can obtain is by rates and endowment only. It gets no "thirds," "fourths," "timber halves," or "license fees" as in New Zealand. Moreover, before the Shire Councils were set up in 1906 the main and some of the district roads in the State were constructed and maintained by the State Government. But when the shires were constituted, all that duty devolved upon the shire, which has now to do the work out of its own revenue and endowment without any assistance from other shires and municipalities save and except in the case of boundary-roads, or where the road is a national work; but, as will be shown hereafter, the annual appropriations under this head are insignificant. The effect of all this was that when the shires began their functions their ratepayers who used the district roads, which had in many cases never been properly constructed or maintained, brought such pressure to bear on the Shire Councils that a considerable portion of the endowments they had received have been spent in improving these district roads, and complaint has been made that some of the main roads have become neglected and in bad order. So far as I can gather, there is some justification for this complaint, although it is denied by the shire authorities that it exists to any appreciable extent.

It is, however, so far real as to have caused the Government last session to propose to set up a Main Roads Board (as will be described in the case of Victoria), whose duty should be the control and maintenance of the great arterial roads; but the Bill was strenuously opposed by the shires, and it failed to become law. The Government has, however, not allowed the matter to drop, and in the reclassification of the shires which is now being made steps have been taken to rearrange the same in such a way that not more than about £150,000 a year can possibly be paid as endowments thereunder; but at the same time the Minister of Public Works has taken a vote of £250,000 for main roads, which will be allocated under his own direction and control. For this latter purpose a scheme of division has, I understand, been made, but this division is a departmental one, made by Ministerial direction and not by the Commissioners. It cannot, therefore, be said to be non-political, although I had no evidence that politics have as yet entered into the question.

From these facts it will be seen that the New South Wales system of subsidies or endowments as apportioned by a non-political Board is in danger of breaking down. It is alleged by the representatives of the shires that this could easily have been avoided if the endowment had been earmarked in such a manner as to ensure that a certain proportion must be spent on the main roads. This is not done, and, in my opinion, it is a weakness of the New South Wales system. In fact, beyond seeing that the endowment has been expended by the shires on some work or object allowed by law, no control over the expenditure of the money by the Government or department exists.

In making this criticism of the New South Wales system, it must be pointed out that there is nothing to prevent the Government having the main-roads money apportioned by a non-political Board if it thinks fit so to do, but there is no evidence to show that this is contemplated. I wish also to state that no suggestions have been made to me that the present Minister will apportion this money upon any but just and equitable lines, and in accordance with the recommendation of his responsible officers; but the same Minister cannot always remain in office, and there is a strong feeling among shire representatives that the system laid down in the Local Government Act, and of which they are loud in praise, whereby moneys coming to local bodies are apportioned by a non-political Board, is in danger of being abrogated, and they fear greatly a return to the old system of the roads and bridges politician, and the political pressure resultant therefrom.

#### (ii.) ENDOWMENTS TO MUNICIPALITIES.

Under the present law hardly any of the municipalities in New South Wales outside of Sydney and suburbs get any endowment or assistance whatever from the State. They do not even get dog-tax or license fees, and few, if any, of them possess endowments of land; and as the districts of some of these municipalities are extensive, and there is no power to compel adjoining