

1932.

NEW ZEALAND.

NATIONAL EXPENDITURE COMMISSION

(FINAL REPORT OF).

Presented to both Houses of the General Assembly by Command of His Excellency.

COMMISSION

TO INQUIRE AND REPORT AS TO THE POSSIBILITIES OF EFFECTING REDUCTIONS
IN THE NATIONAL EXPENDITURE.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to GEORGE SHIRTCLIFFE, Esquire, O.B.E., of Wellington; JAMES BEGG, Esquire, of Dunedin; Colonel JAMES JACOB ESSON, C.M.G., of Wellington; JOHN LESLIE GRIFFIN, Esquire, of Wellington; ALEXANDER MACINTOSH, Esquire, of Wellington: Greeting.

WHEREAS it is desirable in the public interest that the public expenditure should be reviewed, having regard to the general financial position of the Dominion:

Now, therefore, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, in exercise of the powers conferred by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the consent of the Executive Council of the said Dominion, do hereby constitute and appoint you, the said

GEORGE SHIRTCLIFFE,
JAMES BEGG,
JAMES JACOB ESSON,
JOHN LESLIE GRIFFIN, and
ALEXANDER MACINTOSH,

to be a Commission to review and report on the public expenditure in all its aspects, to indicate the economies that might be effected if particular policies were either adopted, abandoned, or modified, and generally to make recommendations to the Government for effecting forthwith all possible reductions in public expenditure, having regard especially to the present and prospective position of the public revenues:

And with the like advice and consent I do further appoint you

GEORGE SHIRTCLIFFE

to be Chairman of the said Commission:

And for the better enabling you, the said Commission, to carry these presents into effect, you are hereby authorized and empowered to make and conduct any inquiry under these presents at such places as you may deem advisable and at such times as you may deem expedient, with power to adjourn from time to time and from place to place as you think fit, and to call before you and examine on oath or otherwise, as may be allowed by law, such person or persons as you think capable of affording information in the premises; and you are also empowered to call for and examine all such books or records as you deem likely to afford you the fullest information on the subject-matter of the inquiry hereby directed to be made, and to inquire of and concerning the premises by all lawful means whatsoever:

And, using all diligence, you are required to submit an interim report to me under your hands and seals not later than the first day of March, and a final report not later than the first day of May, one thousand nine hundred and thirty-two, of your opinion as to the aforesaid matters:

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to me in pursuance of these presents or by my direction, the contents or purport of any report so made or to be made by you :

And it is hereby declared that these presents shall continue in full force and virtue although the inquiry is not regularly continued from time to time or from place to place by adjournment :

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this twenty-seventh day of January, one thousand nine hundred and thirty-two.

GEO. W. FORBES,
Prime Minister.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

National Expenditure Commission: Extending Period within which Commissioners shall Report.

BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to GEORGE SHIRTCLIFFE, Esquire, O.B.E., of Wellington; JAMES BEGG, Esquire, of Dunedin; Colonel JAMES JACOB ESSON, C.M.G., of Wellington; JOHN LESLIE GRIFFIN, Esquire, of Wellington; ALEXANDER MACINTOSH, Esquire, of Wellington: Greeting.

WHEREAS by Warrant dated the twenty-seventh day of January, one thousand nine hundred and thirty-two,

GEORGE SHIRTCLIFFE,
JAMES BEGG,
JAMES JACOB ESSON,
JOHN LESLIE GRIFFIN, and
ALEXANDER MACINTOSH

were appointed to be a Commission under the Commissions of Inquiry Act, 1908, for the purposes set out in the said Warrant: And whereas by the said Warrant you were required to submit an interim report to me under your hands and seals of your opinion as to the aforesaid matters not later than the first day of March, one thousand nine hundred and thirty-two: And whereas it is expedient that the said period should be extended as hereinafter provided:

Now, therefore, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, in pursuance of the powers vested in me by the said Act and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the period within which you shall submit an interim report to me as by the said Commission provided to the eighth day of March, one thousand nine hundred and thirty-two:

And in further pursuance of the powers vested in me by the said Act, and with the like advice and consent, I do hereby confirm the said Commission except as altered by these presents.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this twenty-ninth day of February, one thousand nine hundred and thirty-two.

GEO. W. FORBES,
Prime Minister.

Approved in Council.

F. D. THOMSON,
Clerk of the Executive Council.

National Expenditure Commission : Extending Period within which Commissioners shall report.

 BLEDISLOE, Governor-General.

To all to whom these presents shall come, and to GEORGE SHIRTCLIFFE, Esquire, O.B.E., of Wellington; JAMES BEGG, Esquire, of Dunedin; Colonel JAMES JACOB ESSON, C.M.G., of Wellington; JOHN LESLIE GRIFFIN, Esquire, of Wellington; ALEXANDER MACINTOSH, Esquire, of Wellington.

WHEREAS by Warrant dated the twenty-seventh day of January, one thousand nine hundred and thirty-two,

GEORGE SHIRTCLIFFE,
 JAMES BEGG,
 JAMES JACOB ESSON,
 JOHN LESLIE GRIFFIN, and
 ALEXANDER MACINTOSH

were appointed to be a Commission under the Commissions of Inquiry Act, 1908, for the purposes set out in the said Warrant: And whereas by the said Warrant you were required to submit a final report to me under your hands and seals of your opinion as to the aforesaid matters not later than the first day of May, one thousand nine hundred and thirty-two: And whereas it is expedient that the said period should be extended as hereinafter provided:

Now, therefore, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, in pursuance of the powers vested in me by the said Act and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend the period within which you shall submit a final report to me as by the said Commission provided to the first day of June, one thousand nine hundred and thirty-two:

And in further pursuance of the powers vested in me by the said Act, and with the like advice and consent, I do hereby confirm the said Commission except as altered by these presents.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand; and issued under the Seal of that Dominion, this twenty-seventh day of April, one thousand nine hundred and thirty-two.

GEO. W. FORBES, Prime Minister.

Approved in Council.

F. D. THOMSON,
 Clerk of the Executive Council.

National Expenditure Commission : Extending Period within which Commissioners shall report.

 BLEDISLOE, Governor-General.

To all to whom these presents shall come and to GEORGE SHIRTCLIFFE, Esquire, O.B.E., of Wellington; JAMES BEGG, Esquire, of Dunedin; Colonel JAMES JACOB ESSON, C.M.G., of Wellington; JOHN LESLIE GRIFFIN, Esquire, of Wellington; ALEXANDER MACINTOSH, Esquire, of Wellington.

WHEREAS by Warrant dated the twenty-seventh day of January, one thousand nine hundred and thirty-two,

GEORGE SHIRTCLIFFE,
 JAMES BEGG,
 JAMES JACOB ESSON,
 JOHN LESLIE GRIFFIN, and
 ALEXANDER MACINTOSH

were appointed to be a Commission under the Commissions of Inquiry Act, 1908, for the purposes set out in the said Warrant: And whereas by the said Warrant you were required to submit a final report to me under your hands and seals of your opinion as to the aforesaid matters not later than the first day of May, one thousand nine hundred and thirty-two: And whereas by Warrant dated the twenty-seventh day of April, one thousand nine hundred and thirty-two, the period within which you shall submit a final report to me as by the said Commission provided was extended to the first day of June, one thousand nine hundred and thirty-two: And whereas it is expedient that the said extended period should be further extended as hereinafter provided:

Now, therefore, I, Charles, Baron Bledisloe, the Governor-General of the Dominion of New Zealand, in pursuance of the powers vested in me by the said Act, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby further extend the period within which you shall submit a final report to me as by the said Commission provided to the first day of July, one thousand nine hundred and thirty-two:

And in further pursuance of the powers vested in me by the said Act and with the like advice and consent, I do hereby confirm the said Commission except as altered by these presents.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand; and issued under the Seal of that Dominion, this twenty-fifth day of May, one thousand nine hundred and thirty-two.

GEO. W. FORBES, Prime Minister.

Approved in Council.

F. D. THOMSON,
 Clerk of the Executive Council.

FINAL REPORT.

To His Excellency the Right Honourable Lord Bledisloe, G.C.M.G., K.B.E., Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

1. The Commission entrusted to us by Your Excellency directed us to inquire into and report on the public expenditure in all its aspects, to indicate economies that might be effected if particular policies were either adopted, abandoned, or modified, and generally to make recommendations to the Government for effecting forthwith all possible reductions in public expenditure, having regard especially to the present and prospective position of the public revenues.

2. Your Excellency's Commission directed us to furnish a final report not later than the 1st May, 1932, since extended to the 1st July, 1932.

METHODS EMPLOYED.

3. Since presenting our interim report we have reviewed in detail the expenditure of Departments of State and have taken such personal evidence as appeared necessary. In particular we have examined Permanent Heads of Government Departments in regard to the various State activities under their administration and have reviewed the problem of reducing expenditure.

4. The fact that large economies in expenditure have been effected during the last three years has rendered our task in exploring further avenues of possible economies by no means an easy one; nevertheless our recommendations which follow indicate that there are still many directions in which public expenditure can be appreciably reduced, though, in view of reductions previously brought into effect the scope for what may be termed "simple economies" was by no means wide.

5. Recognizing the need for the most rigid control of expenditure and for effecting further substantial economies in view of the continued decline in the national income, we have found it necessary to recommend general reorganization in many State Departments and in connection with services financed by the State. These we do not term "simple economies," and it is this extensive review of departmental organizations which has necessitated the extensions of time in which to submit this final report.

GENERAL REVIEW OF BUDGETARY POSITION.

6. Since the presentation of our interim report the position of national finances has been outlined by the Minister of Finance, and it is well known that the last financial year ended with a deficit of approximately £2,140,000.

7. The Minister has also given a summary of the prospective position of the public revenues for 1932-33 and indicated the necessity of providing for a possible deficiency of £8,300,000.

8. It was with the knowledge that the Dominion would have to face a substantial deficit for 1931-32 that we commenced our investigations, and it early became evident that the position for 1932-33 would be much more serious. As the result of this knowledge we recommended substantial economies in public expenditure—economies which to those who did not appreciate the gravity of the position may have seemed too drastic. We were convinced at the time that the economies recommended were necessary to assist in establishing budgetary equilibrium within a reasonable space of time, and it was for this reason we expressed the hope that a policy of selection would not be adopted, and that economies would be effected even where strong opposition might be expected.

9. We realize that some of the recommendations made in this report also relate to classes of expenditure which have many advocates, and powerful arguments will no doubt be urged for the continuance of such expenditure. The same remarks apply to many of the recommendations contained in our interim report, but in the present circumstances, and recognizing the seriousness of the crisis with which the Dominion is confronted, the only comment which is necessary is, "Has the Dominion the means at the present time to continue expenditure on the same scale as in recent years?" To that question there can only be one answer. Therefore we consider it our duty to recommend whatever reductions we conceive to be possible with the least harm in order to bring expenditure within the limits of general revenues.

10. Before detailing the results of our investigation and setting out our recommendations for economies, we mention the proposals outlined by the Minister of Finance in his statement submitted during last session of Parliament. His forecast was as follows:—

		£
Estimated deficit	.. .. .	8,300,000
To be reduced by—		
(1) Savings as under:—		
Reductions in salaries, wages, and pensions	.. .. .	£ 1,100,000
Abolition of subsidy on Unemployment Funds	.. .. .	1,450,000
Assistance from Highways Funds	.. .. .	500,000
Subsidies to local bodies to remain a charge on Highways Account	.. .. .	125,000
Reductions in other items	.. .. .	325,000
“Hoover” moratorium (if extended)	.. .. .	600,000
	—————	4,100,000
(2) Taxation to yield	.. .. .	2,200,000
	—————	6,300,000
Remaining deficit	.. .. .	£2,000,000

11. The proposal to impose taxation to yield £2,200,000 was abandoned, and this amount is to be obtained by the hypothecation of Discharged Soldiers' Settlement securities. The money invested in these securities was provided from the accumulated surpluses of former years, and the utilization of these funds for the purpose of meeting the extraordinary conditions now prevailing may be warranted, particularly as the remaining taxable capacity is limited and additional burdens would add considerably to the difficulties already being met by industry.

12. It is a fact, however, that, notwithstanding economy measures and the utilization of reserves, the prospective deficit for 1932–33 is still a formidable one, and, looking still further ahead, it is unlikely that the position will be wholly rectified in the following year.

13. It will be noted from the above statement that the sum of £600,000 estimated to be saved as a result of the “Hoover” moratorium is a conditional saving, and, if no relief is forthcoming on this account, the deficit will be increased correspondingly.

14. It may be thought that some of our recommendations are unduly drastic, but bearing in mind the necessity of reaching Budget equilibrium, we are convinced that the economies are essential. The demands on the public Exchequer bear no relation to general revenue—in fact, the tendency is for the demands to increase as the revenue decreases, and particularly is this so in the matter of unemployment, where the position is becoming steadily worse.

15. The extent to which expenditure on social services has grown is evidenced from the following table, showing charges on taxation in 1913–14 and 1930–31 respectively:—

CHARGES ON TAXATION.

	Net Expenditure.		Allocation of Taxation Receipts per Head of Mean Population.	
	1913–14.	1930–31.	1913–14 (adjusted to a Comparable Basis).	1930–31.
	£	£	£ s. d.	£ s. d.
War pensions and debt charges	.. .. .	5,052,564	.. .. .	3 7 6
Other debt charges	1,402,222	4,146,187	1 17 3	2 15 4
Social services (health and hospitals, pensions, and education)	2,123,815	6,415,416	2 16 6	4 5 8
Defence (land, sea, and air)	538,373	814,192	0 14 5	0 10 10
Justice, law and order	400,030	509,393	0 10 7	0 6 10
Agriculture	171,833	392,773	0 4 6	0 5 3
Roads and highways	186,916	1,875,609	0 5 0	1 5 1
Other charges (general and administrative)	882,060	1,144,177	1 3 6	0 13 9
Surplus for year	403,797	..	0 10 9	..
	6,109,046*	20,350,311*	8 2 6	13 10 3

* Includes £11,567 in 1913–14 and £111,220 in 1930–31 expenditure other than from taxation. These amounts have been excluded in calculations per head of population.

16. It will be seen that the expenditure in respect of social services has grown from £2,123,815 in 1913-14 to £6,415,416 in 1930-31, and that taxation per head of mean population allocated to social services has increased from £2 16s. 6d. per head in 1913-14 to £4 5s. 8d. per head in 1930-31.

17. It is obvious from these figures that social services must suffer drastic curtailment. The increase in cost is further exemplified in the following figures, showing the ratio between national income and expenditure on social services in 1913-14 and 1930-31 :—

	National Income.	Expenditure on Social Services.	Percentage.
	£	£	
1913-14	84,000,000	2,123,815	2·528
1930-31	120,000,000	6,415,416	5·346
1930-31 (including war pensions) ..	..	7,660,915	6·384

18. The growth of expenditure on social services is, therefore, out of all proportion to the growth of the national income.

19. We have stated in some detail where economies can be effected, and many of our recommendations, if adopted, should be communicated to the Departments at the earliest possible date, so that economies may quickly become effective. We would state, however, that the details given in this report are not always exhaustive. Generally speaking, our recommendations are for the immediate economies which, in our judgment, should be effected in the various Departments.

BUDGETARY CONTROL.

20. In examining the appropriations we have been impressed by the extent to which Parliament has been asked in recent years to make provision for assistance to substantially the same purpose or the same institution through several channels—*e.g.*, subsidies and grants to the same institutions and public bodies are frequently found spread over several votes. This is sometimes not apparent in the estimates, and, indeed, a careful study of accounts and reports is necessary in some cases before the full extent of Government assistance is revealed. This is a serious weakness and should be remedied.

21. We pointed out in our interim report that a more rigid control of public expenditure is necessary, and our later investigations have confirmed this view. The ramifications of State enterprise cannot be realized unless close examination of State Departments is undertaken. As a result of such examination we say unhesitatingly that the control which has been exercised in the past has not been as effective as it should have been.

GENERAL COMMENTS.

22. Before proceeding to review the expenditure provided under annual appropriations, we refer to several matters of general application that have come under our notice. Some of them may not result in immediate, tangible economies, but may lead to more effective administration, which in the long-run spells economy, and we accordingly put forward these comments in the hope that some present defects in the administration of the Public Service may be remedied.

ADMINISTRATIVE POSITIONS IN THE PUBLIC SERVICE.

23. We have in several instances recommended the appointment of capable administrative officers, and have considered carefully the general question of the appointment of technical and specialist officers to administrative positions.

24. We are inclined to the view that technical and professional men as a rule, do not make the best administrators, and in this view we are supported by the opinions of authorities overseas. It would, however, be unfair to lay down any hard-and-fast rule, as each case must depend upon the particular circumstances and must be dealt with on its merits.

25. Administrative capacity is not a special attribute of any particular class. If specialist or professional officers endowed with those qualities essential in a good administrator, such as sound judgment, breadth of vision, and powers of initiative, are available to fill administrative positions, their technical or professional knowledge is doubtless an advantage. There seems to be a danger, however, that with the specialist or professional officer, his own particular speciality or profession may obtrude, thus disturbing the balance and, may be, eclipsing other equally necessary and important phases of departmental activity.

26. The question of the relation between the executive or administrative and the technical or specialist staffs of Departments in the English Civil Service, and the respective claims for appointment to administrative positions, has been the subject of investigations by various Commissions and Committees. We do not propose to quote from the reports of those Commissions and Committees, but it is sufficient to say that the consensus of opinion is that high administrative positions should be filled by officers who have administrative rather than specialist experience.

27. An administrative position frequently involves the balancing of non-technical against technical considerations or the co-ordination of technical and non-technical points of view, and an absence of bias is more likely to be found in a non-professional administrator.

28. We therefore regard it as essential that when administrative positions in the Public Service require to be filled, particularly in those Departments having technical, professional, or scientific interests, the officer appointed should be selected chiefly because of his administrative abilities, and should be able properly to balance and co-ordinate the various policy and financial matters affecting the Department. This we regard as vital to successful and at the same time economical management of Departments of State.

OFFICE FITTINGS AND REQUISITES.

29. It has been particularly evident from the investigations made that considerable sums are expended annually on the purchase of office fittings and requisites, and we are of opinion that in some quarters there has been a tendency to undue extravagance in this respect.

30. It should be possible to provide for the standardization of office furniture and equipment to a greater degree than has been done in the past. It is certain that by this means substantial sums could be saved, and the adoption of standardization of furniture and equipment should lead to substantial economy.

31. This appears to be a matter which could profitably be entrusted to the Stores Control Board.

TELEPHONE SERVICES.

32. The annual cost of official telephones in Government offices exceeds £46,000 per annum, and it seems that there is room for economy in this connection, more particularly by the use of extensions or by the installation of domestic exchanges.

33. A more important point in regard to telephones is in connection with those installed in the residences of Government officers and paid for by their respective Departments. An expenditure of £8,800 per annum is involved in this respect, and this seems to be far in excess of what can be looked upon as reasonable.

34. The Government defrays the cost of private telephones of many officers who should be expected to provide their own. A telephone may now be regarded as an essential part of the equipment which officials above the rank and file of the Service should be expected to provide.

35. We recommend that it be established as a definite rule that telephones in private residences be not paid for by the Government, except in a limited number of approved cases where officers could not be expected to install telephones at their own cost.

ALLOWANCES IN ADDITION TO SALARIES.

36. The annual cost of allowances in addition to salaries payable to officers of the Public Service is no less than £143,086, and this excludes house allowances payable to teachers in the service of Education Boards.

37. We are of opinion that the payment of special allowances in addition to salary is essentially wrong in principle, although we concede that there are cases where it is justified.

38. We recommend, however, that the payment of allowances to individual officers be subject to close overhaul by a central authority with a view to the cancellation of many of the allowances at present granted.

NEED FOR UNIFORMITY IN REGARD TO STAFF ADMINISTRATION, CLASSIFICATION, GRADING, ETC., FOR THE WHOLE OF THE STATE SERVICES.

39. At the present time the three main branches of the Government service (exclusive of the teaching service)—namely, the Railways, the Post and Telegraph Department, and those Departments under the control of the Public Service Commissioner—are separately administered. Although to all intents and purposes the salary scales in operation in each branch are uniform, there is no statutory organization or method to ensure that comparable positions and the working-conditions in the three main branches of the Service are dealt with on the same basis.

40. The Public Service Commissioner is in a position to co-ordinate the grading of the staffs in the several Departments under his control, and we consider it desirable that this principle should be extended to all Departments.

41. If the present practice of separate control is continued, it is, in our opinion, necessary that a committee should be set up, consisting of the Permanent Head of the Railway Department, the Permanent Head of the Post and Telegraph Department, the Public Service Commissioner, and the Secretary to the Treasury, whose duty would be to consider any grading proposals, &c., affecting all Departments. Obviously, however, it would not be practicable for these officers to have an intimate knowledge of the duties and responsibilities of every officer, and it would no doubt be found necessary to set up a sub-committee, consisting of the Staff Superintendent, the Staff Inspector, or other suitable officer from each branch, who had the necessary intimate knowledge and who would submit recommendations (and the reasons therefor) to the committee. There is a difficulty that the scheme might be found cumbersome and unwieldy, but even a modification should be a step in the right direction. A committee of this nature could also discuss questions of procedure in dealing with staff problems, punishments, rewards, leave of absence, travelling-allowances, &c.

42. Separate regulations are in operation governing leave of absence, travelling-expenses, overtime rates, admission to the Service, &c., and there is no statutory provision to secure uniform treatment in such matters throughout the various Departments of the State service.

43. One great difficulty to be faced is that under existing legislation each head is charged with the responsibility of administering his branch of the State service, and unless the proposed committee had some statutory standing and powers its efforts would be purely advisory, and the carrying-out of the decisions would be discretionary.

44. The present system tends to divide the three main branches of the State service into as many watertight Departments, and within the walls of each grows up an entirely separate organization, each serving the State, but each working under separate and differing conditions.

45. **We recommend that a committee of officers as referred to previously be set up and given statutory recognition and authority to deal with all matters affecting salaries, wages, grading, working-conditions, and privileges throughout the whole of the State services.**

46. We have recommended elsewhere that the teaching service be brought under the control of the Public Service Commissioner, and this, with the foregoing, should ensure uniformity throughout the whole Service.

INSPECTORIAL STAFFS.

47. We have been impressed with the extent to which inspectorial staffs employed by the Government have grown. There are now no less than 801 Inspectors employed in the Government service, and the total cost, including salaries, travelling-expenses, &c., amounts to £369,000. The duties carried out by many of these officers are, of course, remunerative in whole or part, in that recoveries are made by the Government, but nevertheless the net cost of the inspectorial staff is £213,000 per annum.

48. We are of opinion that it should be possible to co-ordinate the work of Inspectors to a greater degree than is now done; in particular, it should be possible to co-ordinate the work of Inspectors in the Department of Agriculture, Valuation Department, and Department of Lands and Survey. They are, for the most part, engaged on work of a cognate nature, and some effort at co-ordination should be made.

49. Similarly the work of Inspectors of Machinery in the Marine Department should be co-ordinated with that of Inspectors of Factories in the Labour Department.

50. These are but two instances where there is a degree of overlapping. Not only should expenditure be reduced in this way, but every effort should be made to reduce the personnel, for there is no doubt that much of the work now undertaken could, in the light of present conditions, be abandoned.

MOTOR-VEHICLES.

51. The cost of motor travelling is most difficult to regulate. We have evidence that travel by motor is subject to some abuse in the Government service, and it has undoubtedly added considerably to the annual expenditure in respect of travelling allowances and expenses.

52. Central garages are established in Wellington, Auckland, Christchurch, and Dunedin, and these are not used as freely as they should be, probably on the plea that it is more convenient for officers to garage their cars at their own homes. At present many officers garage their Government cars at their own homes and are paid a weekly garage fee by the Department concerned. **This practice should cease where Government garages are available.** In effect, this would mean that all departmental cars in the centres mentioned would be taken over by the central garages. Cars are used much too freely on journeys that could be accomplished much more cheaply by railway, even by officers who have annual passes for railway travel. **The control of motor-cars is essentially a matter for rigid central control, under which the excessive number of cars and the huge expenditure could be very substantially reduced.**

DEPARTMENTAL LOANS.

53. Loans are made for various objects by different Departments (other than trading Departments, such as the Public Trust Office, Government Life Insurance Office, and State Fire Insurance Office). **We recommend that all such advances should be controlled by the Investment Board of the State Advances Office or by the Treasury.**

APPEAL BOARDS.

54. In our report in regard to the Public Service Commissioner's Office we have recommended that a fee of 10s. 6d. be charged for each appeal, and that the fee be refunded in cases where appellants are successful.

55. There are other Appeal Boards connected with the Public Service, such as the Teachers' Appeal Board, &c., and **we recommend that the law be amended in each case to provide for a fee of 10s. 6d. to be charged for each appeal lodged.**

AMALGAMATION OF DEPARTMENTS.

56. We have recommended the amalgamation of certain Departments, as a means of economy.

57. We have not exhausted the list of possible amalgamations, as it will be recognized that, although the amalgamation of some Departments may be desirable, there are administrative

considerations which outweigh the advantages of immediate amalgamation. For instance, the Mines Department should ultimately be amalgamated with the Public Works Department, more particularly if the latter Department be reduced in size as a result of our recommendations. This amalgamation should be then effected.

58. It should also be possible at some future date to amalgamate the Forestry Department with the Department of Lands and Survey, although here again we do not recommend immediate amalgamation. When the Forestry Department is reduced to a purely maintenance basis there should be no obstacle in the way of amalgamation.

59. Finally, we consider that, under a suitable administrative officer, the Department of Lands and Survey and the Department of Agriculture should be amalgamated. They have common interests, and if effective amalgamation can be arranged in the future the resulting establishment should be much more economical than the present Departments. A very considerable saving would result from the unification of the field staffs of the two Departments.

HOSPITALS AND CHARITABLE INSTITUTIONS ACT, 1926.

SUBSIDIES TO HOSPITAL BOARDS.

60. We have already touched in our interim report upon the question of subsidies to Hospital Boards, and after recommending that subsidies for both capital and maintenance purposes heretofore paid under permanent appropriations should be subject to annual review by Parliament, we stated that we had not considered the possibility of effecting economies under this heading, and that this aspect would be dealt with in our final report.

61. We have now carefully considered the whole question of hospital administration, and the cost both to the Consolidated Fund and by way of local rates. It appears that under the present system of hospital administration substantial relief to the Consolidated Fund by way of reduction of subsidy to Hospital Boards must result in increasing the burden of local rates. This would simply be a redistribution of costs without any true national economy, and, as the steadily increasing demands on the public purse both through local rates and general taxation indicate that the present hospital system has become unduly expensive, we have accordingly considered the whole question with a view to recommending reorganization.

62. The following statement, showing how the expenditure on hospitals and charitable aid has grown since 1914–15, will emphasize the need for reform:—

HOSPITALS BOARDS.—SUMMARY OF EXPENDITURE, YEARS 1913–14 TO 1930–31.

(Excluding hospitals under the care of the Department.)

Year ended 31st March.	Hospital Maintenance.	Charitable Relief.		Medical Associations or Clubs.	District Nursing.	Ambulances.	Miscellaneous Maintenance Expenditure.	Administration.	Interest on Loans.	Boards Contributions to National Provident Fund.	Total Maintenance Expenditure.	Capital Expenditure.	Total of both Maintenance and Capital Expenditure.	Total of both Maintenance and Capital Expenditure per Head of Population.		
		Indoor.	Outdoor.											£	s.	d.
1914	249,910	61,431	33,304	2,745	2,890	*	18,056	21,323	3,007	£	392,666	140,841	533,507	0	9	4
1915	268,694	66,557	36,019	2,233	4,775	*	14,556	22,862	3,430	..	419,126	115,279	534,405	0	9	3
1916	310,643	75,511	38,947	1,595	3,437	*	17,542	25,755	8,083	..	481,513	106,006	587,519	0	10	2
1917	352,527	72,524	41,119	1,088	2,193	*	49,379	25,474	8,545	..	552,849	86,322	639,171	0	11	1
1918	425,635	81,841	43,269	1,565	2,788	*	57,941	27,731	7,646	..	648,416	125,271	773,687	0	13	5
1919	508,692	79,651	52,653	1,495	2,323	*	27,271	29,837	12,528	..	714,450	156,440	870,890	0	14	10
1920	596,568	85,719	81,749	1,411	3,045	*	35,619	36,186	20,592	..	860,889	188,602	1,049,491	0	17	0
1921	693,243	95,068	87,695	2,047	5,125	*	23,903	41,031	26,350	..	974,462	174,225	1,148,687	0	18	1
1922	735,391	103,639	80,828	2,766	4,308	*	16,417	47,964	26,223	..	1,017,536	175,091	1,192,627	0	18	4
1923	743,208	86,873	75,911	3,873	5,217	*	20,971	49,227	26,132	..	1,011,412	135,571	1,146,983	0	17	4
1924	789,682	91,572	76,069	4,979	5,665	3,486	20,199	52,251	30,345	..	1,074,248	213,982	1,288,230	0	19	1
1925	850,188	94,756	76,190	7,453	6,291	3,836	15,285	58,578	38,569	..	1,151,146	420,657	1,571,803	1	2	9
1926	924,612	101,221	77,599	8,579	5,987	4,570	15,074	66,793	52,215	..	1,256,650	577,619	1,834,269	1	6	0
1927	981,789	112,726	92,922	10,370	9,260	5,072	22,383	69,392	65,748	20,985	1,390,647	417,946	1,808,593	1	5	3
1928	1,021,585	112,755	112,519	9,740	9,588	7,031	10,815	72,398	84,181	23,038	1,463,650	350,879	1,814,529	1	5	1
1929	1,092,392	110,874	134,864	10,336	9,856	7,311	10,762	71,409	84,006	18,500	1,550,310	205,422	1,755,732	1	4	0
1930	1,130,400	114,532	140,065	11,800	9,867	8,177	6,987	74,859	81,191	17,432	1,595,310	171,150	1,766,460	1	3	10
1931	1,143,659	119,774	192,073	11,877	9,830	8,727	10,592	76,037	85,226	19,274	1,677,069	253,585	1,930,654	1	5	10

* Included under hospital maintenance.

63. It is unnecessary to traverse in detail the early history of hospital institutions, but apparently hospital districts were for the first time constituted by the Hospitals Bill introduced in 1885. In that year the system of local-body control was clearly defined, and Hospital Boards were subsidized both for capital and maintenance at the rate of £1 for £1 by the Government. It was not until 1909 that further reform, which was long overdue, was attempted, and the Act passed in that year met with considerable opposition from those bodies which were superseded. By this Act one Hospital and Charitable Aid Board for each district was constituted, and the system of separate institutions was practically abolished. Under the Act and subsequent amendments forty-seven hospital districts were established, and forty-five districts exist to-day. The system of control by Boards elected by the electors of the various contributory authorities is probably well known, and need not be enlarged upon. The main

point in the foregoing review is the constitution of the forty-five hospital districts by the Hospitals and Charitable Institutions Act, 1909, and subsequent amendments. The Act also provided that Boards may unite to establish institutions, this applying more particularly to consumptive sanatoria, as few Boards are large enough to maintain a consumptive sanatorium for their own district. This power to unite for the special purpose of the establishment of consumptive sanatoria has been availed of in the South Island only, and the Otaki and Pukeora Sanatoria in the North Island are both maintained by the Government. We have recommended in connection with the Department of Health that these two institutions be handed over to Hospital Board control, and by this means the position in both the North and South Islands would then be identical. In the South Island the sanatoria are maintained by Hospital Boards. We see no reason why the sanatoria in the South Island should be maintained partly by local rates and partly by subsidy from the Government, while those in the North Island continue to remain a charge against general taxation.

64. To return to the general question of hospital administration, it is obvious from the ever-increasing expenditure by Hospital Boards that some measure of reform is imperative. The period which has elapsed since the passing of the Act of 1909 has seen many revolutionary changes not only in regard to the diagnosis and treatment of diseases, but also in the density of population, &c., and consequently a review of the whole system is necessary, firstly, with a view to getting the best possible medical service for the whole community, and secondly, with a view to reducing the cost of hospital administration to a more reasonable figure, having in mind other charges upon taxation.

65. There are many commendable features of the New Zealand hospital system. The ease with which finance is arranged is, however, not within this category. The Boards have no power to strike rates, though their ability to levy on the constituent local authorities is limited by the power given to the Minister of Health to require amendment of annual estimates and to set up a Commission to inquire into the circumstances of levies considered excessive by local authorities. These powers were intended to prevent glaring cases of wasteful administration, but they have certainly not served as an adequate check upon the ever-growing hospital costs.

66. The system of finance by way of levy and subsidy also, in our opinion, has resulted in relatively small voluntary contributions being received by Hospital Boards. We say "relatively" because we believe that in other countries substantial sums are received by hospital authorities by way of voluntary donations and bequests, and we see no reason why similar generosity could not be expected to operate in New Zealand. It is, however, a fact that any Government or semi-Government institution is not looked upon as a legitimate recipient of charitable bequests.

67. **For financial reasons, if for no other, a proper and well considered reorganization of the present system is imperative. There are, however, other reasons why such a reorganization should take place. For instance, modern transport facilities have been so revolutionized of recent years that there is now not the same necessity for hospitals within a short distance of each other, and on this account the division of the Dominion into forty-five hospital districts is no longer warranted.** We are aware that any suggestion which will dispense with the necessity for a number of hospital districts and hospital boards will meet with a storm of protest from the districts concerned. The matter must be looked upon in a national light, and considerations of parochial importance only relegated to the background.

68. Various suggestions have been made from time to time in order to overcome the present difficulties, but before any change is made regard should be had to the future, and an endeavour made to visualize what would be the best system. While this cannot be achieved at once, every step taken should have this end in view. It is worthy of note here that the Act of 1885 when it was first introduced provided for the establishment of twelve hospital districts, but the measure finally passed by the Legislature provided for the establishment of twenty-eight districts. This was as far back as 1885, but despite the development of the Dominion which took place over the ensuing quarter of a century, the Act of 1909 and its subsequent amendments provided for forty-five hospital districts. Population had no doubt grown, but there had also been a definite improvement in those years in transport facilities, and it is difficult to understand why forty-five hospital districts should have been considered necessary.

69. This aspect assumes more important dimensions when it is remembered that a Bill introduced in 1912 by the then Prime Minister provided for the division of New Zealand into twenty-four provincial districts. The purpose of the provincial district was to provide services which could not be properly carried out within the bounds of counties, mainly for education, hospitals, drainage, Harbour Boards, &c., and it was proposed that Provincial Councils should be elected by the various local bodies within the provincial district. The Bill provided that the administration of Hospital Boards, health, education, &c., was to be carried out by statutory Committees appointed by Provincial Councils either from their own members or from any person outside their membership. Had this Bill been proceeded with a much needed reform would have been instituted in 1913. The present system imposes far too great a burden on the taxpayer, owing to the multiplicity of Hospital Boards which have no responsibility for raising the funds they spend. Many of these Boards increasingly depend upon the Department of Health for guidance, and this in turn has increased the cost of administration of that Department.

70. **If a national hospital system is to be evolved, there must be a central guiding authority, and before proceeding to analyse the deficiencies of the present system, due to the multiplicity of Boards, we have considered whether it would not be desirable, first of all, to recommend the setting-up of a Board of Hospitals which should be responsible for the administration and management of the hospital system generally.** The system of control of hospital administration by a Permanent Hospitals Commission obtains in the State of New South Wales (*vide* the Public Hospitals Act, 1929, New South Wales). We have considered the provisions of this

Act, and believe that the setting-up of a Permanent Board of Hospitals, with powers and duties somewhat akin to those possessed by the Hospitals Commission in New South Wales, should be the first step towards the end in view. This Board should be clothed with wide powers, and it is important that its members should be representative of both the ratepayers and the general taxpayer. **We recommend that a Board of seven members should be constituted,** and suggest the following personnel:—

Minister of Health (Chairman).

One representative nominated by the Counties' Association.

One representative nominated by the Municipal Association.

One representative nominated by the British Medical Association.

One representative of Treasury.

Two men of wide business experience.

71. We believe that with few alterations similar powers and duties to those possessed by the Hospitals Commission of New South Wales should be vested in the Board which we recommend for this Dominion. Briefly put, the duties should be—

- (a) To make, or cause to be made, careful inquiries into the administration and management of every hospital:
- (b) To close any hospital:
- (c) To amalgamate any two or more hospital districts and limit or extend the activities of any of the Boards:
- (d) To authorize or require the Board of any hospital district, separately or jointly with the Board of any other hospital district, to establish and maintain institutions such as (1) Consumptive sanatoria, (2) convalescent homes, (3) old people's homes:
- (e) To cause every hospital to be inspected from time to time.
- (f) To report to the Government, through the Minister, as to the sums required to be provided from the Consolidated Fund to meet the needs of hospitals:
- (g) To determine what hospitals should be subsidized:
- (h) To determine the amount of such subsidies to Boards:
- (i) To attach to the payment of any subsidy such conditions in respect of maintenance, equipment, and management of hospitals as it thinks fit:
- (j) To consider and recommend any amendment of existing legislation or proposals for future legislation which are in its opinion desirable.

72. The establishment of such a Board with the powers outlined above should quickly lead to the placing of the hospital system of the Dominion on a uniform and national basis, and we have no doubt that taken in conjunction with our recommendations which follow, the economies which would result would be of considerable magnitude, and would not be confined to relief to the Consolidated Fund by way of subsidy. With a reorganization of the hospital system on the lines suggested, considerable relief to local rates should also be possible.

73. While we have the precedent of a Central Hospitals Commission in New South Wales, a similar system exists in Victoria. We wish to make it clear that the setting-up of a Central Board cannot of itself be expected to cure the ills resulting from the present system. There is no real necessity for the large number of hospital districts which at present exist. We are satisfied that even if so many districts were necessary in the past, and this point we are not prepared to concede, there is certainly no present necessity for forty-five districts, in view of the excellent transport facilities which now exist.

74. Dr. MacEachern, at the instance of the New Zealand Branch of the British Medical Association, some few years ago submitted a report on the hospitals system in New Zealand. **This expert stated that he was early impressed with the large number of hospital districts and specially drew attention to the fact that the number had increased from sixteen, as originally intended, to forty-six at the time of his survey. The doctor added that, while perhaps a reasonable increase might be justified, there should not be at present more than twenty or twenty-one, and he went on to state that the multiplicity of hospital districts would defeat the main object of the Act as originally intended—namely, efficiency and economy through the prevention of duplication and the encouraging of centralization.**

75. He also stated, and this is a further reason why a Board of Hospitals should be set up, that he found a distinct lack of uniform policy in the medical staffing of hospitals throughout the Dominion. The multiplicity of hospital districts naturally intensifies any weaknesses such as this.

76. Transport conditions have so improved since Dr. MacEachern visited the Dominion that the establishment of twenty or twenty-one hospital districts is hardly necessary. **We consider sixteen to eighteen hospital districts should suffice,** but do not wish to be dogmatic on this point, and would prefer to leave the determination of the actual number of hospital districts to the Board of Hospitals which we have recommended.

77. The whole subject of hospital administration is bristling with difficulties, and in the time at our disposal we have not been able to examine in detail all the relevant factors which must receive consideration before the final division of the Dominion into a number of districts can be decided upon. Nevertheless, we are emphatically of opinion that the present number of hospital districts is excessive, and should be reduced by at least 50 per cent.

78. Each of the new hospital districts should have within its boundaries a town of sufficient size to enable a base hospital to be successfully established. The reason for this is that it is only in a centre of population that sufficient variety of medical and surgical skill can be obtained to staff adequately a base hospital. The first step is, therefore, an examination of the density of population, the probable trend of development, and the potentialities of each district. Having determined the most

suitable point for a base hospital, the radius of the hospital district should next be determined, and if these principles are accepted the number of districts can be assessed with little difficulty.

79. It would probably be necessary in the first place to adopt some system of grading of the base hospitals, as it would not be reasonable to expect that if the number of districts were reduced to sixteen or eighteen, that each of them could maintain a base hospital of equal size and with equal equipment. For instance, it will be readily conceded that in the four main centres of the Dominion there should be what might be termed Metropolitan Hospitals, and that these should form the base for hospitals of varying grades in the surrounding districts.

80. The following statement which presupposes the establishment of eighteen hospital districts will clarify our suggestion:—

SCHEDULE OF HOSPITALS TO FORM THE CENTRE OF NEW HOSPITAL DISTRICTS.

Metropolitan Hospitals.		Base Hospitals served.
Auckland .. ..	..	Whangarei, Hamilton, Rotorua, Gisborne.
Wellington .. ..	..	New Plymouth, Wanganui, Palmerston North, Napier (or Hastings), Blenheim, Nelson.
Christchurch .. ..	..	Greymouth, Timaru.
Dunedin .. ..	..	Oamaru, Invercargill.

81. Naturally, the metropolitan hospitals will continue to be superior in equipment to the base hospitals, and in turn these base hospitals should not all be of the same grade.

82. As we have already stated, the base hospitals should not be established except where the density of population is sufficient to warrant it. If we adopt as a guide the principle that no town less than, say, ten thousand or twelve thousand inhabitants should be the headquarters of a hospital district of the first grade, it is relatively easy to determine where first-grade base hospitals should be located. These towns are already shown on the statement given above, but to make the matter more clear we suggest that base hospitals of first and second grades should be established in the following centres, and we give hereunder a list of the towns, with the borough population and the population of the area to be served by the base hospitals:—

BASE HOSPITALS.

					Population.	Population of Area served (approx.).
<i>First Grade.</i>						
Hamilton .. ..	..	..	..	..	18,100	150,000
Gisborne .. ..	..	..	..	..	16,250	35,000
New Plymouth ..	..	..	..	..	18,200	70,000
Wanganui .. ..	..	..	..	..	27,850	65,000
Palmerston North	..	..	..	..	22,800	60,000
Napier-Hastings ..	..	..	..	..	36,030	76,325
Nelson .. ..	..	..	..	..	12,500	30,000
Wellington .. ..	..	..	..	..	143,000	200,000
Auckland .. ..	..	..	..	..	217,000	263,000
Christchurch .. ..	..	..	..	..	127,000	220,000
Timaru .. ..	..	..	..	..	18,350	48,000
Dunedin .. ..	..	..	..	..	86,500	160,000
Invercargill .. ..	..	..	..	..	24,000	73,000
<i>Second Grade.</i>						
Whangarei .. ..	..	..	..	..	7,600	60,000
Rotorua .. ..	..	..	..	..	5,270	25,000
Blenheim .. ..	..	..	..	..	5,330	18,000
Greymouth .. ..	..	..	..	..	6,180	36,000
Oamaru .. ..	..	..	..	..	7,600	19,000

83. We have suggested tentatively five second-grade districts for geographical reasons. These may not all be necessary as, for instance, Oamaru might be included in the Dunedin District. We recommend that the whole question of the determination of the hospital districts and the location of the base hospitals should be entrusted to the Board of Hospitals, the constitution of which has been suggested. **We are not attempting to determine the exact limitation of the districts or the precise location of the base hospitals, but the latter point should be wholly determined by the density of population; in other words, no town of less than, say, ten thousand to twelve thousand inhabitants should be considered as being capable of maintaining a base hospital of the first grade.**

ADMINISTRATION OF THE LARGER HOSPITAL DISTRICTS.

84. **The larger hospital districts should absorb the present hospital districts, and the present Hospital Boards should be abolished.** It is worthy of note that the Bill introduced in 1912 provided, *inter alia*, for the abolition of all the hospital districts and the abolition of the Hospital and Charitable Aid Boards. There has been no substantial change in the hospital districts since 1912, the date of the introduction of the Local Government Bill referred to, and the

proposal was that the Provincial Councils, which the Bill aimed at setting up, were to take over the whole question of hospital administration. In other words, twenty-four Provincial Councils were to take over from forty-five Hospital and Charitable Aid Boards.

85. As we recommend the establishment of new hospital districts covering considerably larger areas than at present, it is essential that there should be satisfactory administration. We have recognized that a Hospital Board selected by the electors of the eighteen larger districts could not be expected to give that personal control and administration to the hospitals which is necessary if efficient and economical management is to be achieved. For instance, the representatives of the new larger districts who do not reside in the base town would not be available for committee work. The idea incorporated in the Local Government Bill of 1912 could, with advantage, be adopted, and we suggest that the Boards could be elected as at present, but, instead of the representatives forming a Hospital Board, they should elect an executive committee, whose members should all be resident in or near the base town so as to be available for service as a committee of management.

86. As to the actual management of the hospitals, we believe that the combination of hospital administration and medical treatment of patients is not in accordance with the best principles of hospital management. It is, however, the system generally in force in New Zealand outside the metropolitan areas. The Medical Superintendents are rarely qualified as, and should not be expected to be, business managers for the Boards. Their duties are usually confined to the medical side of administration, while the Secretary attends to the administrative side. Owing to this division of the duties and responsibility, the real management often devolves upon the Chairman, which appears to be undesirable.

87. While referring to the duties of the Chairman, it should be remarked that the Chairmen are in receipt of honoraria limited by statute to £250 per annum, and in some cases at least the amount of the honorarium is out of proportion to the size of the Board and its district. We do not believe that there is any justification for the continuation of the payment of honoraria to the Chairmen of the Hospital Boards beyond perhaps a purely nominal amount.

88. We consider that a competent non-medical administrative officer should be appointed for each of the new hospital districts to carry out the policy of the Board, as it is rarely possible to secure a medical officer who can successfully combine the duties of both Medical Superintendent and general manager.

89. We are of opinion also that the salaries at present paid to the secretaries and other officers of Boards are in some cases comparatively higher than those paid in the Public Service for somewhat similar positions, and generally there is not that system of uniformity of grading which should exist in what is practically a national service. Incidentally, a system has grown up of allowing free houses and other perquisites to officials of the Board, and the aggregate value of these perquisites appears to be very considerable. We consider this an undesirable system, which should be abolished, and an inclusive salary paid to the officers concerned.

90. It should perhaps be made clear here that we do not suggest that the number of hospitals in the Dominion should be confined to eighteen. It will be necessary for some of the new hospital districts to have district hospitals and/or cottage hospitals, but these would come under the direct control of the Manager of the Base Hospital District. These district hospitals would, in turn, be controlled by a local Manager, and cottage hospitals would be controlled by the Matron. The eighteen hospital districts would then be served by:—

- (1) One base hospital in each of the centres of population:
- (2) District hospitals where necessary within the base hospital district:
- (3) Cottage hospitals in lesser localities.

91. Such a system would be more economical and more efficient than the present system whereby forty-five general hospitals, many of them with equipment and staff more than sufficient for the needs of the district, are maintained.

92. As to the medical administration, it is undoubtedly true that a great deal of the expenditure in hospitals depends on the efficiency or otherwise of the medical administration, and to secure the best possible results combined with economy it is essential that this should be subject to adequate supervision, which appears to be lacking to some extent under present conditions. In the main hospitals the qualifications for membership of the senior surgical staff are high, but, on the other hand, in many hospitals in the Dominion there is not sufficient supervision over the medical work, and no minimum standards of qualifications and experience requisite for the position of surgeon or physician are laid down in the by-laws. We are of opinion that this system should not be allowed to continue.

93. Furthermore, in many hospitals adequate records are not kept of the medical and surgical treatment of patients. We understand that this shortcoming has to some extent been remedied, but it is still a definite weakness and is mentioned by Dr. MacEachern in his report to the New Zealand Branch of the British Medical Association. The lack of adequate records may result in costly duplication of laboratory and X-ray examinations and in unduly prolonging the stay of patients in hospital. As to the medical administration of the base hospitals, there is no need for a medical officer senior to a Registrar or Resident Medical Officer, who should have the requisite qualifications and experience for such a position. We do not suggest that a high salary be paid for this position, which should be regarded as an opportunity for gaining further practical experience rather than as a career for life. With proper organization, we think that this end could be achieved, and that the best class of medical officer, who in later private practice would derive considerable benefit from his hospital experience, would be obtainable. The functions of the Resident Medical Officer would be to supervise the work of the House Surgeons, to do emergency surgical work as required, and to see that the nursing service and all the services for patients were satisfactory from a clinical viewpoint.

94. Visiting medical officers should be drawn from the medical practitioners practising in the town, and should consist of surgeons, physicians, and specialists, whose services should be honorary as at present, with possible exceptions in certain cases where small honoraria might be desirable.

95. We suggest the formation of a Medical Committee consisting of one or two surgeons, one or two physicians, and a specialist. This committee would act in an advisory capacity to the Board on all technical matters.

96. The foregoing is but a broad outline of the administration we suggest for base hospitals.

97. The staff of district hospitals would vary according to size. In some no Resident Medical Officer would be required, in others, at the most a House Surgeon would be sufficient. There would be no necessity for such a position as Medical Superintendent. The medical work could be done by the practitioners resident in the locality if of good standing. The appointment of a small Medical Advisory Committee to district hospitals might be desirable, to act in an advisory capacity to the Board of the base hospital and to the Manager of the district hospital. As to the cottage hospitals the management of these would be in the hands of a Matron and the medical work would be carried out by the private practitioners in the district.

MEDICAL SUPERVISION OF HOSPITAL DISTRICTS.

98. The medical supervision of all hospitals in a district should be in the hands of the Board and its General Manager, assisted by the Base Medical Committee, and we suggest that standards should be laid down as to the particular class of work to be done in the different grades of hospitals. We have already referred to the necessity for keeping exact records of all cases. These should be inspected at regular intervals. We suggest that the Medical Committee, or appointee of such committee, should review the case of every patient who has remained in a cottage hospital for more than one month or a district hospital for more than six weeks, as by this means a much closer supervision could be kept of the work carried out. **We are convinced that considerable savings can be effected by taking adequate steps to reduce the average stay of patients in hospital. The supervision would also eliminate unnecessary operations, prevent hospitals from undertaking work for which they were not suited, enable patients to be quickly sent for diagnosis to the base hospital, reduce the length of stay in hospital, and generally lead to marked economy and increased efficiency.**

GENERAL ADMINISTRATION.

99. We have recommended the appointment of General Managers of the Base Hospital District, and would now refer more particularly to the present position and the results which should follow the abolition of the forty-five Boards and the creation of sixteen to eighteen base hospital districts. At present each hospital district has its Board, administrative staff, and Medical Officers and nurses, and it is evident from a glance at a map showing the location of the various hospitals in the Dominion that these are, in many cases, unnecessarily duplicated. The creation of sixteen to eighteen base hospital districts would result in considerable savings in administrative expenses by rendering unnecessary many of the costly administrative machines at present in existence. The supervision of hospital administration by a Board of Hospitals would enable such administration to be placed on a national basis. For instance, the salaries of officials in some relatively small districts are in excess of the salary paid to the Secretary of the Health Department, and the existence of forty-five separate Boards subject to little or no administrative control, must tend to extravagant expenditure. With one Board taking the place of the present two or three, as the case may be, savings must result, and, if a system can be evolved whereby efficiency of hospital administration will not be detrimentally affected, there should be no valid objection to a change. Incidentally, a reduction in the number of Hospital Boards, as recommended, would result in a reduction in the administrative expenses of the Health Department, particularly in the matter of statistical records, &c., while economies due to the more rapid cure of patients, the treatment of others as out-patients where their condition does not really necessitate admission to a hospital, the saving of supplies, and the elimination of overstaffing would naturally follow the rationalization of the hospital system.

PATIENTS' FEES.

100. One of the reasons for the rapidly increasing cost of hospital administration in the Dominion is a disinclination on the part of Hospital Boards to charge the full cost of treatment to patients, and the writing-off of fees without regard to the ability of the patient to pay is too readily acquiesced in. The element of local politics operates particularly in the small localities, and, as a result, there is a reluctance to apply pressure in the collection of fees. We believe that a thorough system of costing should be instituted in order that the full cost of treatment might be charged to all patients. That this is not done is evident from the scale of fees adopted by most Hospital Boards, and, indeed, it would be found that were the full cost charged to patients it would probably be cheaper for those patients who can pay their fees to enter private rather than public hospitals.

101. **We are unable to discover any instances right through New Zealand where the full cost of treatment in a public hospital is charged to a patient, whatever his circumstances, and much money which could be collected is lost on this account, consequently the burden on local rates and on general taxation has continued to increase.** The matter is of sufficient importance to justify the appointment of a special official by each Base Hospital Board and the fees payable should be assessed while the patient is in hospital upon the basis of what he can afford to pay, either in a lump sum or by instalments. We would make it clear that the total cost of hospital treatment including overhead expenses and all other charges such as a private hospital would have to meet, should be definitely established, and that the full amount should be collected unless the

patient shows cause why he should pay a reduced charge. It would be in this connection that the services of the special officer would be of inestimable value.

102. The duty of Hospitals Boards in regard to the admission of patients should be more clearly defined by the Legislature, as there is a prevalent impression that it is the duty of Boards to provide adequate accommodation for every person in a district, irrespective of circumstances. Such is clearly not intended, and it has no doubt been the attempt to follow out this principle which has led to hospitals being built at excessive cost in places where there was no real necessity for the erection of extensive buildings. Had there been an enforceable power of veto, such as we have suggested, uninfluenced by local considerations, the erection and subsequent maintenance of hospitals would not have resulted in such a heavy charge upon the community.

METROPOLITAN HOSPITALS.

103. The metropolitan hospitals should be in a special class, and they alone should have complete equipment for more elaborate treatment and diagnosis, and cases requiring this should be drafted to these hospitals, either for special indoor treatment or for special outdoor diagnostic clinical treatment which cannot be effectively given elsewhere.

104. It is imperative that the Metropolitan Hospital Boards should have some supervision over the Base Hospital Boards within their districts, and it is believed that a satisfactory system can be evolved with this end in view. It is merely a matter of co-ordinating the functions of the base hospitals within a district with those of the metropolitan hospital, and of ensuring that an adequate system of finance is adopted to recompense the Metropolitan Boards for the treatment given to patients sent in by the Base Hospital Boards. This point, however, is one which might be decided by the Board of Hospitals.

UNIFIED HOSPITAL ADMINISTRATION.

105. We have already referred to the advantages that would accrue from the setting-up of a Board of Hospitals. The aim should be uniformity as between public hospitals, and the Board should be charged with the duty of laying down scales of salaries for various officers employed by Hospital Boards. We have referred to the lack of uniformity which exists at present and to the extravagant salaries being paid in some cases. There is a further avenue of economy in the matter of salaries which should also lead to more efficient administration. We refer particularly to the salaries paid to nurses and trainees.

106. A very large amount of the expenditure in public hospitals is represented by the salaries of probationers, and it appears that there is room for alteration in the ratio between the salaries of sisters and probationers.

107. It appears to be almost universally acknowledged in nursing and medical circles that sisters in charge of wards are not encouraged as they should be to compete for such positions. On the other hand, the probationers secure board and lodging and other privileges and in addition get a salary of £30 or £40 per annum, rising to £50 or £60 per annum in the third year of training. Probationers are learners, and as such it is considered that the emoluments paid to them are too high. On the other hand, the raising of the salaries of sisters by £25 or even £50 would represent a comparatively insignificant amount, and would tend to increase the efficiency of the nursing staff considerably.

108. We suggest, therefore, that the salaries of probationers, one of the largest items of hospital expenditure in New Zealand, should be reduced, and the salaries of sisters should be increased. **A national classification of employees of Hospital Boards should be one of the first duties of a Board of Hospitals,** and we commend this suggestion in regard to the salaries of probationers and sisters to such a Board for consideration.

GOVERNMENT SUBSIDY TO HOSPITAL BOARDS.

109. At the present time the Hospital Boards have no responsibility for the collection of the money they spend, and while we do not advocate that they should have rating-powers, we nevertheless consider that with the present multiplicity of Boards, subject to little or no effective control, there is not the same urge for economical administration as should exist. We believe that with economical administration there should be no necessity for a subsidy at the rate of £1 for £1, which is substantially the rate at present payable out of the Consolidated Fund for both capital and maintenance purposes.

110. We have considered the broad question of hospital administration primarily with a view to relieving the Consolidated Fund to some extent of the charge for subsidies to Hospital Boards, and at the same time our endeavour has been to propound a system which would not throw any greater burden on local rates. **We are of opinion that with the reorganization of the hospital system throughout the Dominion on the lines suggested very substantial savings should result, and it should be possible to reduce the average rate of subsidy from the Consolidated Fund by at least 10s. in the pound ; and at the same time the Boards should be enabled to reduce the levy upon contributory local authorities.** We believe that if the levies on contributory local authorities were to remain at their present level a subsidy of 6s. 8d. in the pound from the Consolidated Fund should suffice, if hospital administration be organized on the lines suggested. However, with a view to providing relief to both local rates and the Consolidated Fund, we suggest as a basis that the average subsidy should not exceed 10s. in the pound.

111. We have also considered the possibility of the subsidy being assessed on a different basis, such as, for instance, on a definite rate per patient treated, which has much to commend it. We do not wish to make a hard-and-fast recommendation on this point, but it should be one of the first duties of the Board of Hospitals to determine the basis, as well as the rate of subsidy.

PURCHASE OF SUPPLIES.

112. Under present conditions it is the practice of some of the smaller Boards, and even to some extent of the larger ones, to buy retail. With the reorganization of the hospital system it should be possible to inaugurate a system of buying in bulk, both as regards indented and local supplies, and suppliers could ship or deliver direct to stated hospitals, although the placing of orders could be done through a central organization. The principle of buying in bulk, if generally adopted, would result in very considerable economy.

113. Furthermore, the standardization of hospital supplies is a very necessary factor in securing economy, and was specially commented upon by Dr. MacEachern in his report to the Victorian Government on the hospital system of Victoria. The doctor stated that this is an exceedingly important matter to-day in all institutions from the standpoint of economy and efficiency. He instanced what had been accomplished by the American Hospital Association co-operating with the Bureau of Standards of the Department of Commerce at Washington, and stated that as a result of field study, expert advice, and conference with manufacturers and consumers, such accomplishments as the following had resulted: 88 different sizes of hospital-beds had been reduced to 4 standard sizes, 78 different sizes of hospital blankets had been reduced to 12 standard sizes, and 700 varieties of hospital chinaware had been reduced to 160 varieties.

114. Some of the findings of Dr. MacEachern in his report on the Victorian hospitals might be cited as follow:—

22	different sizes of	bed-covers;
54	„	draw-sheets;
11	„	bed-sheets;
20	„	pillows;
51	„	towels;
30	„	face-towels; and
39	„	bath-towels;

and there might be added to the foregoing a long list of other articles in daily use in hospitals which can be readily standardized.

115. It is well recognized in the commercial world that standardization of this kind is essential to the successful conduct of modern business, but in no field is it more necessary than that of hospitals.

GENERAL REMARKS.

116. Before proceeding to summarize our recommendations, perhaps it would be as well to throw into greater relief some of the reasons why we have considered it necessary to recommend a reorganization of the system.

117. In the first place, we wish to acknowledge that we have obtained considerable assistance in our investigations from the report presented by Dr. MacEachern to the New Zealand Branch of the British Medical Association, and, while not subscribing to all of the recommendations made, **we are in complete agreement with the author in stating that—**

- (1) **A Board of Hospitals should be created :**
- (2) **The number of hospital districts should be reduced to a minimum :**
- (3) **Complete medical and surgical records of each patient should be kept :**
- (4) **Hospital buying and stores should be standardized :**
- (5) **Greater regard should be paid to the collection of patients' fees.**

118. The table given at the commencement of this report, showing the alarming rise in cost of administration, furnishes indisputable evidence of the urgent necessity for a drastic reduction in hospital costs. We feel sure that this fact will be appreciated just as much by contributory local authorities as by the general taxpayer.

119. Official reports which have been made to the Government over a long period of years have advocated reforms of various kinds. For example, as long ago as 1887 it was stated by the late Dr. McGregor, the then Inspector of Hospitals, that a certain unnecessary hospital should be closed. This hospital to-day is still in existence, and under the scheme of reorganization as now proposed it would cease to exist.

120. In 1905 the same Inspector-General also stated that every year, in spite of his incessant efforts to prevent undue multiplication of hospitals and other institutional foci of charity, vicarious because raised by taxation, their number went on increasing. He went on to state that the smaller hospitals should be closed as the means of communication made it possible, and that only cottage hospitals should be maintained in many places where fully equipped modern institutions were aimed at. Even in 1905, therefore, the need for reform was obvious to those in authority. Again in 1906 the same official drew attention to the multiplication of fully equipped hospitals in districts that required not more than a small cottage hospital as a centre of activity for a trained nurse. He stated that the tendency was increasingly evident and, notwithstanding remonstrances, local ambition or jealousy nearly always triumphed over respect for the taxpayer.

121. It is significant that at a conference on hospital policy held in 1926 at which the New Zealand Branch of the British Medical Association, the Hospital Boards, and the Health Department were represented, the political question was mentioned, and the present Chairman of the Hospital Boards Association stated "the political side never enters into the question with a Hospital Board, but hospital matters do enter the field of general politics. **That has been the cause of dividing districts which should never have been divided.**" The same authority said that he had long been convinced **that we have too many small hospitals which lead to expensive and inefficient administration.**

122. The evidence submitted indicates that there are too many established beds, too many occupied beds, the length of stay is excessive, and there is too much equipment for the needs of the population. All these defects are largely traceable to the multiplicity of Hospital Boards.

123. An investigation will show that many institutions are practically empty for the greater portion of the year. If overhead expenses were not going on perhaps this would not matter so much, but in these hospitals a full staff must be maintained. Lest this appear to be an exaggeration, a perusal of the hospital statistics published by the Department of Health will show that there are forty-one hospitals each with an average of less than five patients per day. To put it in another way, these forty-one hospitals combined have an average of 100·7 patients per day or 2·5 patients per hospital per day. To analyse further, there are twenty-two hospitals whose average occupancy is less than one-third of the total bed state, twelve hospitals where it is less than one-quarter, six where it is about one-eighth, and three where on the average nine-tenths of the beds are empty. It must be remembered that these are average figures, and it must happen that many of these hospitals must be entirely free from patients for considerable periods at a time. There are fifteen hospitals with an average of less than two patients per day and three with less than one, and the last class must accordingly be empty for long periods.

124. Many of the above-mentioned institutions serve country districts and a number are maternity hospitals. Some less expensive plan, however, could be devised for giving the necessary service by a more intense organization of the district nursing service and of transport. A similar type of service is given by the Bush Nursing Association in the State of Victoria. This organization is well thought out, and financed by public subscriptions.

125. When the foregoing figures are realized, the case for reform appears to be unanswerable, particularly when it can be obtained without sacrificing any of the efficiency which must be aimed at in a hospital system.

CHARITABLE AID.

Outdoor Relief.

126. We have so far made no reference to the question of charitable aid at present under the control of Hospital Boards, being of opinion that the administration of charitable relief should be divorced altogether from the hospital system.

127. In framing our recommendations for the reorganization of hospitals, we have throughout kept in view the possibility of recommending an alternative system for the administration of charitable relief. First of all, Hospital Boards as constituted, and there are forty-five of them in the Dominion, each cover too wide a district for the administration of charitable relief to be efficiently carried out. It is manifestly impossible for a Hospital Board to be so closely in touch with those in need of charitable relief in its whole district that it can exercise that amount of discrimination which is necessary in this branch of its activities. Similarly, it would be quite impossible for the reorganized hospital administration which we have outlined to undertake the distribution of charitable relief. The Hospital Boards, as already stated, have no direct responsibility for the raising of the funds they spend, and consequently there is not the same incentive to economical administration and efficient investigation which would be exercised were the distribution of charitable relief placed in the hands of the contributory local authorities. At least half of the funds distributed by Hospital Boards for charitable purposes is derived from local rates, and it should be the responsibility of the contributory local authorities to distribute relief to the needy in their districts. Furthermore, in view of the present organization of the Unemployment Board and the assistance which is being given by the Government, whatever additional charitable relief is required, beyond that supplied by the operation of the Unemployment Act, should be substantially a charge upon local rates. We accordingly recommend an amendment of the law to provide for the responsibility of the administration of charitable relief being placed on the local authorities who at present contribute towards hospital finance.

128. In normal times charitable relief should be substantially a charge on local rates, but under present conditions it would be impossible for the contributory local authorities to carry the burden. We accordingly recommend that the Government subsidy be fixed meantime at the rate of 10s. in the pound as suggested in connection with hospital administration.

129. There are 313 County Councils, Borough Councils, and Town Boards, and the officers of these local authorities should be able to obtain more authentic information in regard to the circumstances of applicants for relief than the Hospital Boards' officers can hope to obtain. This, in itself, seems to be sufficient reason why the administration of charitable relief should be placed in the hands of these contributory local authorities. Incidentally, they would have the direct responsibility of raising at least half of the money they disburse, and the ratepayers who find the money would have a greater measure of control in the spending of it.

SUMMARY OF RECOMMENDATIONS.

130. We summarize hereunder our recommendations for the reorganization of hospital administration, and, as many of the matters are technical in character, we have divided our recommendations into two parts, namely:—

- (1) Definite recommendations for reorganization.
- (2) Suggestions for consideration by the Board of Hospitals.

DEFINITE RECOMMENDATIONS.

(1) That the forty-five hospital districts at present existing be abolished and that hospital districts numbering, say, eighteen, be established, with base hospitals in the centres of population and district or cottage hospitals throughout the individual areas.

(2) That a Board of Hospitals be established with the following powers :—

(a) To make, or cause to be made, careful inquiries into the administration and management of every hospital :

(b) To close any hospital :

(c) To amalgamate any two or more hospital districts, and limit or extend the activities of any of the Boards :

(d) To authorize or require the Board of any hospital district, separately or jointly with the Board of any other hospital district, to establish and maintain institutions such as—

(i) Consumptive sanatoria :

(ii) Convalescent homes :

(iii) Old people's homes :

(e) To cause every hospital to be inspected from time to time :

(f) To report to the Government, through the Minister, as to the sums required to be provided from the Consolidated Fund to meet the needs of hospitals :

(g) To determine what hospitals should be subsidized :

(h) To determine the amount of such subsidies to Boards :

(i) To attach to the payment of any subsidy such conditions in respect of maintenance, equipment, and management of hospitals as it thinks fit :

(j) To consider and recommend any amendment of existing legislation or proposals for future legislation which are in its opinion desirable :

(k) To classify and regulate wages and salaries.

(3) Appointment of general managers for each base hospital and of managers for district hospitals, subject to control by General Manager of Base Hospital.

(4) Appointment of senior medical officers in charge of medical and surgical administration.

(5) Classification of salaries of Hospital Board employees, with a view to standardization of the service.

(6) Fixation of hospital fees to cover full cost of treatment and maintenance during stay in hospital.

(7) Appointment at all base hospitals of special officers to investigate the ability of patients to pay full fees.

(8) Extension of duties of special officer to include the investigation of circumstances of those requiring out-patient treatment, in order that hospital facilities may not be abused to the detriment of private medical practitioners.

(9) Fixation of Government subsidy by Board of Hospitals not to exceed 10s. in the pound from the Consolidated Fund.

(10) Consequential reduction of the statistical branch of the Health Department and of the clerical work of the Boards.

(11) Standardization of supplies to be carried out mainly by the Board of Hospitals and the bulk purchase of all Hospital Board requirements either through the Board of Hospitals or through the metropolitan hospitals.

(12) Reorganization of medical treatment at hospitals, including the formation of proper out-patient clinics at all base hospitals, so that only those who need actual treatment in hospital are admitted as patients.

SUGGESTIONS FOR CONSIDERATION BY BOARD OF HOSPITALS.

(1) That hospitals be staffed by medical practitioners residing in the districts.

(2) That qualifications of medical practitioners desiring appointment as senior or assistant surgeons be clearly defined.

(3) That the status of sisters in charge of hospital wards and other departments be improved.

(4) That the salaries and privileges of probationers be reduced.

131. The field for reform in the administration of hospitals is unlimited as also is the scope for economy, and while the foregoing summary of recommendations and suggestions may not be complete in every detail, it is impossible for us in the time at our disposal to go further into the matter. The duty is one which should be undertaken by the Central Board which we have recommended. **We estimate that the savings which might be effected as a result of our recommendations should ultimately reach at least £300,000 per annum to the Consolidated Fund, while the saving to local rates is impossible of calculation.** In arriving at the sum of £300,000 we have taken into consideration both the State subsidy for hospital maintenance and for charitable relief.

PERMANENT CHARGES.**MISCELLANEOUS GRANTS AND SUBSIDIES.**

Auctioneers' Act, 1928, Section 42: Amount of fees, less Administrative Expenses payable to Local Authorities, £10,238.

132. Under the law as it at present stands, the amount collected in respect of auctioneers' fees is payable to the local authorities nominated by the auctioneers, and in whose district they must have a place of business, but the administrative expenses incurred by the Crown in the collection of fees is first deducted.

133. We have already recommended in our interim report that the amount payable to local authorities in this connection should be subject to annual appropriation, and have since considered in further detail the whole question of the disposition of this revenue. The first auctioneers legislation was passed in 1842, and the fee was then fixed at £30 per license. This was increased in 1843 to £40, and, subject to certain provincial alterations between 1853 and 1876, it has remained at £40. There is a slight exception in section 28 of the Auctioneers' Act, 1928, whereby a fee of £10 only is payable for a license in respect to "sparsely-populated areas." The fee might be compared with that charged for a land agent's license, and in the latter case the whole of the revenue is retained by the Crown. Auctioneers' license fees, in common with various other fees, were secured to local authorities by the Financial Arrangements Act of 1876. **The supervision and licensing of auctioneers is carried out by the Crown, and, as a natural corollary, the revenue derived from the issue of licenses should be credited to the Consolidated Fund.** We accordingly recommend an amendment to the law in this direction.

Saving £10,238.

Greymouth Harbour Board Amendment Act, 1920, Sections 5 and 7: Subsidy for Interest, Sinking Fund, and other Loan Charges, £12,000.

134. In our interim report we recommended that the above payment should be subject to annual review and appropriation by Parliament. We have since considered the matter further, with a view to affording some relief to the Consolidated Fund, out of which the expenditure is provided. The position is that under the Greymouth Harbour Board Act, 1884, by which the Board was constituted, it was authorized to raise loans totalling £150,000. The Board was also granted, by the same Act, an endowment consisting of "all profits from the Greymouth-Brunner Railway over and above the expenses of working the line." Authority was also given for the collection of a special coal rate of 3d. per ton on coal shipped. The proceeds from the special coal rate were to be applied proportionately towards the interest and repayment of the loan of £150,000, and towards repayment of sums, aggregating £143,639, which had been spent by the Government on harbour-works and which were a charge upon the harbour's reserves.

135. In 1910 the Board was authorized by a further empowering Act to raise additional loans, and the sum of £260,000 was raised under this authority. This latter amount included the sum of £50,000 required for the conversion of a portion of the loan raised under the 1884 Act. The whole of the loans raised by the Harbour Board were guaranteed by the Government.

136. In 1918, as the Board was unable to meet interest and amortization charges on the loans, totalling £360,000, the Government had to meet the charges under its guarantee. The main reason for the unsatisfactory position of the Board's finances at the time was that the net profits of the railway had fallen to vanishing-point, partly owing to reduced coal traffic and partly by reason of the adoption by the Railway Department of a different method of calculation, due to increased tariff and to increased salaries and wages payable by the Department. The net profits on the railway had varied from £8,000 to £20,000, rising in 1910 to £21,000, and reaching the peak of £30,000 in 1915.

137. Legislation which was passed in 1920 provided for the payment of a subsidy from the Consolidated Fund of such amount as the Minister of Finance might determine, but not exceeding in any year the sum of £15,000, and, in addition, the Board was allowed the sum of £30,000, representing the Crown's proportion of the accumulated special coal rate. In addition, the sum of £33,000 which had been paid by the Government in respect of interest and sinking fund on the State-guaranteed loans was allowed to remain as a loan to the Harbour Board, repayable out of the subsidy. Thus the outstanding loans in 1920 were £100,000 under the 1884 Act, £260,000 under the 1910 Act, and £33,000 under the 1920 Act—a total of £393,000.

138. The subsidy, not exceeding £15,000 per annum, in the discretion of the Minister of Finance, was, in 1925, as a result of a dispute with the Board, converted into a fixed annual subsidy of £15,000. The subsidy was at that date in excess of the annual loan charges, but the Board was allowed to use the balance for general purposes.

139. Later in 1925 the loan of £100,000 matured and was repaid out of sinking fund, and in 1930 the loan of £33,000 owing to the Government under the 1920 Act was also repaid. The funds for the repayment of these loans were mostly provided by the Government by way of net profits on the railway and by subsidy. At the present time the outstanding loans are £260,000, on which interest and sinking fund charges amount to £13,000 per annum. The Board obtained the sum of £1,000 per annum from the special coal rate, and, as this was available to meet interest and sinking fund charges, the result was that the subsidy of £15,000 per annum was in excess of the amount required to meet the loan charges. In view of the state of national finances, the subsidy was, therefore, reduced to £12,000 per annum—section 6, Finance Act, 1931 (No. 2)—at which figure it now stands.

140. Government finances to-day are, however, in somewhat the same position as those of the Board in 1920, when the Government had to go to its assistance. Had the original endowment of profits on the Greymouth-Brunner Railway been retained, the amount receivable from that source would now be negligible, owing to railway losses. **When the endowment was changed in 1920 to a £15,000 subsidy, the Railway Department was paying interest on its capital; but at the present time, when railway losses constitute such a heavy drain on the Consolidated Fund, it is considered that the subsidy should be brought more into line with what would have been receivable had the original form of endowment remained.** Further, present conditions are such that it is necessary for the Government to explore every avenue of saving, and it appears that the Greymouth Harbour Board cannot expect that the assistance hitherto afforded shall be given in full, notwithstanding that Government services in other directions have to be severely curtailed, or even discontinued.

141. It is understood that the Board is carrying on certain capital works at the present time, and that funds are available for this purpose. We are of opinion that, if the Board cannot complete its programme without this special subsidy, these capital works should be held over for the present, and that the funds held by the Board should be utilized to meet interest and sinking fund charges on its loans, even if this involves an application for special legislative authority. **We therefore recommend that the subsidy be withheld for a period of two years, and that before further payments are made the necessity for continued assistance to the extent of £12,000 per annum should be critically reviewed.**

Saving 1932-33, £12,000.

DEPRECIATION FUNDS.

RAILWAYS AND POST AND TELEGRAPH DEPARTMENTS.

142. We have considered the position in regard to the annual provision for depreciation made by the Railways Department and the Post and Telegraph Department. In order that the position may be clearly understood, a short statement of the procedure in each Department is submitted hereunder.

Railways Department.

143. It has been the practice in this Department for some years past to charge depreciation against the earnings from the railways, but from the 1st April, 1925, to the 31st March, 1930, although depreciation had been set aside, the effect of this was nullified by the fact that the Department paid over to the Consolidated Fund the full amount of interest on its capital, irrespective of whether sufficient profits had been made to permit of the full charge for interest being levied.

144. The result of this was that on the 31st March, 1930, the Department showed an accumulated loss of £2,042,016, and there were nominal reserves for depreciation and general purposes. The law was later amended to avoid the continuance of this policy of paying the full interest on capital to the Consolidated Fund, and the accumulated loss was written off against the depreciation and general reserves. The position now is that an annual charge is levied against railway earnings for depreciation and the amount is paid to the credit of the Public Works Fund: Vote, Additions to Open Lines.

145. The recoupment of interest to the Consolidated Fund is now dependent upon the amount of the net earnings of the Department after making suitable provision for depreciation. As a result of the policy adopted in the past, the Department has, however, no liquid reserves upon which it can draw for any exceptionally heavy replacements of structures and equipment.

146. The charge at present made for depreciation exceeds £100,000 per annum. This is apparently a reasonable provision. The proportionate amount is paid into the Public Works Fund by instalments at the end of each four-weekly period. The funds are used partly for replacing worn-out assets and partly for general capital purposes. In so far as the utilization of depreciation reserves for the replacement of worn-out assets is concerned, we have no comments to make. **We consider, however, that the depreciation reserves should not be used for new capital purposes.** In any case, we think that, as capital works in other directions have had to be stopped, the Railways Department should be no exception to the rule. Incidentally, the continuance of a policy of utilizing depreciation reserves for capital purposes must result in the raising of fresh loan capital at some future date if heavy renewals of worn-out assets are required. We are of opinion that it would be preferable for the Department to build up a specific reserve for depreciation, invested in Government securities, in order that the money should be available when required for replacement purposes. **We accordingly recommend that any surplus arising from the annual provision for depreciation by the Railways Department be invested in Government stock or Treasury bills, which should be specifically earmarked for the purpose for which they were provided, and should, under no circumstances whatever, be appropriated to purposes other than Railway purposes.**

Post and Telegraph Department.

147. The position is slightly different in this Department. In the first place, the Department has liquid investments (in Government stock) to the extent of £1,400,000 for depreciation purposes, while the depreciation reserve shown in the balance-sheet amounts in all to £3,452,172 13s. 11d. The difference between the specific investment of £1,400,000 and the total depreciation reserve is invested in the Department's business.

148. The annual charge for depreciation in the past has been approximately £600,000 per annum, but as a result of recent investigation it has been definitely established that the depreciation rates have been in excess of normal requirements, and the rates have been reviewed. The charge for the current year will be reduced to approximately £250,000, and the Department will thereby be able to afford considerable relief to the Consolidated Fund on this account for 1931-32. Rates of depreciation for future years should be carefully reviewed in the light of actual experience.

149. We find in this Department, also, that, while an endeavour is made to build up a specific depreciation fund invested in Government stock, it is nevertheless the policy of the Department to finance new capital works in part from such reserves. **We are of opinion that this practice should cease, and that the portion of the annual charge for depreciation which is not required for replacement and renewal purposes should be invested in Government stock or Treasury bills, and we recommend accordingly.**

GENERAL.

150. We cannot recommend any further reduction in the charge for depreciation in either Department, although a reduction would automatically benefit the Consolidated Fund at a time when all possible avenues of increasing its resources should be explored.

151. The policy of reducing the charge for depreciation in either or both Departments would be fraught with danger, in that the time would doubtless arrive when a considerable amount would require to be spent on renewals, and this would not be available if part of the depreciation charges were used for the general purposes of the Consolidated Fund.

152. We do, however, feel that the present system is open to some objection, in that it presupposes the ability of the Government at some future date to raise fresh capital by way of loans for depreciation purposes, by reason of the fact that fresh capital works are to-day being financed from depreciation funds not immediately required. For this reason we suggest that all new capital works should be postponed, and that surplus depreciation not immediately required should be specifically invested.

MOTOR TAXATION.

Payment to Main Highways Revenue Fund, and Disbursements under Motor-spirits Taxation Act, 1927.

153. We would again refer to the recommendation contained in our interim report, that the Main Highways Revenue Fund and the Capital Fund be abolished. We estimated that it should be possible to augment the Consolidated Fund for 1932-33 by at least £500,000 from the proceeds of motor taxation.

154. In the Finance Act, 1932, provision is made for the sum of £500,000 to be transferred from the Main Highways Revenue Fund to the Consolidated Fund, and, while this partly follows our recommendation, the special fund has still been retained. Relief to the Consolidated Fund by the appropriation of one sum of £500,000 from the Main Highways Account is merely a temporary expedient, and does not remove the root cause of excessive expenditure on the development of roads. The earmarking of taxation for special purposes is quite wrong in principle, and is opposed to the accepted canons of sound finance. It is the prerogative of Parliament to allocate all taxation according to the general needs of the Dominion, and it should not be possible for any Department or controlling Board to have a proprietary right to the taxation derived from any special source.

155. Considerable outlay is necessary to provide for the economic development of the Dominion, but heavy expenditure has been incurred in the past on what may be termed more or less "luxury development," which has encouraged pleasure traffic and has also provided for the growing demands of commercial road transport, with disastrous results to the earning-capacity of the railways system. It appears to be essential that road finance should be subject to rigid parliamentary control, and this cannot be done if the system of earmarking special taxation is to continue. No Parliament could, in successive years, provide for the expenditure of only a small portion of the revenue derived from motor taxation and leave the balance to accumulate in a separate Fund. Political pressure would make this course quite impossible, whereas if the proceeds from motor taxation were credited to the Consolidated Fund, and the amount merged in what may be termed the general taxation pool, there would not be the same amount of agitation for continued expenditure on road-development.

156. **We consider the matter of sufficient importance to again stress the necessity for the abolition of the Main Highways Revenue Fund, as by this means only can real and sustained economy in roading expenditure be obtained, and the commencement of grandiose projects years ahead of the needs of the Dominion be avoided.**

157. **We trust that political expediency will not be allowed to stand in the way of the abolition of this and other special funds, which we are convinced are quite wrong in principle.**

VOTE—PRIME MINISTER'S DEPARTMENT.

158. The Prime Minister's Office was constituted as a separate Department in 1926, and the following statement shows the comparative costs in 1926-27 and 1930-31 :—

	1926-27.	1930-31.
	£	£
1. Salaries	2,292	2,675
2. League of Nations	13,088	11,628
3. Printing and stationery, &c.	223	345
4. Rent, depreciation, and interest charges	704	1,072
	<u>£16,307</u>	<u>£15,720</u>

159. There is little scope for economy in this Department, but we would mention the following items on the Appropriations for 1931-32 :—

Item—League of Nations: New Zealand Proportion of Secretariat Expenses, £12,180.

160. It is a matter for consideration whether the proportion of the expenses of the Secretariat of the League of Nations allocated to New Zealand is not excessive. We are aware that every effort has been made to reduce the cost to New Zealand, but consider that the representative of the Dominion should continue to press for a reduction in the proportion allocated to New Zealand, or in the general expenses of the League.

Item—Post and Telegraph Department: Reception of British Official Wireless News, £100.

161. This item is to provide for a payment to the Post and Telegraph Department for the reception of British official wireless news. This service was inaugurated by the British Government with the object of providing British peoples throughout the world with an authoritative and reliable source of information on questions of foreign and Imperial interest. Communications are issued through the Rugby Wireless Station free of cost to the New Zealand Government. The service is, no doubt, of considerable importance, and prior to the reception of the messages and the distribution thereof to the press probably much of the material would have been transmitted to New Zealand through the ordinary Press Association channels. From the evidence we have obtained, it appears that the cost of the service is in the region of £2,000 per annum, and that arrangements have been made with the Press Association for a payment of only £250 per annum in respect of the service. **This appears to be quite disproportionate to the value, and we recommend that the matter be reopened with a view to a more adequate contribution being obtained.** We do not suggest that the whole cost should be recovered, but the sum of £1,000 per annum would not be in excess of the value of the service.

This would result in a saving of £750 per annum.

VOTE—TREASURY.

162. There does not appear to be much scope for economy in the administrative expenditure of the Treasury. The expenditure in 1914–15 was £18,810, as against expenditure for 1930–31, £40,329. The bulk of the increase was, however, in respect of salaries, and this is accounted for mainly by the increase in the level of salaries since the war and by the increased staff employed by the Treasury to cope with the increased volume of work.

163. There are, however, certain economies which we consider should be possible. These are as follow:—

Item—Local Government Loans Board: Fees, Travelling Allowances and Expenses of Members, £350.

164. We are of opinion that local bodies should be required to pay fees in respect of applications to the Local Government Loans Board for sanction to the raising of loans. The item under discussion provides only for the fees and expenses of members of the Board, and there are, in addition, other office expenses, such as salaries of officers engaged on Loans Board work, &c., which are an essential part of the cost in the administration of the Government Loans Board Act, 1926. We recommend that local authorities be required to pay fees with all applications to the Local Government Loans Board, and that a suitable scale of fees be drawn up.

165. It should be possible to recover a sum of approximately £1,500 per annum from this source, virtually a saving.

Staff Economy.

166. We consider that an immediate overhaul of the legislation relating to Government borrowing and the administration of the public debt of the Dominion should be undertaken. A review of the statements published with the Public Accounts, and the accounts themselves, disclose a multiplicity of authorities under which moneys have been or may be raised, the present method having created a cumbersome and costly system of accounting. Consolidation of the law should permit of simplification and considerably reduce the clerical work both in the Treasury and Audit Office, with a consequent saving difficult to estimate. In the Treasury alone, however, it is considered it would amount to at least the salaries of two officers.

167. As there is a definite saving involved, we recommend that the several Acts dealing with the raising and administration of loans be consolidated at the earliest opportunity, with a view to the issue of securities under the one statutory authority where the loans affected are secured on the public revenues of the Dominion.

Estimated ultimate saving, say, £500 per annum.

168. Total estimated saving on Vote, Treasury Department, ultimately £2,000.

VOTE.—NATIONAL PROVIDENT AND FRIENDLY SOCIETIES DEPARTMENT.

169. The appropriation for 1931–32 provided for a net charge of £4,670 in respect of this Department. This amount is the cost of administration of the Friendly Societies Branch of the Department, the costs incidental to the administration of the National Provident Fund being recouped to the Consolidated Fund from the National Provident Fund itself. The latter fund is therefore, with the exception of the Government subsidy on contributions, self-supporting, and there is no charge on the Consolidated Fund for administration expenses.

170. In so far as the general administration expenses in respect of friendly societies is concerned, there appears to be little scope for economy. We have considered each item on the vote, and have come to the conclusion that savings are possible in the following directions:—

Item—Commission on Money-orders for Approved Friendly Societies' Maternity Claims, £60.

171. We have recommended in our interim report that the payment of maternity allowances for friendly societies be discontinued. If this recommendation be given effect to, the above item will disappear from the appropriations. In any case, we see no justification for commission on money-orders being specifically provided by the State.

Estimated saving, £60.

Item—Officers of Friendly Societies, for Statistical Returns of Sickness and Mortality, £1,100.

172. This item is to provide for payments to officers of friendly societies for the rendering of statistical returns; but it is a statutory obligation with friendly societies, and we can see no justification for the State paying the officers of the societies to carry out the work required of them by statute. In any case, the societies obtain considerable benefit from the oversight exercised by the Department, and we can see no reason why this special payment of £1,100 should be made to the officers of the societies. We accordingly recommend that the practice of paying for the returns be discontinued.

Estimated saving, £1,100.

GENERAL.

173. We are unable to point to any other special item under which savings might be effected, but it is reasonable to suppose that with the exercise of greater care and economy in the use of stationery and office requisites it should be possible to save a further sum of from £40 to £50 in the administration of the Department.

174. The savings recommended in this vote are summarized hereunder:—

Commission on money-orders for approved friendly societies' maternity claims	£ 60
Officers of friendly societies, for statistical returns of sickness and mortality	1,100
Miscellaneous	40
	<u>£1,200</u>

VOTE—LAND AND INCOME TAX DEPARTMENT.

175. The cost of collection of land and income taxation in New Zealand as compared with other countries is exemplified in the following table:—

Country.	Period.	Cost per Centum.
		£
New Zealand	1928-29	1.515
	1929-30	1.329
	1930-31	1.305
United Kingdom	1928-29	1.70
	1929-30	1.70
South Africa	1928-29	1.31
	1929-30	1.38
Queensland	1930-31	2.28

176. The review of the expenditure in this Department leads us to the conclusion that it is economically administered, and we are unable to point to any item of expenditure in which any considerable saving can be effected.

VOTE—STAMP DUTIES DEPARTMENT.

177. This vote is divided into two subdivisions, and for purposes of comparison the expenditure under each subdivision for 1914-15 and 1930-31 is shown hereunder:—

		Expenditure.	
		1914-15.	1930-31.
		£	£
Subdivision I.	Stamp duties.. .. .	15,052	48,908
Subdivision II.	Land and deeds	32,799	69,364
			<u>118,272</u>
	Credits-in-aid		13,433
		<u>£47,851</u>	<u>£104,839</u>

178. In so far as the present organization of both the Stamp Duties and the Land and Deeds Offices is concerned, we believe that there is little room for economy. It is of interest to note that the revenue collected by the Stamp Duties Branch for 1931-32 was £2,800,000, whereas the cost of collection amounted to £35,811, or a percentage cost of approximately 1.3.

179. We have considered the question as to whether the organization which has been established is not more than sufficient to meet the needs of the Dominion.

180. The present appropriation of approximately £93,000 is necessary to carry on the present establishment, so we do not propose to review the appropriations in detail. There may, of course, be some minor economies which might be practised, but there appears to be only one way in which any economies of major importance can be achieved, and that is by reorganization.

181. There is a separate branch of both the Stamp Duties Office and the Land and Deeds Registry Office in each of the four main centres, and also the Head Office in Wellington. In the following provincial centres there is a combined office, with one controlling officer for the Stamp Duties Branch and the Land and Deeds Registration Branch, although the work of each branch is largely carried on by individual staffs. The towns to which we refer are—

Gisborne.	New Plymouth.	Nelson.	Invercargill.
Napier.	Blenheim.	Hokitika.	

182. It will be seen that the public throughout New Zealand is well served by branch offices. **We are informed that in each of the States of the Commonwealth of Australia there is only one Land Transfer Office and one Stamp Duties Office situated in each capital. If one such office suffices for the needs of each Australian State, it seems clear that four offices (one at each main centre) should amply cover the requirements of the Dominion.** We recommend, therefore, that the district offices in Auckland, Wellington, Christchurch, and Dunedin be retained, and that the following branch offices be closed :—

Gisborne.	New Plymouth.	Nelson.	Invercargill.
Napier.	Blenheim.	Hokitika.	

183. We wish, however, to make an exception for the time being in the case of Napier. It is necessary to reconstruct the Land Transfer Registers for that district and this necessarily involves a considerable amount of research work, which can best be carried out in the district. The Napier office must therefore be kept open until the work of reconstruction has been completed.

184. The adoption of this recommendation will involve some expenditure in respect of increased accommodation in the four centres. The present fireproof accommodation would probably be insufficient for the increased requirements of the main offices and additional steel shelving would be required, but the capital cost of these additions would be quickly covered by the savings in administrative charges. It is estimated that a saving of some £6,000 per annum would accrue from the closing of the offices recommended, while office accommodation would be made available in the towns in which the offices were closed. This in turn might enable the Government either to derive revenue from the leasing of the offices or to save rental which is at present being paid for accommodation in privately-owned buildings. In framing our estimates we have made no allowance in respect of this.

185. Objections will of course be raised to the closing of offices as suggested, but, as a saving of at least £6,000 per annum would accrue, this should far outweigh purely local considerations. We believe that ultimately the saving should be greater than £6,000 per annum.

186. There is one further matter to which attention should be drawn. The Land and Deeds Office and the Stamp Duties Office in Christchurch are situated in the old Provincial Chambers, and about three years ago some thousands of pounds were spent in reconditioning and enlarging the strong-room accommodation in the buildings. It is understood that the present fireproof accommodation is sufficient for a considerable number of years. The District Office of the Lands and Survey Department is also accommodated in this building, and there is no serious complaint of lack of accommodation. There is no expenditure for rent incurred by either of the Departments. There has been a proposal that the State Fire Insurance Office should erect a block of offices in Christchurch, and that special accommodation should therein be provided for both the Land and Deeds and Stamp Duties offices and the Lands and Survey offices. This would involve an annual cash payment by way of rent of several thousand pounds, and in view of the adequacy of the present accommodation we are strongly of opinion this rent commitment should not be incurred.

Savings in votes, Stamp Duties, and Land and Deeds Registry, £6,000.

NATIVE AFFAIRS.

187. We have considered it desirable to deal with the administration of Native affairs as one subject, for the reason that, although the activities are not confined to one special Department, there is a degree of overlapping between the Departments and organizations concerned. Native affairs are at present departmentally controlled as follow :—

(1) *Native Trust Office.*

188. Comprising the administration of Native funds and reserves, estates of minors, &c.

(2) *Native Department.*

189. Comprising—(a) *Native Land Courts.*—Investigation of Native titles, partitions, exchanges, successions, adoptions, appointment of trustees, &c.; the Appellate Court being the final judicial authority.

(b) *Native Land Purchase Branch.*—Purchase of Native land by the Crown under the direction of the Native Land Purchase Board.

(c) *General.*—Head Office control and branch offices; general administration of the Native Land Act, co-ordination of Board and Court work, control of farm development work, granting of relief to indigent Natives, Native unemployment, &c.

(3) *Maori Land Boards.*

190. These are subject to general supervision and control by the Native Department, but operate on their own funds. Their duties are: Approval of alienations of Native land, receipt and disbursement of consideration, moneys and rentals, the administration of vested lands and statutory agencies, &c., and financial assistance to Natives generally.

191. A perusal of the foregoing illustrates the statement that there is a degree of overlapping in the present administration.

192. In addition to the above-mentioned organizations, there are various Native funds and accounts under the control of separate Boards, most of them set up in accordance with legislative authority. They are as follow :—

Arawa Trust Board.
 Tuwharetoa Trust Board.
 Maori Ethnological Board.
 Maori Arts and Crafts Board.
 East Coast Commissioner.
 Confiscated Land Boards.
 Rewi-Maniapoto Memorial Committee.
 Ringatu Church Trust.
 Whakarua Trust Board.
 Hinerupo Trust (Te Araroa) Board.
 Wi Pere Trust.
 Ngaitahu Trust Board.
 Kaiapoi Reserve Board, and
 Maori Purposes Fund Control Board.

193. We are not concerned with most of these Boards and Committees, but mention their existence to show the different types of Native administration which have confronted us in our inquiries.

194. The financial organization, in so far as Government finances are either directly or indirectly involved, is as follows :—

(1) *Native Trustee's Account.*

195. This comprises trust moneys.

196. If at any time the moneys in the Native Trustee's Account should prove insufficient to meet the lawful claims thereon the Minister of Finance must, without further appropriation, pay such sums out of the Consolidated Fund as may be necessary to meet the deficiency. Any such payment out of the Consolidated Fund may be absolutely or by way of advance only, as the occasion may require.

197. Any profits earned by the Native Trustee are in the ordinary course transferred to the credit of an insurance and reserve fund, out of which the deficiency in any subsequent years may be provided. In certain circumstances profits may be paid into the Consolidated Fund. The reserves created out of profits now total approximately £100,000, but, as they have been reinvested by way of advances, they are not liquid.

198. At present the Native Trustee has no money available for investment, and, in fact, during the past year he has been unable to repay a temporary loan of £100,000 from the Treasury.

(2) *Native Department.*

199. (a) Consolidated Fund—Permanent and annual appropriations.

(b) Native Land Settlement Account, including purchase of land, surveys, expenses of consolidation schemes, development schemes, and loans to Natives.

(3) *Maori Land Boards' Accounts.*

200. There are seven independent Boards, each of which operates on its own funds. All moneys held by Maori Land Boards form one common fund, and each Board is required to pay into the Consolidated Fund annually on account of administration expenses, both of the Board and the Court, such sum as the Native Minister thinks fit. This is a statutory provision which came into operation in 1924, but prior to that year the salaries of Maori Land Board officials were paid out of the Consolidated Fund and were not recouped from the Boards. The Boards' funds are derived from commissions on the receipt and distribution of rents and purchase-moneys of Native lands. The Boards also have the use of moneys not immediately distributed to Native beneficiaries.

201. The Minister of Finance may make advances to Boards out of Government funds (section 340, Native Land Act, 1931), or the Boards may borrow from private sources or from any State lending Department, with the consent of the Native Minister. There is no doubt, however, in the event of the Boards getting into financial difficulties, that the State would be expected to come to the rescue, and it is therefore considered appropriate that the operations of the Boards should be reviewed along with other aspects of Native administration.

(4) *Various Native Boards and Trusts, whose income is derived substantially from Government sources.*

202. The foregoing will show the general scheme of Native Administration. We will now deal with the separate organizations.

NATIVE TRUSTEE.

203. The Native Trustee Act, 1920, came into operation on the 1st April, 1921, the object being to transfer from the Public Trust Office to a separate office all Maori estates under administration, including all Native reserves established under the West Coast Reserves and other Acts. The Native Trustee is the executive head of the Native Trust Office, which is situated in Wellington, and there are no branch offices. There are five Farm Supervisors, who deal with real estates under administration, report on mortgage investments, and generally supervise farms which are being run by the office. The staff totals thirty-one permanent officers, and from the evidence obtained it appears that the office is over-staffed to the extent of at least one officer in the higher positions.

204. The powers of the Native Trustee are prescribed by section 14 *et seq.* of the Native Trustee Act, 1920, and may be summarized as follow:—

- (a) Except in special cases, all estates of Native persons of unsound mind or Native persons in prisons must be placed under his control for administration. At the direction of the Native Land Court, he may also be entrusted with the estates of minors.
- (b) With the precedent approval of the Governor-General in Council, he may administer special trusts.
- (c) With the approval of the Native Trust Board, he may accept moneys for deposit in the Common Fund.
- (d) He may step in and administer Native property until such time as probate or letters of administration are granted.
- (e) Where any Court or a Judge thereof, or any Native, now or hereafter can appoint a trustee, executor, administrator, agent, or attorney, any such appointment may be made of the Native Trustee if he consents thereto.
- (f) The Native Minister may, by a notice in the *Kahiti*, or the Court may, on the application of the Native Minister, by order declare that the control and management of the land described in such notice or order shall be vested in the Native Trustee. The powers given to control and manage lands are very wide, both from the farming and from the financial point of view.

NOTE.—This is a very wide and arbitrary power, which should not be vested in any one individual. We suggest that the law be amended to provide that the power shall only be exercised by the Court.

- (g) The Native Trustee may subdivide Native reserves and lay off roads, and may advance moneys for this purpose.
- (h) The Native Trust Board may invest moneys held in the Common Fund.

205. Section 11 of the Native Trustee Act provides for the setting-up of an Investment Board, which controls the investment of moneys in the Native Trustee's Account. The Board, of which the Native Minister is the Chairman, consists of seven members, but three members form a quorum. In practice the Board does not assemble in the usual way, as it is stated that there is insufficient business to warrant the holding of formal meetings. The papers are merely minuted from the office to three members, who note their recommendations on the matter under review. We are of opinion that this is not conducive to sound administration—firstly, because, although the Board is a strong one, the quorum is too small; and, secondly, because these proceedings do not permit of discussion by any of the members. **We consider, therefore, that the law should be amended to provide—**

- (1) **That four or five members of the Board shall form a quorum; and**
- (2) **That properly constituted meetings shall be held.**

206. Also, the Board's powers are limited to the investment of moneys in the Native Trustee's Account, and it has certain discretionary powers over the investment of profits, but the latter is of little concern at the present juncture.

207. **The Native Trustee has wide powers for developing and farming estates on behalf of the Native owners, and the expenditure in this connection is at his own discretion. We consider that the Investment Board should have some jurisdiction over this branch of the Native Trustee's activities, more particularly as considerable sums of money have been expended on improvements and stock for properties under the control of the Native Trustee. In one estate alone—namely, Aohanga—approximately £85,000 has been expended on improvements and stock on the recommendation of one officer. This is a definite weakness in the present administration and should be remedied at the earliest possible moment, particularly as the Consolidated Fund must ultimately provide for any shortages in the Native Trustee's Account.**

208. The Native Trustee, since 1921, has made advances aggregating £556,000 to 507 Natives on the security of farm property, and, generally speaking, the securities appear to be satisfactory, except in the case of some incorporated blocks. This policy appears to be a good one, but care should be taken to see that trust moneys are adequately safeguarded and that all future loans are arranged on table mortgage, providing for their gradual redemption over a period of years. One past weakness has also been that adequate steps were not always taken to see that the moneys advanced were expended on the security.

209. In regard to the development and management of land on behalf of Native owners, as the law stands the Native Minister, or the Court acting upon the application of the Minister, may vest Native land in the Native Trustee for operation or development. The legislation makes it possible to vest non-paying farms in the Native Trustee with a view to their being brought into economic production, and during this process the owners may receive rent or other means of sustenance. **Any payments by way of rent or sustenance should depend wholly upon the results of the Native**

Trustee's stewardship. In other words, if no profit is made, no payment should be made to the Native owners. If relief is necessary, payment should be made from the appropriate source.

210. Another unsatisfactory feature is that land may be withdrawn from the Native Trustee's management either before or after any loan capital which may have been invested by the Native Trustee has been repaid. **We consider that this position should be remedied, and that some assurance should be forthcoming that loan capital will be repaid before the management is again placed in the hands of the Native owners.**

211. There is another feature of this phase of the Native Trustee's activities which is unsatisfactory, for should his efforts to make the farms pay prove unsuccessful the losses incurred must fall upon the Office funds, or ultimately upon the Consolidated Fund, although it is realized that there is a presumption in subsection (7) of section 25 of the Native Trustee Act, 1930, that the losses will be borne by the owners. There would, however, appear to be little chance of recovery, and it is a question whether any potential losses in this direction should fall upon the Crown.

212. The sum of over £130,000 has already been advanced by way of overdrafts from the Native Trustee's Account in respect of properties vested in the Native Trustee for development purposes or properties which have been taken over by the Native Trustee on default by mortgagors. In the latter class particularly, we are of opinion that securities which have been taken over to protect the Native Trustee's interests should not be carried on under the provisions of section 25 of the Native Trustee Act, 1930, but should be realized as soon as practicable. Experience has shown that there is little justification for any Government Department endeavouring to farm properties.

213. The following comments in connection with some of the properties being managed by the Trustee are submitted:—

214. *Aohanga Station.*—This station is owned by about 275 Natives, and on the expiry of a lease of the land the Natives applied to the Native Minister to have the property taken over, and special legislation was enacted in 1919, vesting the land in the Native Trustee for farming purposes. The owners were allowed the rental paid by the previous lessee, approximately £1,800 per annum. The Department has expended over £85,000 on scrub-cutting, fencing, stocking, &c.—all on the recommendation of one officer. Unquestionably, too much confidence has been placed in the judgment of one officer, **and we cannot too strongly deprecate the investment of such a large sum of money without consideration by an Investment Board. Further, the payment of £1,800 per annum to the Native owners does not appear to be justified, and should be stopped.**

215. *Hereheretau and Te Hoia Stations.*—These two stations were acquired in the years immediately succeeding the war out of funds, amounting to £42,000, raised under the War Funds Act, 1915. The funds were placed in the hands of trustees, who, in 1916, were given statutory power to acquire and work farm lands. By 1925 the trustees, of whom the Native Minister was a member, ran short of funds, and to overcome the difficulty section 23 of the Appropriation Act, 1925, was passed, transferring the whole fund and the responsibilities of the trustees to the Native Trustee. The liabilities secured against the stations at this time amounted to £17,000; thus approximately £59,000 has been sunk in the venture.

216. Hereheretau Station comprises 3,837 acres of Crown leasehold near Wairoa. The Native Trustee has greatly improved the property since he took it over, but only in one year has a profit been realized—viz., in 1927–28, when a credit of £18 was shown. It is quite possible that had the depression not occurred the efforts made to save something of the original war funds might have been successful, but the prospects are now extremely doubtful. As matters now stand, the only courses open to the Department are to realize at a substantial loss or to carry on until the land-market improves.

217. The amount owing to the Native Trustee is approximately £24,000.

218. Here again we consider that such a large sum of money should not have been expended without the authority of an Investment Board.

219. Te Hoia Station comprises 6,200 acres of Native land at Hicks Bay. The original farm, containing about 5,000 acres, was unsuitable as a separate unit, and to make it properly self-contained an area of 1,200 acres of adjoining land was acquired. The property appears to have been a bad proposition from the commencement, and in view of the liabilities now outstanding there appears to be little possibility of disposing of the land to advantage. The amount owing to the Native Trustee is now approximately £27,000, while mortgages total £8,500.

220. **Here again the investment of such large sums of money involving contingent losses to the Consolidated Fund should not have been undertaken without reference to the Board.**

NATIVE DEPARTMENT.

221. The administration may be divided into three sections—namely, Native Land Courts, Native Land Purchase Branch, and General (including co-ordination of Board and Court work, control of farm-development, &c.)

222. The Permanent Head of the Department is the Under-Secretary, who is also the Chief Judge. The functions of the Department, including Native Land Courts and Maori Land Boards, may briefly be summarized as follow:—

Native Land Courts.—There are seven Native Land Court districts, two Courts being located at Auckland, one at Rotorua, one at Gisborne, one at Wanganui, and two at Wellington, one of which is for the South Island. A Judge is attached to each Court. In view of the diminishing Court work, we understand that it is proposed to retire two of the Judges. There is power for the appointment of

Commissioners of the Courts, and five Commissioners have been appointed. The functions of the Court which are defined by statute are to—

- (a) Hear and determine, as between Natives, any claim to the ownership or possession of Native freehold, or to any right, title, estate, or interest in such land, or in the proceeds of the alienation thereof:
- (b) Determine the relative interests of the owners in common law or in equity:
- (c) Hear and determine, as between Natives, any claim to recover damages not exceeding £2,000 for trespass or any other injury to Native freehold land:
- (d) Grant an injunction against any Native in respect of any actual or threatened trespass or other injury to Native freehold land:
- (e) Enforce the provisions of any trust:
- (f) Create easements over Native freehold land:
- (g) Deal with sundry minor matters.

223. We have considered the possibility of recommending that the Native Land Courts should be transferred to the jurisdiction of the Justice Department, but have come to the conclusion that they can be better administered by the Native Department, where full and easy contact with the Natives can be maintained. **We recommend, however, that the number of Judges be reduced to not more than four, one of whom shall be the Chief Judge, and that the judicial functions of Maori Land Boards should be transferred to the Courts.** Many of the routine duties which are now undertaken by Judges could be transferred to the Commissioners of the Courts, who already have sufficient powers conferred on them by statute.

Native-Land Purchase.—Purchases of Native land for European settlement are arranged out of the Native Land Settlement Account under the provisions of section 438 *et seq.* of the Native Land Act, 1931. The Act provides for the setting-up of the Native Land Purchase Board, consisting of the Native Minister, the Under-Secretary for Lands, the Under-Secretary, Native Department, and the Valuer-General. It is the duty of the Board to undertake, control, and carry out all negotiations for the acquisition of Native land by the Crown. It is necessary at this stage to consider the position of the Native Land Settlement Account, which is funded from loan-money, the capital already raised amounting to £4,098,000. The Balance-sheet as at the 31st March, 1931, shows that the value of land is as follows:—

	£
Leased or sold under deferred payment	1,534,800
Unleased lands	1,726,200
Total	£3,261,000

224. **The gross rental and interest return for 1930-31 was only £81,867, representing a gross return of 2.58 per centum upon the capital invested.** Out of this gross return, however, the following charges had to be met:—

	£
Local-body " thirds," &c.	3,400
Rebates of rents	2,832
Remissions of rents	3,141
Irrecoverable rents written off	1,557
Administration expenses--	
Lands Department	2,336
Native Department	2,394
	4,730
	£15,660

225. The revenue loss for 1930-31 amounted to £105,700, and the accumulated losses at that date totalled £1,167,000, of which £695,000 represents interest paid by the Consolidated Fund on loan capital but not recouped from the special account. It should be made clear that the substantial losses which have already accrued in this account are wholly in respect of land purchased for European settlement and partition surveys carried out at the request of Native Land Courts. This loss has been largely brought about by—

- (1) **The insufficiency of rental returns on leased lands ; and**
- (2) **The large amount of capital locked up in unproductive lands which have not, for various reasons, been placed on the market.**

226. In regard to the insufficiency of rental returns on leased lands, it should be stated that rentals prior to 1929 were assessed at 4 per centum on the capital values, and since the Amendment Act of 1929 the basis of assessment has been 5 per centum. The capital values are theoretically supposed to equal the purchase price of lands, plus accumulated interest and costs of subdivision and roading, but in practice it is often necessary to reduce the capital values below the actual purchase price. As already stated, the lands are purchased through the machinery of the Native Land Purchase Board, and are proclaimed Crown lands and handed over to the Lands Department for settlement. That Department is responsible for the subdivision and roading of the land. Thus two Departments are concerned in the financial operations of the Native Land Settlement Account, and this is not conducive to sound administration.

227. As to the basis of assessment of rent, the net return on leases arranged prior to 1929 and subsequently is shown hereunder—

	Prior to 1929.			Since 1929.		
	£	s.	d.	£	s.	d.
Gross interest charge	4	0	0	5	0	0
Less rebate	0	8	0	0	10	0
	<hr/>			<hr/>		
Less local-body " thirds " for first fifteen years of leases (say) ..	1	6	8	1	13	4
	<hr/>			<hr/>		
Less Administration expenses 5 per cent.	0	3	9	0	4	6
Net return	£2	1	7	£2	12	2

228. As with all Government land accounts, the assessment of rental presupposes that the lessee will always pay, and no reserve is provided to cover losses arising from the following:—

- (a) Where land is not immediately taken up.
- (b) Where values are reduced owing to non-selection.
- (c) Revaluations after selection.
- (d) Remissions and reductions.
- (e) Expenses of renewing loans.
- (f) Direct expenses of administration, &c.
- (g) Local-body " thirds," &c.

Thus even on a 5 per centum rental basis there is an annual loss on leased lands of approximately £2 7s. 10d. per centum, assuming that interest on loan capital does not exceed 5 per centum. The majority of the leased areas are, however, upon a 4 per centum basis, upon which the annual loss is approximately £2 18s. 5d. per centum.

229. In regard to unleased lands, which are shown in the balance-sheet at a total value of £1,726,000, it should be stated that these lands include the Urewera Block and other similar blocks, settlement of which is improbable, but every year during which this land is non-revenue-producing the Consolidated Fund is called upon to meet interest on the capital cost. There are blocks of Native land which were purchased many years ago which have not been settled, and it appears that there will be a substantial capital loss in respect of these lands now on hand.

230. An undesirable feature in regard to the purchase of Native land is that there is usually some delay in completing the acquisition of compact blocks, and this policy results in land being over-capitalized when it is handed over to the Lands Department for settlement. This is due to the addition of interest on the purchase price from the date of purchase until the land is actually handed over, and the Department is thus expected to dispose of the land at the original cost, plus accumulated interest charges. Also, these interest charges are a drain on the Consolidated Fund, as the interest recouped from the Native Land Settlement Account approximates the actual return from Native lands. In other words, it is not the practice to pay interest out of capital.

231. A further factor which has contributed to the already large loss in the account is the reductions which have been necessary to effect settlement of some, at least, of the lands which have already been leased, and while conditions remain as they are there will be continual applications by lessees for revaluation. This must result in further charges against general taxation. **We are of opinion that further purchases of Native lands, except for the purpose of consolidating areas suitable for immediate settlement, should cease until—**

- (1) **Economic conditions are such that successful land-settlement is possible :**
- (2) **The law is amended to provide for a rental return at least equal to the interest payable on borrowed money :**
- (3) **The purchase and settlement of Native land is controlled by one competent authority.**

232. We are also of opinion that there is no justification for a special account funded from loan-money for the purchase of Native land, nor is there any necessity for the continued existence of the Native Land Purchase Board. Under the Land for Settlements Act, 1925, the Dominion Land Purchase Board is set up for the purpose of negotiating for the acquisition of European land for closer settlement. The functions of this Board are analogous to the functions of the Native Land Purchase Board, and there seems to be no necessity for both. The Land for Settlements Account, also funded partly from loan-money, is established under the Land for Settlements Act, 1925, for the purpose of providing funds for the acquisition of European lands. **Thus there are two special organizations purchasing land and two special accounts providing funds for the acquisition of different classes of land. We recommend—**

- (1) **That the Native Land Purchase Board be abolished, and that the Dominion Land Purchase Board established under the Land for Settlements Act, 1925, be charged with the duty of considering the purchase and conducting negotiations for the purchase of Native Land.**
- (2) **That the Native Land Settlement Account be abolished, and that the funds required for the acquisition of Native land be provided from the Land for Settlements Account :**
- (3) **That the balance remaining in the Native Land Settlement Account be transferred to the Loans Redemption Account, to be used for the redemption of securities :**

- (4) That the revenue derived from Native lands heretofore purchased and settled be credited to Territorial revenue :
- (5) That Native lands, whether already settled or still on hand, be deemed to be ordinary Crown lands, subject to all the provisions of the Land Act, 1924 :
- (6) That the loan capital of the Native Land Settlement Account be deemed to be part of the national development expenditure of the Dominion, the interest on which must be met from general revenue :
- (7) That the proceeds derived from the sale of Native land heretofore purchased be credited to the Land for Settlements Account, as in the case of ordinary Crown lands, so that they would thus be available for the acquisition of further land, either European or otherwise :
- (8) That the law be amended to provide for the abolition of " thirds " on Native land heretofore purchased.

Note.—" Thirds " are not payable in respect of land purchased out of the Land for Settlements Account for settlement purposes, and there is no reason why land purchased from Natives should be in a different category.

233. The foregoing recommendations would result in the losses already incurred, or which might be incurred in the future, being met from the Consolidated Fund, which would, however, obtain the benefit of rentals at present credited to the Native Land Settlement Account. **The main point, however, is in respect to future transactions, and, as the Department of Lands and Survey has the necessary machinery to deal with the acquisition of lands on a large scale, we see no reason why a separate organization should remain in existence.** It may, however, be necessary for the Lands and Survey Department to avail itself of the machinery of the Native Department for negotiating purchases and for the payment of purchase-money in approved cases to the Maori owners. This, however, is merely a matter of departmental organization which should present no difficulty.

234. *Survey Liens*.—The Native Land Settlement Account is also concerned with expenditure on the survey of Native lands, and as at the 31st March, 1931, the amount outstanding on this account was as follows :—

Survey liens :—	£	£
Principal	196,757	
Interest	98,337	
	-----	295,094
Surveys in progress .. .. .	..	17,645
	..	-----
		<u>£312,739</u>

235. As a result of the recent consolidation scheme investigation conducted by the Native Minister in consultation with the Department of Lands and Survey, the following position was agreed upon :—

Liens affected by the Consolidation schemes then under review	115,371
Less amount satisfied by transferring Native lands to the Crown (for the most part non-revenue bearing)	33,359

Leaving to be written-off as follows—	£
Principal	44,153
Interest thereon (total)	37,859

	<u>£82,012</u>

236. Briefly stated, this position has arisen by reason of defects in the 1909 legislation, which prescribed the procedure as between the Natives who desired title subdivisions, the Courts which authorized the surveys, and the Lands and Survey Department, which carried out the work either by staff or private surveyors. Under this system the position was dominated by the desire of the Natives to define their titles without sufficient attention being paid to the questions of (1) necessity for such action, (2) security by way of deposits against survey costs, and (3) the economic capacity of the land.

237. While it is stated that the Court does not now in practice order surveys the costs of which are not likely to be paid, the original provision still remains on the statute-book, **and we recommend that the law be amended to provide that surveys shall not in any case be carried out unless the Native owners first lodge a deposit sufficient to cover the estimated cost of the work.** It is certain that a large proportion of the amount expended in the past will require to be written off, but this apparently cannot be avoided. An undesirable feature is that the whole of the amount has been provided from loan-money, consequently interest and sinking fund must remain a charge on general taxation.

238. *General*.—Another phase of the activities of the Department is the development of Native land. This also is financed from the Native Land Settlement Account, but as at the 31st March, 1931, the amount expended was £64,900, while loans to Native settlers totalled £32,900, or a total of £97,800. This is relatively a new activity, and it is too early to determine whether losses will result. The statutory

powers covering the lending of moneys on the security of land and chattels to open up and develop Native lands for farming purposes are vested in the following, subject to the restrictions indicated :—

(1) *Native Trustee*—

- (a) May control properties, including farm lands under his jurisdiction by way of ordinary or special trusts.
- (b) May develop and farm lands under section 25, Native Trustee Act, 1930.
- (c) The Native Trust Board may invest moneys out of the Common Fund, and if, by reason of non-payment of interest or non-observance of mortgage covenants, the Native Trustee assumes possession he may continue the farm the properties.

(2) *Native Department*—

The Native Minister has wide powers under section 522, Native Land Act, 1931, to develop and farm Native lands. He may also delegate certain of his powers to the Native Trustee or the Maori Land Boards.

(3) *Maori Land Boards*—

Subject in each case to the approval of the Native Minister, Boards may—

- (a) Advance moneys on loan to Natives for farming, &c. :
- (b) Purchase and farm lands :
- (c) Undertake industries :
- (d) Farm lands vested in them.

239. **The main point is that the above institutions all have the power to lend money to Maoris and to develop and farm Native lands, but that power is substantially dependent upon the approval and direction of the Native Minister.** In the case of the Native Trustee and the Maori Land Boards, parliamentary or Cabinet sanction is not a necessary preliminary to the expenditure of money, as it is only in connection with development schemes or advances from the Native Land Settlement Account or the Consolidated Fund that there is any measure of parliamentary control.

240. In addition to the foregoing organizations, the East Coast Commissioner, to whom reference will be made later, has, by statute, extensive powers for developing and farming land vested in him, but he acts independently of the other branches.

241. We are of opinion that Native administration generally is much too widespread, and that the whole of the administration should be co-ordinated under one head, and be made subject to definite parliamentary control, or, in the case of trust funds, to control by an Investment Board. We shall deal more fully with the reorganization of Native administration later. In the meantime, in regard to development schemes, these can be classified under three types as follow :—

- (a) Loans to Maori individuals for improving and stocking their holdings. Advances are very rarely paid in cash.
- (b) Development of pumice and other inferior lands preparatory to subdivision and settlement.
- (c) Development or improvement of lands known to be of good quality with a view to subsequent subdivision.

241A. Dealing firstly with the operations of the Maori Land Boards, it is a difficult matter to review their activities in detail. The Native Minister has, however, delegated certain of his powers to the Boards in connection with development schemes financed out of the Native Land Settlement Account. The Boards are also concerned with development schemes and loans from their own funds to Maori farmers. Our investigations point to the fact that, while the results achieved are in many cases gratifying and vindicate the policy embodied in this class of assistance, it is yet too early to pronounce judgment on most of the work. There are, however, cases where considerable losses must result. An instance is the Te Kao development block, in the extreme north of the Tokerau Maori Land Board District. This work was put in hand by the Tokerau Maori Land Board, and has been carried beyond the point to which the Board can readily finance it. Subsidiary activities, such as stores, transport services, &c., were embarked upon without statutory authority, although empowering legislation has since been enacted to regularize matters. The capital and interest outstanding in this scheme as at the 31st March, 1932, amounted to over £26,000. **We are of opinion that a venture such as this should not have been entered upon on the judgment of one man, and no time should be lost in placing the scheme under a Farm Supervisor acting under the direction of the Registrar and incidentally Head Office.**

242. Another feature of the administration of the Tokerau Maori Land Board is in connection with the subdivision of Native lands for European settlement. Authority was given in 1905 for advances from loan funds for this purpose, and the sum of £12,300 was outstanding on this account as at the 31st March, 1931, the major portion being secured upon blocks within the Tokerau District. Advances totalling £3,600 have already been written off, and losses on other blocks appear probable. An undesirable feature in so far as the Crown is concerned is that under the Native Land Amendment, &c., Act, 1928, the Native Land Court may, by order, recommend that the whole or any part of the loans be written off as a charge against the land, and the Minister of Finance may give effect to such recommendation. Thus the losses must be borne by the Consolidated Fund.

243. The results reflect upon the administration of the Tokerau Board, and have imperilled the security of its nominal reserves.

244. Another feature of Native development is that considerable sums have been expended on the development of pumice lands, and, as it has not yet been proved that these lands are capable of economic development, the schemes must still be regarded as experimental. Approximately £40,000

has been expended in this direction, and in view of other development schemes, notably the Ngakuru Block under the control of the Lands and Survey Department, it is suggested that expenditure on this type of land should be held in abeyance until the results can be more definitely gauged. Our investigations disclose that the cost of development of pumice lands is in the vicinity of £20 per acre with a heavy maintenance cost for the first few years. This being the case, it is difficult to justify development at such a cost, and if pumice lands cannot be brought into permanent pasture at a more reasonable price, then they would be better left in their natural state until the finances of the Dominion are in a more buoyant condition. **Experimental development work of this nature may be justifiable if done out of revenue, but if financed from loan funds, on which interest and amortization charges must be met over a long period of years, they are definitely uneconomic.**

245. In the case of one Maori Land Board the development schemes are scattered over a wide area, and are mostly under the supervision of an officer who until recently was employed as a clerk-interpreter in the Native Land Court. **We cannot regard this officer as having sufficient experience and farming knowledge to enable him to instruct the Natives and to obtain the best results from the money spent.**

246. There have been large sums of Maori Land Board funds invested in the development of "bush-sick" land. In one case an area of 2,615 acres adjacent to Rotorua was taken up and has been brought to the production stage by clearing, grassing, &c. Two areas of healthy land were acquired to enable the stock to have a change of pasture and the prices paid were £5,000 and £2,000 respectively. During the past two years farming operations have resulted in substantial losses, and up to the 31st March, 1932, approximately £38,000 had been expended on this scheme, but the land has not yet been subdivided for occupation by individual settlers. In the first place, the scheme was too ambitious for a Maori Land Board to undertake with its limited funds, and the Board concerned cannot now complete what it set out to do. Secondly, the risk of spending so much money on country known to be "bush-sick" appears to have been too great.

247. Yet another matter in connection with this scheme is the payment to the owners of an annual rental in respect of property which is being developed for their benefit or future occupation. Some of the owners also receive wages for work done, and in the circumstances the principle of paying rent which comes out of capital is entirely wrong.

248. These are but a few examples of the extent to which developmental works have been financed and carried out, mainly under the control of Maori Land Boards. This is but one of the functions which have been delegated to them by the Native Minister, and is not normally part of their duties. **They have not the administrative machinery to assume responsibility for work of this description, and we are of opinion that the administration should be strengthened if it is decided that the work should still proceed.**

249. We are, however, doubtful of the wisdom of expending large sums of money on the development of inferior country, particularly pumice and "bush-sick" country where development is still in its experimental stages. It would be better to concentrate on one area only of pumice or "bush-sick" country, bring it to the production stage, and assess the economic results before expending large sums of money on doubtful schemes.

250. It will be appreciated from the above review that the duties of the Department in regard to the development of Native lands and loans to Natives are to a degree involved with Maori Land Board finance. In fact, the tendency has been to treat the Maori Land Boards as district offices of the Department, but not all the schemes administered by them are financed from the Boards' funds. The Native Land Settlement Account is also involved.

251. The Head Office is generally concerned with the administration of the Native Land Act, a voluminous measure dealing with all aspects of Native-land policy, including the judicial functions of the Native Land Court. It must be accepted that the Native Department is a necessity, and, as we cannot conceive any other organization in the Public Service by which the work could be undertaken, we do not propose to review the normal functions of the Department in detail.

252. The Department is also concerned with the granting of relief to indigent Natives. The sum of £7,000 is provided each year under the Civil List for this purpose, and of this amount £3,000 is allocated among a large number of individual Natives, approximately 200, chiefly in North Auckland and the Bay of Plenty districts. The practice is for the Department to give orders to storekeepers for the supply of goods up to approximately £1 per month each. In addition to this, the sum of £3,600 is paid annually to the Health Department for medical and nursing services supplied. This is but a minor phase of the Department's activities. In our interim report we recommended that the annual grant of £7,000 under the Civil List Act be abolished, and after further inquiry we see no reason to depart from the recommendation then made, particularly in view of the extent to which relief is provided from other sources.

253. The administration is also concerned with appeals from decisions of the Native Land Court, as these are in all cases referred to Head Office for consideration by the Chief Judge preliminary to being sent to the Appellate Court.

Maori Land Boards.

254. We have already referred to the duties cast upon Maori Land Boards in connection with the development of Native land and the making of advances to Natives.

255. These were not the basic functions of the Boards, which were first established in 1900 as a measure of protection for the Natives. Prior to that year the restrictions on sale or other disposal

of Native land were not sufficiently rigid for the proper protection of the Natives, and alienations were becoming so numerous that a grave danger arose of the Natives ultimately becoming more or less a charge on the State. District Councils were therefore appointed under the Maori Lands Administration Act of 1900, with power to review all transactions and to terminate negotiations considered inimical to the interests of the Native owners. However, these Councils apparently did not function satisfactorily, and in 1905 they were converted into Maori Land Boards. Each Board then consisted of a president and two members appointed by the Governor, one of them being a Maori.

256. The constitution of the Boards was again altered in 1913 to two members—namely, the President, who must be a Judge of the Native Land Court district, corresponding with the Maori Land Board district, and the Registrar of the Court.

257. No material alteration has been made since that date. The feature of the Board's constitution is that the President has sole jurisdiction, and when sitting in company with the Registrar has a casting-vote in addition to his ordinary vote. **The Boards may therefore be deemed to be "one man" Boards.** The fact that the President has jurisdiction over alienations and that he is also the Judge of the corresponding Native Land Court district indicates that the line of demarcation between the duties of Boards and Courts has in some respects disappeared, and there appears to be little objection to the Courts taking over from the Boards those functions which can reasonably be vested in them.

258. The functions and powers of the Boards may be defined as follow:—

- (a) Confirmation of alienations by way of sale, lease, mortgage, &c.
- (b) Vesting of Native lands in Boards.
- (c) Collection and distribution of sale-moneys and rentals.
- (d) Holding in trust purchase or other moneys due to Natives in certain circumstances.
- (e) Disposal of revenues received by the Board.
- (f) Selling of lands vested in it.
- (g) Granting of licenses for the removal of timber, flax, kauri-gum, or minerals from any land vested in it, subject to the consent of the Governor-General in Council.
- (h) Farming land vested in it and raising money for the purpose. The appointment of a farm manager is subject to the approval of the Native Minister.

Also, subject to the consent of the Native Minister, as follows:—

- (i) Advancing of moneys to Natives on loan—
 - (1) For the purposes of any agricultural or pastoral business carried on:
 - (2) For the payment of any debts or liabilities of any body corporate constituted under the Act:
 - (3) For the discharge of any charge, encumbrance, rates, or taxes affecting any Native freehold land:
 - (4) For the farming, improvement, or settlement of any Native freehold land:
 - (5) For any other purpose that the Governor-General in Council may authorize.
- (j) Guaranteeing accounts of Native dairy-farmers up to £300 with co-operative dairy companies.
- (k) Purchasing and farming Native lands.
- (l) Acquisition of land for Natives.
- (m) Undertaking industries on behalf of Natives.
- (n) Forming and constructing roads for the purpose of opening up Native land for settlement. Boards may borrow moneys for the purpose.

259. The functions of Boards have undergone considerable change since their inauguration, and the President has a heavy responsibility devolving upon him. **Originally the main duty of the Boards was to protect Natives from exploitation, but the trend of recent legislation is to provide ways and means of assisting in their social and economic welfare. Their financial operations are of some magnitude. As the Boards are substantially "one man" Boards, it follows that the expenditure of their funds is not subject to that supervision and control which is desirable. Incidentally, an officer appointed because of his judicial qualifications may not have that judgment in financial matters which is essential.**

260. The legislative enactments of 1929 and onwards give a measure of Head Office control over the Boards, and this was undoubtedly a step in the right direction.

261. With the transfer of the judicial functions of the Boards to the Courts, it appears that there would be no justification for the continuance of the Boards as such, and they should be absorbed into the departmental organization which we shall outline later. The Boards at present have separate bank accounts to which all moneys received are lodged, and they each pay to the Consolidated Fund annually an amount to cover administration expenses. All sums of money earned as interest by the Board not on account of any specific investment on behalf of a particular beneficiary are deemed to be the property of the Boards. They have power—

- (1) To allot such interest as they think fit to any accounts:
- (2) With the approval of the Native Minister, to acquire office-sites and build thereon:

(Note.—The offices at Auckland, Wanganui, Rotorua, and Gisborne were acquired out of Board funds.)
- (3) To contribute to the Maori Purposes Fund to which reference is made later.

Leases of Native Lands.

262. In regard to alienations of Native lands subject to control by the Boards, the Act provides that no such alienation by way of lease shall be for a longer period (including any term or terms of renewal to which the lessee is entitled) than fifty years.

263. We are assured that leases recently confirmed or renewed sufficiently safeguard the interest of the Native lessors both as regards covenants and the payment of rentals per medium of the Boards. This has not always been the practice, and there is ample evidence that, owing to weaknesses in earlier leases, lessees could and often did neglect properties, particularly towards the maturity of the leases, with a view to obtaining more favourable terms upon renewal. Aohanga is an illustration of this.

264. The question of periodic inspection of lands leased to Europeans is a matter for attention in the near future. At present no field inspections for the purpose of ascertaining whether the covenants of leases are being observed are provided for. If the present available field officers were fully co-ordinated it should not be difficult to organize their duties to include inspection of properties at reasonable intervals.

265. We next refer to the separate trusts and Boards created in connection with the administration of Native affairs so far as they affect our inquiries.

EAST COAST NATIVE TRUST LANDS.

266. A brief history of the East Coast Trust is contained in the *Te Wananga* Journal of September, 1925, page 19. It is stated that many of the Maori owners in the East Coast district were induced to become shareholders in a concern called the East Coast (later New Zealand) Lands and Settlement Co., which took over their lands and issued scrip therefor. The financing of the scheme through the bank proved a hopeless failure, and a debt of over £172,000 was ultimately charged against an area of 244,985 acres.

267. The bank, to which most of the debt was owing, took steps to foreclose, and was prevented from taking over the land and selling it only by the action of Parliament. The lands concerned were created into a trust by the East Coast Trust Lands Act, 1902, and a Board was constituted to administer them—firstly, to pay off the enormous debts, and, secondly, to make them return something, if possible, to their owners.

268. In 1907 the functions of the Board were taken over by a Commissioner, who leased various lands to Europeans and farmed others through “managers.” After his death in 1920, the East Coast Commissionership was accepted by the Native Trustee.

269. About the same time difficulties arose with the administration of what are known as Mangatu Blocks Nos. 1, 3, and 4. These comprised over 100,000 acres of land in Waikohu and Opotiki Counties, which had at first been administered for the Native owners by an “incorporated committee” appointed from among them as a result of the Mangatu No. 1 Empowering Act, 1893. The committee was replaced later by two trustees, one of whom was the District Commissioner of Crown Lands. These trustees, as with the East Coast Trust, proceeded to lease portions of the block and to farm a portion.

270. After a Royal Commission of Inquiry set up in 1917 had reviewed the whole position of Mangatu, its administration was handed over to the East Coast Commissioner together with Mangatu Blocks Nos. 3 and 4, each as a separate trust. Since 1920 the Mangatu Blocks have been administered by the same officers as control the East Coast Trust, aided by an advisory committee of the owners.

271. The trust lands of to-day comprise—

	East Coast Trust Lands.	Mangatu No. 1.	Mangatu Nos. 3 and 4.
	Acres.	Acres.	Acres.
Leased lands	59,464	52,105	3,680
Farmed by Commissioner	32,709	28,476	..
Special licenses .. .. .	..	397	..
Unoccupied	59,563	18,291	5,992
	151,736	99,269	9,672

272. The area farmed by the Commissioner through the Farm Supervisor comprises eighteen stations. Several of the stations are managed by men of Native blood who are reported to be satisfactory.

273. It may be remarked here that the Commissioner has for some time past found it necessary to delegate his duties to the Registrar and the Farm Supervisor.

274. Separate accounts are now kept for each block in the trust in the interests of the Native owners. The debts taken over by the trust are stated to have been considerably reduced, and cost of administration and in some cases current rents and even back rents are being recouped.

275. There are approximately two thousand beneficiaries in the trust lands, and the numbers are increasing.

276. The powers of the Commissioner are very wide. Section 29, Native Purposes Act, 1931, reads,—

“The Commissioner may from time to time, and subject to the provisions of this Part of this Act, exercise the following powers:—

“(a) Sell and dispose of or lease any lands or property vested in him upon such terms and subject to such conditions as he thinks fit. The power of sale shall not be exercisable without the consent of the Governor-General in Council.

- “(b) With the consent of the Native Minister acquire any land or any interest therein.
 “(c) Raise money upon the security of the lands or other property vested in him and expend the same for the purpose of improving, subdividing, selling, or letting the same, and for the purpose of paying off any liabilities.
 “(d) Farm lands, fell and dispose of timber, make and dedicate roads, construct bridges and drains, and generally manage and improve any lands vested in him.”

277. A separate bank account is kept for the trust funds. Proper balance-sheets and statements of account are prepared and are subject to final confirmation by the Court. They must also be laid on the table of the House.

278. **We are of opinion that as the trusts are now administered by Government officials, the lands should be vested in the Native Trustee as a special trust, subject to control by the Investment Board.**

279. Any special features peculiar to the East Coast trust lands could be embodied in the legislation governing the trust, **but care must be taken to ensure that in the event of losses the Consolidated Fund is not implicated.**

280. We submit this as part of the general reorganization suggested later.

MAORI ETHNOLOGICAL RESEARCH BOARD.

281. This Board was established in terms of section 9 of the Native Land Claims Adjustment Act, 1923, to promote the study and investigation of arts, languages, customs, &c., of the Maori and cognate Pacific races.

282. To finance the fund the Native Minister was empowered to requisition at his pleasure upon the interest-moneys set aside by the Maori Land Boards and upon the profits of the Native Trustee.

283. The Board consists of nine members, with the Native Minister as Chairman, and since its inauguration its funds have been derived from the following sources:—

	£
Maori Land Boards	6,500
Maori Purposes Fund	4,150
Native Trustee	1,000
Native Civil List	750
Internal Affairs Department	3,355
External Affairs Department	350
Cook Islands Administration.. .. .	100
Interest	438
Sale of Publications	271
Subscriptions to <i>Te Wananga Magazine</i>	46
Sundry	23
	£16,983

284. The expenditure from the inception of the Board totals £14,944, mainly in connection with publications and assistance towards research. The administration expenses amount to £2,029. The main point is that the Board draws its resources mainly from Government or semi-Government institutions.

285. **We are of opinion that all moneys granted to the Board should be appropriated by Parliament and that recoveries from other sources, such as Maori Land Boards, &c., should be shown as credits-in-aid of the vote.**

MAORI ARTS AND CRAFTS BOARD.

286. This Board was established under the Maori Arts and Crafts Act, 1926, to foster and encourage the study and practice of Maori arts and crafts. The Board is a body corporate, with power to establish schools, acquire property, trade in carvings, and control antiquities. It consists of nine members, with the Native Minister as Chairman.

287. The Board controls a fund whose resources are drawn from—

- (a) Parliamentary appropriation :
 (b) Maori Purposes Fund :
 (c) Arawa and Tuwharetoa Trust Boards :

and the total amount received since the inception of the fund in 1926 is as follows:—

	£
Consolidated Fund	2,802
Maori Purposes Fund Control Board	2,900
Interest allowed by Native Trustee	100
	£5,802

288. The Board has established a school of carving at Rotorua and the expenditure since the inception of the fund has been as follows:—

	£	s	d.
Furnishing and equipment of Board's Headquarters at Rotorua	247	11	6
Purchase of motor-car and accessories	220	1	3
Expenditure in connection with Ngaruawahia Maori Hostel: Wages of carvers	200	0	0
Purchase of timber for Te Aute College Memorial Hall	1,161	11	9
Purchase of Piupius (skirts for ceremonial wear)	100	0	0
Administration expenses—	£	s.	d.
Salaries	2,511	8	8
Miscellaneous, including running of car	1,084	7	1
Native Trustee's commission	82	13	0

	3,678	8	0
Total expenditure	5,607	13	3
Balance at 31st March, 1931	194	2	6

	£5,801	15	9

289. The necessity for the purchase of the motor-car is not apparent.

290. **We recommend that the whole of the assistance given to this Board should be by way of annual appropriation from the Consolidated Fund, with recoveries as far as possible from other sources such as the Maori Purposes Fund.**

CONFISCATED LAND BOARDS (1928).
 REWI-MANIAPOTO MEMORIAL COMMITTEE (1929).
 RINGATU CHURCH TRUST (1921-22).
 WHAKARUA TRUST BOARD (1928).
 HINERUPO TRUST (TE ARAROA) BOARD (1927).
 WI PERE TRUST (1907).
 NGAITAHU TRUST BOARD (1928).
 KAIAPOI RESERVE BOARD (1924).

291. These represent various administrative Boards and bodies constituted in terms of the Native Purposes Act, 1931, which consolidates previous enactments as indicated.

292. They have little bearing upon the matters under inquiry by us, **but any assistance given them should be appropriated by Parliament in the ordinary way.**

MAORI PURPOSES FUND.

293. By virtue of the Native Land Amendment and Native Claims Adjustment Act, 1924, the Maori Land Boards were required to pay over to an account called the Maori Purposes Fund Account a total of £90,000 from their accumulated funds, and, in addition, it was made obligatory upon them to make an annual contribution to the fund thus established.

294. The actual amounts contributed by Maori Land Boards to the original fund were as follow:—

	£
Tokerau	12,000
Waikato-Maniapoto	30,250
Waiariki	14,500
Tairawhiti	11,000
Aotea	18,400
Ikaroa	3,000
South Island	850

	£90,000

They have not paid anything since.

295. Under the 1925 Act, the State contributed £3,000 per annum for five years. The fifth payment was made in 1930-31.

296. **It should be stated that the Economy Committee set up in 1921 recommended that the accumulated funds held by the Maori Land Boards in respect of commission earned should be paid to the Consolidated Fund, and also that the unclaimed moneys then held by the Public Trustee on behalf of the Boards should be brought under the provisions of the Unclaimed Moneys Act—i.e., paid to the Consolidated Fund. It is from these sources that the Maori Purposes Fund was initiated, and this notwithstanding the recommendation of the Committee set up in 1921.**

297. The fund is controlled by a Board of ten members, with the Native Minister as Chairman. The purposes for which the fund may be applied are:—

- (a) Education of Natives, including founding of scholarships, exhibitions, and payment of allowances and contributions to Maori secondary schools.
- (b) Assistance towards Maori ethnological research and similar purposes in the South Pacific Ocean.
- (c) Such other purposes as may be recommended by the Native Minister.

The following is a statement showing the receipts and payments from the account since 1926.

Year ended 31st March,	Receipts.		Payments.		Cash in Hand at End of Year.
	Grants and Subsidies.	Interest at 4½ per Cent.	Grants.	Administration Expenses.	
	£	£	£	£	£
1926	90,137	3,836	5,321	151	88,501
1927	3,000	3,975	4,938	139	90,399
1928	3,000	3,872	10,048	240	86,983
1929	3,000	3,749	10,417	160	83,155
1930	4,999	3,659	9,669	160	81,984
1931	4,200	3,473	17,712	193	71,752
	108,336	22,564	58,105	1,043	

298. The following is a classified statement of expenditure to date:—

Education and religious purposes	£ 33,950
Polynesian Society	700
Maori arts and crafts	4,250
Maori ethnological research	8,300
Administration expenses	1,043
Miscellaneous—Special meetings, memorials, tangis, hygienic campaigns, &c. ..	10,905
	<u>£59,148</u>

299. It will be seen from the statement previously given that the capital fund is being steadily depleted, and we strongly recommend that the balance be conserved for essential purposes only.

SUMMARY.

300. It is apparent from the investigations made that the functions and activities of the Native Trust Office and the Native Department overlap, and that the functions of the Maori Land Boards have so changed in recent years that they are in reality branches of the Native Department, and should be recognized as such. The legislation under which the Native Trustee, the Native Department, and the Boards operate has been briefly mentioned when dealing with the separate activities, but it is evident that many of the statutory individual powers now held by the Native Minister should be vested in an Investment Board. These powers are summarized briefly as follow:—

301. In connection with the Native Trustee's Department the Minister has power to direct that the Native Trustee may take control of and operate land owned by Natives, and if as a result of these operations losses are sustained they would require to be met from the Native Trustee's funds. If, however, these funds were not sufficient, then the loss would fall on the Consolidated Fund.

302. Under the legislation dealing with the Native Department, the Minister has power to direct the Department or the Maori Land Boards to take control of and operate land owned by Natives, and, although the legislation as now existing would not appear directly to admit liability by the Consolidated Fund, there is no doubt that any loss which the Boards' funds are insufficient to meet would have to be borne in some measure by the Consolidated Fund.

303. The history of Maori Land Boards has been traced in our report, and their development into "one-man" Boards, giving the President more or less complete control of the funds has been stressed. A recent development has been the advancing of money to Native farmers and the development of Native lands in sympathy with the provision made for assisting European farmers, and during the evolution of this idea the Native Minister has again been given very wide and far-reaching power to deal with the funds of the Maori Land Boards, the Maori Purposes Fund, and loan-moneys appropriated by Parliament from the Native Land Settlement Account. **At his direction moneys are expended on Native-land development and advances to Natives to a degree which has no parallel in ordinary departmental procedure.** Power is also given to the Minister to place areas of Native land in the Native Trustee's hands for development or farming, and although he then ceases to have control of the expenditure, **the Native Trustee has, in the lands so far entrusted to him, embarked upon schemes which are too ambitious considering the funds available.**

304. We again stress the necessity for amending the legislation, as the present position appears to give to one Minister powers which constitutionally should not be in the hands of one person.

305. We recommend that a strongly constituted financial and investment Board be set up, and that the functions of the present Maori Land Boards should be merged in the departmental machinery as indicated later.

AMALGAMATION OF DEPARTMENTS.

306. After a careful investigation of the work carried out by the Native Trustee, the Native Department, and the Maori Land Boards, we are forced to the conclusion that there are no substantial reasons why the amalgamation of the two Departments and the Maori Land Boards under one permanent head should not be effected. **It is essential, however, that the permanent head should be a man of high administrative capacity, able properly to balance and co-ordinate the various policy and financial matters affecting the Department.**

307. The investment activities of the combined Department should be controlled by the Investment Board previously recommended. At present the separate Departments each has an administrative staff undertaking similar duties, and this is particularly noticeable in regard to the field staff, where representatives of both Departments travel and inspect similar activities in the same areas.

308. **We recommend, therefore, that the Departments be amalgamated, and organized under—**

- (a) **Administrative (embracing Head Office and Investment Board control).**
- (b) **Investments and finance.**
- (c) **Developmental activities.**
- (d) **Native trust work, benefit and miscellaneous funds.**
- (e) **Judicial.**

Administrative: Embracing Head Office and Investment Board Control.

309. In recommending the amalgamation of the Departments, we consider that the operations of the combined Department could be most economically controlled under a decentralized plan, and would recommend that much of the work which is now carried out at Head Office, especially in regard to developmental activities, should be transferred to the districts in which the development schemes are being operated.

310. The Head Office would act in the usual manner as administrative control, and decentralization should not entail more staff than is necessary under the system now in force, whereas essential information would be more rapidly available both for review in Wellington and as a guide for local operations.

Investments and Finance.

311. Previously in this summary we have outlined the necessity for amending legislation, and the establishment of a Board which would control the investments and the operations by way of loan and developmental work of the Department.

312. **The trust moneys which would come under the control of the amalgamated Department should be invested in a Common Fund, and not in the many separate funds that now exist.**

313. We further recommend that the advances which are made to Natives to assist in the development of their properties should be on table mortgage, providing for repayment of a portion of the principal, together with interest. We find that in those cases where this method has been adopted the indebtedness of the Native to the Department has already been considerably reduced.

314. Competent supervision should be maintained over properties on which advances have been made. This can, for the most part, be given effect to by a reorganization and distribution of duties of the persons now employed as Field Supervisors.

Development Activities.

315. At the present time, apart from advances to individual Maoris, the main operations of the Native Department are along the lines of developing areas for occupation by Natives.

316. It appears to us that many of the schemes now in progress have been pushed ahead too rapidly, especially in the development of pumice lands and land in "bush-sick" areas.

317. It is submitted that operations should have been confined to smaller areas for experimental purposes until such time as it was definitely known that the land could be brought in and worked on an economic basis.

318. In the Rotorua district the Lands Department and the Agriculture Department have for many years been experimenting on pumice lands, and the evidence was to the effect that the results of the operations of these Departments were such that they were not yet in a position to state that the land could be economically broken in and farmed; rather was the evidence to the effect that a substantial writing-down of capital costs would be necessary before reasonable results could be obtained from the working of the pumice areas. This evidence must have been available when the schemes of Native development were initiated, but notwithstanding this the development of many thousands of acres of similar land has been proceeded with.

319. There also appears to be a doubt as to whether Maoris who have been separated many years from the land as in Rotorua will make a success of dairy-farming, which calls for constant and continued attention.

320. The main essential to ensure success lie in the direction of—

- (1) Efficient co-ordinated general control.
- (2) Strict, economical, and efficient accounting control.
- (3) Intensive field supervision by competent men with a full appreciation of Native characteristics.

321. We recommend that no new large-scale schemes be embarked upon until the capacity of the present ventures has been demonstrated.

Native Trust Work.

322. The Native Trust Office has an Investment Board, but the law does not require the Native Trustee to submit for its approval any plans for the development of lands under section 25 of the Native Trustee Act, 1930. **There is a decided weakness in this, as schemes involving upwards of £150,000 have been proceeded with on the approval of the executive officers acting largely on the reports of one field officer.**

323. In one case which was brought under our notice the Native Trustee had expended approximately £85,000 for the purchase of stock and for improvements to one property.

324. **There appears to be no reason for the continued existence of a separate Department covering the work undertaken by the Native Trustee, and we think that if this work were carried out by the amalgamated Department, greater efficiency would be obtained by some measure of decentralization, especially in regard to the collection of rents, interest, &c., and the disbursement of same.** Better control could also be obtained over the properties now farmed by the Native Trustee, and more careful supervision could be given to those properties over which the Native Trustee has lent money by way of mortgage.

East Coast Commissioner.

325. The Native Trustee is nominally Commissioner for the East Coast Trust which was constituted by Act of Parliament, **and we are of opinion that his duties should be carried out and controlled by the amalgamated Department, as a special trust without any recourse on the Consolidated Fund.**

Judicial and Maori Land Board Reorganization.

326. At the present time judicial work in the Native Land Courts is carried out by seven Judges, these Judges being permanently resident at the headquarters of the Court in the respective districts.

327. The Native Land Courts have, except in isolated cases, completed the work of investigation of titles, and their remaining duties are not nearly so onerous as in the past.

328. The Maori Land Boards' functions have undergone a change in recent years, and financial matters now constitute the major portion of their activities.

329. They now operate as separate bodies and undertake field operations which are much beyond their resources, and in some cases find themselves financially unable to continue the operations to the degree intended. This, in itself, suggests a lack of administrative judgment, and from the evidence submitted there also appear to be many shortcomings in the operations of the farm properties under their charge.

330. The Boards are purely "one-man" Boards, and until recently the President had complete control for investment purposes of the funds held in the form of reserves or on trust. **That it is dangerous to allow such wide powers to be vested in "one-man" Boards is obvious, and the evidence points to the fact that some large development schemes have been unsuccessfully launched.** In one case the precaution of engaging a qualified farm supervisor to control the actual field operations was not taken, while in some districts field-work is directed by officers who are not skilled farmers.

331. The present district machinery of the Native Land Courts should be maintained, and certain judicial duties of the Boards become functions of the Court, the remaining duties of the Boards being carried out by the local offices of the combined Department. This reorganization should permit of a reduction in the number of Judges from seven to four, which number should be sufficient to cope with the reduced volume of work now being carried out by the Courts.

332. Commissioners of the Native Land Court could perform much of the routine work which has in the past been undertaken by Judges. They should be chosen for their administrative capacity, as they should be called upon to accept responsibility for the control of the local staff, farm supervisors, and securities, and would undertake the residual duties of the Boards. **Thus the Commissioner with his staff would constitute a district office and the Maori Land Boards as such cease to exist.**

Appropriations and Accounts.

333. The accounts or funds at present being utilized for Native purposes are:—

- Consolidated Fund (for administrative and general purposes).
- Native Land Settlement Account (partly).
- Native Trustee's Account.
- Maori Purposes Fund.
- Maori Land Board Funds.
- East Coast Trust Account.

334. The three last-mentioned funds should remain separated from Government finance, but where possible should be merged in the Native Trustee's Account. The Consolidated Fund now provides the administrative expenses of the Native Department, and this practice should be continued. **In regard to the funds necessary for the development activities and other loans to Natives, we consider that the Native Land Settlement Account as such should be abolished, and that the money required for the continuation of these activities should be provided from an appropriate vote on the Public Works Fund.** The expenditure on development schemes and in respect of loans to Natives already made from the Native Land Settlement Account should be transferred to the Public Works Fund in order that the accounts of the whole of the undertakings might be brought under one heading.

335. These accounts should all be controlled by one administrative officer, and all expenditure other than ordinary trust estate disbursements made subject to parliamentary appropriation.

336. A number of small Boards has been constituted by the Native Land Act, 1931, or the Native Purposes Act, 1931, for the purpose of safeguarding the rights of Maoris or for providing for their religious or moral welfare, &c., and funds have been made available to these partly from the separate accounts and partly from the Consolidated Fund. We think that any future grants should be voted from the Consolidated Fund with full or partial recovery from the Maori Purposes Fund or Board funds as may be deemed expedient. In this way the assistance given would be capable of proper review.

337. **With regard to the future of the Maori Purposes Fund and the unallocated Board funds, we are inclined to the view that they should form the nucleus of a Reserve Fund for general Native benefit.**

Purchases of Land for European Settlement.

338. We have already dealt fully with this phase of the activities of the Native Department, and it is only necessary here to reiterate that **the Native Land Purchase Board should be abolished, and that the purchase of Native land for European Settlement should be controlled by the Dominion Land Purchase Board.** Also the retention of a special loan account for transactions of this nature is not justified, and the funds required in future for the purchase of Native land should be drawn from the Land for Settlements Account.

339. **We recommend,—**

- (1) **That the balance remaining in the Native Land Settlement Account be transferred to the Loans Redemption Account, to be used for the redemption of securities :**
- (2) **That the revenue derived from Native Lands heretofore purchased and settled be credited to territorial revenue :**
- (3) **That Native lands, whether already settled or still on hand, be deemed to be ordinary Crown lands, subject to all the provisions of the Land Act, 1924 :**
- (4) **That the loan capital of the Native Land Settlement Account be deemed to be part of the national development expenditure, the interest on which must be met from general revenue :**
- (5) **That the proceeds derived from the sale of Native land heretofore purchased be credited to the Land for Settlements Account as in the case of ordinary Crown lands ; so that they would be available for the acquisition of further land, either European or Native :**
- (6) **That the law be amended to provide for the abolition of " thirds " on Native land heretofore purchased.**

340. We would also reiterate that in view of the disastrous experience of the Crown in regard to purchase of Native lands, further purchases, except for the purpose of consolidating areas suitable for immediate settlement, should cease until (1) economic conditions are such that successful land-settlement is possible, and (2) the law is amended to provide for a rental return at least equal to the interest payable on borrowed money.

Survey Liens.

341. **We recommend that no further surveys be undertaken unless an amount sufficient to cover the estimated cost of the work is first deposited with the Department of Lands and Survey. The law should be amended in this direction.**

CONCLUSION.

342. It would be futile to attempt to enumerate the economies which will result from the foregoing recommendations for the reason that the Department is understaffed in certain directions and an extensive redistribution of duties will be entailed.

343. The changes in administration which we recommend will tend to eliminate further losses and be conducive to greater efficiency and more effective control.

VOTE—COOK ISLANDS DEPARTMENT.

344. This Department is nominally a part of the Native Department, in that the vote forms a subdivision of the Native vote. We propose, however, to review the expenditure as distinct from that of the Native Department.

345. The vote is to provide for the administration of the Cook Islands Group. The relative expenditure for 1914-15 and 1930-31 was as follows :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 3,556	£ 1,507	£ 5,063	£ 16,716	£ 10,557	£ 27,273

346. It will be noted that, excluding the operation of the m.v. "Maui Pomare," the administrative cost has risen from £5,063 in 1914-15 to £27,273 in 1930-31. **This increase seems to be out of all proportion, and immediate steps should be taken to reduce the cost of administration.**

NEW ZEALAND ADMINISTRATION.

347. In the first place, there does not appear to be any necessity for a separate Department for the administration of the Cook Islands Group. **We recommend that the Department be amalgamated with that of External Affairs under one Permanent Head.** This should result in economy, for there should be no need for a New Zealand staff of six officers, more particularly as the work in connection with the cargo and passenger traffic of the m.v. "Maui Pomare" is carried out on an agency basis.

COOK ISLANDS AND NIUE ISLAND ADMINISTRATION.

348. In regard to the expenditure in connection with the Cook Islands and Niue Island Administrations, for which the sum of £21,633 was appropriated during 1931-32, **we recommend that the total be reduced to £10,000, as this would appear to be a fair contribution from New Zealand towards the administrative costs in the Territory.** In particular, we consider that the expenditure in connection with education can be substantially reduced.

Saving, £11,000.

M.V. "MAUI POMARE."

349. The experience of the Government in connection with this vessel has been an unfortunate one. The loss for 1930-31, after making provision for interest and depreciation, amounted to £20,839 (including £9,607 for repairs), but it is anticipated that better results should be obtained in the future. It appears that, while the vessel may have been obtained with a view to providing a market for Niue Island produce and generally to maintain connection with the islands, it is incorrect to charge the whole of the loss against Cook Islands Administration, for the reason that cargoes are obtained from Samoa, and probably if the losses were borne on the basis of cargo from each locality, the bulk of the charge would be against the Samoan Administration. This, however, would not help to minimize the loss. **Moreover, though Niue Island benefits by this service, the Cook Group as a whole does not. Indeed, the advent of the "Maui Pomare" initiated new competition with Cook Islands fruit.**

350. It is clear that the purchase of such a costly vessel was not justified merely to maintain connection with Niue Island, and that produce from that Island was insufficient to warrant the purchase of a specially constructed vessel for the fruit trade. **Connection could be maintained with Niue Island by a subsidized service at a fraction of the cost of running the "Maui Pomare," although this might mean the abandonment of the fruit trade between Niue and New Zealand.**

351. **We accordingly recommend that the vessel be disposed of at the earliest possible date.**

CONCLUSION.

352. Apart from the reduction of £11,000 recommended in connection with Cook Islands and Niue Island Administration, we cannot assess the savings which would result from the remaining recommendations.

VOTE—DEPARTMENT OF EXTERNAL AFFAIRS.

SUBDIVISION I.

353. This Department consists of a small Head Office, through which is controlled the Samoan Administration and the New Zealand Reparation Estates at Samoa. There is a staff of four only, and, apart from salaries, the expenditure consists of incidentals and any assistance which may be granted to the Samoan Administration.

354. In the past assistance has been given in the following forms:—

- (a) Loans from the New Zealand Government:
- (b) Grants and subsidies from the New Zealand Government:
- (c) Grants from the New Zealand Reparation Estates.

355. In so far as the amount provided for 1931-32 is concerned, there was no provision for any assistance to the Samoan Administration, as the Territory has now reached the stage when assistance from New Zealand is normally not required. In other words, Samoa had a balanced Budget and all that the New Zealand taxpayer had to provide was the administration cost in New Zealand, the appropriation for 1931-32 being only £2,109. So far as the New Zealand administration is concerned, we are unable to point to any direction in which economy might be brought about.

356. We would state, however, that the need for the utmost economy in the expenses of the Samoan Administration, which are a charge on the revenues of the Territory, is still apparent.

357. To give point to our remarks we would state that loans from the New Zealand Government to the Administration outstanding as at the 31st March, 1931, amounted in all to £165,200, against which there is a sinking fund amounting to £18,740, while the grants and subsidies from the 1st April, 1925, to the 31st March, 1931, totalled £194,269. It should be noted that of the latter amount the Administration received the sum of £48,000 from New Zealand Reparation Estates funds, and this has been utilized for relief to the Samoan Budget.

358. As the Reparation Estates are the property of the New Zealand Government, it follows that this assistance from those funds is virtually assistance from the New Zealand taxpayer. The Administration has no accumulated reserve funds upon which it can draw in the event of any contingency, and every effort should be made to provide suitable liquid reserves at the earliest possible date. We recognize that economies have already been effected, but in our opinion these evidently have not gone far enough. The Administration appears to be too extensively departmentalized and the system too cumbersome and costly for the relatively small population which it serves.

359. Further economy is necessary in the interests of the Mandated Territory, for it is in this way only that the Administration can build up those reserves which are essential to the stability of its finances. **We recommend that a thorough overhaul of the expenditure and establishment be undertaken at the earliest possible moment, with a view to relieving the New Zealand taxpayer, as far as may be practicable, of the cost of the Samoan Administration.**

SUBDIVISION II.—NEW ZEALAND REPARATION ESTATES.

360. The amount provided under this subdivision is for the purpose of financing the operations in connection with the New Zealand Reparation Estates. The following statement will show the trading results of the estates from the time of taking over up to the 31st March, 1931 :

							£
1st May, 1920, to 31st March, 1922	..	..	..	..	..	Loss	65,294*
1922-23	..	..	..	..	..	„	45,486
1923-24	..	..	..	..	..	„	24,750
1924-25	..	..	..	..	..	Profit	16,784
1925-26	..	..	..	..	..	„	17,095
1926-27	..	..	..	..	..	„	13,320
1927-28	..	..	..	..	..	„	13,607
1928-29	..	..	..	..	..	„	15,848
1929-30	..	..	..	..	..	„	4,497
1930-31	..	..	..	..	..	Loss	9,591

* Period of depression in Samoa.

361. The losses scheduled above have not been a charge on New Zealand, but have been met from accumulated funds of the estates. As has been stated, the Reparation Estates have provided subsidies in favour of the Samoan Administration, and had the funds not been utilized in this way New Zealand finances could have benefited at least to that extent.

362. Efforts have been made to dispose of these estates, with little success. These efforts should be continued and the properties disposed of at the first favourable opportunity. Further subsidies in relief of the Samoan Budget should not be granted from Reparation Estates funds.

VOTE—DEPARTMENT OF INDUSTRIES AND COMMERCE, TOURIST, AND PUBLICITY.

363. The expenditure under this vote for 1930-31 was as follows :—

				Salaries.	Other Charges.	Total.
				£	£	£
Subdivision	I—Industries and Commerce	..	..	6,575	9,145	15,720
„	II—Tourist and Publicity	..	..	43,940	82,285	126,225
„	III—Census and Statistics	..	..	18,725	14,772	33,497
				69,240	106,202	175,442
Less credits-in-aid				..	..	12,812
						162,630

364. The Industries and Commerce Branch was amalgamated with the Department of Agriculture in 1914-15, and the expenditure in connection with that Branch in that year is not easily distinguishable. There were also separate organizations for Tourist, Publicity, and Census and Statistics, but the four branches have now been brought under a combined Department. However, an accurate comparison with 1914-15 is impossible.

365. The net cost of the Department for 1930–31, excluding Census and Statistics, which was then a branch of the Internal Affairs Department, was £89,273, after charging interest and depreciation on all activities, and in order to show how this loss accrued the following statement is submitted:—

<i>Expenditure.</i>			<i>Income.</i>		
To Net loss after charging interest and proportion of Head Office expenses—	£	s. d.	By Net profit after charging interest and portion of Head Office expenses—	£	s. d.
Te Aroha	3,572	11 1	Rotorua electric system	5,831	0 10
Rotorua baths	10,687	13 10	Rotorua Acclimatization District	314	5 8
Rotorua sanatorium	1,172	6 5	Net loss after charging interest	89,273	3 2
Rotorua gardens	4,425	15 8			
Rotorua water and drainage	6,338	15 9			
Rotorua reserves	1,629	6 1			
Rotorua wharves and beacons	325	0 6			
Waimangu round trip	553	0 8			
Waitomo Hostel and guiding	3,059	7 8			
Lake House, Waikaremoana	2,369	1 6			
Morere Hot Springs	171	6 5			
Hermitage Hostel (leased)	1,555	3 4			
Te Anau steamer and Hotel (leased)	1,177	19 7			
Queenstown	762	0 1			
Glade House, Milford Hostel and track	6,513	6 0			
Miscellaneous reserves	1,066	2 8			
Passenger-booking bureaux	4,735	16 0			
Sydney and Melbourne agencies	5,835	2 3			
Toronto agency	3,407	17 6			
Industries and Commerce Branch	9,541	13 2			
Publicity Branch	22,428	9 1			
Subsidies to inland mails	1,061	6 3			
Subsidies to steamer service, accommodation-houses, and New Plymouth Expansion League	675	0 0			
Expenses in connection with minor agencies overseas	794	9 6			
Subsidy to Rotorua Borough Council	1,300	0 0			
Compassionate allowance to Mrs. R. Gilkison	74	0 0			
Interest on National Development Account	185	18 8			
	<u>£95,418</u>	<u>9 8</u>		<u>£95,418</u>	<u>9 8</u>

366. The following statement shows the losses in respect of the combined Department since 1926–27:—

	£
1926–27	103,691
1927–28	100,019
1928–29	108,110
1929–30	94,362
1930–31	89,273

367. It will be noted that, without exception, the tourist activities in 1930–31 resulted in very substantial losses.

368. It is realized that under certain circumstances tourist trade may be an important branch of commerce, but it is open to question whether the benefits derived by New Zealand from tourist traffic counterbalance the substantial loss incurred by the Crown in the operation of the various tourist resorts. We are of opinion that the cost is far in excess of the value of the additional tourist traffic secured to the Dominion by State activities.

SUBDIVISION I.—INDUSTRIES AND COMMERCE.

Trade Representatives in Australia.

369. The Department has offices in Sydney and Melbourne, and trade representatives are located in those centres. The cost since 1926–27 has been as follows:—

	£
1926–27	3,766
1927–28	3,863
1928–29	3,944
1929–30	4,082
1930–31	5,835

370. We are of opinion that the expenditure of such a large amount of public money on the maintenance of trade representation in Australia is unwarranted. **We recommend that the Melbourne office be definitely closed, and, furthermore, consider that adequate representation can be obtained at an annual cost not exceeding £1,500 if an officer of the Customs Department was stationed in Sydney.** The work in connection with tourist and trade matters in Australia could well be carried out by such an officer acting in conjunction with the shipping companies, railways, tourist interests, and others who benefit from tourist traffic.

371. Provision was made in the 1931–32 appropriations for the cost of sending a trade representative to the East. We are of opinion that the practice of sending State trade representatives abroad to investigate oversea trade conditions should be discontinued, and that that phase of trade development should be left to the enterprise of the commercial interests concerned.

Saving, £4,300.

Trade Representative in Toronto.

372. The Dominion now maintains a trade representative in Toronto, and the cost for 1930-31 was £3,407.

373. We consider that under present conditions an annual cost of £3,400 for representation in Canada is too high. A representative in Canada is of little value in promoting trade between New Zealand and that country. When tariff conditions improve, the trade will right itself through the usual commercial channels.

374. The Customs Department has a representative in the United States, and this officer visits Canada when required. **We recommend that his services be utilized by other Departments and that the position of trade representative in Canada be abolished.** A saving of approximately £3,000 should result.

Saving, £3,000.

New Zealand Organization.

375. This section of the Department maintains branch offices at Auckland, Christchurch, and Dunedin. **We recommend that these be closed, and that the total expenditure in connection with industries and commerce be reduced by at least 50 per centum.** We are of opinion that a much smaller organization than at present exists should suffice for the needs of the community.

376. In particular, we would mention—

(1) Industries and Commerce Bulletins.

377. These are issued quarterly and contain a summary of finance, trade, and industry. We consider that this publication is superfluous, and duplicates, in a large measure, the publications of the Census and Statistics Office. **We recommend that the publication of the bulletins should cease.**

(2) Gas Regulations.

378. The expenditure incurred in this connection is recoverable. Notwithstanding this, we recommend that the regulations be revised with a view to reducing the cost of the service to the public.

General.

379. We have mentioned that savings of £4,300 and £3,000 should result from the closing of the offices at Sydney, Melbourne, and Toronto. This saving is not confined to this branch of the Department. We consider, however, that with the closing of the offices mentioned, in addition to those at Auckland, Christchurch, and Dunedin, and a corresponding reduction in the personnel, it should be possible to save at least a further £5,000 in connection with this branch of the Department.

SUBDIVISION II.—TOURIST AND PUBLICITY.

380. In our opening remarks we referred to the doubtful value of State activities in connection with tourist traffic.

381. We will deal first of all with the question of tourist and health resorts, and in order that the cost to the Dominion may be more readily realized we show hereunder a table setting out the results during the last four years:—

	1927-28.	1928-29.	1929-30.	1930-31.
	£	£	£	£
Te Aroha	3,089	3,301	3,220	3,572
Rotorua baths	8,627	8,993	9,094	10,689
Rotorua sanatorium	1,410	1,700	2,092	1,172
Rotorua gardens	4,201	4,167	4,733	4,426
Rotorua electric system	4,213*	5,507*	6,980*	5,831*
Rotorua water and drainage	4,680	4,844	5,111	6,339
Rotorua acclimatization	77*	268*	253*	314*
Rotorua reserves .. .. .	..	..	1,669	1,629
Rotorua wharves and beacons .. .. .	..	..	321	325
Waimangu round trip	37*	89*	388	553
Waitomo Hostel and Caves	2,236*	203*	785	3,059
Lake House, Waikaremoana	1,084	1,059	1,621	2,370
Morere Hot Springs	261	110	123	171
Mount Cook Hermitage	1,713	1,594	1,366	1,555
Queenstown	754	956	927	762
Te Anau steamer and Hotel	756	1,640	1,099	1,178
Glade House, Milford Hostel, &c	3,020	3,516	5,324	6,513
Miscellaneous reserves	2,842	3,433	1,152	1,066
Total losses	25,874	29,246	31,792	39,234

* Profit.

382. In addition to the foregoing ventures, the Department is now controlling the Chateau at Tongariro, National Park.

383. The Chateau was erected and furnished by the Tongariro Park Tourist Co., Ltd., at a cost of approximately £126,000, of which the sum of £60,000 was obtained on loan from the Public Trustee through the Tongariro National Park Board. This loan carried a Government guarantee. Owing to default by the company the Chateau was taken over by the National Park Board. The loan from the Public Trustee has since been repaid from the Public Works Fund, so that the Chateau is now the property of the Government. The Department assumed control during 1931–32, and the results of the year's trading are not available. It is estimated that without allowing for depreciation and interest on capital there will be an annual loss of £3,000. **It is obvious that the property should be disposed of to private enterprise, if at all possible, but, failing this, it would be more economical to close the Chateau and to appoint caretakers to look after the asset.** As an alternative, the possibility of utilizing the building for one of the social-service activities of the Government should be explored.

384. In regard to other tourist resorts controlled by the Department, each of the following show a working loss, apart from interest and depreciation. It would therefore be more economical for the Government to close these institutions than to carry them on at a heavy annual loss. The institutions are as follow :—

Te Aroha springs.
Rotorua baths.
Rotorua sanatorium.
Rotorua gardens.
Rotorua water and drainage.
Lake House, Waikaremoana.
Queenstown gardens and grounds.
Glade House, Milford Hostel, &c.

385. After carefully reviewing the whole of the operations, including those which are showing a small interest return on capital and those activities where a profit is made, **we are definitely of opinion that the development of tourist traffic and the running of hostels should be left to private enterprise.**

386. We therefore recommend that every endeavour be made to dispose of the tourist resorts, either by sale or lease. We append individual recommendations :—

387. *Te Aroha Springs.*—This resort is now of local interest only, and it should be handed over to the local authority to which most benefit accrues, failing which it should be disposed of.

388. *Rotorua Tourist Resorts.*—In view of the varied activities of the Department in and around Rotorua, we draw special attention to the figures appearing in the foregoing table, which disclose that the losses in connection with Rotorua activities during 1930–31 amounted to no less than £25,000, from which should be deducted the profit on the electric system, £5,831.

389. **It is evident that the town is substantially dependent upon the activities of the Government and we are of opinion that some contribution should be obtained from the local authority as a set-off against the loss which is borne by the Crown.** For instance, the water and drainage system should be the responsibility of the borough, and we recommend that the system should be handed over to it and that the capital invested in the system be deemed to be a loan, on which interest and sinking fund should be paid. This would minimize the loss to the Crown and provide for a more equitable distribution of the burden.

390. Another point in connection with the Department's operations at Rotorua is that it is responsible for the Sanatorium. This function should fall naturally under the administration of the Health Department. To a certain extent there is duplication of facilities, in that the Health Department already maintains the King George V Hospital at Rotorua. **We accordingly recommend that the Sanatorium be amalgamated with King George V Hospital.**

391. *Waitomo Hostel and Caves.*—A very small interest return is earned by this undertaking. We recommend that every effort be made to dispose of the hostel, either by way of sale or lease.

392. *Lake House, Waikaremoana.*—There is a loss on the running of this hostel, without taking into account depreciation and interest on capital. Every effort should be made to minimize the loss pending the disposal of the property, which we recommend.

393. *Morere Hot Springs.*—While the loss on this activity is relatively small, we recommend that every effort be made to render it wholly self-supporting.

394. *Mount Cook Hermitage.*—This undertaking is leased, but the rental return to the Department does not cover interest on capital and depreciation. There is a loss of over £1,500 per annum on this account, but no remedy appears possible at the present time.

395. *Queenstown Gardens and Grounds.*—This undertaking does not produce sufficient to cover working-expenses. The amenity should be provided by the local authority that receives most benefit from it, and we recommend that control be delegated to it.

396. *Glade House, Milford Hostel, and Track.*—We are of opinion that the available tourist traffic does not justify either the capital which has been expended on this resort or the annual operating loss which is incurred. **We recommend that every effort be made to dispose of the properties, but, failing this, that the hostels be closed.** An annual loss of £6,500, of which over £3,000 is in respect of operating-costs, cannot be justified. There would be a direct economy of £3,000 if the Hostels were closed.

397. *Miscellaneous Reserves.*—There is an annual loss of approximately £500 in this connection. We recommend that wherever possible the reserves be handed over to the appropriate local authorities.

General.

398. As a result of our investigations into the capital expenditure from the Public Works Fund in connection with tourist and health resorts, and after reviewing the expenditure provided under this subdivision out of the Consolidated Fund, covering operating-costs of the various resorts, **we are forced to the conclusion that the expenditure, both capital and revenue, has been too lavish and not justified by the results.**

399. It is impossible to assess the total savings which would accrue from the disposal of the various resorts, but the saving in operating-costs alone would be considerable.

Booking-offices.

400. The expenditure in connection with booking-offices and tourist bureaux operated by the Department is provided from this subdivision.

401. The operations for the year ended 31st March, 1931, in respect of passenger-booking showed a loss of £4,735, and this is considered to be quite disproportionate to the value of the service.

402. There are passenger-booking agencies at Auckland, Wanganui, Rotorua, Wellington, Christchurch, Dunedin, and Invercargill. Until recently there was an office at Nelson, but this has been closed. This activity largely duplicates services already in existence. **We recommend that the Tourist offices be closed, and that the work be left to the Railway Department and interested organizations.** The Railway Department has a highly organized administration which should enable it to efficiently cater for travellers and protect its own interests. This should result in a direct saving of £4,700.

Publicity.

403. The accounts for 1930-31 disclose that the total cost of publicity for that year was £22,428.

404. The necessity for an efficient publicity service is recognized, and no doubt good work has been done in this direction. We have noted, however, that there is a tendency to undue extravagance in the publications advertising the various tourist and health resorts, and there appears to be ample scope for economy in this connection.

405. **We recommend that the publicity service be reduced in cost by at least 25 per cent., or a saving of £5,500.**

Saving, £5,500.

SUBDIVISION III.—CENSUS AND STATISTICS.

406. The Census and Statistics Branch, which was formerly under the administration of the Department of Internal Affairs, was transferred to the Department of Industries and Commerce, Tourist, and Publicity during last year.

407. The following statement shows the amounts expended in connection with this Branch during the last four years:—

						£
1928-29 .. .. .	..	..	..	..	..	34,479
1929-30 .. .. .	..	..	..	..	..	33,906
1930-31 .. .. .	..	..	..	..	..	30,098
1931-32 .. .. .	..	..	..	..	..	21,488

408. The reduction shown above is mainly due to the tapering-off of the work following the 1926 census and the postponement of the 1932 census.

409. It is noted that the staff employed in this branch numbers seventy-six, and we are of opinion that some reduction in the personnel should be effected, even if this results in reducing to some extent the statistical information supplied in the Department's publications. **The vote for this subdivision for 1932-33 should not exceed £17,500.**

Saving, £4,000.

410. We also wish to refer to the publications of this Branch of the Department, and particularly the "New Zealand Official Year-book," the "Local Authorities Hand-book," and the "Monthly Abstract of Statistics." The revenue from the sales of these publications is relatively insignificant, partly because a very large number are distributed free of cost. We consider that the free list should be overhauled, with a view to reducing gratuitous issues to a minimum. **We also recommend that the selling-price be increased in order to minimize the loss,** as there appears to be no reason why such a large proportion of the cost of preparation and printing should devolve upon the general taxpayer.

411. We are of opinion that some savings can certainly be effected by more careful discrimination in the published matter. There is much that could be deleted.

GENERAL.

412. Many of the recommendations herein will result in considerable savings, particularly those connected with tourist and health resorts.

413. The following summary indicates the savings capable of assessment but the amount is far below that which would result from the adoption of the whole of the foregoing recommendations :—

	£	£
<i>Subdivision I.—Industries and Commerce.</i>		
Trade Representatives in Australia and Toronto	3,700	
Curtailment of New Zealand administration by closing offices at Auckland, Christchurch, Dunedin, &c.	5,000	
		8,700
<i>Subdivision II.—Tourist and Publicity.</i>		
Trade Representatives in Australia and Toronto	3,600	
New Zealand administration—closing of booking-offices and tourist bureaux	4,700	
Publicity	5,500	
		10,200
<i>Subdivision III.—Census and Statistics.</i>		
By curtailment of statistical data, &c.	4,000	
		4,000
		<u>£26,500</u>

VOTE—DEPARTMENT OF JUSTICE.

414. The following table shows the expenditure under this vote in 1914-15 as compared with 1930-31. There was a separate vote for the Registrar-General's Office in 1914-15, but, as it has been included in the vote of the Department of Justice in 1930-31, it is shown hereunder for the purposes of comparison :—

	1914-15.			1930-31.		
	Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
	£	£	£	£	£	£
Head Office	2,799	..	2,799	4,091	..	4,091
Patent Office	2,025	*	2,025	3,933	2,062	5,995
Supreme, Magistrates', and Wardens' Courts	36,322	23,917	60,239	69,504	22,124	91,628
Bankruptcy	1,298	1,727	3,025	5,622	3,686	9,308
Criminal prosecutions .. .. .	..	12,102	12,102	..	14,692	14,692
Coroners .. .. .	..	4,453	4,453	..	4,204	4,204
Miscellaneous services .. .. .	..	16,453	16,453	..	17,922	17,922
Registrar-General's Office	6,281	7,918	14,199	12,838	6,448	19,286
	..	..	115,295	..	..	167,126
Less Credits-in-aid .. .. .	..	..	..	..	..	12,213
Net expenditure .. .. .	..	..	115,295	..	..	154,913

* Included under Justice, Miscellaneous Services.

415. It is difficult to suggest major economies in connection with this vote, as the duties of the Department are wholly statutory and cannot well be curtailed. We would, however, refer to the following matters :—

SUBDIVISION II.—PATENT OFFICE.

Item—Printing and Stationery, £1,500.

416. This item should be reduced by £300.
Saving, £300.

SUBDIVISION III.—BANKRUPTCY.

417. The bankruptcy work at certain towns is at present undertaken by Deputy Official Assignees, who are not officers of the Justice Department. Their remuneration is on a commission basis.

418. We consider that the work at New Plymouth, Masterton, Greymouth, and Westport should be undertaken by officers of the Department of Justice, and recommend that appointments be made accordingly, provided that this will not involve an increase in staff. We are informed that any such increase will be unnecessary.

419. Our recommendation of this economy must not be taken as an indication of our approval of the present method of liquidating bankrupt estates.

Saving, £500.

420. In addition to the foregoing, the following items in this subdivision should be reduced :—

Items—Postage and Telegrams, £500.

Rents, £500.

421. Each of the above can be reduced by £100.

Saving, £200.

SUBDIVISION VI—CRIMINAL PROSECUTIONS.

Items—Jurors, payment of, &c., £3,350.

Witnesses, expenses of, £4,600.

422. Although salaries and wages have generally been reduced and many economies have been effected in various social and other services, the amount payable to jurors in criminal and civil cases still remains at 10s. 6d. per day (for more than four hours' attendance), whereas until comparatively recently the rate was 8s. per day, and not very many years prior to that was only 4s. per day. Jury work should be regarded as a national service and it is considered that a reduction in the present rate of payment would not result in any undue hardship, although appreciable economies would be effected.

423. **We recommend that the rate be reduced to 6s. per day, and that the allowances payable to witnesses in criminal prosecutions and at Coroners' inquests be reviewed.**

424. Jurors' fees may be varied by Order in Council under section 2 of the Payment of Jurors Act, 1919.

Estimated saving, £1,500.

SUBDIVISION VII.—MISCELLANEOUS SERVICES.

Item: Commission on Money-orders for Transmission of Moneys. £100.

425. The commission on money-orders should be deducted from the remittances.

Saving, £100.

Item—Shorthand Reporters Act, 1908, £50.

426. Examinations for shorthand reporters' certificates are at present conducted by the Department of Justice, but the Public Service Commissioner's Office conducts examinations similar in character, and there seems to be no reason why the shorthand reporters' examination should not also be conducted by the Public Service Commissioner's Office. This would tend to uniformity of practice and lead to a small saving.

Saving, £10.

Item—Payment to Post and Telegraph Department for Cost of restoring Cable to Pakatoa and Rotoroa Islands, £308.

427. This expenditure is non-recurring, and represents a saving on 1932-33 appropriations.

Saving, £308.

Item—Postage and Telegrams, &c., £3,400.

428. It should be possible to reduce this item by at least £750.

Saving, £750.

CLOSING OF MINOR COURTS.

429. Considerable economy has already been effected by the closing of twenty-five of the minor Courts, and a saving of £1,120 per annum has resulted. We are of opinion, however, that, in view of the relatively few plaints which are heard at several of the Courts still in existence, further economy can be effected in this direction. **We recommend that the Courts at Hunterville, Ohura, Waiuku, Port Chalmers, Havelock, and Ruawai be also closed.** There would be little inconvenience to the public through the closing of these Courts, and further economy to the extent of approximately £250 should result.

Saving, £250.

GENERAL.

430. There are other matters to which we wish to refer, but which are not strictly appropriate to any particular item in this subdivision. They are :—
Hotel License Fees.

431. We deal with this subject here, as the administration of the Licensing Act is largely a matter for the Justice Department and the police.

432. The first Licensing Act was passed in New Zealand in 1842, and that Act prescribed a license fee of £40 for an hotel in a borough and £30 for an hotel outside a borough. A uniform fee of £40 is now charged, and thus the fee for a publican's license in a borough has not been increased in a period of ninety years. Under the original Act the fees were paid to the Colonial Treasurer or to the Treasurer of the county or district, but the Act did not prescribe which fees should be paid to the Colonial Treasurer and which to local bodies. The Licensing Act of 1842 was replaced by that of 1873, and by virtue of that Act all fees were paid to local bodies. The Licensing Act of 1881 repealed all previous Licensing Acts and enacted what is practically the present licensing law.

433. The reason for the payment of the fees to the local authorities is obscure, and, as they have practically no responsibility for the administration of the licensing law, it is considered that the continuation of the present practice is not warranted. **In England license fees are paid into the National Exchequer and there appears to be no reason why a similar course should not be followed in New Zealand.**

434. **We accordingly recommend that the law be amended to provide that hotel license fees shall be credited to the Consolidated Fund as a contribution towards the cost of the administration of the licensing law.**

435. There is another aspect of the case to which attention should be drawn—namely, the amount of the fee. This should have some relation to turnover, and there seems to be no good reason why hotels in metropolitan areas should pay the same fee as small country hotels. **We accordingly recommend that the scale of fees be revised.** It is evident that additional revenue would accrue from this source, as a considerably higher fee should undoubtedly be charged for the licensing of metropolitan hotels.

436. We also draw attention to the license fees paid by chartered clubs. These clubs are under the jurisdiction of the Minister of Internal Affairs, and the fee of £5 fixed by section 261 (a) of the Licensing Act, 1908, is payable to the local authority of the district in which the club is situated. Here again we see no reason why this revenue should be paid to local authorities, who have little or no direct responsibility in connection with the licensing law. The fee also appears to be low, and should have some relation to turnover, as in the case of hotels. **We recommend that club fees be credited to the Consolidated Fund.**

437. It is difficult to estimate the saving to the Consolidated Fund by virtue of these recommendations, but the amount would be considerable.

Notices for sending Liquor into No-license Areas.

438. At present no charge is made for the issue of notices in connection with the despatch of liquor into no-license areas. **We recommend that a charge of 1s. per notice be made in the future.** This should produce approximately £1,000 per annum.

Saving, £1,000.

SUBDIVISION VIII.—REGISTRAR-GENERAL'S OFFICE.

439. This office, which was hitherto under the Department of Internal Affairs, is now a part of the Department of Justice.

440. The operations for the year ended 31st March, 1931, resulted in an excess of expenditure over income, after charging interest and depreciation, of £646. **We consider that this loss should be obviated, and that the fees charged by the office should be increased.**

441. The total collections for 1930-31 were as follow:—

	£	s.	d.
Registration of births, deaths, and marriages	19,212	7	6
Dentists' Act	20	10	0
Miscellaneous	74	17	3

442. We recommend that the scale of fees be increased as follows:—

Fee on notice of marriage	From 2s. 6d. to 5s.
Fee on certificate authorizing marriage	From £1 to £1 5s.
Fee on certified copy of marriages or of births or deaths	From 2s. 6d. to 5s.

443. The foregoing recommendations should result in increased revenue, to the extent of approximately £5,000 per annum, virtually a saving.

Saving, £5,000.

444. In addition to the foregoing recommendations, which are not strictly applicable to any item in this subdivision, it should be possible to effect small economies in respect of the following:—

Item—Postage and Telegrams, £1,000.

445. This item should be reduced by £200.

Saving, £200.

Item—Rent of Offices, £880.

446. This item should be reduced by £150.

Saving, £150.

AMALGAMATION OF DEPARTMENTS.

447. We have recommended in connection with the Prisons Department that the Prisons and Justice Departments be amalgamated under one Permanent Head. This will result in administrative economies, which we are unable to assess, but a considerable saving should result.

SUMMARY.

448. The savings recommended in connection with this Department, so far as they can be assessed, are as follow:—

<i>Subdivision II—Patent Office.</i>				£	£
Item—Printing and stationery .. .. .	..	..	..	300	300
<i>Subdivision III—Bankruptcy.</i>					
Item—Bankruptcy work at New Plymouth, Masterton, Westport, and Greymouth .. .. .	..	..	..	500	
„ Postage and telegrams } .. .. .	..	..	..	200	
„ Rents .. .. .	..	..	..	—	700
<i>Subdivision VI—Criminal Prosecutions.</i>					
Item—Jurors' fees, &c. } .. .. .	..	..	..	1,500	
„ Witnesses' expenses, &c. }	..	..	..	—	1,500
<i>Subdivision VII—Miscellaneous Services.</i>					
Item—Commission on money-orders, &c. .. .. .	..	..	..	100	
„ Shorthand Reporters' Act, 1908 .. .. .	..	..	..	10	
„ Payment to Post and Telegraph Department for cost of restoring cable, &c. .. .. .	..	..	..	308	
„ Postage and telegrams, &c. .. .. .	..	..	..	750	1,168
<i>Closing of Minor Courts</i> .. .. .	..	..	..	250	250
<i>General.</i>					
Notices for sending liquor into no-license areas .. .. .	..	..	..	1,000	1,000
<i>Subdivision VIII—Registrar-General's Office.</i>					
Item—Alteration of scale of fees for births, deaths, and marriages .. .. .	..	..	..	5,000	
„ Postage and telegrams, &c. .. .. .	..	..	..	200	
„ Rent of offices .. .. .	..	..	..	150	5,350
				—	£10,268

449. There would be further considerable savings in respect of hotel and club license fees.

VOTE—PRISONS.

450. The expenditure in this Department in 1914–15 and 1930–31 was as follows:—

1914–15.			1930–31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£27,848	£34,092	£61,940	£75,974	£95,408	£171,382
	Less credits-in-aid	9,586		Less credits-in-aid	70,669
		£52,354			£100,713

451. The operations of the Department have been considerably extended since 1914–15 on account of amendments in the law, setting-up of Borstal Institutions, and the inauguration of prison farms, &c., on a wider scale than formerly.

452. The staff in 1914–15 numbered 173 and in 1930–31 the number had risen to 296.

453. The Department is economically administered, and substantial economies have already been effected. This is evidenced by the following statement showing the net cost per prisoner over a number of years:—

Year ended 31st March,		£	Year ended 31st March,	£
1916 .. .. .	..	59	1930	62
1918 .. .. .	..	70	1931	66
1925 .. .. .	..	62	1932	59

454. The cash cost of rations, exclusive of vegetables, &c., supplied from prison farms, and tobacco, during the years mentioned above is as shown hereunder:—

Cost per Head.	1915-16.	1917-18.	1924-25.	1929-30.	1930-31.	1931-32.
Per day	9½d.	10¾d.	9½d.	7¼d.	7d.	5½d.
Per annum	£14-98	£16-49	£14-93	£10-89	£10-63	£8-5

455. The question of prison labour was considered during last year by the Parliamentary Economy Committee, which recommended that the cost of labour employed on work for any loan account—*e.g.*, on any construction work for the Government—should not be more than the actual cost to the Prisons Department, and we are informed that this decision has been carried into effect. There seems to be a risk that capital works carried out with prison labour may be loaded with a cost beyond their earning-capacity. Where prison labour is employed on works financed from loan-money it is unwise to recoup the Prisons Department for more than the estimated amount upon which the asset concerned can earn revenue. **In other words, we do not consider that even the actual cost of the labour to the Prisons Department should be recouped without regard to the possibility of the asset being fully revenue producing.** This is another instance where loan-money may be used to meet ordinary revenue expenditure. It must be the duty of the State to provide the cost of the establishment and maintenance of prisons, and this should assuredly be a charge upon taxation.

456. We do not propose to review the items in this vote in detail, but would remark that the Prisons Department some years ago was allied with that of Justice under one permanent head, and on the retirement of that officer the Prisons Department again became a separate entity. There is no good reason for two separate Departments and two controlling officers and administrative staffs. **We recommend that the two Departments be amalgamated at the earliest possible date, and on such amalgamation the Head Office staffs should be effectively merged.** This was not the case under the previous administration referred to, and thus it was comparatively easy to again create two separate Departments.

457. The merging of the administrative staffs, records, &c., should effectively close the door to the creation of two Departments at a later date. It is obvious that considerable administrative economies can be effected in this way.

VOTE—CROWN LAW OFFICE.

458. There is very little scope for economy in this vote. The expenditure in 1914-15 and 1930-31 is shown hereunder:—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 5,506	£ 246	£ 5,752	£ 6,257	£ 552	£ 6,809
			Less credits ..		1,082
					£5,727

459. It is not the practice of this Office to charge for services rendered to all trading Departments. We consider that it should be a basic principle in the Service that all work performed for trading Departments by any Department of State should be charged for. **We accordingly recommend that a charge be made for all legal work carried out by the Crown Law Office for such Departments as the Post and Telegraph Department, New Zealand Railways, State Coal-mines Branch, &c.**

460. We are unable to estimate what saving to the vote of the Crown Law Office would result from this procedure.

VOTE—POLICE DEPARTMENT.

461. The net expenditure of this Department has increased from £234,674 in 1914-15 to £456,672 in 1930-31. This increase of £221,998 is chiefly due to increased staff and increased rate of pay of the police.

462. In 1914-15 the staff numbered 980, and in 1930-31 it had risen to 1,205. This, however, is a normal increase corresponding to the increase in the population of the Dominion.

463. The expenditure in 1914-15 and in 1930-31 is shown as under :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 178,144	£ 56,530	£ 234,674	£ 371,529	£ 85,143	£ 456,672

464. This Department appears to be economically administered, and we have no recommendation to make in regard to the vote.

VOTE—PENSIONS DEPARTMENT.

465. The net expenditure under this vote in 1914-15 and 1930-31 is as under :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 5,112	£ 4,768	£ 9,880	£ 38,887	£ 134,289	£ 173,176

466. In 1914-15 the numerical strength of the staff was 29, while in 1931-32 it was 160. The increase is mainly due to the extra duties in connection with the administration of epidemic and war pensions, which have come into force since 1914-15.

467. We dealt extensively in our interim report with the general question of pensions provided under permanent appropriations. The vote now being reviewed is to provide the administrative cost of the Department, and, in addition, the medical treatment to ex-members of the New Zealand Expeditionary Forces and certain special annuities which are voted annually by Parliament.

468. The percentage of administrative expenditure to total payments on account of pensions is as shown hereunder :—

Year.				Cost per Centum.		
	£	s.	d.	£	s.	d.
1927	2	5 1
1928	2	6 1
1929	2	7 1
1930	2	6 7
1931	2	5 5

469. In regard to the administration expenses we recommend the following economies :—

Item—Medical Fees, £7,000.

470. This item is to provide for the cost of medical inspection of disabled discharged soldiers. A fee of £1 Is., less 10 per centum, is payable by the Pensions Department, and it is understood that a second reduction of 10 per centum is not to be made. **We consider that a fee of 15s. per examination should suffice, and recommend that the scale be reduced accordingly.**

Estimated saving, £1,200.

Medical Treatment, Burial Expenses, and Expenses incidental thereto :

Item—Ex-members of New Zealand Expeditionary Force, £76,000.

„ *Ex-members of New Zealand Defence and Naval Forces, £100.*

„ *South African War Veterans, £50.*

471. Under these items the sum of £64,000 was paid to Hospital Boards and to the Department of Health for in-patient treatment in hospitals during 1930-31. It is estimated that a reduction of £5,000 will be possible during 1931-32 on account of a lesser number of patients requiring treatment.

Saving, £5,000.

Item—Post and Telegraph Department for Services of Officers, £16,614.

472. This item is to provide for payment to the Post and Telegraph Department in respect of services of officers in connection with the payment of pensions. Arrangements have now been made for certain pensions to be paid direct by the Pensions Department, and a reduction of £2,000 in this item should result.

Saving, £2,000.

Item—Postages, telegrams, &c., £5,200.

473. This item should be reduced by £1,500.
Saving, £1,500.

Item—Rent of Offices, £1,322.

474. This item should be reduced by £250.
Saving, £250.

Item—Special Annuities, £4,799.

475. This item is to provide for the payment of certain special annuities on account of accidents, compassionate allowances, &c., and to officers of various Departments of State and also, in a few cases, to supplement superannuation received. Annuities are also paid to certain ex-members of Parliament and to the widows of certain ex-members. **We recommend that all *ex gratia* payments such as are provided under this item be strictly limited in future.**

SUMMARY.

476. The savings recommended, as far as they can be assessed, are as follow :—

Item—	£
Medical fees	1,200
Medical treatment, burial expenses and expenses incidental thereto, &c.	5,000
Post and Telegraph Department for services of officers	2,000
Postages, telegrams, &c.	1,500
Rent of offices	250
	£9,950

VOTE—MINES DEPARTMENT.

477. The expenditure under this vote for 1914–15 and 1930–31 was as follows :—

1914–15.			1930–31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 9,415	£ 15,966	£ 25,381	£ 10,240	£ 22,221	£ 32,461
			Less credits-in-aid ..		1,527
		£25,381			£30,934

478. While there has not been any abnormal increase in the expenditure since 1914–15, it must be remembered that there is now another branch of the Department—namely, State Coal-mines—the cost of which is not included in the above figures, and we shall deal with that branch separately.

479. The staff in 1914–15 numbered forty-three and in 1930–31 twenty-seven.

480. The net cost of administration for 1930–31, including interest and depreciation and taking credit for rents, royalties, and fees under the Coal-mines Act, 1925, amounted to £21,247.

481. There is not much scope for economy in this Department.

482. After a review of the appropriations, we have to report as follows :—

SUBDIVISION II.—ASSISTANCE TOWARDS MINING.

Item—Prospecting for Gold and other Minerals, £7,000.

483. This item is to provide assistance to enable prospecting to be carried out. Considerable expenditure is now being incurred by the Unemployment Board for the same purpose, and **we are therefore of opinion that this charge on the Consolidated Fund should be suspended as assistance should not be given from two sources.**

Saving, £7,000.

Item—Bounty payable to Onakaka Iron and Steel Co., £3,200.

484. This is a non-recurrent item, and represents a reduction on 1932–33 appropriations.

Saving, £3,200.

Item—Diamond and other Drills and Appliances, £600.

485. The Department owns a number of drills which it hires out, but there is an annual loss thereon. The charge made is only sufficient to cover the cost of drills while on hire, but there are lengthy periods when drills are idle and are not earning interest and depreciation. **The charges should be sufficient to cover the total overhead cost, and we recommend that they be increased accordingly.** A saving of approximately £200 should result.

Saving, £200.

Item—Schools of Mines, £3,744.

486. Schools of mines are maintained at Thames, Waihi, Huntly, Reefton, and Westport and at the Otago University. The full cost of establishing and maintaining the schools does not fall on the State, as contributions are made by mining companies operating in the districts, and there is a certain amount of revenue from students' fees. The schools are, however, subsidized to the extent of this item.

487. **We recommend that two schools of mines be closed, and suggest either Thames or Waihi, and Reefton.** It should be possible by reorganization in the remaining schools to provide tuition for all who require it.

Saving, £1,000.

SUBDIVISION III.—MISCELLANEOUS SERVICES.

Item—Examinations, Mining and Coal-mines Acts, £100.

488. The Department conducts examinations for mine-managers' certificates, &c., for which fees are charged. The fees should cover the full cost of the service, including a proportion of the overhead expenses in connection therewith.

489. We accordingly recommend that the charges be reviewed.

Item—Instrument and Outfit Allowances for Chief Inspector of Mines, £23.

490. We are informed that the present Chief Inspector of Mines does not receive a special outfit allowance. The principle of granting special instrument or outfit allowances is wrong, and we recommend that it be not again established.

Saving, £23.

Item—Postage, Telegrams, Rent of Boxes, £350.

491. This item can be reduced to £275.

Saving, £75.

Item—Rents, £593.

492. This item can be reduced by at least £120.

Saving, £120.

Item—Travelling Allowances and Expenses, £1,550.

493. Some reduction in this item should be possible. We suggest the sum of £1,400 should be sufficient for 1932-33.

Saving, £150.

GENERAL.

494. There are several matters not connected with any particular item of expenditure to which reference should be made. They are—

(1) *Goldfields Revenue.*

495. The sum of approximately £18,000 is paid by the Department each year to local authorities in respect of goldfields revenue, but no charge is made for the collection and disbursement of this revenue. **The necessity for continuing the policy of paying the whole of the goldfields revenue to local authorities should be further reviewed. In any case, there is no justification for the collection of the revenue without any charge being made for administration expenses. We recommend that a charge of 10 per centum be imposed.** This would represent a direct saving of £1,800.

Saving, £1,800.

(2) *Gold-dealers' License Fees.*

496. At present a fee of £1 is charged for the issue of gold-dealers' licenses applicable only to dealers in virgin gold. In view of the increase in the market price of gold and the fact that a considerable volume of business is transacted by dealers in wrought gold, we are of opinion that these dealers should be licensed and a heavier fee should be charged for the issue of licenses of this type. **We recommend that legislation be introduced to provide for a fee of not less than £5 5s. per annum.** Under present conditions this should produce at least £200 per annum, virtually a saving.

(3) *Mining Advances Account.*

497. This account was originally established out of loan-moneys for the purpose of providing loans for gold-mining companies, and the provisions were extended to coal and other classes of mining when the Mining Act was consolidated in 1926.

498. The loan capital of the account as at the 31st March, 1931, was £44,990, and the accumulated loss at the end of the same year totalled £25,557. **It appears that further substantial losses must be expected, and it is probable that the bulk of the loan capital will be lost.** The special account has now been abolished, but we refer to the matter, as in our opinion the provision of

special advances to mining companies by the Crown is not warranted. It is apparently intended to provide for future advances out of the Consolidated Fund, but even this is hardly justifiable, particularly in view of the heavy losses which have already been incurred in respect of previous advances.

SUMMARY.

499. The following is a summary of the economies recommended herein, so far as they can be assessed:—

Subdivision II. Assistance towards Mining:—

Item—	£	£
Prospecting for gold and other minerals	7,000	
Bounty payable to Onekaka Iron and Steel Co.	3,200	
Diamond and other drills and appliances	200	
	10,400	
Schools of mines	1,000	1,000

Subdivision III. Miscellaneous Services:—

Item—	£	£
Instrument and outfit allowances, &c.	23	
Postage, telegrams, rent of boxes	75	
Rents	120	
Travelling allowances and expenses	150	
	368	

General:—

Goldfields revenue	1,800	
Gold-dealers' licenses	200	
	2,000	
Total		£13,768

VOTE—DEPARTMENT OF INTERNAL AFFAIRS.

500. It is difficult owing to changes in administrative control to obtain a reliable comparison of the present expenditure with the expenditure in this Department in earlier years.

501. The vote for 1931-32 comprised eight subdivisions, as follow:—

Subdivision.	Salaries.	Other Charges.	Total.
	£	£	£
I. Head Office	19,950	26,013	45,963
II. Government Actuary's Office	3,753	545	4,298
III. Ministers' Secretaries	8,661	50	8,711
IV. Messengers, Office-keepers, and Charwomen	71,218	3,304	74,522
V. High Commissioner's Office	22,759	14,717	37,476
VI. Museum	2,773	1,477	4,250
VII. Explosives Branch	2,950	2,530	5,480
VIII. Miscellaneous Services	19,941	49,890	69,831
Gross total	152,005	98,526	250,531
Credits-in-aid	37,539	15,108	52,647
Net total	114,466	83,418	197,884

502. The foregoing, however, does not give a proper perspective of the many services administered by the Department. Amongst these are the following:—

- (a) Local government.
- (b) Totalizator inspections.
- (c) Issue of passports.
- (d) War graves and memorials.
- (e) War funds.
- (f) Raffles.
- (g) Government advertising.
- (h) Entertainment of distinguished visitors.
- (i) Control of deer.
- (j) Rotorua Acclimatization District.
- (k) Censorship of films.
- (l) Messenger and cleaning services.
- (m) *New Zealand Gazette*.
- (n) Town-planning.
- (o) Turnbull Library.
- (p) Stores Control Board.
- (q) Animals Protection and Game Act.

503. It will be appreciated that some of the foregoing activities have not been in existence in the past, hence a true comparison of costs is more or less impossible.

504. The following statement will, however, illustrate in some degree how the expenditure of the Department has grown :—

	1914-15.	1930-31.
	£	£
Head Office—		
Salaries	13,088	22,202
Other charges	32,992	33,976
Government Actuary .. .. .	..	1,467
Ministers' Secretaries	1,519	9,255
Messengers, office-keepers, and charwomen—		
Salaries	23,115	67,371
Other charges .. .. .	..	3,906
High Commissioner's Office—		
Salaries	10,548	19,228
Other charges	1,295	9,523
Museum—		
Salaries	1,176	3,491
Other charges	2,025	1,637
Explosives Branch—		
Salaries .. .. .	..	3,161
Other charges .. .. .	..	769
Miscellaneous services—		
Salaries (relieving staff) .. .. .	..	10,726
Other services	49,404	42,496
	£135,162	£229,208
	£135,162	£229,208

505. We propose to deal with each subdivision of the vote as listed above, but in the meantime we would observe that the item "Salaries" is applicable to most of the subdivisions. We have given special attention to the possibility of staff-reductions in the Department, and find that during the past two years very considerable reductions in staff and reorganization of duties have been given effect to, resulting in all in a saving of over £16,000 per annum, which will be fully operative during 1932-33, although there will not be this total reduction on last year's vote.

SUBDIVISION I.—HEAD OFFICE.

506. In connection with the various items on this subdivision we have to report as follows:—

Item—Animals Protection Act, Expenses in connection with Administration of, £175.

507. The expenses under this heading have been reduced to a minimum, and the sum of £10 should cover the costs for 1932-33.

Saving, £165.

Fresh-water Fisheries and Game, £2,900.

508. There are four items, totalling £2,900, in respect of the administration of Taupo and Rotorua fisheries. The activities of the Department in this connection for 1930-31 resulted in a loss of £4,643 16s. In arriving at this figure all charges, including the annual payment to the Tuwharetoa Trust Board, have been included. We see no reason why the general taxpayer should be called upon to provide such a large amount for the sport of the few who visit Taupo and Rotorua. **We recommend that the scale of rates for the issue of licenses both to overseas visitors and to residents of the Dominion should be revised, with a view to making the business self-supporting. In particular, we see no reason why the fee for local residents, at least, should not be substantially increased.** We are of opinion that, even if the revenue from the sale of licenses cannot be made to cover the total outgoings, it should be possible to save at least £2,500 by an increase in the license fees.

Saving, £2,500.

Item—Light, Power, and Water for Government Buildings, £5,680.

509. There is a large annual cost involved under this heading, and we feel sure that a considerable saving can be effected by closer supervision. In particular, we would mention the prevalence of electric heaters in the Government Buildings in Wellington, where a central heating system is now also established. We understand that instructions have been given for the discontinuance of electric heaters in the buildings, and we recommend that any exceptions to this rule should be subject to Treasury approval. We consider that with stricter supervision and the elimination of electric heaters, as suggested, a saving of at least £1,250 per annum can be effected.

Saving, £1,250.

Item—Telephone Services (including Installation, Extension, Maintenance, Rent, and Calls), £2,050.

510. We have referred elsewhere to the general question of telephones in private houses of officers of the Public Service, and have recommended the adoption of a general rule which should result in

considerable saving to the Government. We would here mention that the expenditure charged to this vote covers telephones in the offices of Ministers of the Crown and in private Ministerial residences. For instance, there is a total charge of £165 for telephone connections in Ministerial offices at Auckland, Christchurch, Dunedin, and Wanganui. It seems to be open to question whether, in the first place, the Ministerial offices are actually required in these centres, and **consequently whether a charge of £165 per annum for telephones, which can be used only occasionally at the most, is necessary.**

511. **The installation of telephones in the residences of private secretaries and members of the staffs of Ministers of the Crown seems to have expanded unduly, and should be restricted.** The total charge for telephones to private secretaries and staffs is £209 10s. per annum.

512. We estimate the total saving on this item at £200.
Saving, £200.

Item—Travelling Allowances and Expenses of Ministers (Allowances only as authorized by the Civil List Act, 1920) : Ministers' Expenses, £5,300.

513. The following table gives the expenditure under this item from the 1st April, 1928 :—

1928-29	£5,781	8s. 7d.	of which £2,221	1s. 5d.	is for motor-hire.
1929-30	£10,714	11s. 8d.	„	£5,520	12s. 7d.
1930-31	£7,940	2s. 0d.	„	£3,788	5s. 2d.
1931-32*	£4,788	2s. 7d.	„	£1,623	1s. 3d.

* Up to 29th February, 1932.

514. The substantial reduction in this item over the past two years shows that real economy has been practised, but the large proportion of the expenses represented by motor-hire leads us to think that a more moderate use of this form of transport would be of advantage to the State.

Item—Travelling Allowances and Expenses of Private Secretaries to Ministers, £2,000.

515. We recommend that the railway passes issued to private secretaries be not renewed and that warrants be issued for official journeys.

Saving, £250.

SUBDIVISION II.—GOVERNMENT ACTUARY'S OFFICE.

516. While we cannot recommend any further economies in this subdivision, we are of opinion that one actuarial office should suffice for all Government work, and **that the ultimate amalgamation of this Office with that of the Government Life Insurance Department should be aimed at.**

SUBDIVISION III.—MINISTERS' SECRETARIES.

Item—Salaries, £4,350.

517. There has been a large increase in the number of officers on the secretarial staff in recent years, and most Ministers now have two or more secretaries. The number of officers on the secretarial staff is twenty, and **we believe that the number could be reduced by at least five, and that, with a few exceptions, one secretary should suffice for each Minister. We recommend accordingly.**

Saving, approximately £2,000.

Allowances in addition to Classification, £765.

518. A sessional allowance of £45 (previously £50) is granted to each private secretary. It is difficult to justify this item of expenditure under present circumstances, **and we recommend the abolition thereof.**

Saving, £765.

SUBDIVISION IV.—MESSENGERS, OFFICE-KEEPERS, AND CHARWOMEN.

Item—Salaries, £71,218.

519. We are informed that a scheme of reorganization is in progress whereby a considerable reduction in the numerical strength of the staff and in the total salaries will be effected. We consider this to be a step in the right direction and one which should be conducive to greater efficiency and economy.

520. There is one item under the heading "Salaries" to which we also wish to refer—namely, special allowances to messengers (including allowances to Ministerial messengers), £822. **We see no justification for the continuance of a special allowance of this nature.** The special allowances are as follow :—

- (1) Special allowance of 1s. per day, less 10 per cent. Amount involved, £263.
- (2) Special sessional allowance of 2s. 6d. per day (reduced from 5s. per day from 1st April, 1931). Amount involved, £450.

521. The first is in the nature of an extra emolument consequent upon duty in the offices of Ministers of the Crown. **The second is a special allowance for extra duties during the session, but we see no good reason why this should be granted.** If longer hours are worked during the session, there are compensations in other ways. **We recommend that both these allowances be abolished.**

522. It has hitherto been the practice to pay allowances for special duties to other messengers, but these have now all been eliminated.

Saving in respect of salaries and allowances, £5,822.

Item—Travelling Allowances and Expenses, £325.

523. We are informed that the bulk of this expenditure was in connection with relieving allowances to messengers. Arrangements have now been made to provide relief without the temporary transfer of another officer, and there should be considerable savings under this item. The present system should be continued.

Saving, £250.

Item—Uniforms and Overcoats for Messengers, £350.

524. We find that this item has been under review, and that a saving in this expenditure can be anticipated in the future.

Saving, £100.

SUBDIVISIONS V.—HIGH COMMISSIONER'S OFFICE.

525. It was found impossible to review in detail the expenditure on this subdivision of the vote. It has grown very considerably, as will be seen from the comparative statement shown at the commencement of this report.

526. The numerical strength of the staff in 1914–15 was 52, while at the 1st April, 1927, the staff numbered 115. It has now been reduced to 72, but, while considerable reductions have been effected, **it should be possible to reduce the staff still further.** Many of the duties hitherto carried out by the High Commissioner's office will now be done by the various Produce Boards (Dairy Control Board and the Meat Control Board, &c.), and **we feel that there should not be the same necessity as existed previously for a comprehensive organization in the office of the High Commissioner.**

527. The net expenditure provided for during 1931–32 was £25,511, while the net estimate for 1932–33 is £26,838. No reduction has been provided for, and the increase in the expenditure over the 1914–15 figures still approximates 150 per centum.

528. **In our opinion, there is nothing to justify this huge increase, and we believe that a substantial measure of economy should be possible.** We are unable to point to any special item of expenditure which can be reduced, but we have no doubt that a thorough overhaul of the duties performed by the staff would disclose possible avenues of staff-reduction. We believe that a saving of £7,500 should be possible in this subdivision of the vote.

529. A considerable amount of work of an advisory nature is done in the High Commissioner's Office for local authorities and various institutions throughout the Dominion. This must involve a certain amount of expense and maintenance of a larger staff than would otherwise be necessary, and **consideration should be given to the possibility of making a charge on the local authorities and institutions for the value of the work done for the bodies concerned. There is no reason why the general taxpayer should pay for such special services.**

530. The offices occupied by the High Commissioner are situated at 415 The Strand, London. The property is a leasehold one, and the annual cost, including rent, rates, insurance, and upkeep, approximates £7,250. In 1926 these offices were considered unsuitable, and a new building at 429 The Strand was purchased at a cost of £157,000. The whole of this purchase-money has now been paid. It was impossible to obtain possession of these premises under the existing leases, but the Government has received a rental return since purchase. Up to the 31st March, 1930, the charges on the property, including interest on capital expended, depreciation, and repairs, totalled £39,675, whereas rents received during the same period amount to only £15,358, leaving a deficiency of £24,317, which must be regarded as a part of the cost of the building. It is now considered that the proposed offices at 429 The Strand are unsuitable, and it has been decided to sell this recently acquired property. It should here be stated that in the interim it was decided to dispose of the leasehold interest in the offices situated at 415 The Strand, and an agreement for the sale of this property was executed. When it was decided that No. 429 The Strand was unsuitable for the High Commissioner's Office, negotiations were entered into for the rescission of the contract for the sale of the leasehold of 415 The Strand, and this has been effected at a cost of £14,250.

531. It is now the intention to sell 429 The Strand, and it is thought that the sum of £190,000 may be obtained for this property. On this figure the Government will not be recouped for the original capital cost plus accumulated interest, and for the compensation for the rescission of the contract for the sale of the leasehold offices.

532. **The retention of 429 The Strand is costing the Dominion approximately £6,000 per annum and the property should be sold at the earliest suitable opportunity and the annual loss thereby terminated.**

SUBDIVISION VI.—MUSEUM.

Item—Salaries, £2,773.

533. This institution has been overstaffed.

534. There will be a reduction on the 1931–32 appropriations in respect of salaries, owing to death and retirement. **Further economies in staff should be effected.**

Saving, £358.

Item—Rent, Floor-space occupied by Exhibits, £817.

535. A portion of the exhibits of the Dominion Museum are at present housed in the Dominion Farmers' Institute. Ultimately the whole of the collection will be placed in the National Art Gallery and Dominion Museum. The exhibits are at present scattered throughout various buildings, and **we see no reason why the Government should continue to pay a large rent for the floor-space occupied by the Maori collection.** We understand that suitable storage space in some building owned by the Government is available, and **we recommend that this be utilized.**

Saving, £817.

General.

536. **The time has arrived when the control of the Museum should be placed under a Board of Trustees, as is the case with the Auckland Institute and Museum. The local authorities in and around Wellington should share in the expenses incidental to the upkeep of the institution.**

537. In the case of museums and institutes under local control bequests of considerable value have been obtained, but bequests of this nature cannot be expected if the institution remains under State control. The benefit of private bequests need not be enlarged upon, and under well-balanced local control there is a field of potential benefit to the Institution.

538. We would refer to the undertaking of the Government to subsidize the erection of the National Art Gallery and Dominion Museum to the extent of £100,000. The State has also given the valuable site upon which this building is to be erected.

539. **We believe that an annual maintenance grant to a local Board of Control of approximately £2,000, in addition to the assistance to be provided by the State for the erection of the new building, would be a reasonable contribution in view of the national character of the Museum.** The exhibits in the present Dominion Museum will form the nucleus of the collection in the National Art Gallery and Dominion Museum when it is finally established. The substitution of local control on the lines mentioned would result in a saving to the State in administration and maintenance costs of approximately £2,000.

Saving in salaries and rent apart from change of control, £1,175.

SUBDIVISION VII.—EXPLOSIVES BRANCH.

540. We have no recommendation to make.

SUBDIVISION VIII.—MISCELLANEOUS SERVICES.

Item—Salaries, £18,209.

541. Provision is made under this item for the salaries of relieving officers who are, for the sake of convenience, attached to the Internal Affairs Department. The services of these officers are utilized whenever special assistance is required in any Department of State, but the salaries are, for the sake of convenience, provided under vote, Department of Internal Affairs. As a matter of fact, some of the officers are engaged on work for the Department of Internal Affairs, and their salaries are a final charge against this vote. This is exemplified by the fact that, whereas the total amount provided for under this subdivision is £19,941, there is a credit-in-aid amounting to £10,267 for salaries of officers relieving in other Departments. The sum of over £9,000 is a final charge against the Department of Internal Affairs, and represents the value of work done for the Department of Internal Affairs by these relieving officers.

Item—Allowances to Officers performing Higher or Special Duties, £88.

542. We have referred elsewhere to the general question of allowances to officers performing higher duties.

Saving, say, £50.

Item—Payment to other Departments for Services of Officers, £1,904.

543. Included in this amount there is the salary of various officers detailed for duty in connection with the Unemployment Board. We understand that it has not been the practice to charge the salaries of officers temporarily detached for duty with the Unemployment Board against the Unemployment Fund. **The fund should now bear all reasonable administrative expenses, and we recommend accordingly.**

Item—Cost-of-living Bonus to Annuitants, £5,200.

544. This item is to provide for the payment of a cost-of-living bonus to those in receipt of superannuation below £100 per annum from the Teachers', Railways', and Public Service Superannuation Funds. As the name implies, the bonus was given in the first place in consideration of the increased cost of living. The payment is not made as of right to these superannuated officers, but each case is investigated and if hardship is disclosed a cost-of-living bonus up to £26 per annum is paid, provided that the superannuation plus the bonus does not exceed £100 per annum.

545. These superannuated officers, if qualified by age, can apply for and receive the old-age pension up to the limit allowed, subject, however, to the ordinary income conditions in the Pensions Act.

546. The Government has recently decided to continue the payment of this cost-of-living bonus, with a proviso that the maximum superannuation plus bonus, shall be £90 per annum, instead of

£100 per annum as previously. **We have considered the general question as to whether the bonus should be continued indefinitely, and are of opinion that there is no justification for this,** particularly in view of recent reductions in the cost of living, and **we recommend the abolition of the bonus.** This does not necessarily mean that these superannuitants will be unable to obtain any further payment from State funds. As has been stated previously, they are eligible, if qualified by age, to apply for an old-age pension under the pensions legislation, and while this avenue is open to them a special payment by way of a cost-of-living bonus from the public funds is unjustified. **We see no reason why these superannuated public servants should be placed on a different plane to other sections of the community.** There will be a saving on this item in the vote of £5,200, but this may be offset to a certain extent by increased payments for old-age pensions. However, the latter at this stage may be disregarded.

Saving, £5,200.

Item—Deer Herds, Reduction of, in certain Acclimatization Districts: Bonus to assist in (part recoverable), £4,900.

547. In addition to the expenditure provided under this item, there is the salary of the Inspector in charge of deer-destruction operations and his assistant. The actual cost for the current year will approximate £5,000, against which it is estimated that the sum of approximately £1,000 will be recovered from the proceeds from the sale of deer commodities.

548. It should be observed, in the first instance, that one of the reasons for the necessity for the State undertaking deer-destruction operations is the failure of certain acclimatization societies to use their funds for this purpose, **and stricter control of the operations of the acclimatization societies should be exercised in future, with a view to ensuring that their functions in the direction of the control of pests, such as deer, will be carried out.** We would also comment on the fact that it has been necessary for the Government to take active steps to keep down the increase in deer herds while at the same time acclimatization societies in some districts proclaim "close seasons" for the destruction of deer. **This seems to be an anomaly, and we are of opinion that while the Government is expending large sums on the destruction of deer no restriction should be placed on stalking by private individuals.**

549. We would also suggest that the Department of Scientific and Industrial Research should investigate the possibility of the destruction of deer being undertaken by means of poisoning. We believe that this system has been adopted in other countries with some degree of success, and suggest that it should be cheaper to operate in this way rather than on the present expensive basis.

550. In regard to the bonus paid to private individuals for deer destroyed, the Department insists on the production of deer-tails and a royalty is paid on each tail. In view of the possibility of obtaining a market for deer-hides, we suggest that it would be preferable if the bonus of 1s. 6d. at present being paid for deer-tails be discontinued, and in lieu thereof a bonus be paid for skins. It should be possible to fix the amount of such bonus at a price that will enable the Department to dispose of the skins at a minimum of loss. In any case the system should be more advantageous than the present system of bonus of 1s. 6d. per tail.

551. **We also recommend that the operations of the Department next season be confined mainly to the Westland District, where the deer are said to be very numerous and are doing considerable damage to the forests.**

552. In conclusion, **we recommend that the operations of the Department be continued only until such time as the market for deer-skins is definitely established,** and in this connection the indications point to the fact that the time will not be far distant when there will be a market for all the skins New Zealand can supply. When this time comes it should be possible to leave the destruction of deer to private enterprise. A saving of £1,700 per annum should result from these proposals.

Item—Entertaining Visitors to the Dominion, and Official Functions, Cost of, £900.

553. We note that the expenditure on this account has been considerably reduced during past years. We believe that this is as it should be, and recommend that every effort be made to ensure continuing economy under this heading.

Item—Grants, Franklin County Council, in respect of late Waikato River Board, £3,780.

554. This item is non-recurring, but should nevertheless be referred to. The position is that certain river-works were carried out near Mercer by the now defunct Waikato River Board. This Board was constituted at the request of the ratepayers in the river district, and spent a considerable sum of money in endeavouring to lower the level of the river above Mercer for land-drainage purposes. The proposals of the Board were based on inaccurate levels, and generally the result was that the works carried out in the main stream were quite without any beneficial results. The Board subsequently ceased to exist, and the liabilities incurred by it were apportioned by a Commission appointed under section 3 of the Rivers Boards Amendment Act, 1910, between the Franklin, Raglan, and Waikato County Councils. These three local authorities are authorized by the Local Legislation Act, 1927, to raise a joint special loan for the purpose of meeting certain liabilities of the defunct River Board and by the same Act the three County Councils have been given all the powers of a River Board appertaining to the classification of land and the levying of rates on those portions of the river district within their boundaries. The effect of this legislation is that the three County Councils have all the necessary powers to call upon the ratepayers in the original river district to meet their liabilities by way of special rates on loans raised. However, the Government,

as a result of representations by the local authorities, decided to make a grant of £3,780 towards the liabilities of the district. **We view with alarm the tendency of the Central Government to shoulder the liabilities of local authorities, and consider that Government assistance in such cases establishes a dangerous precedent, which may involve considerable expense.**

555. In regard to this particular case we can see no reason why the ratepayers in the district should not have been called upon to shoulder the liabilities for loans raised by the River Board, which was constituted at their request. It seems equally clear that the ratepayers had no just claim for Government assistance, and the general taxpayer surely cannot be expected to come to the rescue in the case of failure of works undertaken by local-governing bodies. Many local authorities are experiencing difficulty at the present time in meeting all obligations, and to admit a principle of Government assistance would give rise to other claims which would be an embarrassment to the finances of any Government. **We very strongly recommend that no further Government assistance be provided in cases such as this, and that the local ratepayers be required to meet their own liabilities.**

Item—Ministerial Office Accommodation, Rent of Premises, and Special Fittings, Dunedin, £294.

556. Considerable expense has been incurred in fitting up these offices, which are situated in the Public Trust Office, Dunedin. This accommodation does not appear to be required, and we recommend that the lease of the rooms be cancelled at the earliest possible moment.

557. If the cancellation of the lease is not possible, we recommend that every effort be made to sublease the premises. It should by this means be possible to save to least £150.

Item—New Zealand Gazette: Cost of printing (part recoverable), £6,750.

558. The cost of printing the Railway and Post and Telegraph classification lists which are published as supplements to the *New Zealand Gazette* is chargeable against this item, and no recovery is made from the Departments concerned. We consider that as these are trading Departments, the cost of printing the classification lists should be borne by the respective Departments. There will be no saving to the Consolidated Fund in this connection.

CONCLUSION.

559. We wish to place on record the fact that considerable economy has already been effected in the administration of this Department, and, with the exception of the items specially mentioned above, we are unable to point specifically to any other avenues of economy which can be exploited. **We, however, recommend a thorough overhaul of the staff in the Department, with a view to seeing whether by better co-ordination of the work and perhaps the elimination of some non-essential routine a further reduction in the personnel is possible.**

560. The savings recommended in this vote are summarized hereunder:—

<i>Subdivision I.—Head Office:—</i>		£	£
Item—Animals Protection Act	.. .. .	165	
„ Fresh-water fisheries and game	.. .. .	2,500	
„ Light, power, and water, &c.	.. .. .	1,250	
„ Telephone services	.. .. .	200	
„ Travelling allowances and expenses of Ministers' secretaries	.. .. .	250	
		—	4,365
<i>Subdivision III.—Ministers' Secretaries:—</i>			
Item—Salaries	.. .. .	2,000	
„ Allowances in addition to classification	.. .. .	765	
		—	2,765
<i>Subdivision IV.—Messengers, Office-keepers, and Charwomen:—</i>			
Item—Salaries, &c.	.. .. .	5,822	
„ Travelling-allowances, &c.	.. .. .	250	
„ Uniforms and overcoats, &c.	.. .. .	100	
		—	6,172
<i>Subdivision VI.—Museum:—</i>			
Item—Salaries	.. .. .	358	
„ Rent, floor-space, exhibits	.. .. .	817	
		—	1,175
<i>Subdivision VIII.—Miscellaneous Services:—</i>			
Item—Allowances to officers performing higher duties, &c.	.. .. .	50	
„ Cost-of-living bonus to annuitants	.. .. .	5,200	
„ Deer herds, reduction of	.. .. .	1,700	
„ Ministerial office accommodation	.. .. .	150	
		—	7,100
			<u>£21,577</u>

VOTE—AUDIT DEPARTMENT.

561. The expenditure of this Department has increased considerably since 1914–15, but the increase has been due to the increased responsibilities of the Department occasioned by the growth of local-government activities and the growth of public expenditure. The following statement will indicate the administrative expenditure in 1914–15 and 1930–31 respectively :—

1914–15.			1930–31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 15,732	£ 2,575	£ 18,307	£ 53,072	£ 7,562	£ 60,634
Less credits	..	10,638	Less credits	..	32,861
		£7,669			£27,773

562. The staff in 1914–15 numbered 63, and in 1930–31 it was 165.

563. The reorganization of Government accounts on a commercial basis and the institution of Stores Audit control have been responsible for a substantial increase in the work of the Audit Office. We cannot recommend any specific economies in the vote, but note that the charge made for examination of the accounts and balance-sheets of certain Government Departments does not cover the cost involved. **We consider that the full charge should be recouped from the Departments concerned, and recommend that in future this be done.** The Departments concerned are the Government Life Insurance Office, National Provident Fund, Public Service Superannuation Fund, Public Trust Office, and Native Trust Office. This should result in an increase in the credits of at least £450 per annum—virtually a saving.

Saving, £450.

564. We consider that any further reduction in the vote of this Department is not warranted in view of the increased responsibilities attaching to the audit of public expenditure, including local-body expenditure.

VOTE—PUBLIC SERVICE COMMISSIONER'S OFFICE.

565. The expenditure of this Department in 1914–15 and 1930–31 is shown hereunder :—

1914–15.			1930–31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 2,812	£ 4,999	£ 7,811	£ 4,787	£ 2,353	£ 7,140

566. The staff of the Office in 1914–15 numbered sixteen and in 1930–31 the number was nineteen. This number is not a true indication of the normal staff, as officers are frequently detailed for relief work in other Departments.

567. In connection with the various items on the vote we wish to report as follows :—

Appeal Board Expenses.

Item—Fees to Chairman, £100.

Expenses in connection with the hearing of Appeals, £100.

568. At present appeals in regard to the regrading, promotion, and dismissal of officers in the various Departments of State are considered by the respective Appeal Boards without any charge to the appellants. **We consider that, as the Appeal Boards have been established at the public expense for the benefit of the members of the Public Service, a fee of 10s. 6d. should be charged for each appeal, to be refunded when the appellant is successful.** This, we are convinced, would result in a considerable reduction in the number of appeals, especially in regrading years. The charging of such a fee would also reduce the net cost of the various Appeal Boards each year.

VOTE—PRINTING AND STATIONERY DEPARTMENT.

569. The expenditure under vote Printing and Stationery Department for 1914-15 and 1930-31 is as follows :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 71,184	£ 51,969	£ 123,153	£ 128,791	£ 99,496	£ 228,287

570. The departmental receipts for 1914-15 amounted to £106,553, and in 1930-31 to £244,780.

571. The establishment of a Government Printing Office is necessary in view of the large numbers of parliamentary papers, statutes, and the Journals of the House which have to be printed. The Department also provides stationery and office requisites for other Departments, and most of the printing required by Government Departments is also carried out by the Printing Office, as also is the stamp-printing for the Post and Telegraph and Stamp Duties Departments.

572. The Department appears to be economically administered, and, indeed, is suffering from false economy in the past, in that some up-to-date machinery is required if the Government Printer is to be in a position to compete with prices obtainable from private firms.

573. Some minor economies should be possible in the vote, apart from reductions in salaries, as a result of the Public Expenditure Adjustment Act, 1932.

574. The items in which economy can be effected are as follow :—

Item—Freight, Cartage, Insurance, &c., £8,100.

575. This item should be reduced to £7,200.
Saving, £900.

Item—Fuel, Power, Light, &c., £2,600.

576. This item should be reduced to £2,400.
Saving, £200.

Item—Monotype-machine Replacements, £425.

577. This item can be reduced to £415.
Saving, £10.

Item—Monotype Metal, £450.

578. This item should be reduced to £300.
Saving, £150.

Item—Postage and Telegrams, £1,700.

579. This item should be reduced to £1,300.
Saving, £400.

Item—Repairs to Premises, £500.

580. This item should be reduced to £420.
Saving, £80.

Item—Services of Charwomen, Messengers, &c., £1,858.

581. This item should be reduced to £1,800.
Saving, £58.

Item—Stores, Bookbinding-material, &c., £4,300.

582. This item should be reduced to £4,200.
Saving, £100.

583. While the foregoing economies can be effected, it should be stated that increases will be required in some other items on the vote, and after making allowance for the reductions in salaries it is estimated that a vote of £165,000 will be required for 1932-33, or a net saving, over all, of £9,779.

584. The Department does not carry out the whole of the printing required by the Government. **We consider that before any printing, including electoral rolls, is entrusted to private enterprise quotations should be obtained from the Government Printer and his services utilized wherever possible.**

VOTE—MENTAL HOSPITALS DEPARTMENT.

585. The expenditure of this Department, excluding capital expenditure, for 1914-15 and 1930-31 is shown hereunder :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£ 70,278	£ 100,532	£ 170,810	£ 272,007	£ 203,647	£ 475,654
Less credits-in-aid ..	..	44,828	Less credits-in-aid ..	..	172,195
		£125,982			£303,459

586. The expenditure has increased by approximately 140 per centum since 1914-15, but the mental hospitals population has also increased materially in the intervening period.

587. The numerical strength of the staff in 1914-15 was 658, and in 1930-31 it was 1,325.

588. While the above figures show a large increase in the cost to the Dominion since 1914-15, other factors must be taken into consideration to arrive at a true comparison. The increase in the number of inmates has contributed very largely to the progressive increase in cost. To show how the problem of the mentally defective has become accentuated over a long period of years it would be as well to quote some statistics. The annual reports of the Department go back to 1876, in which year there were 783 patients in the mental hospitals of the Dominion, or a ratio of approximately 1 : 383 of population. During the intervening years there has been a steadily progressive increase in the number under the care of the Department, as is shown in the following quinquennial table :—

Years.	Average Annual Increase.	Years.	Average Annual Increase.
1876-80	79	1906-10	111
1881-85	79	1911-15	111
1886-90	57	1916-20	122
1891-95	83	1921-25	113
1896-1900	91	1926-30	239
1901-5	90		

589. The ratio of registered mental patients and voluntary boarders to the estimated general population (exclusive of Maoris) may be gathered approximately from the following table showing the position every fifth year over a period of forty years :—

	Number of Patients and Voluntary Boarders on Register.	Estimated Population of New Zealand (exclusive of Maoris).	Ratio of Registered Inmates of Mental Hospitals to General Population.
1891	1,849	626,658	1 : 339
1896	2,315	703,360	1 : 304
1901	2,773	772,719	1 : 279
1906	3,206	888,578	1 : 277
1911*	3,756	1,008,468	1 : 268
1916	4,400	1,099,449	1 : 250
1921	4,970	1,218,913	1 : 245
1926	5,637	1,344,469	1 : 239
1931	6,922	1,452,747	1 : 210

* System of voluntary admission instituted.

590. The figures for the 1931 quinquennium convey rather a wrong impression, as the disproportionate increase in the ratio is largely due to alteration in the system rather than a definite increase in the number requiring admission. This discrepancy is due to the operation of the Mental Defectives Amendment Act, 1928, under which the Department is now responsible for the care and training of many feeble-minded children who would in prior years have been under the charge of the Education Department.

591. The cost per patient has naturally risen since 1915, owing to the general increase in the cost of living as is illustrated by the following table. For comparative purposes it has been thought unnecessary to go farther back than 1914-15. The substantial reduction in 1932 is to be noted.

Year.	Cost per Patient (excluding Capital Expenditure and Interest and Depreciation).						
	£ s. d.						
	£	s.	d.				
1914-15	32	2	0
1917-18	38	2	7
1920-21	51	15	6
1923-24	51	6	6
1926-27	51	6	3
1929-30	51	11	0
1931-32	40	13	4

592. We have considered the possibility of effecting a reduction in this vote, but have come to the conclusion that it is impossible to reduce appreciably the charge on the Consolidated Fund in respect of maintenance. From the evidence obtained we are satisfied that the utmost economy has been practised by the Department, and the administration is to be commended for its efforts in this direction.

593. The estimates submitted to us for 1932-33 provide for a reduction in expenditure over the previous year of approximately £14,000, but it is only by effecting many minor economies that this result has been achieved.

594. The reduction referred to above is largely offset by a corresponding reduction in the estimated credits for maintenance, &c., and the Department can budget for a reduction of only from £3,000 to £4,000 in the net annual vote. We consider it unnecessary to review the appropriations in detail.

595. The amount collected for maintenance fees shows a falling-off in recent years due undoubtedly to economic conditions, but every effort is made to collect fees from the relatives of patients, and we are satisfied that there is no laxity in this respect.

SHORTAGE OF ACCOMMODATION.

596. The shortage of accommodation and the need for further capital expenditure to cope with the increasing mental hospitals population has been commented upon in the annual reports of the Department for many years. **We have elicited the fact that there are at present approximately eight hundred inmates for whom the Department is unable to find proper accommodation.** The following table shows the distribution of the patients and the position in regard to overcrowding at the different institutions as at the 31st December, 1931 :—

	Accommodation provided.	Number actually resident.	Deficiency in Accommodation.	Surplus Accommodation.
Auckland (including Kingseat)	1,170	1,320	150	..
Tokanui	497	570	73	..
Porirua	1,270	1,450	180	..
Nelson	525	491	..	34
Hokitika	268	278	10	..
Christchurch	912	1,109	197	..
Seacliff (including Waitati)	1,019	1,238	219	..
	5,661	6,456	829	34

Net shortage, 795.

597. The standard laid down by the Scottish Board of Control and adopted by most authorities as being essential for proper hygienic conditions in dormitories is 600 cubic feet per patient, and this standard is also generally adopted for licensed mental hospitals in New Zealand.

598. In computing the above table the Department has not adhered to this standard, but has allowed down to 510 cubic feet per patient where improved methods of ventilation have justified this. **Accommodation is urgently required for at least eight hundred inmates, but this is not the worst feature of the position. The mental hospitals population is increasing by approximately two hundred and forty per annum, and it seems that if this increase is maintained there must be a heavy charge for new buildings and equipment.** The position in regard to accommodation in the mental hospitals (particularly as to overcrowding) was the subject of investigation by Sir Truby King in 1925.

599. In the course of his report Sir Truby expressed the view that the following were the "most urgent provisions which should be made within the following two years" :—

- (1) Purchases of additional land.
- (2) New buildings—
 - (a) Receiving cottages.
 - (b) Neuropathic units.
 - (c) For chronic patients.
 - (d) For the sick and infirm.
- (3) Ventilation and other urgently needed hygienic provisions for existing premises.
- (4) Structural additions and alterations (other than the above) needed to bring existing premises into line with modern requirements.

600. The following is a summary of the expenditure which Sir Truby King considered would be necessary to carry out the above-mentioned provisions :—

	£
Purchase of land	52,000
Admission cottages	7,000
Hostels for nervous affections	19,500
Additional accommodation for women	76,000
Additional accommodation for men	76,000
Infirmary wards	21,500
Nurses' homes	35,000
Stores, kitchens, bakehouses, and laundries	49,500
Various headings as per scheme	25,000
	361,500
Add £82,000 for works already authorized	82,000
	£443,500

601. The main lines of policy laid down as a result of Sir Truby King's investigation were—

- (1) To vacate the Avondale Mental Hospital at Auckland and erect a new institution on the villa system some distance from the city. The Government of the day gave an undertaking that this would be completed within ten years—*i.e.*, in 1936.
- (2) To improve the classification more especially in regard to recent and recoverable cases, and to provide adequately for their separation from the chronic patients of an objectionable type.
- (3) To make such alterations in the existing main buildings as would bring them into line with modern ideas, particularly in regard to ventilation, size of dormitories, and general hygiene.
- (4) To enlarge and rebuild where necessary the stores, kitchen, laundry, and administrative offices, which in most institutions had been designed to deal with a much smaller population than has now to be provided for.
- (5) To limit the accommodation of each institution to one thousand beds.
- (6) To avoid adding to existing main buildings and to secure additional accommodation by the erection of separate villas.

602. It was thus considered that the sum of £443,500 was necessary to carry out the most urgent provisions which should be made well within the following two years. Although a great deal has been done in the meantime to improve conditions in the mental hospitals, the fact remains that there is still a resident mental hospital population of some eight hundred for whom proper accommodation is not provided, and that population is increasing at the rate of approximately two hundred and forty per annum. **The position is grave.**

603. As regards new construction, the old barrack system of mental asylums has been discarded in favour of what is known as the "villa system," the essence of which is that, instead of numerous wards and dormitories concentrated in a single large building, institutions are composed of several entirely detached units each designed for a particular class of patient. This system has to a degree been followed in the Dominion in recent years, and has enabled the Department to use cheaper materials, such as timber, for construction.

604. It is estimated that the cost of erecting in timber a building to accommodate fifty patients is approximately £8,000, or £160 per patient, as against £12,000 for erection in brick—*i.e.*, £240 per patient. **It therefore appears that, for the erection of buildings alone, the sum of £160,000 is immediately required in order to relieve the congestion in the present institutions, while an annual capital expenditure of approximately £50,000 is required to cope with the annual increase in the mental-hospital population. The growing burden on the State is really serious, and it appears that early consideration should be given to any suggestions whereby this might be minimized. In particular, the various suggestions contained in parliamentary paper H.-7A, 1927, demand serious consideration.**

GENERAL.

605. There are two further matters to which attention should be drawn. They are :—

(1) *The care of Senile Patients.*

606. The Department has about five hundred patients who are over seventy years of age, and of that number there are three hundred and fifty who do not require the highly organized and expensive form of care provided in the mental hospitals. These patients could be accommodated in buildings of a much less costly nature, and could be attended to by a relatively small staff. **They are of the same type as are now cared for in old people's homes, and it would appear that they could be more economically cared for in institutions of that type.** This was apparently contemplated in 1929 when the Rest-homes Act was passed, but suitable accommodation has not yet been provided. It is worthy of note that these patients are under the care of the Mental Hospitals Department mainly on account of the desire of local-governing bodies to avoid the cost of caring for the patients as a charge against local rates. Incidentally, the matter has been commented upon in the annual reports of the Department for many years, indeed as far back as 1895 the matter was mentioned in the report of the late Dr. MacGregor.

607. If it is impossible to arrange for the Hospital Boards to undertake the care of patients of this class in their own institutions, then we are of opinion that they should meet the cost of maintenance in the mental hospitals or in special institutions provided for the purpose. In any case, we are of opinion that it would be in the interests of economy to provide special institutions devoted exclusively to the care of these patients, as the annual maintenance costs of such institutions would be considerably less on a per-patient basis than is the cost in the mental hospitals.

(2) *Mentally Defective Aliens and other Immigrants.*

608. We also wish to comment on the number of patients of non-British races who are permanent mental defectives and likely to remain a charge on the community. At the end of last year there were at least 152 alien patients in residence, whose annual cost to the taxpayer is nearly £11,000.

609. It is pleasing to record that negotiations are in progress with a view to the repatriation of some of these aliens who are fit to travel, but the majority of the present inmates must continue to be provided for. **We mention this matter, as it appears to be desirable that the law should be amended with a view to providing for the deportation of those who become insane within, say, five years of their arrival in the Dominion.**

610. It is recognized that it is in many cases impossible for the Port Medical Officer to detect insanity, and under the present law once an immigrant has landed no further steps can be taken.

611. Total savings in all items of vote for 1932-33, £3,000.

VOTE—DEPARTMENT OF HEALTH.

612. The social services provided by the Department of Health have considerably increased during the last few years, and these extensions of activities must be remembered when comparing the expenditure in 1914-15 with that in 1930-31. The following statement will, however, illustrate the growth of the Department and of the expenditure since 1914-15 (exclusive of subsidies to Hospital Boards):—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£	£	£	£	£	£
19,690	51,839	71,529	152,214	196,142	348,356
Less credits-in-aid	..	10,769	Less credits-in-aid	..	103,685
		£60,760			£244,671

613. **There has been an abnormal increase in the net expenditure of this Department,** and, while a portion of this is attributable to normal extensions, a large part of it is due to the inauguration of new services, such as school dental clinics, school medical service, increased subsidies to the Plunket Society, and the cost of other departmental institutions which were not in existence in 1914-15, such as King George V Hospital, Rotorua, Hanmer Hospital, &c.

614. It is particularly evident that in votes such as this, and vote Education, there is an increasing tendency on the part of the community to look to the State for the provision of extra social services which had never in the past been regarded as a responsibility of the State.

615. **A drastic reduction in social services provided by the Health Department cannot be avoided, and we have accordingly considered the various activities of the Department with this end in view. Adequate economy can only be achieved by a drastic curtailment of social services.**

616. **The increase in the expenditure of the Department over 1914-15 is so great that it gives emphasis to the statement in our interim report that services which the Dominion could afford in more prosperous times must now of necessity be severely curtailed or even discontinued.**

617. An analysis of the expenditure in detail follows:—

Item—Salaries, £132,935.

618. The appropriations show that the numerical strength of the staff in 1914-15 was 133, while in 1931-32 it had increased to 584. The best way to consider the expenditure on salaries is to review the various activities of the Department in which the staff is engaged. The increase in both the numerical strength and the expenditure in respect of salaries is startling.

619. There appears to have been a tendency to create more or less watertight compartments within this Department. For instance, the Department is broadly divided into Divisions, as follow:—

- Division of Public Hygiene.
- Division of Hospitals.
- Division of Dental Hygiene.
- Division of School Hygiene.
- Division of Nursing.

620. In each case a special officer occupies the position of Director, and, in addition, there is another officer in the position of Inspector of Private Hospitals. **This is an element of weakness, as the creation of separate compartments must tend to overlapping and over-staffing. More direct unified control would avoid this defect. Two branches at the most, with divisional officers in charge acting directly through the Director-General of Health, would be more economical, and we suggest that the divisions should be—**

(1) **Public Hygiene.**

(2) **Hospitals.**

621. The work in connection with the present Divisions of Dental Hygiene and School Hygiene falls naturally under the Division of Public Hygiene, and should be controlled by one officer directly supervised by the permanent head.

622. There appears to be no real necessity for a Director, Division of Hospitals, and also a special officer occupying a similar position in regard to private hospitals. One should suffice.

623. We shall now endeavour to indicate wherein economies might be effected in the administration of the Department—firstly, in connection with what might be termed its basic functions, and then in connection with the more recently created services.

Sanitary Inspectors.

624. The responsibility for the appointment of Sanitary Inspectors is divided between the Health Department and local authorities, and the result is that there is increasing duplication and overlapping in the work carried out by these officers.

625. The statutory authority for the appointment of Sanitary Inspectors by local authorities is contained in section 25 of the Health Act, 1920. The legislation requires that every local authority shall appoint a qualified Sanitary Inspector, or may contract with the Department for the services of one of its Inspectors.

626. The Act imposes upon the Department of Health the duty of inspection on behalf of all local authorities who do not appoint a Sanitary Inspector. The result of this legislation is that a duty of ill-defined magnitude devolves upon the Department, and some of the departmental Inspectors serve wide and broken districts.

627. Further complications arise from the fact that one or more local authorities of a group which contributes towards the salary and expenses of the Inspector employed by the Department may decide to appoint their own Inspector. **Definite economy would result from the co-ordination of the inspection services of local authorities and the Department, and we recommend that the law be amended to enable the Department to group the smaller local authorities and appoint Health Inspectors, whose salaries and expenses should be recovered in full from such local authorities.** It would also be necessary to ensure that where such arrangements have been made no contributing local authority could withdraw and appoint its own Sanitary Inspector without the approval of the Department and the other contributing local authorities. Continuity of agreement is essential to the satisfactory working of such a scheme.

628. There are fifty Inspectors in all in the employ of the Department, thirty-nine of whom are engaged in inspections under section 25 of the Health Act, 1920; but the Department does not recover the whole of their salaries and expenses from the local authorities. In addition, there is a Supervising Inspector in each of the four main centres. The Department also has three specialist Food and Drug Inspectors, two Inspectors of Maori Hygiene, and two Port Inspectors.

629. The Supervising Inspectors in the four centres are apparently required in order to ensure uniformity of practice, **but the salaries of these officers should be recovered from the respective local authorities, as in our opinion there is no good reason why the general taxpayer should be required to meet the cost of purely local services.**

630. So far as can be ascertained, those local authorities which appoint their own Inspectors have well over one hundred Inspectors throughout the Dominion. **From the evidence we have obtained, it seems obvious that a considerable saving could be effected both to local authorities and to the Consolidated Fund by the co-ordination of the duties as between these authorities and the Health Department.**

631. A greater degree of co-ordination between local authorities and the Department, and a revision of charges at present made to local authorities for the services of Inspectors employed by the Department, should lead to substantial savings, estimated at from £3,000 to £5,000 per annum.

Bacteriological Laboratory Services.

632. These services which for many years have been the function of the Department were extended between 1919 and 1922, and the number of technicians was then increased from four to fifteen. A portion of the work was later transferred to the control of Hospital Boards, and the Departmental staff has now been reduced to seven. The Department undertakes the examination of bacteriological specimens in the interest of public health, but we suggest that this responsibility should be borne by the Hospital Boards. **We recommend that, except as regards the manufacture of calf-lymph, which should be undertaken by only one laboratory, the responsibility for providing a bacteriological laboratory service should be imposed upon Hospital Boards and that statutory provision should be made accordingly.** The transfer of the laboratory technicians to the staffs of the Hospital Boards at Invercargill, Dunedin, Gisborne, and Whangarei would be involved.

633. The Department also contributes to the cost of Hospital Boards' laboratories in certain cases, **and we see no reason why this special assistance should be given.** The general subsidy for maintenance purposes provided by the State should amply recompense Hospital Boards for special bacteriological work done for the State.

Saving in respect of salaries of technicians, £2,500.

Maori Hygiene.

634. Prior to 1920 the Department maintained a small staff on this work, and the Division was strengthened in 1920 by the appointment of two additional officers. The Division, as such, has recently been abolished, and the staff now employed on the work, including nurses and part-time medical officers, numbers fifty-two. In addition to the salaries of officers employed by the Department, grants totalling approximately £500 are made to nine Hospital Boards which employ Native Medical Officers.

635. There has been a general increase in departmental activities in connection with Maori hygiene, including the supply of medicine to Native schools, and the net cost in 1930-31 was £10,487, while the approximate cost in 1931-32 was £8,000, exclusive of general office expenses. It should be stated that this expenditure is to a degree linked with the item of £7,000 appearing in the Civil List for Native purposes, as a recovery of approximately £3,600 is made from that item to vote Department of Health, in respect of medical services, &c. We have already recommended the abolition of the item of £7,000 appearing under the Civil List, and a corresponding reduction in the expenditure by the Department should follow. **We suggest that the expenditure on Maori hygiene should not exceed £6,000 per annum.**

Saving, £2,000.

School Hygiene.

636. The Division of School Hygiene was first established in 1912, when three School Medical Officers were appointed. These officers were, in the first place, attached to the Education Department, but in 1921 the service was transferred to the Health Department.

637. The staff at the present time consists of the Director of School Hygiene, eleven School Medical Officers, and twenty-seven school nurses, while, in addition, two Medical Officers of Health act as part-time School Medical Officers. The aim of the service is to secure for each child three complete physical examinations during his or her school life; but special examinations are carried out at the request of parents or teachers, or when the School Medical Officer considers them necessary.

638. The work is mainly confined to the examination of children attending the State primary schools, although recommendations for the extension of the service to secondary schools have been made to the Government in the past; but such extension has been deferred owing to financial considerations. The service has now been extended to include the examination of the pre-school child, kindergartens throughout New Zealand being inspected by School Medical Officers.

639. The School Medical Officers do not provide medical attention for the child, the practice being to notify the parents of the treatment required, leaving the choice of medical attendant to the parents themselves. It sometimes happens that the parents are unable to obtain the necessary advice and treatment, and in these cases it is the duty of the School Medical Service, through the school nurse, to see that treatment is obtained. The school nurse thus acts as a link between the school and the home, and where treatment is arranged for, owing to the inability of parents to provide for it themselves, the treatment is carried out at the public hospitals.

640. The total cost to the State of this service in 1930-31 was £21,436, which covers salaries, travelling allowances and expenses, uniforms for nurses, &c.

641. School Medical Officers and nurses must travel in the performance of their duties, **but every effort should be made to minimize this cost.**

642. **In regard to allowances for nurses' uniform, we see no justification for the free issue of them or an allowance therefor, and recommend that this be discontinued.** A nurse having obtained employment, would suffer no undue hardship in providing her own uniform.

643. **We recommend that the position of Director, Division of School Hygiene, be abolished, and that the work be supervised by the officer in charge of the Division of Public Hygiene.**

644. Similarly, with regard to the School Medical Officers, **we believe that these officers should be under the direct control of the Medical Officers of Health in the respective districts.** This should enable the work of all Divisions of the Department to be more closely co-ordinated and make for greater economy.

645. Without wishing in any way to detract from the admittedly valuable service carried out by this Division, **we are of opinion that in view of present financial conditions it must be considerably curtailed. We accordingly recommend that the staff be reduced by at least one-third, including both Medical Officers and nurses. If the present service cannot be maintained with the reduced establishment, we are forced to recommend that the activities be adjusted accordingly.** For instance, instead of three complete physical examinations during the school life of the child, in the altered circumstances two may have to suffice.

646. In 1925 the routine medical examination of entrants to the teaching profession was placed under the School Medical Officers. It had been the custom previously for them to go through their period of training without special examination, a medical certificate being asked for at the end of the training period. This was found to be extravagant both to the State and to the student, as in some cases after time and money had been spent in educating the trainees, they were unable to pass the necessary medical test. It is claimed that examination of candidates by the School Medical Officers has had beneficial results. **It is pointed out, however, that this medical examination is carried out free of cost to the trainee, and this appears to be an unnecessary concession.** In other branches of the Public Service the appointees have to undergo medical examination at their own cost, and **we see no reason why a charge should not be made for the medical examination of candidates for the teaching profession. We suggest a fee of 10s. 6d. for each examination.** The indications are that there will not be very many candidates accepted for training; consequently the imposition of a charge now may not produce much, but it is an avenue of economy.

Estimated saving by reduction in staff, £5,000.

Division of Dental Hygiene.

647. The total cost of the school dental service for 1930-31 was £51,137, while the cost for 1931-32 was £44,896, or a reduction of £6,241. The cost of this Division has risen rapidly from its inauguration in 1922, as is shown by the following statement :—

Year ended 31st March,	£	Year ended 31st March,	£
1922	11,840	1928	32,095
1923	12,407	1929	35,496
1924	16,054	1930	44,286
1925	17,031	1931	51,137
1926	20,115	1932 (estimated) ..	44,896
1927	30,353		

648. In addition to the above, the local Dental Clinic Committees are contributing approximately £4,800 in cash to the Department, and also pay certain local expenses for maintenance which would have a cash value of approximately £4,000 in the aggregate.

649. The Division also is controlled by a special Director and there are four District Dental Superintendents. In addition, there is a Superintendent of the Dental Clinic and Training School at Wellington, and three instructors.

650. **The organization appears somewhat top-heavy and the positions of Director and Superintendent of the Dental Clinic and Training School might well be combined.**

651. **The administrative headquarters of the Division occupy rented offices, and we see no reason why this should be necessary. The headquarters of the Division should, in our opinion, be at the Training School, thus leading to a saving by way of rent and office expenses. There cannot be efficient and economic control under the present system.**

652. There are at present 203 dental clinics, of which 130 are what are termed "main centres" and 73 are "sub-bases." At each of these centres regular and systematic attention is provided for the children of a definite group of schools, and each child receives attention twice a year from the time the child commences school until he or she leaves the Fourth Standard.

653. Special buildings are provided for each local clinic, the cost being approximately £300, and clinics are not established until the local community agrees to find one-third of the cost of the building. The Department then provides the technical equipment, while the local committee finds non-technical furnishings to the value of approximately £20. The local committee has, for some years, been required to find the cost of maintenance, exclusive of dental materials and the salary of the attendant nurse.

654. During 1931-32 there was a change in policy, under which a charge of £30 per annum was imposed on all dental clinic committees in respect to each dental nurse employed, and the estimated revenue from this source for 1931-32 was £4,800. This £30 approximately covers the cost of dental materials.

655. **As to the services carried out by the Division, we are impressed by the fact that at the 30th November, 1931, the number of children under the care of the School Dental Service was approximately 69,000, whereas the number of children attending the primary schools of the Dominion exceeds 200,000.**

656. **We are definitely of opinion that this service should not be allowed to expand, for if the whole of the children attending the State and sectarian primary schools were under the care of the School Dental Service the ultimate cost to the Government would be in the vicinity of £100,000 per annum. We recommend that no new trainees be enrolled and that every effort be made to reduce the cost of the service. We further recommend that local committees be required to find an additional annual sum of £70 per nurse employed, making a total of £100 per annum per nurse. In the event of any committee being unable to find this sum the clinic should be closed. The scale of charges for operations at the Dental Clinic in Wellington, which is also the Training School, should be revised, in order that the charge to parents may be brought into line with that which would require to be imposed by Dental Clinic Committees in other centres.**

657. The adoption of our recommendations may result in some of the present dental nurses being thrown out of employment, but by virtue of their training they might perhaps be afforded facilities for engaging in private practice for the dental treatment of children up to, say, twelve years of age. If these nurses are capable of carrying out dental treatment in the employ of the Department, they should also be capable of engaging in private practice within the limit suggested. At the present time they are precluded by statute from engaging in private work.

658. **In the event of future extension of this service, the principle should be established that Government assistance should be limited to a subsidy not exceeding £1 for £1 on local contributions for buildings, equipment, and salary.**

659. The savings recommended may be summarized as follow :—

	£
Additional contributions from Dental Clinic Committees	11,500
Salaries of Superintendent, &c.	540
Rent and office expenses	300
Uniforms for nurses	150
	<hr/>
	£12,490
	<hr/> <hr/>

660. We now deal with the expenditure under vote : Department of Health :—

Item—Salaries, £132,935.

661. There would be a considerable saving in salaries as a result of our recommendations for the curtailment of services carried out by the Department, and it is unnecessary to recapitulate these savings. Over and above the recommendations already made, our investigations indicate that four officers could be retired and not replaced.

Saving on this account for 1932–33, £1,000 ; ultimately rising to £2,000.

662. The house allowances paid to School Medical Officers should cease.

Item—Rest-homes for Destitute and Old People, &c., £62.

663. This item is to provide for the payment of interest on land purchased for the purpose of establishing rest-homes under the Rest-homes Act, 1929. We have mentioned this subject in connection with the Mental Hospitals Department, and believe that the establishment of these homes for a special class of patient would ultimately lead to considerable economy. This item should more appropriately be included in the vote of the Mental Hospitals Department.

Item—Travelling Allowances and Expenses, £7,400.

664. This item does not cover the whole of the travelling-expenses of the Department for the reason that special provision is made under separate items for travelling-expenses in connection with dental hygiene, school hygiene, Maori hygiene, &c. The total cost for 1931–32, including maintenance of motor-cars, was in the region of £16,000, and we believe that it should be possible to reduce this cost by at least £2,000 over all.

Saving, £2,000.

Item—Notification of Infectious Diseases, £1,000.

665. This item provides for payment to medical practitioners for the notification of infectious diseases. The law requires that medical practitioners shall notify the Department of cases of infectious diseases coming under their notice, and, as the duty is mandatory, there is no reason for special payment. **We recommend that the practice of paying for reports be discontinued.**

Saving, £1,000.

Item—Masseurs Registration Act : Examination Expenses, &c., £100.

666. This item provides for the general expenses incidental to the administration of the Masseurs Registration Act. The Act prescribes a maximum fee of £2 for examinations and registration, but this does not cover the cost to the Department. There is no reason why there should be any cost to the general taxpayer, and **we recommend that the fee be increased to cover the total cost involved.** It is estimated that if the fees were increased from £2 to £4 this would cover the whole cost. **We also recommend that an annual registration fee of 10s. be imposed.** This would be equivalent to a saving of approximately £100 per annum.

Item—Medical Practitioners Act : Expenses, &c., £160.

667. Here again the fees collected by the Department do not cover the cost, and **we recommend that the law be amended to enable the Department to charge a fee of £1 1s. for an annual practising certificate.** This would virtually result in a saving of £1,000 per annum.

Item—Plumbers Registration Act : Examination and Expenses, &c., £800.

668. At the present time two examinations are conducted annually. **We consider that one should suffice, and recommend accordingly.**

Approximate saving, £200.

Bacteriological Laboratories.

Item—Contributions to Hospital Boards' Laboratories, £3,375.

669. **We cannot find any justification for special subsidies to Hospital Boards in respect of services carried out in the bacteriological laboratories of the Boards.** The Boards obtain substantial Government subsidies towards the maintenance of the institutions, which should cover all services. **We recommend the deletion of this item.**

Saving, £3,375.

Item—Laboratory Expenses, £280.

670. We have already recommended that the laboratories of the Department be handed over to Hospital Board control, but that the manufacture of calf-lymph should still be carried out by one laboratory. The sum of £150 only would then be required to cover laboratory expenses.

Saving, £130.

671. The taking-over of laboratory services by Hospital Boards may result in a slight increase in maintenance subsidies, but this may be disregarded for the present.

Dental Hygiene Administration.

Item—*Dental Clinics, Expenses of, £7,000.*

„ *Travelling Allowances and Expenses, £1,900.*

672. We have already dealt with the general position in regard to the Division of Dental Hygiene, and have recommended savings aggregating £12,490. Included therein was an amount of £150 on account of uniforms for nurses. We consider that nurses should be required to provide their own uniforms. We have also dealt with the general question of travelling-expenses in connection with general administration. Incidental reductions in these two items are accordingly involved, but they have already been taken into account.

Maori Hygiene Administration.

Item—*General Expenses, &c., £2,300.*

„ *Supply of Medicines, £1,350.*

„ *Travelling Allowances and Expenses, £1,800.*

673. This part of the Department's activities has also been dealt with, and there will be incidental savings in connection with these items, which have already been included in the saving of £2,000 previously referred to.

674. While we consider there should be a reduction in the service given by the Health Department to the extent of at least £2,000 we are also of opinion that some contribution should be obtained from the Maori Purposes Fund, or some other fund which exists for the benefit of the Maori population, towards the cost of Maori hygiene which falls on general taxation. We recommend that one-half of the cost be recouped from one or more of the funds referred to.

Further saving, £3,000.

School Hygiene Administration.

Item—*Uniform, Allowances to Nurses for, £350.*

675. It is the practice to provide school nurses with uniforms, and in dealing with the general question of school hygiene we recommended that this practice be discontinued.

Estimated saving not previously taken into account, £350.

Grants-in-aid.

Item—*Auckland City Mission, £300.*

„ *Mount Magdala Asylum, £486.*

„ *Wellington City Mission, £150.*

„ *New Zealand Farmers' Union (Women's Division), £150.*

676. While many kindred institutions are maintained by voluntary contributions the above receive Government subsidies, which should be discontinued as soon as possible.

Royal New Zealand Society for Health of Women and Children.

Item—*Maintenance of Karitane Hospitals, £5,300.*

Grants towards Salaries.

Item—*Director, £315.*

„ *Assistant Director, £135.*

„ *Secretary, £203.*

„ *Typist and Clerical Assistance, £113.*

Incidental Grants.

Item—*Railway Passes, &c., £900.*

„ *Upkeep of Cars, £380.*

Subsidies towards Salaries of Plunket Nurses, £15,115.

677. The foregoing all relate to the Plunket Society, the total being £22,461. It appears to us that this society is obtaining a greater proportion of State assistance than is warranted. In 1917-18 the total grants to the society were £3,641, the bulk of which was in respect of the salaries of Plunket nurses. It was not until 1918-19 that any grant was made towards the maintenance of Karitane Hospitals, and in that year the amount was only £750. The total provision now made is £22,461, and this is too large a proportion of the available funds. The societies throughout New Zealand have considerable cash resources, as witness the fact that on the 31st March, 1931, they held £29,657 in cash while the cash held by the various Karitane Hospitals totalled £3,375.

678. It is a striking commentary on the extent to which the State is now providing social services for the community generally that an organization which started on a purely voluntary basis should now be receiving State assistance to the extent of over £20,000 per annum. The financial position could be improved and the liability on the State lessened if the society imposed a charge on those receiving advice or attention who can afford to pay. We see no reason why such an extensive service should be provided on an entirely gratuitous basis. We realize the excellent work which has been carried out by the society. In our view, however, the country cannot afford the present cost, and we recommend an immediate reduction in the foregoing items of 33½ per centum and a further reduction in 1933-34 of 16⅔ per centum, or a total reduction in two years of 50 per centum.

Saving in 1932-33, £7,250.

Subsidies.

- Item—Buller Hospital Board, £150.
 „ Coromandel Hospital Board, £200.
 „ Inangahua Hospital Board, £450.
 „ Mercury Bay Hospital Trustees, £150.

679. We see no justification for the payment of special grants to these Hospital Boards, as we are of opinion that the general grant for maintenance payable from the Consolidated Fund should cover all purposes. **We accordingly recommend that these items be not renewed.**
 Saving, £950.

Institutions under Control of Department.

680. It is unnecessary to quote the remaining items of the vote under this heading. The Department, however, controls the following institutions:—

St. Helens Hospitals, Auckland, Gisborne, Wanganui, Wellington, Christchurch, Dunedin, and Invercargill.

Hanmer Hospital.

King George V and Infectious Diseases Hospitals, Rotorua.

Otaki Sanatorium.

Pukeora Sanatorium.

681. The total expenditure on the maintenance of these institutions for 1930-31 was £136,173, while recoveries of patients' fees amounted to £79,173.

682. The opening of these institutions has been one of the contributing factors towards the increase in the expenditure of the Department. In 1914-15 the institutions under the control of the Department were confined to St. Helens Hospitals at Auckland, Wellington, Christchurch, Dunedin, and a small cottage hospital at Rotorua, and the Te Waikato Sanatorium. The appropriation in that year was only £12,800.

683. Three large institutions—namely, the Pukeora Sanatorium, King George V Hospital at Rotorua, and the Queen Mary Hospital at Hanmer—were taken over by the Health Department from the Defence Department in 1921-22, and, in addition, the activities of the Tourist Department at Hanmer Springs were also transferred to the Health Department.

684. The following figures, though not directly comparable, indicate closely enough that institutional activities account for an increase in the annual net expenditure out of vote Department of Health as between 1917-18 and 1931-32 of approximately £20,000:—

	Expenditure.	Recoveries.	Net Cash Outgoings.
	£	£	£
1917-18	27,400	10,600	16,800
1929-30	146,697	89,266	57,431
1930-31	134,290	83,047	51,243
1931-32 (estimate)	103,137	67,200	36,937

685. The general administrative expenses of the Department have naturally increased to a certain extent as a result of the administration of these separate institutions.

686. We shall now deal with the institutions separately and first consider the position in regard to the St. Helens Hospitals at Auckland, Gisborne, Wanganui, Wellington, Christchurch, Dunedin, and Invercargill. Many public hospitals throughout the Dominion now provide maternity wards, **and we see no reason why these special institutions controlled by the Health Department should not be handed over to the Hospital Boards in the centres affected.** This would result in a unified system, and should not in any way affect the efficiency of the service provided. If necessary, the Hospital Boards could take over the present institutions, but it may be found in some instances that the Boards can provide the necessary accommodation for maternity patients at the public hospitals. If this is found to be so, some or all of the present St. Helens Hospitals might be disposed of. **If special accommodation for maternity patients is required it should be the duty of Hospital Boards to provide it.** The taking-over of these institutions by the relative Hospital Boards would necessitate increased maintenance subsidies from the Government, but there would nevertheless be a direct economy to the State as local rates would provide a portion of the maintenance cost.

687. The excess of expenditure over income in respect of each of the St. Helens institutions after charging interest and depreciation is as follows:—

	£	s.	d.
Auckland	10,970	5	8
Christchurch	3,901	15	8
Dunedin	2,814	11	8
Gisborne	2,679	12	7
Invercargill	3,160	12	10
Wanganui	2,516	12	1
Wellington	7,453	8	1
	<u>£33,496</u>	<u>18</u>	<u>7</u>

688. There would be a large net saving as a result of this recommendation.

689. Next on the list of separate institutions comes the Queen Mary Hospital at Hammers. This is a neurological hospital. It is the only institution of its kind in the Dominion, and we do not suggest that it should be handed over to Hospital Board control. Incidentally, it is required for the treatment of discharged soldiers suffering from war disabilities, and, apart from the special nature of the institution, it serves a useful national purpose on this account. The net cost of the institution for 1930-31, after charging interest and depreciation, amounted to £16,313. **Better results could be achieved by charging to patients the full cost of treatment received and the institution should become more nearly self-supporting in the future.** The cost per occupied bed is high as also is the individual average day's stay of patients, but probably this is accounted for partly by the specialist nature of the institution. Our suggestion that the fees charged to patients should cover the cost of the treatment can be understood when it is stated that the maintenance cost per occupied bed for the year ended 31st March, 1931, was £260, whereas the fees receivable per occupied bed amounted to only £217.

690. Next comes King George V Hospital at Rotorua. This is a general hospital, which caters largely for the needs of Rotorua and the surrounding district, and **we see no reason why this institution should not be handed over to Hospital Board control.** Some economy has already been effected by the closing of the orthopaedic section of the Hospital. However, it is difficult to understand why the net cost of the Hospital should continue to be met wholly by the State, as it is largely of local benefit and serving a local purpose. **We therefore consider that local residents should bear a fair share of the burden, and recommend the handing-over of the institution to Hospital Board control.** The net cost of the institution, together with the isolation hospital and the cottage hospital, at Rotorua was £18,029 in 1930-31. It is recognized that in this case also the saving to vote Department of Health will be offset by increased subsidies to Hospital Boards.

691. The remaining institutions are the sanatoria at Otaki and Pukeora. **In the South Island the sanatoria are successfully administered by Hospital Boards, and there does not appear to be any reason why the principle should not be followed with the institutions at Otaki and Pukeora.** It is of interest to note that the cost per occupied bed in tuberculosis institutions under the control of Hospital Boards averages £137.3 per annum, while in the institutions under the control of the Health Department the cost per occupied bed is: Pukeora, £208.5; and Otaki, £153.

692. The excess of expenditure over income after charging interest on capital, depreciation, &c., for 1930-31 was as follows: Pukeora, £8,562; Otaki, £2,721.

693. It is reasonable that a portion of the cost of the maintenance of these institutions should devolve upon local rates. We suggest that arrangements be made for some of the adjacent Boards to combine in the management of these two sanatoria, and this object would thus be achieved. The saving in vote Department of Health would also be offset by increased subsidies to Hospital Boards.

GENERAL.

694. The economies recommended herein should be regarded as a minimum rather than as a maximum to be aimed at.

695. It is impossible to estimate accurately the total savings recommended herein, but they should amount to from £60,000 to £80,000.

VOTE—DEFENCE DEPARTMENT.

696. We submit hereunder a statement in connection with the expenditure from vote—Defence from 1913-14 up to the present time:—

Year.	Appropriations.	Amount expended, Net.	Year.	Appropriations.	Amount expended, Net.
	£	£		£	£
1913-14	513,747	448,570	1923-24	376,354	348,632
1914-15	512,328	499,137	1924-25	420,172	370,906
1915-16	492,843	432,228	1925-26	455,368	459,293
1916-17	495,640	438,656	1926-27	500,865	493,274
1917-18	521,141	428,112	1927-28	472,385	481,759
1918-19	501,697	416,427	1928-29	464,191	464,595
1919-20	528,725	502,465	1929-30	491,667	454,828
1920-21	639,253	531,042	1930-31	275,000	277,799
1921-22	418,784	415,450	1931-32	215,000	200,000
1922-23	328,630	285,113			(approx.).

697. It will be seen from the foregoing that very considerable economies have been effected in the expenditure on these services as a result of the policy recently adopted by the Government. We feel that the Defence authorities should be encouraged to reproduce last year's programme, and cannot recommend any major economies that would detrimentally affect the efficiency of the present scheme.

698. The following table furnishes an interesting comparison of the cost of Land and Air Defence in Great Britain and various Dominions, including New Zealand :—

Great Britain, 1931-32 ..	Estimates, £58,030,000,	representing	£1 8s. 5d.	per head of population.
South Africa, 1929-30 ..	„	£865,534	„	9s. 9d. „
Canada, 1929-30 ..	„	£3,304,675	„	6s. 9d. „
Australia, 1931-32 ..	„	£1,776,858	„	5s. 6d. „
New Zealand, 1931-32 ..	„	£215,000	„	2s. 10d. „

699. A further material reduction in the cost per head cannot be expected if the Dominion is to maintain any semblance of a defence force.

700. Certain minor economies might be effected by a revision of the financial regulations of the Department. We will deal with these under their respective headings.

701. *Pay and Allowances of New Zealand Permanent Forces.*—These are covered by Section II of the regulations which govern the rates of salaries and special allowances, such as married men's allowances, proficiency pay, &c., for all personnel. **We are of opinion that the present scales of pay are on too liberal a basis, and recommend that amended rates be adopted, applicable only to future enlistments.** We do not recommend an alteration in the basic rates for present personnel in addition to the salary reductions already effected.

702. While we do not wish to particularize in the matter of pay, it is evident that an amended scale should be provided for warrant, non-commissioned officers, and men. The pay of officers seems reasonable, except that of Second Lieutenants, which appears to be unduly high, and we recommend a recasting of the scale applicable also only to future enlistments. The whole question of pay and allowances has been the subject of a special investigation by Treasury and the Public Service Commissioner, **and the recommendations in the report of the Inspecting Officers are generally sound, and should be incorporated in the revised regulations.**

703. As we cannot recommend the application of revised scales to the present personnel, there will be no immediate saving, except in so far as appointments during the current year (if any) are concerned. There will, however, be an ultimate saving on the retirement of the present personnel of approximately £21,000 per annum.

Outfit Allowances to Officers of New Zealand Permanent Forces.

Outfit Allowances to Warrant Officers, N.C.O.s, and Men of the New Zealand Permanent Forces.

Outfit and Upkeep Allowances for Artificers.

704. Officers receive an outfit allowance of £14 8s. and an annual upkeep allowance of £5 8s.

705. The outfit of personnel below commissioned rank is provided by issues from stocks carried by the Department and an upkeep allowance of £6 15s. per annum is paid to warrant officers.

706. Outfit allowances are paid to artificers.

707. **We are of opinion that these allowances to members of the Permanent Forces are not justified, as the salaries paid are sufficient to enable the officers and warrant officers to provide for the upkeep of their own uniforms.**

708. **We accordingly recommend that the annual upkeep allowance to officers and warrant officers be discontinued.**

709. There may be other directions in which the Financial Instructions and Allowance Regulations for the New Zealand Military Forces might be reviewed in consultation with the Treasury. The foregoing are, however, the main items to which attention should be directed, and although we cannot estimate what saving will result immediately from the changes we suggest they should, in the long-run, be conducive to more economical administration.

GENERAL.

710. As already stated, the aim should be to reproduce the programme carried out during 1931-32. We refer particularly to the substitution of bivouacs for regular camps. We believe that this system should in the meantime be continued, as the financial position is such that a return to the old system, desirable though it may be, is quite impossible.

711. We would also refer to the item of £7,000 on the 1931-32 appropriations under "Military Aviation" for the purchase of aircraft, marine craft, &c. The purchase of further machines might perhaps be deferred for the present.

712. **The present small-arms-ammunition contract between the Department and the Colonial Ammunition Co., Ltd., is unsatisfactory. It should be reviewed and, if possible, terminated.**

713. It appears to be obvious that this Dominion is not contributing on a reasonable scale towards the land defence of the Empire, and we consider that the whole question should be reviewed as soon as financial considerations will permit, as it is a *sine qua non* that all parts of the Empire should contribute adequately and proportionately to the general scheme of Empire defence. The present measures can be justified only on the grounds of financial expediency.

VOTE—CUSTOMS DEPARTMENT.

714. The net expenditure under the vote in 1914-15 and in 1930-31 was as under :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£	£	£	£	£	£
47,336	19,463	66,799	74,272	15,639	89,911

715. The staff is 1914-15 numbered 254 and in 1931-32 was 314.

716. The cost of collection of revenue, after allowing for depreciation and interest on capital in 1927-28 was £1 7s. 1d.; 1928-29, £1 5s. 4d.; 1929-30, £1 2s. 8d.; and in 1930-31, £1 5s. 7d.

717. We are of the opinion that this Department is well controlled and economically administered, and have no recommendations to make.

VOTE—MARINE DEPARTMENT.

718. The net expenditure under this vote for 1914-15 and 1930-31 was as follows:—

	1914-1915.			1930-31.		
	Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
	£	£	£	£	£	£
Head Office	4,539	10,517	15,056	8,539	1,128	9,667
Harbours	2,513	1,825	4,338	1,839	1,049	2,888
Lighthouses	12,044	23,852	35,896	17,092	84,639	101,731
Mercantile marine	4,747	496	5,243	13,426	3,699	17,125
Inspection of machinery	9,614	3,318	12,932	22,880	8,800	31,680
Fisheries	1,434	6,056	7,490	5,612	7,964	13,576
			80,955			176,667
Less credits-in-aid			2,073			4,158
Net			£78,882			£172,509

719. It should be explained that whereas in 1914-15 the Department maintained two Government steamers—namely, the “Amokura” and the “Hinemoa”—in 1930-31 there was only one lighthouse tender, in respect of the purchase of which the sum of £56,645 was paid in that year. Excluding this non-recurrent expenditure, the increase over 1914-15 was £36,982.

720. In general, the Department is economically administered; but after reviewing the expenditure under the vote, we recommend the following economies:—

SUBDIVISION I.—HEAD OFFICE.

Item—Salaries, £7,648.

721. Owing to reductions in staff, this item can be reduced by £320.
Saving, £320.

Other Charges for and Incidental to—

Item—Office Fittings, Requisites, £70.

„ *Postage, Telegrams, and Rent of Boxes, £400.*

722. These items can be reduced by £120 in all.
Saving, £120.

SUBDIVISION II.—HARBOURS.

723. This Subdivision covers the expenditure on small harbours where there are no Harbour Boards or other local authorities exercising the powers of a Harbour Board.

724. The following small savings are possible in 1932-33:—

Item—Salaries, £1,543.

725. Owing to the control of Hokianga Harbour being vested in a local authority, a saving of approximately £500 should be effected in salaries.
Saving, £500.

Other Charges for and Incidental to—

Item—Cargo-working Gear, &c., £150.

„ *Harbour Maintenance, £600.*

726. These two items can each be reduced by £100.
Saving, £200.

SUBDIVISION III.—LIGHTHOUSES.

Item—Salaries, £14,814.

727. As various lights have been changed from “watched” to “automatic,” a saving in salaries becomes possible, although the change-over involves an increase in interest charges, as the expenditure connected with the change-over is effected out of loan-money. However, in so far as this item is concerned, a saving of approximately £1,100 in 1932-33 can be effected.

Saving, £1,100.

Other Charges for and Incidental to—

Item—Brothers Lighthouse Tramway, Tower, and Buildings, Repairs to, £270.

„ *Burners (Smith-Ford) Purchase of, £150.*

„ *New Lighthouse Tender : Balance, Purchase-money, £3,340.*

728. The foregoing items are non-recurrent, and represent a reduction on 1932-33 appropriations. Saving, £3,760.

SUBDIVISION IV.—MERCANTILE MARINE.

Item—Salaries, £10,784.

729. Owing to reductions in staff, a saving of £600 in this item can be effected.

Saving, £600.

Other Charges for and Incidental to—

Item—Advertising, Photographs, &c., £100.

„ *Examinations, Expenses in connection with, £250.*

„ *Office Fittings and Requisites, £100.*

„ *Postage, Telegrams, Rent of Boxes, £200.*

„ *Rent, £300.*

730. Savings aggregating £320 in the above-mentioned items can be effected.

Saving, £320.

731. We draw attention to the fact that the residences of Superintendents of Mercantile Marine at the various ports are connected by telephone and that the cost is met by the Department. **As the services of these officers are required after office hours solely by the shipping companies, it is considered that the cost of telephones should not be a charge upon the State.** This would represent a saving of at least £50.

Saving, £50.

SUBDIVISION V.—INSPECTION OF MACHINERY.

Item—Salaries, £19,753.

732. The staff in this Branch of the Department has been substantially reduced, and the expenditure is now within the income from fees. It is considered, however, that it should be possible to co-ordinate further the duties carried out by this Branch of the Marine Department and those carried out by the Inspectors of Factories in the Labour Department.

733. Reductions in staff already effected represent a saving of £3,200 for 1932-33.

Saving, £3,200.

Other Charges for and Incidental to—

Item—Motor-vehicles, Purchase of, £150.

734. The purchase of new cars should be deferred for the present.

Saving, £150.

Item—Office Fittings and Requisites, £300.

735. This item should be reduced to a purely nominal one of, say, £50, and the purchase of additional office fittings should be deferred.

Saving, £250.

Item—Post and Telegraph Department : Payment for services rendered, £520.

„ *Postage, Telegrams, &c., £500.*

„ *Printing and Stationery, £250.*

736. The foregoing items should be reduced by £270 in all.

Saving, £270.

Item—Transfer and Removal Expenses of Officers, £900.

737. A saving of £800 in this item should be possible. Transfers of officers should be restricted for the present.

Saving, £800.

Item—Travelling Allowances and Expenses, £3,290.

738. This item should be reduced to £1,500.

Saving, £1,790.

SUBDIVISION VI.—FISHERIES.

Other Charges for and Incidental to—

Item—Compassionate Grant to G. M. T. Burnett, £50.

„ *Hakataramea Salmon-hatchery, Repairs to, £200.*

739. These items are non-recurrent.

Saving in 1932-33, £250.

Item—*Portobello Fish-hatcheries: Grant for Maintenance, &c., £698.*

740. This activity should be confined to a purely maintenance basis, and no further development should be undertaken. The sum of £300 for essential maintenance should suffice.
Saving, £398.

Item—*Salmon Fisheries, Expenses in connection with, £750.*

„ *Travelling Allowances and Expenses, £475.*

741. These items can be reduced by £75 in all.

Saving, £75.

GENERAL.

742. We have considered the possibility of recommending an increase in the scales of fees charged by this Department for various services, and with the exception of deck-cargo license fees we cannot advise any increase, **but the scale at present in force for licenses for the carrying of and inspection of deck cargo appears to be too low.** We suggest that fees at the following rates be charged in future:—

	£	s.	d.
General license (annual)	1	0	0
Special license	1	5	0
For each inspection of deck cargo by a Surveyor of Ships	1	1	0

743. It is estimated that increased revenue to the extent of £300 would result, virtually a saving.

Publication of Nautical Almanac.

744. This is issued by the Marine Department. Nine hundred copies are printed, but only 620 copies at 3s. 6d. each are disposed of. The net cost to the Consolidated Fund, after allowing for sales, is £1,175.

745. **We consider that the price should be increased to at least 6s. per copy, thereby minimizing the loss, and that free issues should be restricted.**

Estimated saving, £100.

SUMMARY.

746. The savings recommended in this vote, so far as they can be assessed, are as follow:—

Subdivision I.—Head Office:—

Item—	£	£
Salaries	320	
Office fittings, requisites }	120	
Postage, telegrams, &c. }	—	440

Subdivision II.—Harbours:—

Item—	£	£
Salaries	500	
Cargo-working gear, &c. }	200	
Harbour-maintenance }	—	700

Subdivision III.—Lighthouses:—

Item—	£	£
Salaries	1,100	
Brothers Lighthouse tramway, &c. }	3,760	
Burners, purchase of }	—	4,860
New lighthouse tender, purchase of }	—	

Subdivision IV.—Mercantile Marine:—

Item—	£	£
Salaries	600	
Advertising, photographs, &c. }	320	
Examinations (expenses) }	—	
Office fittings, requisites }	—	
Postage, telegrams, &c. }	—	
Rent }	—	
Telephone connections to residences of Superintendents of Mercantile Marine	50	970

Subdivision V.—Inspection of Machinery:—

Item—	£	£
Salaries	3,200	
Motor-vehicles, purchase of	150	
Office fittings, requisites	250	
Post and Telegraph Department, &c. }	270	
Postage, telegrams, &c. }	—	
Printing and stationery }	—	
Transfer and removal expenses of officers	800	
Travelling allowances and expenses	1,790	6,460

Subdivision VI.—Fisheries :—

Item—	£	£
Compassionate grant to G. M. T. Burnett	250	
Hakataramea Salmon-hatcheries (repairs)	75	
Salmon fisheries, &c.	398	
Travelling allowances and expenses	—	723
Portobello fish-hatcheries		
<i>General :—</i>		
Future scale of fees (deck cargo)	300	
Sales, " Nautical Almanac "	100	
	—	400
		<u>£14,553</u>

VOTE—DEPARTMENT OF LABOUR.

747. The expenditure of this Department in 1914-15 and 1930-31 was as shown hereunder :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£	£	£	£	£	£
14,948	15,731	30,679	37,929	20,015	57,944
	Less credits-in-aid ..	2,537		Less credits-in-aid ..	2,544
		£28,142			£55,400

748. A proportion of vote Immigration has been transferred to the vote of this Department during 1931-32, but previously the whole expenditure had been met out of the Public Works Fund—*i.e.*, loan-money.

749. The Department collects fees for various services, such as factory-registration, weights and measures verification, &c. The excess of expenditure over income (after charging interest and depreciation) for 1930-31 was £47,499.

750. The staff of the Department increased from 89 in 1914-15 to 136 in 1930-31, but some reductions have recently been effected.

751. There are district offices at Auckland, Wellington, Christchurch, and Dunedin, and inspectors' offices in the secondary towns. The basic functions of the Department are in connection with the administration of the Factories and Shops and Offices Acts, Industrial Conciliation and Arbitration Act, Scaffolding and Excavation Act, Weights and Measures Act, &c.

752. The passing of the Unemployment Act and the growth in the number of unemployed has resulted in a considerable burden of extra work being thrown on to the Department, which has supplied the machinery for the registration of unemployed (part of its normal function) and has generally acted as the agent of the Unemployment Board throughout the Dominion.

753. This increase in the work has resulted in the curtailment of inspections of shops, offices, and factories, as it has been necessary for the Inspectors to devote more time to unemployment matters. We are of opinion that the present measure of inspection should suffice for the present. **It is evident that the high standard of inspection once per annum formerly set by the Department was largely unnecessary.** This should result in a measure of administrative economy when conditions again become normal, and the co-ordination of the duties of Inspectors of Factories with those of Inspectors of Machinery attached to the Marine Department should also assist in this direction.

754. Before dealing with the expenditure as provided under the vote, we shall review the fees charged for various services.

755. **Some measure of economy should result from a revision of the fees for registration of factories.** These were fixed some considerable time ago and are as follow :—

Where the maximum number of persons to be engaged in the factory does	£	s.	d.
not exceed three	0	1	0
Where such number exceeds three but does not exceed eight	0	5	0
Where such number exceeds eight but does not exceed fifteen	0	10	0
Where such number exceeds fifteen but does not exceed thirty	1	1	0
Where such number exceeds thirty	2	10	0

756. **An amendment of the scale with the object of increasing the total collections by £1,000 is recommended.**

Saving, £1,000.

Scaffolding Inspection.

757. **This service should not be provided at the cost of the general taxpayer, and we recommend that a scale of fees be drawn up with a view to recouping the cost of inspection from contractors and builders.** A reasonable scale of fees should provide an income of at least £2,000 a year.

758. Dealing now with the expenditure under vote Department of Labour, we have to report as follows :—

SUBDIVISION I—LABOUR.

Item—Salaries, £33,547.

759. Included under this item are the following :—

Administration of Shearers' Accommodation Act by Department of Agriculture, £360.

760. **We consider that this service should be discontinued and recommend accordingly.**
Saving, £360.

Allowances to Officers of the Department of Justice acting as Clerks of Awards, £130.

761. This should be deleted.
Saving, £130.

Item—Advertising, £175.

762. This should be reduced to £125.
Saving, £50.

Item—Department of Justice : Services of Officers, £50.

763. This should be deleted.
Saving, £50.

Item—Expenses Medical Referees under the Workers' Compensation Act, 1922, £10.

764. This is a nominal item to meet the expenses indicated. **The parties to a dispute, and not the general taxpayer, should meet all expenses incurred.**
Saving, £10.

Item—Fees to Assessors of Conciliation Councils, £650.

765. At present assessors on Conciliation Councils in connection with local disputes are allowed £1 1s. (less two statutory reductions of 10 per cent.) for each day on which they are engaged at a sitting of the Council, and a further 12s. 6d. per day (less 10 per cent.) for each day they are absent from home when sittings are adjourned from place to place. In the case of a Dominion dispute similar allowances are payable for each day an assessor is absent from his home.

766. **These charges should not be borne by the general taxpayer, but by the parties concerned, and we recommend accordingly.**
Saving, £650.

Item—Freight, Cartage, and Transport Charges, £100.

767. This should be reduced to £50.
Saving, £50.

Item—Office Fittings and Requisites, £300.

768. This should be reduced to £200.
Saving, £100.

Item—Postages, Telegrams, Rent of Boxes, £2,075.

769. The Department is put to considerable expense in connection with the despatch of citations in industrial disputes. Each citation is despatched by registered post and the postage is borne by the Department. **As with the payment of fees to assessors in disputes, we consider that this cost of postage should be defrayed by the parties concerned.**

770. The number of citations is in the aggregate very considerable. In one dispute in 1927, 2,270 citations had to be despatched by registered post.

771. Allowing for the economy resulting from the foregoing, there should be a reduction of £875 in this item.

Saving, £875.

Item—Printing and Stationery, £1,900.

772. The expenditure in respect of printing in this Department is relatively large. A contributory factor is that copies of awards are supplied free to all parties, including one copy for approximately every ten members of a union. **This cost should not be borne by the State, and a charge should be made for all copies of awards supplied to the parties interested.** The cost of printing such awards, which under the present system is met by the State, is approximately £500 per annum.

773. **We recommend that a charge be made for all copies issued.**
Saving, £500.

Item—Rates and Repairs to Dwellinghouse, £55.

774. This item is in respect of a dwelling in Auckland which was purchased for the use of a local officer and is now not used for that purpose. We consider that dwellings should not be purchased for officers in centres of population, and recommend that this dwelling be disposed of at the earliest possible opportunity, thus saving overhead expenses.

Item—Rent of Office Accommodation, £3,000.

775. This should be reduced to £1,800.
Saving, £1,200.

Item—Telephone Services, &c., £600.

776. This should be reduced to £500.
Saving, £100.

Item—Transfer and Removal Expenses, £400.

777. This should be reduced to £100.
Saving, £300.

Item—Travelling Allowances and Expenses, £5,500.

778. This should be reduced to £4,000.
Saving, £1,500.

Item—Weights and Measures Act, &c., £200.

779. This should be reduced to £25.
Saving, £175.

GENERAL.

Half-holidays and Closing-hours for Shops, &c.

780. These are fixed annually and it is necessary for the Department to incur some expense each year before the half-holidays and closing-hours for the ensuing year can be gazetted. **We suggest that half-holidays and closing-hours be fixed for a longer period.** Changes are not frequent, and the procedure could be simplified without detriment to any particular interest. **We accordingly recommend that half-holidays and closing-hours for shops should remain fixed until such time as well-supported representations for changes are made.** There would be a definite administrative economy in this proposal, but we are unable to assess the amount.

Preparation, Revision, and Registration of Rules for Unions.

781. The volume of work in respect of the above is sufficient to keep at least one officer continuously employed. No fees are charged for the service rendered.

782. **We recommend that a fee of £3 3s. be charged for a complete revision of rules, and that a fee of 10s. 6d. or £1 1s. be imposed in respect of amendment to rules,** according to the size and number of the amendments. This should produce at least £300.

SUBDIVISION II.—IMMIGRATION.

783. As previously stated, the expenditure in connection with immigration has hitherto been a charge against the Public Works Fund, and the first year in which the Consolidated Fund has met any expenses was 1931–32.

784. In connection with the expenditure under this subdivision we have to report as follows:—

Item—Salaries, £3,195.

785. There is a staff of seven employed in connection with immigration. **We recommend that an effective amalgamation be arranged with the Department of Labour.** If this were done one officer should be able to deal with the whole of the immigration work. The main point is that an amalgamation in name only is not sufficient, but the whole organization should be linked with that of Labour. A substantial saving in respect of salaries would result.
Saving, £2,600.

Item—Administration and General Expenses, £3,000.

786. In view of the curtailment of immigration, this item should be reduced to £500.
Saving, £2,500.

Item—Amount to cover Grants and Accommodation for Immigrants, £150.

„ Amount payable to Matrons, &c., £200.

„ Amount required to cover cashing British Treasury Notes, £15,000.

787. The last-mentioned item is wholly recoverable, and is not a charge on taxation. It is considered, however, that the other items need not be repeated.
Saving, £350.

Item—Portion of Salaries in High Commissioner's Office, £2,900.

788. There should be no necessity for this large amount being charged against immigration. **The sum of £500 should suffice for 1932–33, and if the salaries of officers engaged on immigration work in the High Commissioner's Office at present amount to £2,900 it would appear that some staff reduction should be possible.**

Saving, £2,400.

SUMMARY.

789. The savings recommended herein, so far as they can be assessed, are detailed hereunder :—

	£
Increase in registration fees	1,000
Scaffolding inspection—fees to be charged	2,000
<i>Subdivision I—Labour.</i>	
Administration of Shearers' Accommodation Act	360
Allowances to officers of Department of Justice	130
Advertising	50
Department of Justice—services of officers	50
Expenses, medical referees, &c.	10
Fees to assessors of Conciliation Councils	650
Freight, cartage, and transport charges	50
Office fittings and requisites	100
Postage, telegrams, rent of boxes	875
Printing and stationery	500
Rent of office accommodation	1,200
Telephone services, &c.	100
Transfer and removal expenses	300
Travelling allowances and expenses	1,500
Weights and Measures Act, &c.	175
Preparation, revision, and registration of rules for unions	300
	6,350
<i>Subdivision II—Immigration.</i>	
Salaries	2,600
Administration and general expenses	2,500
Amount to cover grants and accommodation for immigrants	150
Amount payable to Matrons, &c.	200
Portion of salaries in High Commissioner's Office	2,400
	7,850
	£17,200

DEPARTMENT OF LANDS AND SURVEY.

790. This Department is constituted under the Land Act, 1924 (a consolidation of previous measures), and its activities are many and various and may be briefly summarized as follow :—

- (1) Administration of the Land Act, 1924, and the Education Reserves Act, 1928, including—
 - (a) Surveys of land.
 - (b) Preparation of Crown land for settlement.
 - (c) Issue of title to selectors.
 - (d) Revaluation of Crown leaseholds.
 - (e) Road legalization.
 - (f) Preparation and publication of maps and lithographs.
 - (g) Oversight of subdivisional surveys of privately owned land outside towns and boroughs.
- (2) Administration of Land for Settlements Act, 1925, including—
 - (a) Purchase of land for settlement purposes.
 - (b) Subdivision and preparation of lands for settlement.
 - (c) Development of Crown and settlement lands.
 - (d) Advances to settlers for improvements on undeveloped lands and the purchase of stock.
- (3) Administration of Discharged Soldiers Settlement Act, 1915, and amendments, involving the administration of securities for loans totalling approximately £15,000,000.
- (4) Administration of public reserves, domains, national parks, and scenic reserves.
- (5) Construction and maintenance of drainage schemes under the Rangitaiki Land Drainage Act, 1910; the Swamp Drainage Act, 1915; and the Hauraki Plains Act, 1926.
- (6) Miscellaneous duties in connection with the Mining Act of 1926, Native Land Act, 1931, &c., including the administration of various endowments of land set aside for special purposes.

791. We shall, as far as possible, deal with the various activities of the Department as set out above, but at the outset would state that in a period of depression, such as the present, the administration of the Department is rendered more difficult than it should normally be, and it is accordingly impossible to suggest a drastic reduction in personnel if the interests of the State are to be adequately protected.

792. It is well known that the majority of Crown tenants and mortgagors, in common with other farmers, are having a hard struggle, and it appears to be certain that relief must be given in some manner to those Crown tenants and mortgagors who, although reasonably efficient farmers, cannot pay their way while prices of primary produce remain as at present.

793. **The history of land administration in this Dominion leads us to comment on the fact that periods of depression are apt to be looked upon as justifying the granting of considerable concessions to Crown tenants and mortgagors.** We would point to the sum of £7,000,000 written off in terms of the Finance Act, 1927 (No. 2), in respect of the settlement of discharged soldiers, and it is a fact that reductions of a similar nature by revaluation in respect of civilian settlement are by no means uncommon. We therefore preface our report by referring to the effect of the present depression on Crown tenants and mortgagors, and to the possibility of affording adequate relief by some means other than by a permanent revaluation of leaseholds or mortgages. **Undoubtedly, a more efficient and more equitable method of affording relief, consistent with the duty of the State to safeguard the national heritage, must be found.**

794. There can be no question that a depression such as the present does not call for a general writing-down of values of Crown leaseholds and mortgages for all time, more particularly as the capital values of Crown leaseholds are generally on a relatively low scale. **We are of opinion that the power to remit rent or interest is sufficient to enable the State to provide that relief which is necessary to enable settlers to carry on under present conditions.**

795. There is a growing demand for a permanent writing-down of values and mortgage debts owing to the Crown, but it should be borne in mind that Crown tenants in normal times, as a general rule, do not suffer from an oppressive rental burden.

796. **The present machinery of land administration is exceedingly cumbersome and complicated, and this we believe to be due to the fact that land administration has for many years been regarded as almost entirely political.**

797. Notwithstanding that the Land Act was consolidated in 1924—and it was then a complicated measure—amendments have been introduced on various occasions since, and all serve to cloud the issue and to make for difficult administration. It should be possible to simplify the law in regard to Crown and settlement lands, and this should be a first step towards the reorganization of the Department.

ADMINISTRATION.

798. For purposes of local administration there are twelve district offices each under the control of a Commissioner of Crown Lands. The Commissioner is the statutory Chairman of the Land Board in each district, so that there are twelve Land Boards, each consisting of the Commissioner, three Government nominees, and one member elected by the Crown tenants of the district.

799. In addition to Land Boards, the following special Boards also function:—

- (1) The Dominion Land Purchase Board, which controls and carries out negotiations for the purchase of land under the Land for Settlements Act, 1925. This Board is assisted by a local Land Purchase Board in each Island.
- (2) The Dominion Revaluation Board, which deals with applications for revaluation of soldiers' holdings under the Discharged Soldiers' Settlement Act, 1915.
- (3) The central Revaluation Board which deals with applications for revaluation of Crown tenants' holdings under the Land Act, 1924. Subsidiary to this Board are local Revaluation Committees, consisting of the Commissioner of Crown Lands, a District Valuer, and a Government nominee.
- (4) The Lands Development Board, controlling the development of Crown and settlement lands prior to settlement and the making of loans to settlers on land acquired from the Crown. This Board is assisted by twelve advisory committees, each consisting of the Commissioner of Crown Lands for each district and not more than two other persons.
- (5) The Scenery Preservation Board, which deals with the management of scenic reserves and the acquisition and setting-aside of new areas.

800. There is also a departmental committee which advises the Minister of Lands on matters affecting securities for advances under the Discharged Soldiers Settlement Act, 1915.

801. **It will be seen from the foregoing that there is a large number of Boards connected with this Department, and it should be possible to eliminate some of them. The administrative costs connected with approximately forty Boards and Committees must be considerable.**

802. It does not appear that the District Land Boards as at present constituted are the most efficient organizations that could be devised for the administration of Crown lands.

803. In the first place, the Land Boards were constituted for the purpose of controlling and directing the settlement of Crown lands. The activities of the Department have, however, been widened, and they now centre around the management of securities for loans and the expenditure of public money on development schemes.

804. Although the functions of the Department have tended more and more towards finance, the old system of control by Land Boards has continued, and the Boards are now concerned with the management and control of investments of considerable magnitude. **The Department has become a financial institution which demands more rigid control than that provided under the present system.**

805. **We are of opinion that local Land Boards, as such, should be abolished; but, as it is necessary to maintain contact with settlers, we recommend the setting-up of a committee of three persons in each land district for the purpose of controlling routine administration and acting as an advisory body to a central Board in Wellington.** We suggest that the committee should consist of the Commissioner of Crown Lands, the District Valuer, and one member representing the Crown tenants in the district. Such committees would be more economical than the present Land Boards, and would have sufficient local knowledge to consider questions relating to land-settlement.

806. We also recommend the establishment of a central Board in Wellington in which should be vested most of the powers now vested in the Minister of Lands. The setting-up of such a Board, coupled with the abolition of the Land Boards and the establishment in their place of local Committees, should pave the way to more efficient administration of land-settlement.

807. Reference has been made to the fact that the Department is now largely a financial institution controlling State assets valued at approximately £47,000,000—not far short of the capital invested in the railways. A large part of the assets has been created by the investment of public moneys. We refer particularly to lands and assets financed from the following accounts:—

Land for Settlements Account.
Hutt Valley Land Settlement Account.
Native Land Settlement Account.
Swamp Land Drainage Account.
Rangitaiki Land Drainage Account.
Hauraki Plains Settlement Account.
Discharged Soldiers' Settlement Account.
General Purposes Relief Account.

808. Out of the total value of over £47,000,000 the invested capital totals £32,764,000. **The sum at stake is so large that the setting-up of one controlling Board is imperative.**

809. **It would be an advantage to the Government to have a strong Board to which could be delegated the duty of carrying out the Government land policy, which should be dictated by well-defined principles and removed entirely from the influence of political expediency.**

DEPARTMENTAL ORGANIZATION.

810. The Department is broadly divided into three compartments as follow:—

- (1) Administrative and Clerical.
- (2) Professional—Surveying.
- (3) Technical—Drafting.

811. It is difficult, when considering ways and means of effecting economies, to separate the three compartments, and we do not propose to traverse the duties and responsibilities of each in detail. There is, however, one matter affecting the technical branch to which we shall refer before dealing with general matters affecting all branches.

812. The technical branch is concerned with the general drafting-work of the Department, including city and town maps, cadastral, topographical, road, pictorial, and tourist maps, and with the preparation of tide tables for seven ports in the Dominion. **It seems to us that under present conditions there is no justification for much of the work which is undertaken.** The total number of draftsmen engaged at the present time is 204, and, although the staff has recently been reduced by approximately twenty officers, this reduction does not go far enough, **and a general overhaul of the duties of the technical branch with a view to the elimination or postponement of much of the work of map-drawing is recommended.**

813. The Department has on hand stocks of lithographs to the value of over £50,000, and there is not a ready sale for them. We consider, therefore, that the present stocks should suffice for some years to come and that the drawing of new maps should in general be postponed.

814. In particular, there appears to be little justification for the compilation of city maps to meet only a limited public demand. Furthermore, the cost of preparation and printing is out of all proportion to the return, and, if such maps are required, the preparation thereof should be left to private enterprise.

815. **It should be possible to reduce the personnel of the technical branch by at least fifty officers, representing a saving of approximately £10,000.**

GENERAL ADMINISTRATIVE DUTIES.

816. The Department was originally constituted for the purpose of administering the land owned by the Crown—that is, ordinary Crown lands, national-endowment lands, education reserves, and various specific endowments. The whole of this land was not specifically acquired, but is what may be termed the Crown estate in the Dominion, and it is first necessary to consider the position in regard to land of this class.

Crown Lands.

817. The Land Act, 1924, provides elaborate machinery for the administration of Crown lands, and, as previously stated, it is difficult, without a close study of the Act, to ascertain the powers and duties of the Department and the rights of tenants. We consider that, as most of the Crown tenants now have the right of acquiring the freehold, a simplified Land Act should not be difficult to prepare, and this in itself should make for more economical administration.

818. As to the position of Crown lands, it is interesting to note that these lands, which were acquired by the Crown for very little or no consideration, do not return sufficient to cover the total administrative costs of the Department. There are, of course, certain functions of the Department which do not provide any financial return and which have no direct relation to the rental received from Crown lands, but nevertheless the administrative costs have grown to such an extent that the revenue from ordinary lands is more than absorbed thereby. If, however, an arbitrary charge were made against the revenues from Crown lands merely to cover the cost of collection of rents and direct administrative costs, the surplus of revenue over expenditure is insufficient to meet an interest charge of 4 per cent. on the value of Crown lands. This is exemplified by the following statement for the year ended 31st March, 1931, which shows that the deficiency for the year after charging interest amounted to £55,799.

REVENUE ACCOUNT, 1930-31.

<i>Debit.</i>		£	<i>Credit.</i>		£
To Administration expenses	.. ..	8,951	By Rent .. ..	.. ..	192,624
Rebates	.. ..	7,236	Interest .. ..	.. ..	17,319
Remissions	.. ..	13,935	Royalties .. ..	.. ..	11,586
Rents written off	.. ..	6,826	Residue of receipts under sec. 317, Land Act, 1924	.. ..	843
“Thirds,” “halves,” and “fourths”	.. ..	7,777	Interest under sec. 13, Land Laws Amendment Act, 1926	.. ..	72,532
Depreciation on buildings, Kapiti	.. ..	16	Interest under sec. 47, Land Laws Amendment Act, 1929	.. ..	8,405
Total expenditure	.. ..	44,741	Miscellaneous fees and fines, &c. ..	.. ..	82
Balance to Net Revenue Account	.. ..	258,650			
		<u>£303,391</u>			<u>£303,391</u>

NET REVENUE ACCOUNT, 1930-31.

<i>Debit.</i>		£	<i>Credit.</i>		£
Balance, Thermal Springs District Revenue Account	.. ..	167	Balance brought down	.. ..	258,650
Interest on capital at 4 per cent.	.. ..	315,736	Balance, Mining District Land Occupation Revenue Account	.. ..	1,454
		<u>£315,903</u>	Deficiency	.. ..	55,799
					<u>£315,903</u>

819. The administrative expenses of the Department in 1914-15 and in 1930-31 as provided by vote Department of Lands and Survey were as follow :—

	1914-15.			1930-31.		
	Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
	£	£	£	£	£	£
Subdivision I—Administration	102,648	102,258	204,906	202,986	71,206	274,192
Subdivision II — Miscellaneous services	..	45,528	45,528	..	18,636	18,636
			250,434			292,828
Less credits-in-aid	..	..	45,800	..	..	126,937
			<u>£204,634</u>			<u>£165,891</u>

820. The above comparison is, however, not very appropriate, as in 1914-15 considerable amounts were appropriated in respect of recreation-grounds and domains and for road access, and the relative items are not included in the vote for 1930-31. Also the credits-in-aid in 1930-31, owing to larger recoveries being made from individual accounts, are considerably in excess of credits-in-aid in 1914-15, and the recoveries now made are, to a certain extent at least, due to changes in the accounting system.

821. The main point to be noted in the foregoing statement is that salaries have increased by approximately 100 per cent. since 1914-15. The staff in 1914-15 numbered 551, and at the 31st March, 1932, it numbered 680; but a reduction of approximately 20 officers has since been effected. As already indicated, we do not consider that this reduction is sufficient, and believe that a review of the duties performed by the technical branch of the Department will disclose that further reductions in staff and in the work performed will be possible.

822. As to the clerical staff, it would be possible to reduce the numbers considerably by the transfer of the Discharged Soldiers' Settlement mortgage work to the State Advances Office. It would also be possible to curtail the field staff if this action were taken. This is referred to later.

823. The Dominion is divided into twelve land districts, each in charge of a Commissioner of Crown Lands, who has a professional, clerical, and technical staff to carry out the work in the district.

824. We have considered the possibility of amalgamating some of the district offices, and believe that some economies can be effected by this means.

825. The twelve land districts are as follow :—

Land District.	Office at	Land District.	Office at
North Auckland	.. Auckland.	Marlborough	.. Blenheim.
South Auckland	.. Auckland.	Nelson	.. Nelson.
Gisborne	.. Gisborne.	Westland	.. Hokitika.
Hawke's Bay	.. Napier.	Canterbury	.. Christchurch.
Taranaki	.. New Plymouth.	Otago	.. Dunedin.
Wellington	.. Wellington.	Southland	.. Invercargill.

826. It will be seen that there are two offices in Auckland; but there is only one technical staff for the North and South Auckland Districts, under the control of a separate Chief Surveyor. Formerly there was one combined office for the whole of the Auckland Province, but owing to the great increase in the work following the passing of the Discharged Soldiers' Settlement Act, 1915, and amendments, it was deemed necessary to divide the district, and two offices were accordingly established.

827. We are of opinion that if the Discharged Soldiers Settlement mortgage work is transferred to the State Advances Office, as recommended later, it will no longer be necessary to maintain two district offices in the City of Auckland.

828. We accordingly recommend that the districts be again combined. This should result in a considerable saving of overhead expenses and a reduction in staff. We estimate the saving at at least £5,000.

829. The position in connection with Napier and Gisborne offices is similar to that in Auckland. Originally the Gisborne Land District was included with Hawke's Bay, with a central office at Napier. **The subdivision of the district does not appear to have been necessary at the time, and we see no good reason why these two districts should not now be combined, more particularly as there will be a reduction in the volume of work following the transfer of the mortgage work to the State Advances Office.**

830. A saving of £2,500 per annum should result from the closing of the Gisborne office.

831. In connection with the Marlborough and Nelson Land Districts, the volume of work in each of the district offices is relatively small, **and the Blenheim office should be closed and the district administered from Nelson.**

832. We point out that in the Public Works Department the District Engineer's office is situated in Nelson, and he has control of a large portion of the Blenheim Land District as well.

833. **We accordingly recommend the closing of the Blenheim office,** and estimate this should result in a saving of £2,700.

834. In regard to the amalgamation of offices, we recognize that there may be some temporary difficulties in the matter of accommodation, but it would obviously be to the advantage of the Government to make fresh arrangements for accommodation in view of the considerable savings which can otherwise be effected by amalgamation.

835. In regard to the return derived by way of rents from Crown land, there are many kinds of tenures in force, the principal being—

Cash : Deposit of 5 per cent. of price, balance payable in thirty days.

Deferred payments : License to occupy for period of thirty-four and a half years.

Renewable lease : Lease for sixty-six years, perpetually renewable. (In the case of settlement land the periods are thirty-three years.)

Small grazing-run : Lease for term of twenty-one years, with perpetual right of renewal in case land is not suitable for subdivision.

Pastoral license : Lease for term not exceeding thirty-five years, with perpetual right of renewal in case land not suitable for subdivision.

Education reserve lease : Term usually twenty-one years, with or without right of renewal.

836. Generally speaking, the rentals are assessed as laid down by the Land Act, 1924, and the basis of calculation is insufficient to provide a reasonable return on the value of the land. This is evident from the table given previously, wherein it is shown that, after charging interest at 4 per cent. on the value of the land, there is a debit balance of £55,799 on the year's working. Many of the old leases which are not shown on the above table provide a net rental return of less than 2½ per cent. on the capital value of the land. Indeed, up to 1929 the gross rental on some tenures was fixed at 4 per cent., and the net return was as shown hereunder :—

Gross rental return	..	..	..	..	..	..	£	s.	d.
Less rebate	..	..	..	..	..	..	0	8	0
								3	12	0
Less local bodies' " thirds " for first fifteen years of lease (say)	..					..	1	6	8
							£2	5	4	

837. No remedy is possible in connection with current leases, and were this adverse position confined to ordinary lands of the Crown which have not specifically been acquired by purchase, the position would not be so bad. **It is quite evident, however, that under present conditions where the Crown is acquiring land from loan-money, on which interest in excess of 5 per cent. has to be paid, the placing of land on the market, at rentals considerably less than the interest which must be found on the public debt, is difficult to justify.** We shall, however, deal with this aspect more fully when considering the operations of the Department under the Land for Settlements Act, 1925, but it should be recognized that if rentals are to be increased in respect of settlement lands acquired by the Crown, there must be a similar increase in respect of Crown lands on the expiration of current leases, except where there is a contractual right of renewal, and this we recommend.

838. We have already drawn attention to the tendency in times of depression for application to be made for revaluation of Crown leases. Indeed, a study of the Land Act will disclose that Crown tenants are provided with ample opportunities even under normal conditions of applying for revaluation, and there is no branch of State enterprise where greater liberality is shown than in connection with land-settlement, and while it is recognized that some relief in times of acute depression or natural disaster may be required by Crown tenants, **the practice of giving indiscriminate relief in normal times has grown beyond what is reasonably necessary.**

839. Provision is made in the Land for Settlements Act for the development of waste lands of the Crown, but this aspect will be dealt with more fully later in this report.

NATIONAL ENDOWMENT ACCOUNT.
PRIMARY-EDUCATION ENDOWMENT DEPOSIT ACCOUNT.
SECONDARY-EDUCATION ENDOWMENT DEPOSIT ACCOUNT.

840. The position in regard to national-endowment lands and education reserves is dealt with in our report in regard to education expenditure. These lands are endowments which have been set aside to provide funds for education and old-age pensions. In view, however, of the rapid growth of the expenditure on these social services and the relatively small revenue derived from the endowments, they have become more or less meaningless, and **the preservation of the separate accounts and the existence of special statutory provisions governing the administration of national-endowment lands and education reserves complicates the administration of the Department, and is not conducive to economical working.**

841. **We have accordingly recommended that these endowments be abolished**, that the lands become ordinary Crown lands subject to the Land Act, 1924, that the revenues be paid into the Consolidated Fund, and that the total amount required for education and old-age pensions be subject to annual review and appropriation by Parliament.

842. It should be stated here that the Lands Department is concerned with the administration of very many separate endowments and special accounts, and no less than thirty-five balance-sheets are prepared annually in respect of these various endowments and accounts. Any means whereby this number can be reduced will certainly tend to simplification and economy of administration.

MISCELLANEOUS ENDOWMENTS.

843. The Department controls a number of miscellaneous endowments for special purposes such as Auckland Museum Endowment, Bluff Harbour Endowment, &c. It is unnecessary to detail the whole of these endowments. A charge is made for the administration of each, and the net revenue is paid each year to the authority concerned. **We see no necessity, however, for the following special endowments, which we recommend should be abolished :—**

New Zealand University Endowment, Westland.
North Island Experimental Dairy School Account.
Taranaki Scholarship Endowment Account.

844. We recommended in our interim report that the last-mentioned endowment be abolished. The other two should also be abolished, and the revenue from the lands should be paid to the Consolidated Fund, from which should be appropriated any amounts required for the relative purposes for which the endowments were originally set aside. The maintenance of a large number of special endowments needlessly complicates the administration, and tends to obscure the real position regarding assistance given to various activities.

LAND FOR SETTLEMENTS ACCOUNT.

845. The Land for Settlements Account was first established in 1892 when provision was made for raising loan-money for the acquisition and subdivision of large estates.

846. The Act now provides for the setting-up of a Dominion Land Purchase Board, the duties of which are to consider and report to the Government on the suitability or otherwise of land offered to the Government for settlement purposes. The Board also considers applications for the purchase of properties under Part II of the Land Laws Amendment Act, 1928. This Act provides that any two or more persons eligible to acquire land under the Land for Settlements Act may make application to the Dominion Land Purchase Board to purchase on their behalf private land with respect to which tentative arrangements have first been made with the vendor by the applicants. The main point is that all offers of land for settlement purposes are subject to consideration by the Dominion Land Purchase Board. The Act also provides for the constitution of a local Land Purchase Board for each Island to assist the Dominion Land Purchase Board and to consider in the first place any offers of land for settlement.

847. The total loan capital at present is £11,025,304, but the sum of £1,138,600 has been written off an account of losses on soldier settlements. The latter amount is now accordingly being treated as part of the national development expenditure of the Dominion which is strictly non-productive. Actually the position is that loan-money to the extent of £12,163,904 has been raised for land-settlement purposes since the inauguration of the Land for Settlements Account. The Cheviot Estate Account has also been amalgamated with the Land for Settlements Account, and loans to the extent of £160,918 are outstanding on the purchase of the Cheviot Estate. This latter purchase has been a most favourable one, and no loss will be suffered by the Crown in respect thereof.

848. Under the Land Laws Amendment Act, 1912, the Land for Settlements Account is also credited with the proceeds derived from the sale of Crown land, as it was apparently considered reasonable that the money derived from this source should be used to finance further purchases. The position for many years was that this free capital from the sale of Crown lands was enjoyed by the Land for Settlements Account, and no return was received by the Consolidated Fund from the Account. The position therefore was that while the Consolidated Fund received rentals from Crown tenants this source of revenue automatically ceased when tenants exercised their right to acquire the freehold of their properties, and land revenue available for the general purposes of the Government therefore became a diminishing quantity, while the Land for Settlements Account had the use of considerable sums of free money.

849. At the present time the accumulated amount derived from the sale of Crown lands and paid to the Land for Settlements Account is £2,170,938. It was not until 1926 that the law was amended to provide that interest on the amount derived from the sale of Crown lands should be paid from the Land for Settlements Account to the Consolidated Fund.

850. That this free capital has been the means of maintaining the stability of the Land for Settlements Account and creating a false impression that land purchase and subdivision has been more or less profitable will be evident from the following review.

851. The Land for Settlements Act, 1925 (a consolidation of previous measures), provides that the capital value of land leased under the Act shall not be less than the purchase price plus the cost of roading, survey, and other costs in connection with the land. In actual practice all costs are not definitely ascertained before land is placed on the market, and the purchase price is increased by an amount sufficient to cover the estimated cost of roading, survey, &c., and an insignificant amount for contingencies. In some cases estimates of subdivision costs prove to be inaccurate, and further capital has to be provided, and in these cases the excess amount is a direct loss to the Crown. It has nevertheless been provided out of the Land for Settlements Account, and the fact that these losses have occurred has been obscured by reason of the benefit derived from the free capital mentioned above. **The Land for Settlements Act does not prohibit the loading of land with a reserve to meet contingent losses ; but, notwithstanding this, the Department seldom, if ever, is able to add anything to the estimated costs to provide for future contingencies.**

852. It may therefore be taken as a general rule that the capital values at which land acquired under the Land for Settlements Act, 1925, is offered for selection are intended to be just sufficient to cover the cost of acquisition, roading, survey, &c., together with interest on capital up to the date when land is placed on the market. Theoretically, therefore, the Department sustains no loss of capital, and if settlement is effected immediately the land is offered, there is no loss of interest on the cost of acquisition. Land is, however, often not selected immediately it is made available, and a direct loss of interest occurs during the period of non-occupation. There is power under the Land for Settlements Act for the Minister to reduce the capital value of any allotment prior to selection and if this discretion is exercised there is therefore an initial loss of capital.

853. The foregoing deals with initial losses of interest and capital, but the most frequent source of loss occurs after selection, when the Crown has to face losses due to abandonment of holdings, remissions of rent either during periods of depression or when natural disasters occur, and, finally, settlers may apply for and obtain general revaluations under the revaluation provisions of the Act.

854. As no adequate reserve is provided when land is first placed on the market all these losses must be borne by the Land for Settlements Account.

855. As regards the rental return derived from land disposed of, the Act provides that rent shall be assessed at 5 per cent. on the capital value of the land—that is, on the actual cost—but the net return to the Land for Settlements Account is considerably less than this, as the rent is subject to a rebate of 10 per cent. for prompt payment and to a deduction of 2½ per cent. for administration expenses. The net return per £100 of capital is therefore :—

	£	s.	d.	£	s.	d.
Rental				5	0	0
Less rebate (10 per cent.)	0	10	0			
Less administrative expenses	0	2	3			
				0	12	3
Net	£4	7	9			

856. Assuming, therefore, that the capital required for the Land for Settlements account can be borrowed at 5 per cent., there is a direct annual loss of 12s. 3d. per cent. on all land purchased, and this does not take into account any losses due to land not being immediately selected or to concessions by way of remissions or revaluations granted after settlement. **This loss of 12s. 3d. per cent. must be borne even under the most favourable circumstances, assuming that land is immediately taken up, that it is not at any time abandoned after selection, and that the settlers always pay their rent on due date and do not obtain any concessions by way of remissions or revaluations.**

857. It thus appears that the time is rapidly approaching when the Land for Settlements Account will not be able to pay its way ; indeed, were it not for the large amount of free capital which has been provided over a long period of years, the account to-day would be showing substantial losses. Our investigations show that there have been large reductions by revaluations of properties, and the Crown has been forced to provide remissions and other concessions to a considerable extent.

858. The fact that some assistance must shortly be provided from general taxation towards the payment of interest on loans raised for land-settlement purposes is evident from the following statement which shows the net return of the Land for Settlements Account over the last three years.

	Net Profit.
	£
31st March, 1929	53,163
31st March, 1930	18,447
31st March, 1931	5,296

859. There can be no doubt, therefore, that the account is steadily going back, and unless remedial measures are taken there must in future years, if an active land purchase and settlement policy is continued, be a steadily growing burden on taxation.

860. The first and most important point is that the basis for the calculation of rent is inadequate in view of the present cost of loan-money, and **we strongly recommend that the Land for Settlements Act be amended to enable the basis of calculation of rent to be determined by the Minister of Finance, having regard to the interest payable on loans raised from time to time for the purposes of the Land for Settlements Account.**

861. It would be possible without an amendment to the law to obviate to some extent the direct loss in interest. Assuming that loan-money can be raised at 5 per cent., it would be necessary for

the Department to obtain a net annual return by way of rental of 5 per cent. for every £100 of capital value, and to do this a loading of 14 per cent. would be required, thus—

	£	s.	d.
Capital invested	100	0	0
Loading	14	0	0
	£114	0	0
	£	s.	d.
Rent at £5 per cent.	5	14	0
Less rebate of 10 per cent.	0	11	5
Less administration expenses of 2½ per cent.	0	2	7
	0	14	0
	£5	0	0

In other words, rent should be calculated at £5 14s. per cent. (say, 5¾ per cent.) to provide a net return of 5 per cent., and even then there would be no margin in the annual rent to meet possible losses, as these calculations are based on the assumption that all lands will be immediately selected and the Crown will grant no concessions whatever, except rebates for prompt payment. **To put land-settlement on a sound basis a reserve of at least ½ per cent. should be provided to meet contingent losses which are sure to occur.**

862. The foregoing refers more particularly to the disposal of land by way of lease, but the Act also provides that at the discretion of the Minister land may be sold for cash or on deferred payments by public auction, and in such case the upset price must again equal the capital value of the land as explained previously.

863. While we do not wish to advocate that settlement lands should be sold only for cash or on deferred payment, we consider that the advantages which would accrue from sales by auction should be set out. They are—

- (a) The price realized is fixed by competition and may (if the purchase by the Crown has been a favourable one) result in a capital profit.
- (b) The interest on deferred payment sales is now fixed at 5½ per cent. (less rebate, 10 per cent.) so that the annual return is approximately ½ per cent. greater than from leases.
- (c) The return of capital through sales provides funds for the acquisition of further land, thereby tending to reduce borrowing.

864. There is, of course, the objection that sales by auction exclude applicants with little capital, who would be unable to pay the initial deposit, but nevertheless would have sufficient for stock and initial development. We understand that the policy is that rural land shall be disposed of by way of lease, but wish to draw attention to the general advantages of disposal by way of sale, as, failing an amendment to the law to enable rent to be fixed on a higher basis, **it is obvious that sales by auction would produce the best financial results and might avoid later charges on general taxation to make good losses in the Land for Settlements Account.**

865. In addition to the unfavourable position as regards present purchases and sales, the account will probably be adversely affected by conversions of maturing loans at increased rates; but in this connection no remedy is possible, as no adjustment can be made in the rental of current leases. In the past, rents have been as low as 4½ per cent. on the capital value, representing a net return of approximately £3 19s. per cent. A considerable amount of loan capital was raised at 4 per cent. in the past, so that the rental return was approximately sufficient to meet interest on capital. However, renewals of these 4-per-cent. loans at, say, 5 per cent., will mean a direct loss to the Crown.

866. That purchase and subdivision of lands have resulted in considerable capital losses may be evidenced from the following statement showing the capital cost and present value of estates which have been purchased in the past. These are just a few typical cases taken at random, and from the information which we have obtained there are many other instances of substantial losses of capital, not to mention the loss in interest, owing to the insufficiency of rental returns.

Settlement.	Total Cost.	Capital Loss.	Settlement.	Total Cost.	Capital Loss.
	£	£		£	£
Motutara	42,851	27,305	Ahiaruhe	37,985	15,874
Koremea	22,413	11,603	Akitio	43,811	17,220
Pakaraka	29,294	13,341	Arawhata	6,607	2,129
Streamlands	13,498	6,023	Cherry Grove	6,469	2,547
Remuera	69,473	29,538	Kairanga	35,749	13,939
Waimata	33,866	2,556	Marama-a-mau	22,650	11,850
Waiteitei	14,528	7,848	Teschemaker	45,157	10,080
Hereford Park	11,195	8,951	Douglas	86,256	14,957
Horahora	15,654	4,864	Waitohi Peaks	60,300	23,679
Otamarakau	10,663	756	Hawthorne	17,830	4,035
Kaipaki	6,470	1,740	Broadfields	14,213	6,660
Tahaia	20,718	8,188	Mount Nessing	43,000	6,335
Waiare	8,482	2,172	Ardlussa	38,630	25,347
Repongaerc	48,430	28,700			
				806,192	308,237

867. It is impossible to state what the position of the Land for Settlements Account would have been had it not been for the provision of free capital mentioned above.

868. There have also been some other factors which have enabled the account to remain solvent. For instance, fairly large areas of Crown lands have from time to time been declared to be settlement lands, and the rental from these blocks, which cost the Land for Settlements Account nothing, has been credited to that account. It was only in recent years that any charge was made against the revenues of the Land for Settlements Account in respect of this land, and the sum of £8,405 was paid to the Consolidated Fund during 1930–31 in respect of Crown lands included in settlement estates. Also, in respect of early purchases of estates liberal provision was made for contingencies, but under the present policy an entirely inadequate provision is made. Finally, the account has received considerable capital profit in respect of appreciation in values resulting from the conversion of renewable leases into freehold.

869. The fact remains, however, that the account is now rapidly approaching the time when the income will be insufficient to meet interest on loans and administration costs.

870. **We accordingly recommend—**

- (1) **That the purchase of estates be more rigidly controlled, and that no further land be purchased unless it can be reasonably proved that it can be subdivided and settled without loss :**
- (2) **That the law be amended so that the basis upon which rent is calculated shall be fixed by the Minister of Finance, having regard to the rate of interest payable in respect of moneys borrowed for land-settlement purposes and other contingent costs.**

871. **The foregoing deals wholly with the acquisition and settlement of land, but before passing to other phases of land-settlement financed from this account it should be mentioned that the cost of placing settlers on the land appears to be unduly high, and it is questionable whether a closer settlement policy should be proceeded with at such a high individual cost.**

872. For a period of approximately two years past the average cost per subdivision has been £2,810. This means that under the present policy the State must find capital to the extent of £2,810 for each settler placed on the land; and, indeed, in many cases the cost has been over £4,000 per settler.

873. These high average figures are accounted for by the fact that the properties purchased include grazing and mixed-farming propositions, where subdivision into more or less large farms is essential. It seems clear that the State cannot afford to provide capital to the extent of almost £3,000 in order to place one additional man on the land.

LAND DEVELOPMENT.

874. The Land for Settlements Account also provides funds for (a) the development of waste lands of the Crown, and (b) loans to settlers for improvements and purchase of stock. The Land Laws Amendment Act, 1929, provided authority for these activities, and set up a Lands Development Board to consider developmental activities and applications from settlers for loans. Up to the present a sum in excess of £300,000 has been authorized for the development and survey of various blocks of Crown and settlement land, and advances exceeding £120,000 have been approved in favour of 293 tenants. Local Advisory Committees have been set up in all districts to report on areas suitable for development, and the District Land Boards deal with applications for loans from settlers. **We are of opinion that the administration could be very much simplified without affecting its efficiency. There seems to be no real necessity for the Local Advisory Committees, the existence of which entails needless expense. Also, it is questionable whether the special Development Board is necessary in Wellington, as the Dominion Land Purchase Board, strengthened perhaps by an independent member, should be capable of passing judgment on development schemes. The Department of Lands and Survey has many Boards and committees connected with it, and the sooner these can be reduced in number and cost, the better. We therefore recommend that the Dominion Land Purchase Board be charged with the duty of considering applications under the Land Laws Amendment Act, 1929, and that the Local Advisory Committees and the Lands Development Board be dispensed with.**

875. In regard to land development, the history of State enterprise in connection with these projects generally is such that it appears to be certain the losses will accrue therefrom, and it is questionable whether the national benefit by way of increased production will compensate for the additional charges which must be thrown on taxation.

876. There is the aspect, also, that the Land for Settlements Account is funded from borrowed money, and any deficiencies which result from the development of lands must be capitalized, and interest and sinking fund met over a period of sixty years. **This leads us to recommend that the funds required for the development of land—or, at least, that portion representing the estimated loss on development—should be provided from taxation.** It is perhaps too early at the present stage to pass judgment on any of the schemes that have been financed from this account, but it will be conceded that very few, if any, of them can be self-supporting.

877. In regard to the making of advances to settlers for improvements and stock, the extent to which Departments of State are lending money on the security of land is surprising. The State Advances Office was constituted for this purpose, and has all the machinery necessary to enable it to deal in a comprehensive manner with applications from all classes of the community. **The granting of special powers to many other Departments to enable them to make special classes of investment cannot be justified in view of the existence of the State Advances Office. It is uneconomical to maintain administrative machinery for the investment of public money in so**

many different Departments of State. We are not impressed with the suitability of the Department of Lands and Survey to handle this class of business satisfactorily. We accordingly recommend that the provisions of the Land Laws Amendment Act, 1929, relating to the making of advances to settlers for improvements and stock, be repealed, as there are already in existence sufficient avenues for obtaining finance—*e.g.*, State Advances Office, Rural Intermediate Credit Board, Public Trust Office, State Fire Insurance Office, Government Life Insurance Office, Government Superannuation Funds, and innumerable private lending institutions. We are of opinion that the time has arrived when the State should cease borrowing money for the purpose of lending it.

DISCHARGED SOLDIERS SETTLEMENT ACCOUNT.

878. The sum of £37,000 which is appropriated out of the Discharged Soldiers Settlement Account is in respect of the management and other expenses of the Department of Lands and Survey in connection with the administration of the Discharged Soldiers Settlement Act, 1915. The amount is an estimate of the cost of administering this portion of the Department's activities, and is based on the annual receipts.

879. It is necessary, however, to review the general administration of the Discharged Soldiers Settlement Act in its widest sense, and the management expenses are but incidental to this review.

880. Loans may be authorized under the provisions of the Discharged Soldiers Settlement Act, 1915, to discharged soldiers for the purpose of—

- (a) Assisting in the purchase of rural lands :
- (b) Assisting in the purchase of town dwellings :
- (c) Effecting improvements to rural land and purchasing of stock.

881. It has been the policy for some considerable time to restrict advances for the purchase of properties, both rural and urban, to the cases of T.B. and badly disabled soldiers. Advances are, however, still being made to discharged soldiers who have been placed on rural land, to assist in effecting improvements or in purchasing stock and implements for their holdings. Having placed the soldiers on the land on the understanding that advances will be made for stock and improvements, it has not been possible up to the present to discontinue advances for this purpose. We are of opinion, however, that every effort should be made to curtail these advances in the future, particularly in view of the facilities which exist through other channels for financing settlers whether they be civilians or discharged soldiers.

882. Through the operation of the Discharged Soldiers Settlement Act the Department has developed along the lines of a huge financial institution which was not contemplated when the Department was constituted.

883. **We reiterate that there are too many Government lending institutions and every effort should be made to co-ordinate the lending of public money by the various Departments. No opportunity should be lost of minimizing the number which have authority to make advances.**

884. The experience of the Department in so far as the settlement of discharged soldiers is concerned has been disastrous, but it has been paralleled by the experience of other countries, where huge losses have been incurred in the repatriation of discharged soldiers.

885. Under the Discharged Soldiers Settlement Amendment Act, 1923, provision was made for the revaluation of soldiers' holdings, and, in all, the sum of £7,026,284 was written off on account of this revaluation. This covered all branches of the Department's activities in the settlement of discharged soldiers, including the writing-down of land acquired for such settlement, as well as the writing-off of mortgages on land acquired directly by soldiers themselves with State assistance.

886. The Discharged Soldiers' Settlement Account was only concerned with the advancing of money to soldiers who desired to purchase land on their own account; thus it is purely a mortgage account, and the amount written off this account by revaluation was £3,969,759; but this included £750,000 set aside as a reserve against future losses. This writing-off which was a part of the gross total mentioned above was actually authorized by the Finance Act, 1927. The reserve referred to has since been exhausted, and additional revenue losses amounting to £168,417 had been incurred up to 31st March, 1931. It also appears to be certain that there are many unrealized losses which will ultimately have to be taken into account, as the balance-sheet as at 31st March, 1931, discloses the value of properties acquired by the Crown awaiting disposal as £374,716 and the value of properties in course of realization as £197,488. Furthermore, the accounts disclosed that a large amount was outstanding on account of interest and instalments of principal, while postponements of interest and principal were also heavy. The amounts actually postponed under the above headings at the 31st March, 1931, total £447,271, and the accounts for 1931-32 will disclose a much larger figure. No doubt the present depression is largely responsible for this position.

887. The loans authorized for the purchase of rural land and town dwellings are secured by table mortgages, while advances for the purchase of stock and for effecting improvements on rural land are secured mostly by flat mortgages. **In so far as loans for the purchase of land, whether rural or urban, are concerned, the administration differs hardly at all from the administration of mortgages under the State Advances Act, and there is no reason why two organizations should be maintained for dealing with the same class of business.** We are of opinion that the table mortgages held by the Lands Department under the Discharged Soldiers Settlement Act on rural land and town dwellings should also be administered by the State Advances Office. The administration is confined now to the collection of instalments and the management of securities generally, and the handing-over of control to the State Advances Office should cause no inconvenience to mortgagors and should greatly simplify the administration of the Lands Department.

888. There will be little increased cost of administration in the State Advances Office, as it already has an organization dealing with securities to the value of over £45,000,000.

889. **What we recommend is the handing-over of the farms and dwellings securities of the Discharged Soldiers Settlement Account, totalling approximately £12,000,000, to the State Advances Office for administration. A similar recommendation was made by the Economy Committee set up in 1921.** In view of the need for economy and the fact that the administration is now practically confined to the collection of instalments, there is less reason than ever why the change advocated should not be made. It would enable the Lands Department to revert to its normal functions in the promotion of settlement, and would divorce from it a large portion of the activities for which the administration was not designed.

890. In regard to advances for stock and improvements, every effort should be made to curtail investments of this nature, in order that the Discharged Soldiers Settlement Account may be liquidated as soon as possible.

891. The foregoing recommendations should result in considerable economy in the administration of the Lands Department.

SWAMP LAND DRAINAGE ACCOUNT.

892. The Swamp Land Drainage Account was established under the Swamp Drainage Act, 1915. This Act authorized the Department to undertake the reclamation of swamp lands throughout the Dominion.

893. The accounts for the year ended 31st March, 1931, show that the total capital raised in connection with the various drainage schemes undertaken from this account was £669,000, to which must be added £110,000 representing amounts owing to the Consolidated Fund for interest, &c. There was also a further sum of £4,500 expended from the Public Works Fund in connection with the schemes. The capital thus amounted to £783,500. The various drainage schemes financed from this account are :—

Kaitaia Drainage Area.	Hikurangi Drainage Area.
Waihi Drainage Area.	Mangawai Drainage Area.
Poukawa Drainage Area.	Harihari Drainage Area.

Kaitaia Drainage Area.

894. The total capital expended is £300,200, of which £85,400 represents interest during construction. These works are now completed, and rates are being levied on lands in the area for capital and maintenance purposes. When the works were initiated it was considered that the whole of the capital cost would be recoverable from the ratepayers in the area, but on completion it was necessary for the Government to write down the capital cost upon which rates are levied. The position is that the cost has been written down to £68,200 so that the loss on the scheme as at the 31st March, 1931, amounted to £232,000. The general taxpayer must, therefore, meet interest and sinking fund on almost four-fifths of the cost of the Kaitaia scheme. In so far as maintenance is concerned the Government is also providing assistance, to the extent of £980, provided on vote Lands and Survey for 1931-32. Actually therefore, in addition to paying interest and sinking fund on four-fifths of the cost of the works, the general taxpayer must also assist in their maintenance. **We are of opinion that the time has arrived when the control of these works should be handed over to a local Board, and we recommend that the law be amended in this direction.** In view of the large amount of public money invested in the works, the Government should have majority representation on the Board. It is only by this means that continued application for Government assistance both in respect of the capital cost and maintenance can be checked. There is no justification for any further burden being thrown upon general taxation. The residue of the capital cost repayable by way of rates should be treated as a loan to the Board.

Waihi Drainage Area.

895. These works are also substantially completed and the capital cost as at the 31st March, 1931, amounted to £117,400. This area is divided into three subdivisions, one of which is owned by the Crown. The capital cost of reclaiming this subdivision is not recoverable by way of rates. The return is derived from rents of leased lands. As with other drainage areas, it has been necessary for the Government to write down the cost. On the other two subdivisions rates are levied. In all, the cost has been written down from £117,400 to £62,500, so that the burden on general taxation is £54,900. It appears, however, that the capital cost in so far as the central subdivision is concerned (*i.e.*, the land owned by the Crown) is far in excess of the rental value of the land, and the loss is therefore greater than is shown by the above figures. **We recommend that these works should also be controlled by a local Board, and that the capital repayable by means of rates should be treated as a loan to the Board.** We recommend that the law be amended in this direction, and that, as with the Kaitaia drainage area, the Government should have majority representation on the Board in order to ensure that the works will be adequately maintained.

Poukawa Drainage Area.

896. The drainage of this area has not yet been completed, and rates have not been levied either in respect of capital expenditure or for maintenance. The total expenditure as at the 31st March, 1931, amounted to £15,900. We are informed that the prospects in connection with this area are good, but at the same time **we see no reason why rates should not be levied for maintenance of the works already completed, and we recommend that this action be taken immediately.** This would avoid the capitalization of maintenance costs during construction.

Hikurangi Drainage Area.

897. These works also are still in course of construction, and as at the 31st March, 1931, the capital expenditure, including interest during construction, was £279,200. The estimated cost when the works were first put in hand was £98,800. **There will be a very large loss in connection with the drainage operations on this area, and after reviewing the prospects we recommend that the works be closed down immediately, as there is no justification for continued expenditure of money on this scheme.**

898. The works have been under construction for some considerable time, but no endeavour has been made to levy rates either in respect of capital or maintenance charges. This, we consider, is wrong, and **we recommend that investigations be made immediately with a view to levying rates at least for the maintenance of existing works,** provided that it can be demonstrated that the land has received, and will continue to receive, some benefit from the works.

Mangawai and Harihari Areas.

899. These schemes are relatively small, and need not be commented upon here, except to state that so far as can be ascertained the whole of the expenditure in connection with the Harihari works (£5,900) has been lost; in any case there has been no return to the State up to the present.

General.

900. In our opening remarks in connection with this special account we stated that the total capital provided for the purposes of the account amounted to £783,500. On a conservative basis it is estimated that the sum of at least £500,000 (and probably more) has been lost in these drainage operations, and **we feel bound to state that the results are such that no further schemes should be undertaken. We further point out that it should have been evident many years ago that the continued expenditure of public money on several of the schemes was not justifiable in view of the potentialities of the areas and the impossibility of obtaining an adequate return for the capital expended.** Incidentally, the failure of the Department to levy rates for maintenance, at least when schemes were substantially completed, has undoubtedly added to the capital cost, and thus to the ultimate loss.

901. In our report in regard to the Public Works Department we have recommended the setting-up of a Board of Works to review all developmental projects before they are undertaken by the Government. This Board's functions should extend to all projects under consideration by any Department of State, as it is not only in connection with works undertaken by the Public Works Department that there has been unwarrantable loss of public money.

RANGITAIKI LAND DRAINAGE ACCOUNT.

902. The Rangitaiki Land Drainage Act, 1910, authorized the raising of moneys for the purposes of draining a large area of land on the Rangitaiki Plains which was privately owned. The Act also provided that the capital cost of the works should be repaid by the owners by means of rates to cover interest and sinking fund charges on loans raised. The original estimate of the cost of the works was £50,000, but the scheme was enlarged from time to time and the final cost is in the region of £550,000. The loan-moneys actually raised for the reclamation of the land totalled £515,500, but in addition to this the sum of £121,000 has been paid by the Consolidated Fund in respect of interest on the loan capital.

903. It early became apparent that the settlers could not pay rates sufficient to cover the full capital liability plus annual maintenance, and it has been necessary for the Government to grant substantial concessions to the settlers by writing down the capital cost of the works. The balance-sheet as at the 31st March, 1931, shows that the actual cost recoverable by way of rates is £205,000, together with capitalized interest amounting to £40,373. **The loss as disclosed by the balance-sheet at that date was £375,131, and interest and amortization charges in respect of this sum must be met from general taxation.** It is pointed out also that there is a large amount owing in respect of current rates, despite the fact that the liability of the settlers has been reduced by more than 50 per centum, and notwithstanding also that the Government is assisting the settlers by way of a subsidy in respect of maintenance rates. This latter fact is not apparent from the accounts, but an item of £2,500 appears on vote: Lands and Survey Department for 1931-32 for this purpose. The general taxpayer, who has no direct interest in this local scheme, has, therefore, contributed over £120,000 already in respect of interest, while an annual charge of over £18,000 must be met for interest and sinking fund on the unproductive capital. The subsidy which has up to the present been given towards maintenance rates must also be met out of general taxation.

904. In view of the very large contribution to this scheme already made by the Consolidated Fund and the ultimate liability in respect of the unproductive loan capital, **we recommend that the maintenance subsidy be discontinued immediately.** It is understood that the works have now been substantially completed, but, **if any further avenues of expenditure be suggested in the future, we strongly recommend that the landowners themselves be left to finance the work.** The activities should be confined wholly to the maintenance of drains and the collection of rates, to cover both maintenance and the reduced capital, as defined by section 22 of the Finance Act, 1925.

905. Now that the works have been substantially completed, **we are of opinion that the area should be handed over to the control of a Drainage Board, and that the capital cost repayable by the ratepayers should be treated as a loan to the Board, which should have the responsibility**

of collecting rates for both capital and maintenance. It is difficult for the Department to enforce those measures, which are necessary to protect the interests of the Crown, and for this reason we suggest the handing-over of the works to local control. We consider, however, that **in view of the large amount of public money at stake the Government should have a majority of nominees on the local Board in order that it may retain a measure of control over maintenance.** The handing-over of the scheme as recommended should result in a measure of administrative economy, and further calls on the Consolidated Fund for maintenance should thereby be avoided. It seems to be certain that, while works such as these are directly under Government control, applications for assistance in various forms are inevitable.

HAURAKI PLAINS SETTLEMENT ACCOUNT.

906. This account was established by the Hauraki Plains Act, 1908 (since consolidated), and the work authorized by the Act was the drainage of approximately 90,000 acres of Crown land in the Hauraki Plains. The work was commenced many years ago and approximately half of the total area subject to the provisions of the Act has been made available for settlement. The accounts do not now disclose the gross value of the land transferred to the Land Board for settlement, but as at the 31st March, 1927, the value was shown to be £329,000. Up to the 31st March, 1931, loan capital to the extent of £814,000 had been raised for the purpose of carrying on these works, and the return to the State is by way of rent from the land disposed of by the Land Board. When land is handed over for settlement it is either leased or sold at a capital value including the cost of drainage-works, or such a proportion of the cost as the land will bear. There is thus no question of levying rates on the settlers for the repayment of the capital invested in the scheme.

907. The accounts for 1930-31 show a value of £501,272 in respect of land in process of reclamation, but it appears to be certain that only a relatively small proportion of this capital, which is at present unproductive, will ultimately earn a return. A perusal of the accounts since 1923 shows that during the past seven years very little land has been made available for settlement purposes, notwithstanding that expenditure on reclamation has proceeded steadily from year to year. The progressive cost of the works in hand since the 1st April, 1923, is shown hereunder:—

				£					£
1924	..	..	..	246,326	1928	..	..	..	430,223
1925	..	..	..	312,041	1929	..	..	..	460,265
1926	..	..	..	371,628	1930	..	..	..	491,077
1927	..	..	..	388,662	1931	..	..	..	501,272

908. **Thus the total expenditure during this period has been £254,946, while the area of land reclaimed and made fit for settlement as a result thereof appears to have been negligible.** There has, however, been a gradual growth of unproductive loan debt upon which interest must be met from general taxation.

909. For the last two years the Revenue Account has shown a deficiency of approximately £22,000 per annum, while the return from lands already leased or sold is approximately £10,000 per annum. The annual interest charge on loan capital is £32,000 per annum, to which has to be added administrative charges, and it is therefore apparent that as the works have proceeded the annual loss which falls upon the Consolidated Fund has increased. The following statement shows the net loss on the Revenue Account for the last eight years:—

				£					£
1924	..	..	..	13,704	1928	..	..	..	18,724
1925	..	..	..	13,962	1929	..	..	..	20,597
1926	..	..	..	17,802	1930	..	..	..	22,055
1927	..	..	..	18,560	1931	..	..	..	21,838

910. The amount owing to the Consolidated Fund in respect of interest on the cost of the works was at the 31st March, 1931, £122,556, but it should be pointed out that the liability for interest was reduced in the year ended 31st March, 1928, by the sum of £55,723, representing accumulated losses in respect of discharged soldiers settlement on Hauraki Plains. The actual loss of interest which has already been met by general taxation is over £178,000 and is increasing by approximately £22,000 per annum. The total cost of the scheme to date is little short of £1,000,000.

911. **The work is still in progress, but the results so far do not justify any further expenditure of public money, and we must recommend that the works be closed down.** The fact that over £250,000 has been spent in a period of seven years with little or no return in the way of land made available for settlement is sufficient to condemn the project. Over £500,000 has been expended on land which is not yet available for settlement, and it is difficult to say what the final position of this venture will be. It is estimated, however, that land to the value of not more than £100,000 (possibly considerably less) may ultimately be made available for settlement, and if this is the total further return which can be expected from the scheme the loss will exceed £500,000. It is understood that approximately 30,000 acres of the area are valueless and cannot be brought into production. **There can be no justification for the carrying-out of further extensive works, and the sooner the undertaking is wound up and the loss determined the better.**

912. In regard to the annual maintenance of drains, which must be met by the settlers, we consider that this should be handed over to Drainage Board Control, and **we recommend the setting-up of a Drainage Board to control the whole of the area at present under the jurisdiction of the Department.** As with other schemes, we suggest a majority of Government nominees on the Board.

KAURI-GUM INDUSTRY ACCOUNT.

913. This account was established under the Kauri-gum Industry Amendment Act, 1914, and was funded from loan-money. It was intended to provide for a measure of assistance to the kauri-gum industry, and the administration of the Act was under the control of the Department of Lands and Survey. The account has now been closed, but the result of operations was a loss of over £70,000. The loan-money raised for the purposes of the Act amounted to £75,000 in all, so that practically the whole of this capital has disappeared. Large stocks of gum were purchased at prices which were not justified by the ruling trade conditions.

914. The Kauri-gum Control Board was set up in 1927, and very wide powers were vested in it, including the right to take control of all gum produced in New Zealand. It was intended that the Government should then withdraw from the industry and the realization of the large accumulated stocks of gum was the first step in this direction. This realization, together with trading losses incurred over the period of years, resulted in the dissipation of the loan capital raised for the purposes of the Kauri-gum Industry Account.

915. The Board's sources of finance are as follow :—

- (1) Brokers' and buyers' license fees.
- (2) Levy of $\frac{3}{4}$ per cent. on value of gum exported.
- (3) Commission of $4\frac{1}{4}$ per cent. on sales.
- (4) Bank overdraft.
- (5) State assistance—Grants and loans.

916. Since its inauguration the Board has obtained assistance from the Government as follows :—

<i>Consolidated Fund—</i>	£
Preliminary expenses (free of interest)	450
Loan at 4 per cent. to enable Representative to proceed to United States to develop the market for gum	1,000
 <i>General Purposes Relief Account (Loan-money)—</i>	
Erection of cleaning-plant (at 4 per cent.)	3,150
	£4,600

917. The Board now owes a considerable amount by way of interest on loans, audit fees, &c., and its indebtedness is as follows :—

	£	s.	d.
Audit fees	312	17	0
<i>Lands and Survey Department—</i>			
Refund of salary of Clerk	276	8	7
Furniture purchased	69	8	5
Interest on loans (approximate)	200	0	0
	£858	14	0

The Board has also obtained assistance by way of grants partly from the Consolidated Fund and partly from the Unemployment Fund, and these total £1,300, of which £650 was for paying off debts to the Crown.

918. Summarized, therefore, the position is that since its inauguration the Board has obtained by way of loans the sum of, approximately, £6,700 from Government sources, and only £650 has been repaid, leaving a net indebtedness of £6,050 as at December, 1931. It has also a bank overdraft (arranged in 1927) of £5,000. This was obtained to enable the Board to make advances to diggers not exceeding 50 per cent. of the value of gum received on consignment, and the bank is secured by debentures charging the assets, &c., of the Board. It appears to be doubtful whether, when the Board was constituted, there was any idea in the minds of the Legislature that it should branch out into a gum-buying and trading organization.

919. The Board purchases only about 15 per cent. of the gum exported, and this proportion should easily be absorbed by ordinary traders. Continued demands are being made by the Board for further Government assistance, **but we hold the view that this is not justified.** The industry has for many years been regarded as a decadent one. **We are of opinion that the Board should be abolished, leaving the trade to revert to the usual channels.**

ANNUAL APPROPRIATIONS.

920. We have dealt briefly with the various duties of the Department in regard to the administration of Crown lands and the operations of the Land for Settlements Act, Discharged Soldiers' Settlement Act, and other Acts with which the Department is concerned. It is now necessary to refer to the annual appropriations.

VOTE—LANDS AND SURVEY.

SUBDIVISION I.—ADMINISTRATION.

Item—Salaries, £178,504.

921. A considerable reduction in staff should be possible as a result of our recommendation that the mortgages securing advances under the Discharged Soldiers Settlement Act, 1915, for the purchase of rural land and town dwellings be handed over to the State Advances Office, and there should not be any material increase in the cost of administration of that Office as a result. We are unable to assess the possible savings, but they would be large.

922. We have already referred to the possibility of reducing the technical staff of the Department by elimination of much of the work which is at present undertaken. From the evidence obtained it appears that a considerable saving should result on this account also. It should be stated that economies have already been effected in the Department by reduction in personnel, but these do not go far enough.

Item—Hawke's Bay Reconstruction, Surveys, &c., £20,000.

923. It is realized that a large amount of work is required in connection with the reconstruction of the Land Transfer and survey records in Hawke's Bay. We consider that the work should be spread over a number of years, and that the expenditure should be reduced to £10,000 per annum for the present.

Saving, £10,000.

Item—Map-printing, £1,800.

924. We have already recommended that the activities of this branch of the Department should be severely curtailed by the elimination of much of the work which is at present undertaken. This item should be reduced to £800.

Saving, £1,000.

Motor-vehicles.

Item—Purchase, £800.

„ *Maintenance, £2,000.*

925. These items should be reduced by £1,100. The purchase of new cars should be deferred.

Saving, £1,100.

Item—Office Fittings and Equipment, £950.

926. This item should be reduced to £400.

Saving, £550.

Item—Overtime and Meal Allowances, £300.

927. This item should be reduced to £100.

Saving, £200.

Item—Postage, Telegrams, &c., £5,243.

928. This item should be reduced to £3,750.

Saving, £1,493.

Item—Premiums to Teaching-surveyors, £145.

929. We do not consider that any special payments should be made to Surveyors in connection with the teaching of cadets. It should be recognized as part of the duty of Surveyors to provide tuition for their cadets. **We recommend that the practice of paying premiums be abolished,** and that this item be deleted.

Saving, £145.

Item—Printing and Stationery, £2,800.

930. This item should be reduced to £1,800.

Saving, £1,000.

Item—Rent, £2,590.

931. This item should be reduced to £2,000.

Saving, £590.

Item—Surveyors' Equipment, Camp Gear, £650.

932. This item should be reduced to £250.

Saving, £400.

Item—Typewriters and Calculating-machines.

Purchase, £100.

Maintenance, £250.

933. These items should be reduced to £250 in all.

Saving, £100.

Item—Surveys, £15,250.

934. In view of the limited amount of settlement now being proceeded with, this item should be reduced to £12,000.
Saving, £3,250.

Item—Telephone Services, &c., £1,550.

935. This item should be reduced to £1,200.
Saving, £350.

Item—Tracing-cloth, &c., £1,200.

936. In view of our recommendation that non-essential drafting-work and map-making should be eliminated, this item should be reduced to £800.
Saving, £400.

Item—Transfer and Removal Expenses, £750.

937. This item should be reduced to £500.
Saving, £250.

Item—Travelling Allowances and Expenses, £3,135.

938. This item should be reduced to £2,700.
Saving, £435.

SUBDIVISION II.—MISCELLANEOUS SERVICES.

Item—Aranui Ib Block: Rent, £41.

939. This is non-recurrent, and represents a reduction on 1932-33 appropriations.
Saving, £41.

Item—Destruction of Wild Pigs and Goats, Run 110, Marlborough, £50.

940. This item should not be repeated.
Saving, £50.

Item—Fees to Examiners, Draughtsmen's Examinations, £8.

941. This item should be deleted.
Saving, £8.

Item—Egmont National Park Board: Destruction of Goats, £146.

942. **It is considered that this expenditure should be met wholly by the local authority concerned,** as it should not be the responsibility of the general taxpayer. We recommend the deletion of the item.
Saving, £146.

Item—Late Under-Secretary for Special Services rendered, £625.

943. This item is non-recurrent, and represents a reduction on 1932-33 appropriations.
Saving, £625.

Item—Tongariro National Park Board, towards Management Costs of Chateau, &c., £4,000.

944. This item is inappropriate to this vote.

Item—Noxious Weeds on Crown Land, Eradication of, £1,000.

945. This is to provide for a payment to the Department of Agriculture in connection with the eradication of noxious weeds. When dealing with the latter Department we recommend that the control of noxious weeds should devolve upon local authorities. This item should therefore be deleted.

Saving, £1,000.

Item—Rangitaiki River Improvement, £600.

946. In view of the large sums of public money expended by the Crown in connection with the Rangitaiki Drainage Area **we are of opinion that any further works should be financed by the settlers themselves.** In any case the work covered by this grant was wholly for the benefit of the settlers, and there appears to be no reason why the cost should be met from general taxation. We recommend the deletion of the item.

Saving, £600.

Item—Reclamation of Sand-dunes, £1,000.

947. This item should be reduced to £450. We recommend that the possibility of utilizing unemployed for the planting of marram-grass should be investigated.

948. **We also recommend that investigations be made with a view to the levying of rates under the Sand Drift Act on account of betterment derived by adjoining owners.**

Saving, £550.

Items—Recreation-grounds and Domains Subsidies, £602.

949. There are eight items under this heading, representing grants in respect of various recreation-grounds and domains. We are of opinion that grants such as these should be eliminated, and **that any funds required for the acquisition or improvement of recreation-grounds or domains should be provided by local effort. There is too great a tendency to lean on the Central Government for luxury provisions such as these.**

950. There is a further aspect that most of the projects assisted have only a local interest, and for this reason also they should not be a charge against general taxation.

Saving, £602.

Item—Road Access, Kumara—Kapitea Road, £160.

951. This item can be deleted.

Saving, £160.

Item—Hauraki West Drainage Board: Maintenance of Drains, £238.

952. This represents a subsidy to the ratepayers in the Hauraki West Drainage Area in respect of the maintenance of drains. The Crown has already expended considerable sums of public money in the reclamation of land in the Hauraki Plains Area, and we see no reason why further subsidies should be provided towards the maintenance of drains constructed at considerable loss by the Government. **We recommend that this subsidy be abolished.**

Saving, £238.

Item—Kaitiā Drainage Area, £980.

953. This item is similar to the previous one. In this area also there has already been a very large capital loss on the construction of drainage-works, and it should not be unreasonable to expect the ratepayers to meet the full cost of maintaining the drains.

954. **We recommend that the item be abolished.**

Saving, £980.

Item—Lake Wanaka Mail-service: Subsidy, £18.

955. There is no justification for subsidizing such services. We recommend that the item be deleted.

Saving, £18.

Item—Rangitaiki Land Drainage: Maintenance of Completed Works, £2,500.

956. This also is a subsidy in connection with the maintenance of drains in the Rangitaiki Land Drainage Area.

957. Here again there is already a burden on general taxation exceeding £300,000 for the construction of the works, and there is no justification for continued subsidies towards the maintenance of the works, which should be a charge on the local ratepayers. **We recommend the abolition of this item.**

Saving, £2,500.

Item—South Westland Mail-steamer, £800.

958. We consider that too large a subsidy has been paid in this case, particularly in view of the relatively small amount of produce from the locality. We recommend that the item be reduced to £500.

Saving, £300.

Item—Wanganui River Improvement, £1,800.

959. Assistance was no doubt necessary when the settlers along the Wanganui River were dependent upon the river for access. Road access is now being provided, and it is reasonable that this item be reduced. We recommend a reduction to £1,200.

Saving, £600.

Item—Wanganui River Mail-service, £3,000.

960. This item is to provide a subsidy for the mail-service on the Wanganui River. The present contract expires in 1934, and immediate savings are not possible. We have mentioned in connection with the previous item that road access is now being provided, and there should be no necessity for the continuation of a large mail subsidy when the present contract expires. In any case it should be possible to arrange for a cheaper method of carrying the mails, and **we recommend that the present contract be not extended.**

SUBDIVISION III.—SCENERY PRESERVATION.

Item—Section 3, Block VII, Tuahu Survey District, &c., £283.

„ *Grant to Hawera Borough Council for planting Trees, £29.*

„ *Sections 9146 and 9147, Rosewill Settlements, &c., £231.*

961. The above items should not be repeated.

Saving, £543.

Item—Kirk's Bush: Fencing and Draining, £225.

962. This item should be reduced to £75.

Saving, £150.

Item—Kumutoto Scenic Reserve: Fencing, £500.

„ *Mangamaunu Scenic Reserve: Half Cost of Boundary-fence, £210.*

963. **We are of opinion that works of this description should be postponed until financial conditions improve.** We recommend the deletion of the items.

Saving, £710.

Item—Ross Borough Endowment Exchange, £231.

„ *Ruapekapeka Pa Improvements, £63.*

„ *Subsidy, Scenic Reserve, Bream Head, £76.*

964. The above items are non-recurrent, and represent a reduction on 1932-33 appropriations.

Saving, £370.

Item—Summit Road Scenic Reserves Ranger, £270.

965. This item represents the salary of the ranger employed by the Summit Road Scenic Reserves Board. We consider that this reserve is of purely local interest, and **the State should not be called upon to meet a heavy annual charge of this description. The remuneration should be paid by the local community, and we recommend the deletion of this item.**

Saving, £270.

Item—Survey Costs, Lake Okaitaina Reserves, £1,061.

966. Expenditure of this description should be postponed until financial conditions improve.

Saving, £1,061.

General.

967. We wish to remark in connection with this subdivision that in our opinion assistance towards scenic reserves which are of no particular interest to the general community should not be given out of the Consolidated Fund.

968. A perusal of the appropriations in the past will indicate that there has been the tendency to expect the Government to contribute towards projects which have only a limited local interest. It should be accepted as a general rule that the State will only assist in cases where it is in the national interest to do so.

969. If scenic reserves or recreation-grounds are required they should be financed wholly by the local communities, and if a greater spirit of self-help were evinced there would, in many ways, be considerable savings to the Consolidated Fund.

CONCLUSION.

970. We have dealt at considerable length with the operations of this Department, and have advocated reorganization in several directions, but it is not possible to summarize the savings which can be effected by many of our recommendations. In the aggregate, however, they will be large and of more than temporary benefit to the finances of the Dominion. We refer particularly to the recommendation that a central Board be established in Wellington. **We look upon it as of extreme importance that this Board should have most of the powers now vested in the Minister of Lands. It is surely inconsistent that the investment of public money in mortgages, in the purchase of land, and in other directions, should be subject to control by Investment Boards and the like, while the valuable estate of the Crown represented by land should be so much under individual control.** It is particularly desirable, in view of present financial conditions, that some independent control should be exercised, for there is no doubt but that the pressure on the Crown to reduce permanently rents and capital values will be hard to resist. **Permanent reductions in sympathy with present prices would be an unwarranted dissipation of the national estate.**

971. We should also again refer briefly to the position in regard to the drainage accounts. The experience of the Department, which is merely a parallel of the experience of the Public Works Department in carrying out similar schemes, is so unfortunate that on no account should any major schemes be attempted in the future out of borrowed money.

972. With regard to the Land for Settlements Account, it has been shown that it is impossible as the law now stands for the Crown to acquire land and subdivide it for settlement without ultimate loss to the taxpayer. **The law should certainly be amended to provide for an increased rental return. If this is not done, there must be in the very near future still further charges on taxation in respect of land-settlement.**

SUMMARY.

973. We give hereunder a summary of the savings recommended in connection with vote Lands and Survey Department so far as they can be assessed:—

Subdivision I.—Administration:—

Item—	£	£
Hawke's Bay reconstruction, surveys, &c.	10,000	
Map-printing	1,000	
Motor-vehicles: Purchase; maintenance	1,100	
Office fittings and equipment	550	
Overtime and meal allowances	200	
Postage, telegrams, &c.	1,493	
Premiums to teaching-surveyors	145	
Printing and stationery	1,000	
Rent	590	
Surveyors' equipment, camp gear, &c.	400	
Typewriters and calculating-machines	100	
Surveys	3,250	
Telephone services, &c.	350	
Tracing-cloth, &c.	400	
Transfer and removal expenses	250	
Travelling allowances and expenses	435	
		21,263

Subdivision II.—Miscellaneous Services:—

Item—	£	£
Aranui B Block rent	41	
Destruction of wild pigs, &c., Run 110, Marlborough	50	
Fees to Examiners, Draughtsmen's Examinations.. .. .	8	
Egmont National Park Board: Destruction of goats	146	
Late Under-Secretary, for special services rendered	625	
Noxious weeds on Crown land, eradication of	1,000	
Rangitaiki River improvement	600	
Reclamation of sand-dunes	550	
Recreation-grounds and domains subsidies	602	
Road access, Kumara-Kapitea Road	160	
Hauraki West Drainage Board: Maintenance, &c.	238	
Kaitaia Drainage Area	980	
Lake Wanaka mail-service subsidy	18	
Rangitaiki land drainage: Maintenance of completed work	2,500	
South Westland mail-steamer	300	
Wanganui River improvement	600	
		8,418

Subdivision III.—Scenery Preservation:—

Item—	£	£
Section 3, Block VII, Tuahu Survey District, &c. }	543	
Sections 9146 and 9147, Rosewill Settlement, &c. }		
Grant to Hawera Council, planting, &c.	150	
Kirk's Bush: Fencing and drainage		
Kumutoto Scenic Reserve (fencing)	710	
Mangamaunu Scenic Reserve (boundary-fence, &c.) }		
Ross Borough Endowment Exchange }	370	
Ruapekapeka Pa improvements		
Subsidy, scenic reserve, Bream Head }	270	
Summit Road Scenic Reserves: Ranger.. .. .		
Survey costs, Lake Okaitaina Reserves	1,061	
		3,104

Amalgamation of—

North and South Auckland offices	5,000	
Gisborne and Napier offices	2,500	
Blenheim and Nelson offices	2,700	
		10,200
		£42,985

VOTE—VALUATION DEPARTMENT.

974. The net expenditure under this vote for 1914-15 and 1930-31 was as follows :—

1914-15.			1930-31.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£	£	£	£	£	£
24,106	19,053	43,159	38,470	30,014	68,484
Less credits-in-aid	..	8,750	Less credits-in-aid	..	13,457
		£34,409			£55,027

975. The staff increased from 93 in 1914-15 to 134 in 1930-31.

975A. The excess of expenditure over income, after allowing for assessed rent, interest, and depreciation, for the past four years was as follows :—

	£
1927-28	9,988
1928-29	11,724
1929-30	8,998
1930-31	11,107

976. The Department carries out specific valuations at the request of the State Advances Office and other Government lending Departments, and for the assessment of stamp duties, and also has the duty of revising valuations for land-tax and local rating purposes.

977. In regard to special reports for the State Advances Office and other State lending Departments, fees are charged which in some cases cover the full cost of the service rendered ; in others, notably in the case of fees for valuations for the State Advances Office, the amounts do not cover the full cost of the service, and **there is no reason why the full cost should not be collected either from the State Advances Office or charged direct to applicants.**

978. This Department also supplies reports to the State Advances Office as to the condition and value of securities where default is made, and for these reports a small fee only is received.

979. In addition to the foregoing work, the Valuation Department, by reason of the fact that it has district organizations, while the State Advances Office has not, carries out a certain amount of agency work on behalf of the latter office, and a charge of £1,250 is made for this service. It appears that the payment of £1,250 is in excess of the value of the agency work carried out, and this should be reduced to, say, £500.

980. **At the same time the fees for reports both in regard to new applications and in connection with cases of default should be increased to cover the full cost of the services rendered.** This should result in a direct saving of approximately £3,000 in connection with vote Valuation Department.

981. In regard to the revision of valuation rolls, the position is that since 1896 all valuation rolls and particulars of values and alterations thereto used by the Land and Income Tax Department and by all local authorities rating under the " capital value " or " unimproved value " system of rating have been supplied by the Valuation Department, and the regulations provide that the cost shall be divided as follows :—

- One-third by the Land and Income Tax Department ;
- One-third by the Local Rating Authorities ;
- One-third by the Valuation Department—*i.e.*, the Consolidated Fund.

982. The question now arises as to whether it is equitable that one-third of the cost of this work should remain a charge against general taxation. It is recognized that there is some general benefit accruing from the existence of centrally recorded valuations and plans, but we consider that a more equitable distribution of the cost would be—

- Two-fifths by the Land and Income Tax Department ;
- Two-fifths by the local rating authorities ;
- One-fifth by the Valuation Department—*i.e.*, the Consolidated Fund.

This should result in a saving of £2,400 on this vote.

983. We would next refer to the provisions of section 45 of the Valuation of Land Act, 1925. Under this section the owner of any land who is not satisfied with the valuation as fixed by the Assessment Court may give notice to the Valuer-General that he requires the capital value to be reduced to the amount specified in the notice (being the sum which in the opinion of the owner is a fair capital value) or the land to be acquired by the Crown at the sum specified. The Crown must then either acquire the property at the figure stated or accept that figure for valuation and taxation purposes. It is recognized in many directions that the Crown is not in a position to purchase land immediately and indiscriminately, and it has therefore no option but to reduce the valuations. This operates adversely against local rates and against land-taxation.

984. The Act provides for the setting-up of an Assessment Court, which is in the nature of an Appeal Court, and if the decision of the Appeal Court be not accepted the owner should have the option to require the Government to purchase the property within one year, or reduce the valuation at the conclusion of that term in conformity with his valuation which would then be established.

985. The amendment should provide that the respective parties should have the right to withdraw or purchase at any time during the period of one year.

986. We recommend that the law be amended in this direction.

987. In general, this Department is economically administered. The following items would, however, appear to be capable of reduction :—

Item—Postage, Telegrams, &c., £1,100.

988. This should be reduced by at least £250.

Saving, £250.

Item—Travelling Allowances and Expenses, £6,400.

989. As the volume of work should be falling off, a reduction of £400 in this item should be possible.

Saving, £400.

990. The savings as a result of the foregoing recommendations as far as they can be assessed are as follow :—

(1) Increased fees from State Advances Office.. .. .	£	3,000
(2) Increased fees from Land and Income Tax Department and local authorities	£	2,400
(3) Savings in items on vote	£	650
		£6,050

VOTE—ELECTORAL DEPARTMENT.

991. This is a separate vote, which is now under the control of the Department of Justice, the Permanent Head of which is directly responsible for the Electoral Department.

992. In 1931–32 the total amount appropriated was £69,218, but provision was therein made for the expenses of a general election. The sum of £6,000 should suffice for 1932–33.

Saving, £63,218.

VOTE—DEPARTMENT OF AGRICULTURE.

993. There have been various changes in the constitution of the Department of Agriculture since 1914–15, particularly in the direction of extended services, consequently a comparison of the expenditure in that year with the present expenditure is rendered somewhat difficult.

994. The following statement will, however, illustrate in general terms the extent to which the expenditure has increased. In 1914–15 the Department of Industries and Commerce was amalgamated with the Department of Agriculture, and to that extent the comparison of the cost of the Head Office organization is misleading. Similarly, there are various items now appearing under the heading “Miscellaneous services” in the present vote which did not appear in the appropriations for 1914–15.

Subdivision.	1914–15.			1930–31.		
	Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
I. Head Office	£ 13,573	£ 109,808	£ 123,381	£ 35,752	£ 32,553	£ 68,305
II. Live Stock Division	32,757	14,463	47,220	95,459	40,527	135,986
III. Horticulture Division	6,765	4,978	11,743	19,550	10,638	30,188
IV. Dairy Division	10,246	4,710	14,956	50,323	15,538	65,861
V. Fields Division	29,866	63,177	93,043	31,651	22,012	53,663
VI. Miscellaneous services .. .. .	..	..	..	..	127,720	127,720
			290,343			481,723
Less credits-in-aid .. .. .	..	..	83,612	..	..	93,446
Net expenditure .. .. .	..	..	206,731	..	..	388,277

995. While expenditure under the heading of “Other charges” has increased considerably there has also been an increase of over 100 per centum in salaries. The personnel of the Department has increased from 404 in 1914–15 to 727 in 1931–32.

996. As the duties of the Department are largely instructional and inspectorial, and since the services given have been largely increased over a period of years, the increase in the numerical strength of the staff can be understood. It is essential that there must be a drastic reduction in the expenditure

of this Department, and the only way to effect this is by curtailment of services. In a Department such as this there are no means whereby such reduction can be brought about except by way of a decrease in staff.

997. The numerical strength of the staff has been quoted above as 727. This figure has been taken from the appropriations for 1931-32, but it should be stated that there have been certain reductions in staff since last year, and credit must be given for this.

998. We propose to consider each subdivision of the vote for 1931-32, and to indicate what economies we think should be aimed at.

SUBDIVISION I.—HEAD OFFICE.

Item—Salaries, £30,050.

999. Head Office salaries have increased at least in proportion to the general growth of the Department, although here particularly a reliable comparison with 1914-15 is not available because of the inclusion in that year of the Industries and Commerce Section, the expenditure in respect of which is not separately allocated.

1000. There is now a large staff in the Head Office, and **with a curtailment of services which should be possible without destroying the essential organization of the Department, a saving of at least 25 per centum in the Head Office staff should be effected.**

1001. It is noted that the Permanent Head of the Department has reached the retiring-age, and this provides the opportunity for a general reorganization of the Department. While not wishing to detract in the slightest degree from the valuable services rendered by the present Permanent Head, **we consider it desirable that a non-professional and non-technical administrative officer should be appointed.**

Saving by means of staff reduction, £7,500.

Other Charges for and Incidental to.

1002. There will be corresponding reductions in various miscellaneous items in this subdivision consequent upon a reduction in staff. These, together with other recommendations, are detailed hereunder.

Item—Advertising, Photographs, Books, Newspapers, and other Publications, £300.

1003. This item should be reduced by £75.

Saving, £75.

Item—Board of Agriculture, Expenses of, £150.

1004. In view of its limited functions, we consider that **the Board of Agriculture as at present constituted is ineffectual and should be abolished**, but a Board consisting of three, or, at most, five, members clothed with wider powers might be desirable.

Saving, £150.

Item—Expenses of New Zealand Wool Committee, £70.

1005. This expenditure is non-recurrent.

Saving, £70.

Item—Experimental and Instructional Farm, Ruakura, £7,750.

1006. The continuation of the farming and educational work at Ruakura appears to be unnecessary in view of the operations of Massey Agricultural College and Lincoln College. The accounts disclose that the operations carried on at Ruakura have resulted in considerable losses to the Crown, taking all charges into account, and, as agricultural instruction is now being given at both Massey and Lincoln Colleges, there appears to be little reason why Ruakura should be continued. **We recommend that the educational work should cease at the end of the present term, and that the property be subdivided and offered for settlement at the earliest practicable opportunity.** It may perhaps be necessary to continue the purely farming operations until a favourable opportunity for disposing of the property presents itself. In any case, there should be a reduction of £1,000 on next year's expenditure.

Saving in 1932-33, £1,000; ultimate saving, £7,800.

Item—Fuel, Light, Water, Furniture, Office Requisites, &c., £1,400.

1007. This item should be reduced by £200.

Saving, £200.

Item—Laboratory (Chemical), £1,000.

1008. **The Department maintains a chemical laboratory in Wellington, and this appears to be unnecessary duplication, as the Dominion Laboratory should be capable of carrying out the work required by the Department of Agriculture.** The work performed by the chemical laboratory (which costs in salaries and overhead expenses £5,400) should be co-ordinated with the work of the Dominion Laboratory. This should effect considerable savings. A definite saving of £350 for 1932-33 and ultimately larger savings as a result of amalgamation with the Dominion Laboratory should be possible.

Saving, £350.

Item—Mineral Content of Pastures: Material, Apparatus, Labour, &c., £300.

1009. This item is capable of reduction by £100. These experiments have extended over many years, and **the time has arrived when the annual vote should be reduced.** This does not represent the whole cost, as provision is also made for expenditure by the Department of Scientific and Industrial Research of £3,150 for 1931–32, and the Department of Agriculture also conducts experimental areas. The total expenditure amounts to some thousands of pounds annually.

Saving, £100.

Item—Postage, Telegrams, and Rent of Boxes, £4,400.

1010. This item can be reduced by £400.

Saving, £400.

Item—Preparation and Distribution of Publications, £2,225.

1011. This item should be reduced by £525. The Department has already made arrangements to this end.

Saving, £525.

Item—Printing and Stationery, £2,200.

1012. This item should be reduced by £200.

Saving, £200.

Item—Rents of Offices in New Zealand and Abroad, £7,450.

1013. The rental paid by the Department seems high, and **we recommend that an endeavour be made to obtain premises in the various centres in buildings owned by the Government.** In any event, considerable reductions in rent should be possible as a result of the National Expenditure Adjustment Act, 1932. We estimate savings at £1,450.

Saving, £1,450.

Item—Travelling Allowances and Expenses, £1,290.

1014. As a result of reduction in personnel, there should be considerable reduction in the amount paid for travelling allowances and expenses. Every effort should be made to keep travelling-expenses down to a minimum.

1015. We estimate possible savings at £290.

Saving, £290.

SUBDIVISION II.—LIVE-STOCK DIVISION.

Item—Salaries, £84,050.

1016. According to the appropriations for 1931–32, the staff in this Division numbered 280 officers, while salaries for 1930–31 amounted to £95,459 as against £32,757 in 1914–15. It appears that the growth of the Division has been considerably greater than the relative expansion of other Divisions of the Department and **we recommend a drastic curtailment of the services rendered by this Division.**

1017. As regards the veterinary work at present performed for primary producers, **the Department should recover at least the travelling-expenses of the officer whose services are provided gratis. We recommend the reorganization of the Division and the reduction of services, particularly instructional, with a view to the curtailment of staff by approximately one-third.** In no other way can the cost be brought down to a more reasonable figure in relation to the capacity of the taxpayer to bear it. A reduction of costs and of personnel as between the various Divisions of the Department might perhaps be brought about by better co-ordination of the work of the Divisions. The tendency to create watertight compartments within the Department has resulted in the appointment of numerous inspectors and others under special directorates. **We are of opinion that the co-ordination of these services opens up a wide field of economy.** An ultimate saving of approximately £28,000 in salaries of this Division should be aimed at.

The saving for 1932–33 should be approximately £14,000.

Other Charges for and Incidental to.

1018. Our recommendation in regard to the numerical strength of this Division should automatically result in a reduction in other charges.

Item—Bicycles and Motors, Purchase of, £500.

„ *Maintenance and Running-costs of, £1,375.*

1019. A reduction of at least 30 per cent. should be possible in these two items. The purchase of new cars should be deferred, but, no doubt, the curtailment of staff will enable the Department to utilize to advantage the cars it at present has.

Saving, £560.

Items—Destruction of Noxious Weeds on—
Crown Lands, £1,000.
Native Lands, £50.
Other Lands, £40.

1020. Consideration of these items opens up the general question of the control and destruction of noxious weeds throughout the Dominion. It has been estimated that the cost of the administration of the Noxious Weeds Act is approximately £10,000 per annum. A good deal of this expenditure is in respect of salaries of officers whose time is only partly occupied on this class of work. The fact remains, however, that in the aggregate the administration of the Noxious Weeds Act involves a cost of some £10,000 to the State, and the amendment or repeal of the Act should be seriously considered.

1021. **We recommend that the administration of the Noxious Weeds Act should be handed over to the local authorities throughout the Dominion.** This should not throw any great financial burden on them, as the present staffs should be able to cope with the work in a large measure, thus obviating the appointment of special Inspectors. This is one alternative to the present system.

1022. **If this is found to be impracticable, we recommend that the Noxious Weeds Act be repealed.** Despite the most strenuous efforts and the expenditure of considerable sums of public money, the position in regard to noxious weeds has not improved.

1023. As previously explained, the number of officers directly and exclusively engaged on the administration of the Noxious Weeds Act is small, and it will not be possible to dispense with a number of officers on account only of the amendment or repeal of the Act. Nevertheless, the departmental officers throughout New Zealand will be relieved of a considerable amount of work which at present must be undertaken, and this should, in turn, enable the Department to reduce its total staff.

1024. We would estimate the saving in administrative costs at from £7,500 to £10,000.

1025. The recommendations set out above, while not strictly appropriate to the items under discussion, nevertheless have a bearing on them. It may still be necessary to provide a certain amount of money for the destruction of noxious weeds on lands of the Crown, but we recommend that the total of the three items be reduced by at least 50 per cent.

Estimated saving on these items, £545.

Item—Wages, &c., Poison-mixing Depots: Trading Section, £1,250.

1026. A part of the expenditure provided under this item is recoverable. It is noted, however, that according to the Profit and Loss Account for 1930-31 there was a loss of £463 on the year's operations. **Steps should be taken to make the poison-making and distribution depots self-supporting and we recommend the review of charges with this end in view.**

1027. It may be argued that depreciation and interest charges more than account for this loss, but the fact remains that overhead charges, such as these, are part and parcel of the cost of manufacture and distribution and should be recovered. Such charges could not be ignored by private enterprise, and we see no reason why a distinction should be made in connection with a Government activity.

Saving, say, £400.

Item—Experimental Farm, Manakau, £1,000.

1028. This item provides for the working-expenses of the experimental farm in connection with bush sickness. The accounts for 1930-31 disclose a loss of £1,232 on the year's operations after taking into account all charges such as interest and depreciation. It is understood that a portion of the farm has now been disposed of. **We are of opinion that the time has now arrived when the Experimental Station should be closed, and recommend accordingly.** This should result in a saving on all charges including overhead of, say, £1,000, and the Consolidated Fund would obtain the immediate benefit of the proceeds from the sale of stock now on hand.

Saving, £1,000.

Item—Inspection of Manure-sterilizing (India): Labour, travelling, &c., £400.

1029. The sum of £265 only is required for 1932-33.

Saving, £135.

Item—Investigation into Deficiency Diseases of Stock, &c., £460.

1030. This item should be reduced by at least £260.

Saving, £260.

Item—Poultry Experimental Station (Wallaceville), &c., £900.

1031. This item is to provide for the equipment and working-expenses of the Poultry Experimental Station at Wallaceville. The station is conducted at a loss and **we recommend that it be closed.** The accounts for 1930-31 disclose a total loss of £848, including depreciation and interest. Even eliminating these items, the station does not pay its way, and, although good results may have been obtained in the past, **we think that under present conditions the station should be closed and the general taxpayer relieved of the annual loss.**

Saving, £800.

Item—Purchase of Equipment and Material for use in Meat-inspection, £125.

1032. This item should be reduced to £75.
Saving, £50.

Item—Quarantine Stations, Auckland, Wellington, and Lyttelton, £1,150.

1033. This item should be reduced to £700.
Saving, £450.

Item—Telephone services (including Extensions, Maintenance, Rent, and Calls), £1,000.

1034. This item should be reduced to £850.
Saving, £150.

Item—Transfer and Removal Expenses, £800.

1035. This item should be reduced to £450.
Saving, £350.

Item—Travelling Allowances and Expenses, £14,200.

1036. In this Division the travelling-expenses are heavy. We are of opinion that a reduction in the staff by approximately one-third should result in a somewhat proportionate reduction in the item for travelling-expenses. At a conservative estimate we believe a saving of £4,000 should be possible. A reduction in the staff will probably result in increased travelling by the remaining officers, but a total appropriation of £10,200 should suffice.

Saving, £4,000.

Item—Veterinary Laboratory, £1,850.

1037. In view of the activities of Massey Agricultural College and Lincoln College and the research being carried on by these institutions, **we believe that a considerable reduction in the expenditure in connection with the Veterinary Laboratory should be possible.** We suggest a reduction of £450 on this item for 1932-33, and recommend that investigations be made with a view to seeing whether the work cannot be undertaken wholly by Massey Agricultural College and Lincoln College. In any case, the item should be reduced by £450 for 1932-33.

Saving, £450, with ultimately greater savings if work is carried out at Massey and Lincoln.

Item—Veterinary Surgeons' Board, Expenses of, £10.

1038. We see no reason why the expenses in connection with this Board should be borne by the State, and recommend that the item be abolished.

Saving, £10.

SUBDIVISION III.—HORTICULTURE DIVISION.

Item—Salaries, £17,790.

1039. A reference to the comparative table (para. 994) will show that in 1914-15 the expenditure on salaries in this Division (then called the Orchard Gardens and Apiaries Division) was £6,765, as against £19,550 in 1930-31.

1040. We consider that the services rendered by this Division could well be curtailed. **We recommend that the Division be reorganized and that the staff be reduced by approximately one-third.** It is realized that this will necessitate the curtailment of services, but in view of present conditions this is unavoidable. It is noted that in this Division there are some officers whose retention appears to be unnecessary. The work should be confined to districts where fruit is an important industry.

Saving, £5,500.

Other Charges for and Incidental to.

1041. Reductions in staff will necessarily mean that there will be corresponding reductions in other items of the vote. These are dealt with separately hereunder.

Item—Bicycles and Motors, Purchase of, £300.

„ *Maintenance and Running-cost of, £600.*

1042. A reduction of at least £250 should be possible in these two items, and the Department should defer the purchase of new cars.

Saving, £250.

Item—Collection of Orchard-tax, £75.

1043. This should be reduced by £25.
Saving, £25.

Item—Cool-storage and Horticultural Experiments, £85.

1044. This item should be reduced by £35.
Saving, £35.

Item—Control of Fireblight Disease, £85.

1045. This item should be reduced by £35.
Saving, £35.

Item—Cutting-out of Abandoned Orchards, £10.

1046. This is a non-recurrent item.
Saving, £10.

Item—Fumigation and Destruction of Diseased Fruit, £70.

1047. This can be reduced by £20.
Saving, £20.

Item—Orchard Requisites, &c., £30.

1048. This should be discontinued.
Saving, £30.

Item—Horticultural Station, Te Kauwhata: Wages, &c., £3,250.

1049. The balance-sheet for 1930–31 in connection with the Te Kauwhata Horticultural Station showed a net loss of £397 on the operations for the year after taking into consideration a profit of £1,379 in connection with the wine-cellar. We are of opinion that the property has demonstrated the possibilities of the industry, and that there is no further reason why the Department should continue to engage in the business. **We accordingly recommend that the property be disposed of at the first suitable opportunity.** A saving of £350 should result.
Saving, £350.

Item—Tobacco Industry: Material and Apparatus for Experiments, £45.

1050. This should be discontinued, as the industry should now be able to bear the cost of its own experimental work.
Saving, £45.

Item—Transfer and Removal Expenses, £100.

1051. This can be reduced by £25.
Saving, £25.

Item—Travelling Allowances and Expenses, £3,900.

1052. As with the other Divisions of the Department, the travelling allowances and expenses are unduly heavy, and a sum of £2,500 should suffice for 1932–33.
Saving, £1,400.

SUBDIVISION IV.—DAIRY DIVISION.

Item—Salaries, £45,030.

1053. The salaries in respect of this Division have increased from £10,246 in 1914–15 to £50,323 in 1930–31. When the increase in production and export is taken into account the expansion of the whole Division can be understood. Nevertheless, we are of opinion that the organization should be reviewed, and **we must recommend a reduction in the numerical strength of the staff by at least 10 per cent.** We consider that this can be brought about by a curtailment of services.
Estimated saving, £4,500.

Other Charges for and Incidental to—

1054. There should be a reduction in these charges, and we submit our recommendations hereunder.

Item—Bicycles and Motors, Purchase of, £560.

„ *Maintenance and Running-cost of, £2,290.*

1055. It should be possible to reduce these items by approximately £500. In particular, the Department should avoid the purchase of new cars for as long a period as possible.
Estimated saving, £500.

Item—Certificate-of-record Testing and Official Herd-testing of Purebred Dairy Cows, £250.

1056. This item can be reduced to at most £200.
Saving, £50.

Item—Cost of Passage to London, Inspector of Dairy-produce, £81.

1057. This is a non-recurrent item.
Saving on next year's estimates, £81.

Item—Dairy Requisites and Produce for Experiments, £75.

1058. This should be reduced to £50.
Saving, £25.

Item—Fees for Certificate-of-record Testing of Purebred Dairy Cows in Nelson District, £30.

1059. This should be reduced by £10.
Saving, £10.

Item—Grading of Dairy-produce: Material and Apparatus, Rent, &c., £1,900.

1060. A reduction of £400 should be effected in connection with this item.
Saving, £400.

Item—Special Investigational and Instructional Work in connection with Cheese-manufacture, £1,119.

1061. Every effort should be made to reduce the cost of investigational and instructional work provided for under this item. **We are of opinion that the work should eventually be undertaken and financed by the industry.** The expenditure can be reduced to £250 for 1932-33.
Saving, £869.

Item—Travelling Allowances and Expenses, £6,900.

1062. Here again a considerable reduction in the expenditure on travelling allowances and expenses should be possible. We believe a saving of at least £1,000 for 1932-33 can be effected.
Saving, £1,000.

SUBDIVISION V.—FIELDS DIVISION.

Item—Salaries, £28,566.

1063. The expenditure in respect of salaries in this Division in 1914-15 was £29,866, as against £31,651 in 1930-31. We consider that there must be a reduction in the personnel of this Division and a corresponding reduction in the services at present provided by the Division. **We suggest that a reduction of 33½ per cent. should be aimed at, and we believe this to be possible.**
Saving, £9,000.

Other Charges for and Incidental to—

1064. The miscellaneous charges in respect of this Division are also capable of reduction, and our recommendations are set out hereunder.

Agricultural Instruction (Special).

Item—Mounahaki Endowment, £850.

„ *Werarua Endowment, £1,000.*

1065. We are of opinion that there is no necessity for the continued existence of these special endowments for agricultural instruction, as they only tend to disguise the true cost. **We accordingly recommend that agricultural instruction should be provided for from the one source—i.e., Consolidated Fund—to which these revenues should revert.**

1066. A saving of at least £1,100 should be possible.
Saving, £1,100.

Agricultural Investigations and Research.

Items—Field Crops, £500.

„ *Field Experiments, £2,050.*

1067. We recommend a considerable reduction in expenditure under these items, and suggest that the sum of £1,300 should suffice for 1932-33.
Saving, £1,250.

Item—Pastures, £450.

1068. This should be reduced to £300.
Saving, £150.

Item—Plant Diseases, £700.

1069. This should be reduced to £500.
Saving, £200.

Item—Seed-testing, £475.

1070. This can be reduced to £400.
Saving, £75.

Item—Bicycles and Motors, Purchase of, £270.

„ *Maintenance and Running-cost of, £1,600.*

1071. There should be a considerable reduction in these two items. We suggest that the expenditure should be reduced to at most £1,500.
Saving, £370.

Experimental Areas.

Item—Ashburton, £335.

„ *Galloway, £450.*

1072. The farming operations on these two properties have been discontinued.
Saving on 1932-33 appropriations, £785.

Item—Gore, £420.

1073. The operations carried on on this area resulted in a loss of £475 for 1930-31. The operations are still being continued, although it is estimated that a small reduction in the expenditure for 1932-33 can be effected. **We recommend that the farm be closed at the earliest possible opportunity**, as in view of present conditions the continuation of the farming operations at a considerable loss cannot be justified.

Saving, 1932-33, £75; ultimate saving, £400.

Item—Lincoln Pure Seed Station, £545.

1074. We recommend a reduction under this item of £100.

Saving, £100.

Item—Marton, £695.

1075. This area is specially devoted to grassland research and investigation, and is an offshoot of the Plant Research Station at Palmerston North. **We suggest that the whole of the work necessary be carried out at the Plant Research Station, and we recommend the closing of the Marton area and the disposal of the property.** The operations for 1930-31 resulted in a loss of £1,105. It will take some time to terminate the operations, but a saving of £350 should be possible for 1932-33.

Saving, 1932-33, £350; ultimate saving, £1,000.

Item—Puwera, £650.

1076. The farming operations on the Puwera area resulted in a loss of £701 for 1930-31. The property has now been closed and a saving of £450 should be possible for 1932-33.

Saving for 1932-33, £450; ultimate saving, £650.

Item—Waimaunga, £300.

1077. The farming operations resulted in a loss of £878 for 1930-31. The farm has now been closed, and no running-costs need be provided for 1932-33.

Saving, £300.

Item—Extension of Instructional Work, Rural Activities, including Boys' and Girls' Clubs, £1,150.

1078. The subsidy of £600 provided for boys' and girls' clubs has been abolished. The remaining expenditure is in connection with the instructional work, which should be reduced to a minimum. Allowing for the abolition of the subsidy of £600, a total saving of £900 on this item should be arranged.

Saving, £900.

Item—Ironstone Country, Bay of Islands, Experimental work on, £50.

1079. This item should be reduced to £20.

Saving, £30.

Item—New Zealand Hemp Industry: Grading, £40.

1080. This item should be discontinued.

Saving, £40.

Item—Travelling Allowances and Expenses, £5,650.

1081. A considerable saving in travelling allowances and expenses in this Division should result from the curtailment of staff. We recommend a reduction in this item to £4,000 for 1932-33.

Saving, £1,650.

SUBDIVISION VI.—MISCELLANEOUS SERVICES.

Item—Destruction of Rabbits and Subsidies to Rabbit Boards, £13,000.

1082. Large sums have been expended in the past in an endeavour to cope with the rabbit nuisance in the Dominion, but it appears that the annual expenditure is merely a palliative and that the pest cannot be controlled under the present system. The co-operation of landowners is a necessity, and until this is forthcoming and the burden is shouldered by those whose responsibility it undoubtedly is the continued expenditure of large sums of public money does not seem to be justified. The total expenditure of the Department under all headings on the control and destruction of rabbits approximates from £35,000 to £40,000 per annum. This includes the following:—

	£
(1) Subsidies to Rabbit Boards	13,000
(2) Destruction of rabbits on Crown and Native lands	4,500
(3) Administrative expenditure, including inspection work, &c. (approximately)	18,000

1083. The administrative expenditure, as in the case of expenditure on noxious weeds, represents an apportionment of the salaries of officers engaged on field-work. The fact remains that a considerable portion of the time of officers throughout the Dominion is taken up with the control and destruction of rabbits. **We consider that the time has arrived when a halt must be called in**

this expenditure. In so far as the present item is concerned (subsidies to Rabbit Boards, £13,000), there is only a relatively small portion of the Dominion under administration by Rabbit Boards, and **we are of opinion that an unduly large proportion of the expenditure of the Department is in respect of these areas under Rabbit Board control.** The subsidy paid to these Rabbit Boards, in view of present conditions, is on too lavish a scale, and **we recommend that the amount be reduced by 50 per centum and that the subsidies be abolished altogether within a period of three years.** As the State has rendered valuable assistance in the past to these Boards, it should not be unreasonable to expect local effort to take up the burden now.

Estimated saving, £6,500.

1084. *General Administrative Cost.*—In connection with the administrative expenditure of the Department on the control and destruction of rabbits, which amounts to approximately £18,000 per annum, we are of opinion that this expenditure is high and that it should be capable of considerable reduction. **We suggest that by the curtailment of inspection, &c., an administrative saving of at least £5,000 per annum should be possible, and recommend accordingly.**

Saving, £5,000.

Grants.

Item—Dargaville Demonstration Farm, £300.

1085. **The grant in respect of the Dargaville Demonstration Farm should now be withdrawn.** The Department has spent a considerable sum of money on demonstration and experimental areas, and in view of present conditions there should be a drastic curtailment in this direction.

Saving, £300.

Item—Dominion Group Herd-testing Federation: Expenses and Salary of Supervisor, £945.

1086. This item is linked up with the subsidies of £7,703 paid to herd-testing (so-called cow-testing) organizations. The expenditure provided under the present item is in respect of the salary and expenses of the Federation's supervisor. In our later recommendation, under the heading of "Subsidy to Cow-testing Organizations," we have recommended a reduction to £5,000. This should include the salary and expenses of the supervisor.

Saving, £945.

Item—Egg-laying Competitions at Auckland and Christchurch, Contribution to Cost of, £200.

1087. We cannot regard the expenditure as being essential, and recommend the abolition of the item.

Saving, £200.

Item—Lincoln College: Extra Staff for Research Work, £1,800.

1088. This expenditure should be under the control of the Scientific and Industrial Research Department, and should be provided for on the estimates of that Department. At the present time there is no unified control in connection with Massey Agricultural College and Lincoln College. We recommend a reduction in the item by £400.

Saving, £400.

Item—Royal Agricultural Society, £250.

1089. Having regard to present conditions, we consider that this item should be abolished.

Saving, £250.

Item—Winton Experimental Farm, £300.

1090. **We recommend that the grant in respect of this experimental farm be also abolished, as in our opinion it has outlived its usefulness.**

Saving, £300.

Guarantees and Bonus on Exports.

Item—Eggs, Guarantee on Export of, £850.

1091. We are informed that the guarantee in respect of the export of eggs has been withdrawn. **It should not be renewed.** There will be a saving of £850 for 1932-33.

Saving, £850.

Item—Fruit, Guarantee on Export of, £11,000.

1092. This item is to provide for a Government guarantee on export of fruit. The position is that a return of 11s. per case is guaranteed for certain classes of fruit and 7s. per case for others. The industry is now well established, the export for the current year being estimated at approximately 1,500,000 cases, and **we are of opinion that the guarantee has now well served its purpose in establishing a considerable export trade.** There is a further aspect of the matter to which attention might be drawn, and that is that the demand for apples and the price realized has been relatively better than for other primary export produce. It therefore appears that the industry should be in a relatively better position than other primary industries in the Dominion, which forms another good reason why the present system of guarantee should be abolished. It should be stated that the Fruit Board is now collecting a levy of 1½d. per case, expected to

provide approximately £9,000, which will be available for meeting claims under the guarantee, and the liability of the Government will be proportionately reduced. The guarantee has been valuable to the industry in enabling growers to finance the purchase of cases, packing-material, &c., but now that the industry is established, and particularly as the Fruit Board has the machinery for imposing a levy on export, the proceeds from which might be used for the purpose of financing growers, **we believe that the Government guarantee should be withdrawn.** The amount provided on the 1931-32 appropriations was £11,000; but this did not cover the full liability, which amounted to approximately £19,000, in addition to which there is a possible further liability of £16,000 in respect of a disputed claim.

1093. **We consider that the Government cannot continue to shoulder this liability, and recommend that the subsidy be withdrawn. The industry is now able to find ways and means by co-operative effort to finance its own activities.**

Saving on 1931-32 appropriations, £11,000.

Railways.

Item—Carriage of Lime for bona fide Farmers, £43,000.

„ *Portion of Freight Rates on Fertilizers, £91,000.*

1094. There is no difference in principle between these two items. The first represents the amount payable to the Railways Department in respect of the carriage of lime. The lime is carried free on the railways for distances of up to 100 miles, and this item is to provide for the payment of the freight to the Railways Department. It is, therefore, a free service provided for the primary producer. The system was brought into operation many years ago, but it is only of recent years that a charge has been made against the Consolidated Fund to recoup the Railways Department, and the expenditure was consequently not reflected in the vote of the Department of Agriculture in 1914-15. **The cost of the service could be reduced by restricting free carriage to lime obtained from the nearest suitable lime-works, and this should, in any event, be done.** Such a restriction does not, however, go far enough, and we are of opinion that the whole system of subsidies, which has grown up more or less indiscriminately, is fundamentally wrong.

1095. The other item is to cover a portion of the railway freight rates on fertilizers. This is, in effect, a further subsidy, and represents a payment of 40 per centum of the freight on artificial fertilizers. It is estimated that, if the system is continued, an expenditure of at least £120,000 will be required in 1932-33—an increase of £29,000. **We are of opinion that this system of subsidy is quite wrong, and that some means must be found whereby the charge will be borne by the industry.** The national value of the use of fertilizers properly applied cannot be disputed, but the dairy industry, having grown to such an extent and having received valuable assistance over a long period of years, should now be in a position to shoulder more of its proper liabilities.

1096. These two items are to a degree linked with the following item, wherein we have suggested either the discontinuance of the subsidy or the substitution of an alternative system, the essence of which is that the user shall pay.

Item—Subsidy to Manufacturers of Superphosphates, £70,000.

1097. This subsidy first came into operation in October, 1931, and is at the rate of 11s. per ton. The amount provided for 1931-32 was £70,000, but it is estimated that a considerably larger sum will be required if the subsidy is to be continued—in fact, the indications are that at least £165,000 will be necessary in 1932-33—and in view of the importance of maintaining production at its present level, or increasing it by all possible means, we do not therefore recommend the immediate discontinuance of the subsidy. The matter is one of considerable importance to the taxpayer, as the three subsidies amount in all to £204,000 for 1931-32, and will probably be increased this year by a further £125,000 if the present system is continued.

1098. It should, perhaps, be mentioned that the provision of a subsidy has apparently resulted in some increase in the use of fertilizers. For the year ended 31st March, 1931, a total of 385,000 tons was absorbed, or an increase of 16,000 tons. The cost to the State for the period from October, 1931, to the 31st March, 1932, was £73,000, against an appropriation for subsidy purposes of £70,000. Over the period from October, 1931, to 31st March, 1932, the actual increase in consumption over the same period of the previous year was 61,000 tons, at a cost to the State equivalent to £1 4s. per ton on the increase.

1099. **We are of opinion that the system of free railway carriage of lime, the partial free railage of fertilizers, and the subsidies to fertilizer-manufacturers should be discontinued as soon as possible, and greater attention paid to the possibility of further reducing all farming-costs.** Recent legislation relieving farmers of a substantial portion of their interest burden should largely remove the necessity for special assistance such as we are now dealing with.

1100. At best, subsidies provided by the whole community can only be regarded as temporary assistance to special sectional interests. All basic industries should be self-supporting, otherwise our whole fiscal system must shortly collapse.

1101. **We say definitely that the root cause of stagnation or partial stagnation in any industry cannot be remedied by a system of subsidy, and a gradual tapering-off of subsidies and concessions must be aimed at.**

1102. It should be possible for the dairy companies, with the assistance of the Dairy Control Board, to arrange a system of co-operative buying that would relieve the Government of all financial responsibility.

1103. It surely cannot be suggested that our basic industries are unable by co-operative effort to help themselves in directions such as this, and the sooner the system of indiscriminate subsidies from the State is abandoned the better it will be for all concerned. **The Consolidated Fund cannot continue to provide huge sums annually on this account.**

1104. This measure of assistance having already been given, we realize that, in the present adverse conditions of the farming industry generally, it may not be possible or even advisable to terminate suddenly the subsidies, and **we therefore recommend that, in any event, they be reduced at the rate of at least 33½ per cent. each year until they are extinguished**, with the right to the Government to extinguish them altogether without notice in the event of an adequate improvement in the export price of farm products taking place.

Saving for 1932-33, £70,000, rising ultimately to £300,000.

Item—Subsidy to Cow-testing Organizations, £7,703.

1105. We have referred to this item when dealing with the expenses and salary of the supervisor of the Dominion Group Herd-testing Federation, which is provided under a separate item. The industry should be able to maintain its present organization without a subsidy from the general taxpayer. Recognizing that the immediate withdrawal of the present subsidy might be impossible, **we recommend that the item be reduced to £5,000 for 1933-34, this amount to include the amount hitherto provided for expenses and salary of the supervisor, and that thereafter the item be gradually reduced at the rate of £1,000 per annum until it is extinguished.** The Government is already committed to the subsidy for 1932-33, hence no immediate reduction is possible.

GENERAL.

1106. We consider that a reorganization of the Department with a view to reducing the services now being provided is of paramount importance, and the Department even with the reductions recommended should still be of sufficient strength to render good service in the future. **It seems to be quite obvious from a review of the financial position of the country that the State cannot afford such expensive services as were initiated in good times.**

1107. There is one avenue of reorganization which should be exploited. We refer to the various small offices of the Department scattered throughout the Dominion. **There appears to be no real necessity for many of these offices, which result in the accumulation of considerable overhead expenses. It should be possible to close many of the offices, and this we recommend.**

REVISION OF FEES FOR SERVICES.

1108. The Department undertakes various services for which fees might reasonably be charged, and others where inadequate fees are at present charged. We would recommend that fees be charged for the following work :—

- (1) Registration of fertilizers.
- (2) Inspection of imported fruit.
- (3) Inspection and grading of fruit exported.

1109. The Department is carrying out a useful service to sections of the community in connection with the above, and there is no reason why the whole cost should fall upon the general taxpayer. **We recommend the charging of fees in each case**, and estimate that a reasonable scale should produce the following amounts :—

	£
(1) Fees for registration of fertilizers	1,000
(2) Inspection fees for imported fruit.. .. .	800
(3) Inspection and grading fee for fruit exported	3,000
Total	<u>£4,800</u>

1110. This amount should be available to reduce the charge on the Consolidated Fund under vote Department of Agriculture.

1111. Although fees are charged at the present time for the registration of dairies supplying cities and boroughs and for the registration of live-stock brands, the amount received is insufficient to cover the cost of the service rendered. The revenue derived from these sources is not credited to the vote of the Department, but forms part of the general revenues of the Dominion. **We recommend that the fee for the registration of dairies be increased to £1 per annum and that for the registration of live-stock brands to 10s.** It is estimated that this would produce additional revenue to the extent of £1,700 in all, which would virtually be a saving.

1112. The savings in this vote, so far as they can be assessed, are summarized as follow :—

Subdivision I.—Head Office :—

Item—	£	£
Salaries	7,500	
Advertising, photographs, books, &c.	75	
Board of Agriculture	150	
New Zealand Wool Committee	70	
Ruakura Farm	1,000	
Fuel, light, water, &c.	200	
Chemical Laboratory	350	
Mineral content of pastures	100	
Postage, telegrams, &c.	400	
Preparation and distribution of publications	525	
Printing and stationery	200	
Rent of offices in New Zealand and abroad	1,450	
Travelling allowances and expenses	290	
	—	12,310

Subdivision II.—Live-stock Division :—

Item—	£	£
Salaries	14,000	
Bicycles and motors, &c.	560	
Destruction of noxious weeds on Crown lands, Native lands, and other lands	545	
Administrative costs in connection with noxious weeds	7,500	
Wages, &c., poison-mixing depots	400	
Experimental Farm, Mamaku	1,000	
Inspection of manure—sterilizing, &c.	135	
Investigation into deficiency diseases of stock, &c.	260	
Poultry Experimental Station at Wallaceville	800	
Purchase of equipment and material, meat-inspection	50	
Quarantine stations, Auckland, Wellington, and Lyttelton	450	
Telephone services, &c.	150	
Transfer and removal expenses	350	
Travelling allowances and expenses	4,000	
Veterinary Laboratory	450	
Veterinary Surgeons Board	10	
	—	30,660

Subdivision III.—Horticulture Division :—

Item—	£	£
Salaries	5,500	
Bicycles and motors, &c.	250	
Collection of orchard-tax	25	
Cool-storage, &c.	35	
Control of fireblight disease	35	
Cutting-out of abandoned orchards	10	
Fumigation and destruction of diseased fruit	20	
Orchards requisites, &c.	30	
Horticultural station at Te Kauwhata	350	
Tobacco industry	45	
Transfer and removal expenses	25	
Travelling allowances and expenses	1,400	
	—	7,725

Subdivision IV.—Dairy Division :—

Item—	£	£
Salaries	4,500	
Bicycles and motors, &c.	500	
Certificate-of-record testing, &c.	50	
Cost, passage to London, Inspector of Dairy Produce	81	
Dairy requisites and produce for experiments	25	
Certificate-of-record testing dairy cows in Nelson District	10	
Grading of dairy-produce, &c.	400	
Special investigational and instructional work : Cheese, &c.	869	
Travelling allowances and expenses	1,000	
	—	7,435

Subdivision V.—Fields Division :—

Item—	£	£
Salaries	9,000	
Moumahaki Endowment ; Weraroa Endowment	1,100	
Field crops and field experiments	1,250	
Pastures	150	
Plant-disease	200	
Seed-testing	75	
Bicycles and motors, &c.	370	
Ashburton and Galloway Experimental Areas	785	
Gore	75	
Lincoln Pure Seed Station	100	
Marton	350	
Puvera	450	
Waimaunga	300	
Extension of instructional work, rural activities, including boys' and girls' clubs	900	
Ironstone country, &c.	30	
New Zealand hemp industry	40	
Travelling allowances and expenses	1,650	
	<hr/>	16,825

Subdivision VI.—Miscellaneous Services :—

Item—	£	£
Destruction of rabbits and subsidies to Rabbit Boards	6,500	
" " General administration	5,000	
Grant to Dargaville Demonstration Farm	300	
Dominion Group Herd-testing Federation : Expenses and salary of Supervisor	945	
Egg-laying competitions at Auckland and Christchurch	200	
Lincoln College : Extra staff for research work	400	
Royal Agricultural Society	250	
Winton Experimental Farm	300	
Eggs, guarantee on export of	850	
Fruit, guarantee on export of	11,000	
Carriage of lime for <i>bona fide</i> farmers ; portion of freight rates on fertilizers ; subsidy to manufacturers of superphosphates	70,000	
	<hr/>	95,745

General :—

Fees for registration of fertilizers	1,000	
Inspection fees for imported fruit	800	
Inspection and grading fee for fruit exported	3,000	
Fees for dairy registration and for live-stock brands	1,700	
	<hr/>	6,500
		<hr/> <hr/>
		£177,200

VOTE—EDUCATION.

1113. In our interim report we dealt at some length with the expenditure under vote Education, but indicated that in the continuation of our inquiry we would, if necessary, further review all Departments.

1114. In regard to the expenditure on education we wish to amplify our recommendations concerning control by Primary Education, Secondary Education, and Technical School Boards as well as by the Department.

ABOLITION OF EDUCATION BOARDS.

1115. We recommended that the Board system should be abolished, but that School Committees or Councils should be substituted. It seems necessary that we should deal with the subject in more detail in order that the reason for our recommendations may be placed on record.

1116. The present method of Board control is apparently a relic of the system of Provincial Government, and **after further consideration our conviction that the present administrative machinery is far too costly and complicated is fully confirmed.**

1117. It should be realized that we are concerned only with the actual cost of administration of the education system, and thus it is necessary to confine attention to the sixty Boards which involve the costly administrative machines referred to. There are 2,300 School Committees, but these do not possess administrative staffs, hence we are not for the moment concerned with them as a contributory factor in the cost of administration.

1118. It goes without saying that the abolition of the sixty Boards would result in a very considerable saving, and at the same time local interest could be maintained just as well as at present by the establishment of Committees or Councils acting as at present in a purely honorary capacity and without costs of administration.

1119. In 1877 Education Boards were first established and were given a capitation grant of £3 15s. per head of the school population. Their duties comprised—

(a) Appointment and payment of teachers.

There was no control over this duty with the result that the scales of staffing and salaries differed in each district.

(b) Drawing up the scales of allowances to School Committees.

(c) Appointment, payment, training, and examination of pupil-teachers.

There was no control over this activity, and no uniformity as between the various Boards.

(d) Making regulations for scholarships and examination of candidates.

(e) Appointment, payment, and control of Inspectors of Schools.

(f) Establishment of training colleges and payment of staffs and students' allowances.

(g) Maintenance of buildings.

(h) Provision of part of the cost of the erection of new buildings.

1120. Under this method of control it was quite impossible for a uniform national scheme to be evolved.

1121. These duties have been subject to much alteration, due mostly to a public realization of the need for standardization. For instance, in 1901 a national scale of staffing and salaries for primary-school teachers was adopted and greater control was taken over the erection of buildings. In 1914 the Inspectors became officers of the Department of Education, Boards' scholarships were abolished, and the examination of candidates was undertaken by the Department. In 1919-20 the Boards' powers in respect of their accounts were restricted, and regulations were passed providing for some control of training colleges previously entirely controlled by the Boards.

1122. The appointment of teachers has gradually been placed upon a national basis through the establishment of the grading system.

1123. Similarly, in connection with Secondary School Boards, there has been a drastic curtailment of their powers, the changes being necessary in order that a uniform system might be brought about.

1124. In regard to Technical School Boards there was little necessity for their establishment in the first place. Technical education is a comparatively recent development, and there is a greater degree of control over Technical than over either Primary or Secondary School Boards. The only change that would result from the abolition of Technical School Boards would be confined mainly to the payment of teachers' salaries and the direct appointment of staff. All matters relating to buildings and sites are already really controlled by the Department.

1125. We stated in our interim report that the administrative cost per pupil is 9s. 2d. This figure was taken from a report furnished to the Government by the Department. The actual cost in 1930 was 9s. 5d. per pupil on the average attendance, and this was made up as follows:—

<i>Administrative Costs, 1930.</i>					£
Education Department	..	..	..	..	41,870
Education Boards	..	..	..	..	46,841
Secondary School Boards	..	..	..	..	8,367
Technical School Boards	..	..	..	..	9,997
Total	..	..	..	..	<u>£107,075</u>
<i>Pupils in Average Attendance, 1930.</i>					
Primary	..	..	..	..	195,165
Secondary	..	..	..	..	15,496
Technical (day and evening)	..	..	..	..	15,674
					<u>226,335</u>

1126. The administrative costs of the various Education Boards is shown in the following table, from which it will be noted that the cost ranges from 6s. 8d. down to 3s. 9d. per unit of average attendance:—

Education Board.	Average Attendance for Year ending 31st December, 1930.	Cost of Administration.*	
		Total.	Per Unit of Average Attendance.
		£	s. d.
Auckland	61,920	11,556	3 9
Taranaki	10,908	3,437	6 4
Wanganui	15,265	4,309	5 8
Hawke's Bay	15,065	4,168	5 6
Wellington	25,941	6,703	5 2
Nelson	6,484	2,164	6 8
Canterbury	34,009	6,409	5 9
Otago	19,048	4,713	4 11
Southland	10,809	3,021	5 7
Totals	199,449	46,480	4 8

* Excluding cost of architect's branch.

1127. The above table does not show the full administrative costs, as only actual disbursements are included and no provision is made in respect of—

Rental value of offices.

Depreciation on furniture and interest on cost thereof.

Value of Senior Inspectors' services.

Proportion of Head Office administration concerned with the Board system.

These additional items would no doubt add considerably to the cost of administration as set out in the table.

1128. In regard to Secondary School Boards the administrative cost per pupil is much higher. The total cost of administration of these Boards is £10,383, but allowance should be made in connection with the administration of endowments. Excluding expenditure on administration of endowments, the cost per pupil is approximately 10s. 9d.

1129. With regard to Technical School Boards the cost is again also high, and averages 12s. 9d. per pupil.

1130. We are of opinion that some of the causes of expensive administration under the Board system are:—

1131. (1) *Large and highly paid staffs employed by various Boards.*

1132. In 1915 the administrative and clerical officers employed by Boards numbered seventy-nine, while fourteen officers were engaged in connection with buildings, excluding clerks of works, foremen, and workmen. **In 1930, notwithstanding the gradual reduction in the duties of Boards, the administrative and clerical officers had increased by 40 per centum and building staffs by 133 per centum.**

1133. The average school attendance during the foregoing period had increased by only 21·5 per cent., **so that the cost of administration has been out of proportion to the increase in school attendance, and has occurred notwithstanding substantial reductions in the duties of Boards.**

1134. The following table gives a clear comparison between 1915 and 1930 for each district:—

	Administration: Clerical Staff.*			Number of Schools.		
	1915.	1930.	Per Cent. Increase.	1915.	1930.	Per Cent. Increase.
Auckland	11	27	145·5	645	779	20·8
Taranaki	5	9	80·0	103	170	65·0
Wanganui	10	12	20·0	216	218	0·9
Hawke's Bay	6	10	66·7	174	198	13·8
Wellington	10	18	80·0	245	262	6·9
Nelson	4	6	50·0	128	137	7·0
Canterbury	19†	15	—21·1	384	390	1·6
Otago	8	11	37·5	257	251	—2·3
Southland	6	9	50·0	186	188	1·1

* Including storemen, attendance officers.

† Includes the staffs of the old North Canterbury, South Canterbury, Westland and Grey districts. Note the decrease in staff due to centralization—that is, by the amalgamation of districts.

1135. It should be stated here that the staff of the Department has also increased substantially during the same period, but this is largely due to the extension of its duties as follows:—

(a) The amendment of the Education Act from time to time throwing greater responsibility on to the Department.

(b) The extension of the system—for example, correspondence school, special classes, child-welfare extension, extension of manual and technical training, extension of training college activities, &c.

1136. We mention this because we do not wish it to be inferred that an increase in the administrative costs of the Boards has not been paralleled by an increase in the administrative cost of the Department, but for the latter the reason is easily understood, **while it is difficult to account for the increase in the administrative costs of the Boards when their responsibilities and powers have been substantially decreased.**

1137. As an instance of the comparatively high salaries paid by Boards, we mention that the Secretary to the Department and the departmental Architect each receive £715 per annum, now less statutory reductions. That the salaries of officers of Boards are high in comparison is clear from the following statement:—

	Salaries in 1930.		Number of Schools.
	Secretary.	Architect.	
	£	£	
Auckland	800	775	779
Taranaki	600	600	170
Wanganui	665	625	218
Hawke's Bay	725	715	198
Wellington	800	575	262
Nelson	700	500	137
Canterbury	725	675	390
Otago	650	600	251
Southland	525	495	188

1138. There does not appear to be any relation between the salaries paid and the relative size of the districts.

1139. (2) *Duplication of clerical work as between the Department and the Boards due to the Boards being the intermediary between teachers and the Department and between School Committees and the Department.*

1140. There is much unnecessary correspondence and much duplication of effort which could be avoided by a central controlling authority. One simple illustration is the payment of teachers' salaries. The Department provides the money and could just as easily pay the teachers direct without any appreciable increase in staff.

1141. **There is another vital reason why control should be vested in an independent body, and that is in connection with capital expenditure on school buildings and sites.** There is a tendency on the part of each Board to obtain as much as possible from the State by way of capital expenditure. **It is accordingly politically difficult to exercise that measure of control over capital expenditure which the present state of the finances of the country demands.**

1142. There is no reason to suppose that it would be impossible for New Zealand to administer education as cheaply as does Australia. If the mean of the Australian costs—*i.e.*, 4s. 10d.—be taken as a reasonable basis of calculation, then the administrative costs in New Zealand under a reorganized scheme should not amount to more than £55,000, whereas the actual cost in 1930 was £107,000. **A saving of at least £50,000 should be possible once a centralized system is properly established, and this does not take into account further savings which would accrue by making available a considerable portion of the existing office accommodation at present used by Education Boards.** It is true in connection with any organization that the more involved the avenues of expenditure the higher must be the cost of administration; and it is especially essential in times like the present to eliminate all superfluous overhead costs.

1143. Lest the term "centralized control" be misunderstood, we would state that we advocate that increased responsibilities should devolve upon School Committees or School Councils. This would maintain and further stimulate public interest.

1144. It would not be out of place to refer to the fact that the Economy Committee set up in 1921 expressed the following opinion in regard to the administration:—

We have come to the conclusion that the additional cost of administration through district Education Boards much outweighs any advantage that comes from the local interest it may create. Decentralization is good if control is retained, but under present conditions effective control is lost. The powers of Education Boards have been reduced recently in the case of appointments, but they still have the spending, with practically little control being exercised over them, of large sums of money provided by the State. The salaries paid by some of the Boards to members of their staffs is an instance of this. We consider the time has arrived when Boards should be dispensed with, and their duties undertaken by the Department of Education, only the present local School Committees being retained.

1145. In this view we entirely concur, being convinced that a large saving can be made without impairing in any degree the efficiency of the education system of New Zealand.

FUTURE CONTROL OF EDUCATION.

1146. **In our view, the most important of the recommendations made in our interim report is the creation of a National Board of Education, which should have full control of education administration and be directly responsible to Parliament.** The first duty of such a Board should be to make a survey of all the educational facilities throughout the Dominion, with a view to the elimination of overlapping and the introduction of a system which would secure co-ordination, thus abolishing the waste of effort which characterizes the present system. We have suggested the setting-up of a special Board for the reason that we believe that the Education Department, with its heavy expenditure, its large staff, and ever-increasing activities, is too extensive an undertaking for control by one administrative head, in view of the academic, administrative, and financial questions involved.

1147. The possibility of reform and the field for endeavour on the part of a National Board of Education and School Committees or Councils are so large that they need no stressing, and in view of the huge expenditure of over £3,000,000 annually, we would urge that every effort be made to place the administration of this important public undertaking on a sound basis.

PRIMARY-SCHOOL BOOKS.

1148. We also recommended in our interim report that there be no alteration in the primary-school books for the next five years. This recommendation would involve either the extension of the present publishing arrangement by three years or the acquisition of the copyright by the Department and the calling for tenders for the printing of school-books. We do not advocate the extension of the present arrangement without a substantial reduction being made by the publishers in the retail price of the books.

1149. **We therefore recommend an extension of the present arrangement only if the publishers will immediately reduce the retail prices of the books by at least 25 per cent. (on average), and agree to hand over the New Zealand copyright to the Department at the expiration of the extended period at a cost not exceeding £500.**

1150. The alternative is that the Department should prepare fresh manuscript, and call for tenders for the publication of a new series of books.

1151. The matter is one of considerable importance to the public, as a reduction in cost of the school-books should involve a saving of a considerable sum annually to parents throughout the Dominion.

GENERAL.

1152. We now deal with some other aspects of education expenditure not touched upon in our interim report.

INSPECTORIAL STAFF.

1153. At present there is a clear line of demarcation between the inspectorial staffs of the Department.

1154. There is a staff of forty Inspectors of Primary Schools, under a Chief Inspector stationed in Wellington. The Inspectors are distributed among the nine Education Board districts in proportion to the number of schools in each district. There is a Senior Inspector in each district, who also acts in an advisory capacity to Education Boards.

1155. There are four Secondary School Inspectors, whose headquarters are in Wellington, and these also are under a Chief Inspector.

1156. There are three Inspectors of Technical Education, also located in Wellington, and working under the direction of the Superintendent of Technical Education.

1157. The maintenance of three staffs occasions a certain amount of overlapping, and unification of control would tend to economy. **We therefore recommend the reorganization of the inspectorial staffs and the establishment of one corps of Inspectors under the control of one Chief Inspector responsible to the Director of Education.**

CHILD WELFARE.

1158. The expenditure in connection with this Branch of the Department has increased since 1914. The table included in our interim report showed the cost of child welfare in 1914 as £42,355 and the estimated cost for 1931-32 as £129,272, while the cost of schools for feeble-minded was £3,765 in 1914 as against £11,456 in 1931-32.

1159. **The fees charged to parents and guardians of children under the control of the Department should be reviewed with the object of increasing the collections and thus affording much-needed relief to the Consolidated Fund.**

1160. **The entire control of feeble-minded children should, in our opinion, be transferred to the Mental Hospitals Department, which has all the administrative machinery, highly specialized, to deal with this branch of work.**

SCALE OF STAFFING IN SECONDARY SCHOOLS.

1161. There is a more liberal scale of staffing in the secondary and technical schools than obtains in the junior and district high schools or in the primary schools, and some savings in salaries should be possible by a readjustment of the staffing scale. **We suggest that the possibilities of effecting economy in this way be fully explored.** The reduction in the number of pupils at secondary schools which would automatically follow our recommendations under the heading of "Free Post-primary Education" in our interim report (paragraphs 267 to 274) would provide an opportunity for a review of the position, and a reduction in the staffing scales could then be considered. **A reduction in the number of pupils must necessarily result in a reduction in the number of teachers, and a uniform scale should be adopted for all comparable schools.**

APPOINTMENT AND GRADING OF TEACHERS.

1162. The regrading of teachers annually does not appear to be necessary. In the Public Service regrading is carried out only once in every five years. The present system is most complicated, and the true position in so far as teachers' emoluments are concerned is difficult to ascertain. We refer specially to the system of grading allowances, country allowances, house allowances, over-scale allowances, &c. **Teachers' emoluments should be on an all-inclusive basis, and the system of granting allowances of various kinds should cease.** The granting of house allowances or free houses in addition to salary is undesirable, and, apart from appointments in remote localities, we see no reason why houses should be supplied free for any special section of the Public Service. Except in localities where there is a housing shortage, it would, possibly, be more economical for the houses to be disposed of and an increased salary paid to the teachers who at present have the use of them. Where it is considered desirable to retain the residence, it should be a condition of appointment that the teacher be required to reside in it and pay an adequate rental based on the capital value of the house and grounds. **In any case, we recommend that the system be abolished as far as practicable.**

1163. Regarding the appointment and grading of teachers, the methods are unnecessarily complicated, and contribute towards the high cost of education. **We recommend that the teaching service be subject to the same control as the Public Service—viz., by the Public Service Commissioner—and also that the Public Service Act be extended to embrace the teaching service.** This would automatically give the Public Service Commissioner control of the grading and classification of teachers.

CAPITAL EXPENDITURE ON BUILDINGS.

1164. The amount provided on the Public Works appropriations for 1931-32 for this purpose was £350,000. The expenditure has not always been provided from the Public Works Fund, but for some years up to the 31st March, 1930, it was provided from a special account funded from loan-

moneys. This Education Loans Account has now been abolished, and the expenditure is provided out of the Public Works Fund. The cost of new buildings is still being met from loan-money, and, in view of the fact that many of the buildings erected from time to time are in replacement of existing schools which have either outlived their usefulness or for other reasons have become unsuitable, **we are of opinion that a continuation of the policy of meeting the cost of such buildings and of many alterations and additions, which are carried out from loan-money, is wrong in principle.** The time has arrived when the cost should be met from revenue, and we recommend that in future provision be made by way of vote on the Consolidated Fund. There would be other advantages accruing from the adoption of this course, as it would be difficult to finance from revenue many of the more or less extravagant building schemes, the cost of which has been too easily met from loan-money.

1165. We are impressed with the excessive cost of hostel accommodation, which has been provided on too lavish a scale. The following table will show that in some cases the capital cost per boarder is well over £1,000. Taking the average in the four cases quoted hereunder, the capital cost per boarder has been sufficient to provide for the erection of a moderate dwelling.

	Cost.	Capacity.	Present Number of Boarders.	Approximate Capital Cost per Boarder.
	£			
Wellington Boys' College Hostel	50,000	100	44	1,140
New Plymouth Girls' Hostel	25,105	84	41	610
Napier Boys' Hostel (approximate)	31,000	100	21	1,475
Wanganui Technical School Hostel	33,813	80	29	1,165

1166. It seems to be obvious from the figures given that there has been undue extravagance in the erection of these hostel buildings, and were the same standard applied to other institutions in the Dominion the cost would be staggering.

1167. The total amount of capital provided from loan funds for the erection of school buildings of all descriptions now exceeds £7,000,000 and **we consider that a definite halt must be called in expenditure for erection of new buildings and additions, &c.** The present accommodation should be made to suffice for some years, and if further building is absolutely unavoidable the cost should be met from revenue.

1168. In considering education expenditure the fact that interest and amortization charges have to be met on more than £7,000,000 of loan-money must not be overlooked, and this in itself is responsible for an additional annual cost in excess of £350,000.

1169. The following table will show the expenditure which has been incurred on school buildings and equipment since 1914-15. The savings which would result from our recommendation for the cessation of expenditure from loan funds on school buildings would not benefit the budgetary position, except in so far as interest and amortization payments are concerned.

£			£		
1914-15	122,940	1923-24	295,681		
1915-16	97,972	1924-25	462,212		
1916-17	70,367	1925-26	564,946		
1917-18	63,082	1926-27	550,954		
1918-19	115,656	1927-28	369,134		
1919-20	195,500	1928-29	375,423		
1920-21	459,293	1929-30	428,764		
1921-22	565,880	1930-31	491,974		
1922-23	361,976				

1170. In our interim report we gave a table showing the progressive rise in the cost of education. Lest that table be taken as showing the total cost of education services to the Dominion, we draw attention to the fact that no charge has been included for interest on capital raised for expenditure on school buildings or for depreciation thereon. The gross cost for 1930-31, including interest, depreciation, and Head Office administration, was as follows:—

£					
Primary education .. .. .	..	..	..	..	2,584,514
Secondary Education .. .. .	..	..	..	..	439,217
Higher education .. .. .	..	..	..	..	156,731
Technical education .. .. .	..	..	..	..	263,182
Training of teachers .. .. .	..	..	..	..	172,532
Native education .. .. .	..	..	..	..	102,481
Physical training .. .. .	..	..	..	..	9,251
Examinations .. .. .	..	..	..	..	2,817
Miscellaneous .. .. .	..	..	..	..	50,405
Special schools and Child Welfare Branch .. .. .	..	..	..	..	184,113
					<u>£3,965,243</u>

1171. We have not felt it necessary to traverse in detail the annual appropriations under vote Education, but have dealt with principles rather than items of expenditure.

ENDOWMENT REVENUE FOR EDUCATION PURPOSES.

1172. Before concluding our report in regard to education, we wish to draw attention to the provisions of sections 296 and 297 of the Land Act, 1924, and section 30 of the Education Reserves Act, 1928, whereby the revenue derived from national-endowment land and education reserves is earmarked for education and old-age-pensions purposes.

1173. The position in regard to national-endowment land and education reserves may briefly be summarized as follows :—

National Endowment Land.

1174. The Land Act, 1924 (a consolidation of previous measures), provides for the setting-aside of national-endowment land as an endowment for education and old-age pensions. When the idea of creating a special endowment for these purposes was first conceived it could not have been realized that the public expenditure on education and old-age pensions would reach the dimensions it has, and no doubt the creation of a special endowment was intended to provide for some measure of certainty of finance to meet such expenditure.

1175. The revenues received from national-endowment land are, however, now but a fractional part of the expenditure which they were intended to meet, and the system has, by reason of the extraordinary growth in expenditure, been rendered futile.

1176. When reviewing the activities of the Lands Department we were surprised at the multiplicity of endowments and special accounts which the Department is called upon to administer and which require the setting-aside of revenues for special purposes. The large number of these special endowments and accounts does not make for simplicity of administration, and we have considered ways and means of reducing the number.

1177. With regard to national endowment, the Act originally provided that the revenues should be paid into a special account called the National Endowment Account, and the funds allocated at the end of each financial year for education and old-age-pensions purposes as credits-in-aid to the votes concerned. Although the National Endowment Account, as such, has since been abolished and the revenue is now credited to the Consolidated Fund, it is still necessary to observe the original intention and to credit the amounts received each year to the expenditure on education and old-age pensions respectively. The abolition of the special account thus did not destroy the identity of national-endowment lands, and the accounting procedure and administration remains more complicated than it need be. The reservation of land as national endowment and the preservation of the identity of these endowments is no longer necessary. **The revenues are merely "aids" to the Consolidated Fund, and the endowments should therefore be abolished and the revenues therefrom paid direct to the Consolidated Fund, out of which should be appropriated the gross amount required for education and old-age-pensions purposes.** The effect on the National Budget would be the same as under the present system, but the accounting and administrative machinery would be simplified to a large extent.

1178. **We accordingly recommend the abolition of the national endowment and that the lands be deemed to be ordinary Crown lands, to which the general provisions of the Land Act should apply.**

Education Reserves.

1179. The Education Reserves Act, 1928 (also a consolidation of previous measures), provides for the setting-aside of reserves for both primary and secondary education purposes, and the revenue from these reserves is credited to special deposit accounts and is allocated at the end of each financial year as a credit-in-aid to education expenditure.

1180. The position in regard to these reserves is substantially the same as with national-endowment lands, and although the purpose of the reservations in earlier years may have seemed reasonable, the growth of education expenditure has been such that the amount of revenue derived from the reserves is trifling when compared with the annual cost of education.

1181. **We accordingly recommend the abolition of the reserves, which should become ordinary Crown lands and be subject to the provisions of the Land Act, 1924. The total cost of education should then be appropriated direct from vote Education on the Consolidated Fund.**

VOTE—SCIENTIFIC AND INDUSTRIAL RESEARCH DEPARTMENT.

1182. The Department was constituted by Act at the end of 1926, and its duties may be broadly divided into three main parts—

- (1) Administration of regular routine services through—
 - (a) Dominion Laboratory (with branches in each of the four main centres).
 - (b) Meteorological Office.
 - (c) Geological Survey.
 - (d) Observatories at Wellington, Christchurch, and Apia.
- (2) To promote research in the primary and secondary industries and to administer such research institutes and services as may be committed to its charge by the Government.
- (3) To act as a clearing-house for research information generally, and maintain connection with overseas research organizations—*e.g.*, Research Councils in England, Canada, and Australia; the Empire Marketing Board; &c.

1183. The Department acts under the advice of a Research Council, not exceeding nine in number, appointed by the Governor-General in Council. At present it consists of eight members, representing various branches of science, industry, and commerce. The services given by the members of the Council are largely honorary, the Chairman being authorized to receive an honorarium of £100 and each member (except Government officers) £50 per annum, with a reduction of 10 per cent. in all cases.

1184. The Council has authority to set up special honorary sub-committees, consisting of members of the Council, together with other representatives of sectional contributing interests, to deal with and report on special activities.

1185. At present the following sub-committees are in operation :—

Secondary Industries Committee.
Dairy Research Committee.
Wheat Research Committee.
Fruit Research Committee.
Plant Research Committee.
Entomological Research Committee.
Leather and Pelt Research Committee.
Flax Research Committee.

Similar overseas Research Councils consist of—in England, eleven members ; in Canada, fifteen members ; in Australia, eleven members : with sub-committees as in New Zealand.

1186. The Empire Marketing Board co-operates with the Research Department by providing substantial subsidies towards the prosecution of research work that has an Empire significance, such as dairy and fruit research, plant-breeding, mineral content of pastures, &c.

1187. Sectional industries concerned also subsidize the work of the Department generally on a £1-for-£1 basis. As a rule, industrial research investigations are not undertaken by the Department unless such contributions can first be arranged for.

1188. The following table shows the gross cost of research activities, less contribution from Empire Marketing Board and sectional interests, and the net cost to the State for 1931-32 :—

—	Gross Cost, less Sales.		Contributions.		Net.	
	£	s. d.	£	s. d.	£	s. d.
Flax research	638	2 7	202	13 9	435	8 10
Fruit research	1,854	6 1	463	15 1	1,390	11 0
Fuel research	1,526	3 11	1,347	7 1	178	16 10
Dairy research	10,834	1 0	6,228	17 7	4,605	3 5
Leather research	1,108	10 9	410	0 0	698	10 9
Pelts	145	10 4	65	0 0	80	10 4
Mineral content of pastures	2,120	17 1	2,000	0 0	120	17 1
Noxious weeds	1,305	13 9	627	18 4	677	15 5
Plant research	4,490	3 2	2,753	8 7	1,736	14 7
Wool research	351	19 8	29	19 9	321	19 11
Soil survey	1,110	6 6	344	15 9	765	10 9
Wheat research	3,850	9 8	2,012	14 10	1,837	14 10
	29,336	4 6	16,486	10 9	12,849	13 9

1189. The net cost of all services carried out by the Department (including interest and depreciation) since its inauguration in 1927-28 is as shown hereunder :—

—	1927-28.	1928-29.	1929-30.	1930-31.
	£	£	£	£
Head Office	7,353	9,082	7,479	11,132*
Research investigations	8,270	18,765	23,827	17,109
Dominion Laboratory	12,410	12,408	13,258	12,151
Dominion Observatory	2,602	2,794	2,961	2,804
Geological Survey	8,103	7,608	8,488	7,629
Meteorological Office	7,617	8,506	10,064	8,748
Petrological Laboratory	557	779	397	273
	46,912	59,942	66,474	59,846

* Includes special grant of £2,500 to Mawson Antarctic Expedition and £194 in respect of Buildings Regulations Committee.

1190. The net cost of all services for 1931-32 will show a further reduction of approximately £9,000.

1190A. The expenditure in connection with such services as the Dominion Laboratory, Dominion Observatory, Geological Survey, and the Meteorological Office do not call for particular comment.

as the Department is carrying on services which have been in existence for many years. However, we shall review the expenditure in connection with these activities when dealing with the various items on the vote.

1191. We realize that the continuance of research work in connection with the primary and secondary industries is a matter of Government policy ; but on the assumption that economies must be effected in this, as in all other Departments, we have examined the 1931-32 appropriations and make the following recommendations.

SUBDIVISION I.—HEAD OFFICE.

1192. The items provided under this Division cover mainly the general administration expenses of the Department not allocated to any particular line of research.

Item—Salaries, £3,293.

1193. We do not propose to comment in detail on this item, except in connection with the liaison officer in London. In addition to the salary of this officer, there is an item of £180, representing a special allowance while he is absent from New Zealand. It is stated that the Department is kept in touch with the latest developments in scientific matters through having this officer stationed in London. **We recommend that the possibility of the work in England being reorganized to enable the return of this officer to New Zealand be explored.**

Item—Advertising, Photographs, Books, Newspapers, &c., £75.

1194. This item can be reduced to £50.
Saving, £25.

Item—Building Regulations Committee Expenses, £778.

1195. This is a non-recurrent item, and there will consequently be a reduction in the requirements for 1932-33.
Saving, £778.

Item—Liaison Officer, London, £140.

1196. The expenditure provided under this item is in respect of the honorarium of an officer in London who acts in an advisory capacity for the Public Works Department, Railways Department, and the Department of Scientific and Industrial Research. In the case of the former Departments this officer deals with supplies of technical machinery, &c., which are required from time to time. **In so far as the Department of Scientific and Industrial Research is concerned, there appears to be no necessity whatever to retain the special services of an officer of this description, and we recommend that the item be deleted from next year's appropriations.** It is understood that the Department has not availed itself to any extent of the services of this officer.
Saving, £140.

Item—New Zealand Journal of Science and Technology, £500.

1197. This Journal is published at two-monthly intervals and records the work of research officers. The amount realized from the sales of the Journal is negligible, but the publication is stated to be valuable for the purpose of arranging exchange with other countries. We are of opinion that the expenditure should be reduced by £150, and that the Department should, by greater discrimination in the articles published, be able to keep the cost down to £350.
Saving, £150.

Item—Office Fittings and Requisites, £125.

1198. This item should be reduced to £50.
Saving, £75.

Item—Postages, Telegrams, Rent of Boxes, £250.

1199. A reduction to £200 is being arranged for in this item.
Saving, £50.

Item—Printing and Stationery, £150.

1200. This can be reduced by £30.
Saving, £30.

Item—Research Scholarships, £400.

1201. The Act provides for four scholarships annually of £180 each, with an allowance of up to £25 for books, &c. All scholarships are held in New Zealand. The expenditure under this item has been considerably reduced, **but we are of opinion that in the present state of finance the granting of scholarships should be suspended, and recommend accordingly.**
Saving, £400.

SUBDIVISION II.—RESEARCH INVESTIGATIONS.

1202. We have already referred in general terms to the wide range of research carried out, and would here mention that the Economy Committee in 1930 endorsed the opinion that the Department should concentrate on three principal items—namely, dairy, meat, and plant research. In view of the fact that all research in connection with the meat industry is being undertaken by the Meat Board, we consider that fruit research should be substituted as the third main line of investigation. This principle has actuated us in considering the various items in this subdivision of the vote.

Item—Dairy Research.

1203. The total expenditure provided for 1931–32 was £11,965, of which the sum of £8,235 was estimated to be recoverable by way of sales of produce from the dairy factory at Massey Agricultural College and by way of subsidies from the Dairy Control Board and the Empire Marketing Board. A reduction in the departmental expenditure may involve a reduction in the grant from the Empire Marketing Board, and to this extent, therefore, any possible savings may be reduced by 50 per cent. by reason of the fact that the subsidy is at the rate of £1 for £1 of expenditure.

1204. There is a staff of eleven directly engaged by this Department on dairy research, and, in addition, research is also carried out at Massey Agricultural College and by the Department of Agriculture. **Every effort should be made to co-ordinate and concentrate the research work, preferably at Massey Agricultural College, and we believe that if this is done it should be possible to reduce the numerical strength of the staff.** We are unable to estimate what savings should result.

1205. **We are of opinion that the time has arrived when the full cost of research should be borne by the Dairy Control Board.**

1206. The remaining expenditure incidental to dairy research is dealt with in detail hereunder:—

Equipment, Apparatus, &c., £761.

1207. A reduction to £400 is recommended. The expenditure on this account seems unnecessarily high.

Savings, £361.

Expenses of Officers travelling Overseas, £320.

1208. This item should not be repeated in 1932–33. There are no officers now travelling overseas, and we recommend that expenditure of this nature should not be incurred during the next few years.

Saving, £320.

Grants, £1,500.

1209. The expenditure provided under this item is in respect of experiments carried out at laboratories at Hamilton and Hawera, a grant of £750 being made to each institution. In return for these grants, the respective laboratories carry out particular investigations at the instigation of the Department. **We are of opinion, however, that it is in the interests of the industry to carry out experiments with a view to improving the quality of Dominion produce, and that it should not be necessary to provide large Government grants to assist in research work. The grants given in the past seem to have been on a much too liberal scale, and more than compensated for the direct out-of-pocket expenses incurred at the institutions. We recommend that the item be reduced by £750.**

Saving, £750.

Library, £100.

1210. This item should be reduced to £40.

Saving, £60.

Running-expenses, £5,805.

1211. This is to provide for the running-expenses (purchase of milk, &c.) of the dairy-factory established at Massey Agricultural College. The factory is, therefore, in effect a full charge upon the State, but, of course, there is a considerable return for the produce manufactured.

In view of present prices a reduction of £605 is recommended.

Saving, £605.

Travelling-expenses, £250.

1212. This item should be reduced to £200.

Saving, £50.

Item—Flax, £650.

1213. The total expenditure herein provided is £650, of which £150 is recoverable by way of levy on hemp. It is very doubtful whether the expenditure on flax research is justifiable at present. **In any case, we consider that a greater proportion of the cost should be borne by the industry, and we recommend a reduction of the item to £300.** This will really provide a Government subsidy of £1 for £1.

1214. This reduction should be effected during 1932-33, after which **we consider that the research investigations should cease and the matter be left to private enterprise.**

Saving, £350; ultimate saving, £450.

Item—Fruit, £4,200.

1215. The gross expenditure provided under this item was £4,200 for 1931-32, and £2,750 was estimated to be recoverable from sales of fruit and grants by the Empire Marketing Board. The Empire Marketing Board provides two grants on a £1-for-£1 basis: (a) A capital grant not exceeding £2,350; (b) an annual grant for five years not exceeding £1,860. A large portion of the expenditure is in respect of the maintenance of a research orchard of some 72 acres at Appleby, Nelson. Only 29 acres of this area are planted with trees now in full bearing. The orchard was acquired largely as a result of a voluntary contribution of £1,250 by the Fruitgrowers' Association.

1216. **We recommend a reduction of 10 per cent. in the gross vote,** equivalent to a saving of £420.

1217. **We consider, however, that the cost of research should be borne by the industry, and recommend a levy on fruit exported.** A special levy of $\frac{1}{4}$ d. per case would produce approximately £1,100, which would cover the cost of research, and would virtually be a saving to the Consolidated Fund.

Saving—By reduction in expenditure, £420; by levy, £1,100: total, £1,520.

Item—Fuel, £1,230.

1218. The gross expenditure provided for fuel research in 1931-32 was £1,230, the whole of which was estimated to be recoverable. The Department has now reduced the staff on this work to one, and a contribution received during 1932-33 from the industry will cover the full cost of the work for this year. **We see no justification for the continuation of research of this description, and must recommend that when the current year's programme is completed the investigations be stopped. We are of opinion that the industry should carry out its own research investigations without State assistance.**

Item—Imperial Agricultural Research Bureaux, £1,188.

1219. This item is to provide for the contribution of New Zealand to the Imperial Agricultural Bureaux scheme. The Bureaux were founded by the Imperial Agricultural Research Conference of 1928, and ratified by the Imperial Conference which followed. The idea is to place agricultural research on an Empire basis, and the cost of the bureaux is provided for by proportionate levies on each of the dominions and Crown colonies which participate. The charge to New Zealand appears to be out of proportion to the population, and we recommend that negotiations be undertaken with a view to the amount being reduced to £600.

Item—Leather, £1,200.

1220. The amount provided under this item for 1931-32 was £1,200, of which £550 was estimated to be recoverable from the industry. It is understood that one of the officers engaged on this work has now been transferred to other work, so that there will be a saving of £130 on this account.

1221. The remaining expenditure should be reduced as follows:—

Equipment and Apparatus, £112.—This item should be reduced to £60.

Grant to Officer travelling Overseas, £220.—This item will not be required.

Total saving, £402.

1222. **There is no justification for the continuation of this class of research, which should be undertaken by the industry concerned, and we recommend that no further expenditure be provided for after 1932-33.**

1223. This will result in an ultimate saving of £650.

Item—Meat Industry and Products, £10.

1224. This item should disappear.

Saving, £10.

Item—Mineral Content of Pastures, £3,150.

1225. The total amount provided for this purpose for 1931-32 was £3,150, of which £2,951 was estimated to be recoverable, leaving a net expenditure of £199 against the Consolidated Fund. The recoveries for 1932-33 will not be so large, and there will be an increase in the net charge against the Consolidated Fund.

1226. **We recommend that the gross expenditure should not exceed £2,000,** of which £1,000 will be recoverable by way of grants from the Empire Marketing Board. There will be no saving on this account.

1227. A portion of the expenditure is to reimburse the Department of Agriculture for services carried out, and **we think that the work of that Department should be stopped.**

Item—Noxious Weeds, £1,400.

1228. The sum of £1,400 was provided for 1931-32, of which £700 was estimated to be recoverable.

1229. **This expenditure should be discontinued as soon as possible.** It is understood, however, that the sum of £350 will be required for 1932-33. This represents a net saving of £350 and an ultimate saving of £700.

Item—Plant Research, £5,130.

1230. The total expenditure provided for this purpose for 1931–32 was £5,130, of which £2,400 was estimated to be recoverable.

1231. It should here be stated that the Department of Agriculture also expends a considerable amount on plant research, both at Palmerston North and Marton, and **a further effort should be made to co-ordinate the work of the two Departments.**

1232. The Department of Scientific and Industrial Research has eleven officers engaged on this work, while the Department of Agriculture has twenty-six, and the expenditure of the latter Department is approximately £10,700 per annum. We have already recommended the closing of the Marton Area used in connection with plant research work and the concentration of the activities at Massey Agricultural College. This seems to be the first essential towards complete co-ordination.

1233. In regard to the expenditure of the Department of Scientific and Industrial Research, we recommend a reduction of £1,440 for 1932–33, and realize that this will mean a reduction in personnel. As with other recommendations, this will probably involve a reduction in the grant of the Empire Marketing Board, but this cannot be avoided.

Saving, £1,440.

Item—Wheat Research, £3,884.

1234. The sum of £3,884 was provided for 1931–32 for this work, and £1,942 was estimated to be recoverable.

1235. It should here be stated that under section 27 of the Finance Act, 1927 (No. 2), persons engaged in the growing and milling of wheat, bakers in New Zealand, and related industries agreed to a levy on wheat and flour for the purpose of providing funds to enable the Department to undertake research investigations. The recovery of £1,942 mentioned above was estimated from this source, and it has been the practice of the Government to subsidize the proceeds from the levy to the extent of £1 for £1. Section 27 of the Finance Act, 1927 (No. 2), remains in force until 31st December, 1933.

1236. The net expenditure of the State in this connection for 1932–33 should be reduced to £1,442.

1237. **At the expiration of the present arrangement the industry should provide the total funds required for research.**

Saving, £500.

Item—Wool Research, £300.

1238. The amount provided on this account for 1931–32 was £300, in respect of which no substantial recoveries were obtained.

1239. **We recommend that this line of research be abandoned.**

Saving, £300.

Item—Pakihi Land Investigation, £150.

1240. The sum of £150 provided under this item is payable to the Cawthron Institute for work done in connection with pakihi lands. This by no means reflects the total expenditure of the State on investigations into the possibility of developing these lands. Substantial sums have been expended out of the Land for Settlements Account in respect of the development of pakihi lands, and 60 acres have been grassed at a cost of £1,000. It has now been proposed that a further sum of £250 be authorized out of the Land for Settlements Account for the grassing of a further 12 to 14 acres, in order that an attempt may be made to carry stock on the land all the year round. **We are of opinion that this land can never be expected to become a commercial proposition if grassing is to cost approximately £20 per acre, and cannot recommend a continuation of these experimental activities. Furthermore, as the area of 60 acres has already been grassed, it should be possible to demonstrate the potentialities of the land and the prospects of carrying stock for the whole year. A reduction in the number of stock at present carried would be just as effective for the purpose of this demonstration as the laying-down of an additional area in grass.**

1241. It has been made abundantly clear to us that many works are carried on irrespective of the possibilities of development at a cost sufficiently low to ensure ultimate success.

1242. We recommend that this item of £150 be reduced to £75 during 1932–33, and **that it should thereafter cease.**

Saving, £75.

Item—Canterbury Agricultural College, £3,616.

1243. This item is to provide for research work carried out at the Canterbury Agricultural College, and, in view of the general reduction in salaries, **we recommend a reduction in this grant of at least £260.**

Saving, £260.

Item—General, £1,429.

1244. *Grassland Management Research, £380.*—This amount is also being paid to Canterbury Agricultural College in respect of specific investigations on four or five individual farms. **We are of opinion that this work should be covered by the grant of £3,616 paid to the college under the previous item.**

Saving, £380.

1245. *Iodine Investigation: Grant to Lincoln College, £230.*—Towards this investigation a subsidy of £150 has been received from the Chilean Nitrate Corporation. **We recommend that this item be discontinued during 1933–34.**

1246. *Miscellaneous, £819.*—This item is really to provide for contingencies which may crop up during the year, and gives some degree of flexibility to the Department in connection with unexpected lines of investigation. We recommend a reduction of £179.

Saving, £179.

SUBDIVISION III.—DOMINION LABORATORY.

1247. We have recommended in connection with the Chemical Laboratory of the Department of Agriculture that it be amalgamated with the Dominion Laboratory, and feel sure that considerable savings could be effected thereby.

1248. In regard to the expenditure in connection with the Dominion Laboratory we have to report as follows:—

Item—Salaries, £8,778.

1249. There is a staff of twenty-seven employed in the laboratories at Auckland, Wellington, Christchurch, and Dunedin, and we are informed that arrangements can be made for one officer to be transferred to other work. It is necessary to maintain laboratories at each of the four centres, and we do not recommend the abolition of any of them.

Saving by staff-reduction, £500.

Item—Advertising, Photographs, Books, &c., £180.

1250. This item should be reduced to £100.

Saving, £80.

Item—Chemicals, Apparatus, &c., £1,300.

1251. This item should be reduced to £800.

Saving, £500.

Item—Fees of Officers attending Science Lectures at Universities, £35.

1252. It has been the practice of the Department to pay the fees of junior officers attending science lectures at University. **We consider this practice should cease, and recommend accordingly.**

Saving, £35.

Item—Laboratory Accommodation and Maintenance, £170.

1253. This item should be reduced to £70.

Saving, £100.

Item—Printing and Stationery, £150.

1254. This item should be reduced to £125.

Saving, £25.

Item—Rent, Laboratory Premises, Auckland, £275.

1255. This item should be reduced to £220.

Saving, £55.

Item—Rent, Laboratory Premises, Dunedin, £105.

1256. This item should be reduced to £84.

Saving, £21.

GENERAL.

1257. A considerable amount of work is carried out by the laboratories for other Departments of State for which no recovery is made. We consider that the Department should levy a charge for all work carried out, and this would probably tend to a reduction in the volume of work. Where no charge is made there is nothing to deter Departments from asking for unnecessary investigations. There should be an indirect saving on this account.

SUBDIVISION IV.—DOMINION OBSERVATORY.

1258. There is not much scope for economy here, but we recommend the following reductions:—

Item—Establishment and Maintenance of Observing-stations, £100.

1259. This item should be reduced to £50.

Saving, £50.

Item—Furniture, Fittings, &c., £20.

1260. This item should be reduced to £10.

Saving, £10.

Item—General Expenses, £450.

1261. This item should be reduced to £425.

Saving, £25.

Item—Instruments and Equipment, £170.

1262. This item should be reduced to £85.

Saving, £85.

SUBDIVISION V.—GEOLOGICAL SURVEY BRANCH.

1263. The work in connection with the geological survey has been reduced considerably, and it is not proposed to fill any vacancies on the staff which may be caused by death or retirement.

1264. Possible economies in this Branch are as follow :—

Item—Salaries, £4,312.

1265. A reduction of £220, apart from savings as a result of the Public Expenditure Adjustment Act, 1932, should be possible.
Saving, £220.

Item—Advertising, Photographs, Books, &c., £45.

1266. This item should be reduced to £25.
Saving, £20.

Item—Aerial Surveys, £175.

1267. This work should not be proceeded with in the meantime.
Saving, £175.

Item—Field Expenses, £350.

1268. A reduction of £50 should be possible on account of the curtailment of this work.
Saving, £50.

Item—Fuel, Light, Water, £85.

1269. This item should be reduced to £65.
Saving, £20.

Item—Wages of Field Hands, £400.

1270. The curtailment of the work will enable this item to be reduced to £200.
Saving, £200.

SUBDIVISION VI.—METEOROLOGICAL OFFICE.

1271. There is little room for economy in this Office, except in regard to the following items:

Item—District Weather-reporting Stations, Establishment of, £10.

1272. It is not proposed to establish any further stations, and this item need not be continued.
Saving, £10.

Item—Instruments: Purchase and Repairs, £200.

1273. This item should be reduced to £100.
Saving, £100.

Item—Observatories, Maintenance of, and Establishment, £150.

1274. This item should be reduced to £100.
Saving, £50.

Item—Office Fittings and Requisites, £30.

1275. This item should be reduced to £20.
Saving, £10.

Item—Postages, Telegrams, and Rent of Boxes, £3,680.

1276. Almost 50 per centum of the expenses in connection with the Meteorological Office is for postages and telegrams. There is an arrangement whereby the Post and Telegraph Department transmits a daily weather report and forecast to 124 telegraph offices and a charge of £10 per annum for each office is imposed. Also, the Department sends a nightly radio message to ships within wireless range. It is understood that one transmission only is involved and the actual charge for this service is £664 per annum. The Post and Telegraph Department also receives on behalf of the Meteorological Office wireless messages from ships within wireless range, indicating weather conditions then prevailing, and a charge of £200 per annum is made by the Post and Telegraph Department for this service. We are particularly impressed by the disparity in the last-mentioned charges. The messages received from the ships are individual transmissions, and must involve more work than the outward message, which is not addressed individually to all ships within range. **We consider that a reduction of at least £500 per annum should be made by the Post and Telegraph Department in respect of these services.**

1277. There is also a charge of £75 per annum for the transmission of the weather report and forecast to each of the radio stations in the Dominion. **We see no reason why these messages should be telegraphed, and consider that if the weather report and forecast were handed in to the Wellington Station the messages should be broadcast without cost to the Department.**

1278. A total saving of £575 in this item should be possible.
Saving, £575.

Item—Printing and Stationery, £250.

1279. This item should be reduced to £225.
Saving, £25.

SUBDIVISION VII.—PETROLOGICAL LABORATORY.

1280. The total expenditure provided under this Subdivision for 1931-32 was £160.

1281. This work has been discontinued.

Saving, £160.

SUBDIVISION VIII.—APIA OBSERVATORY.

1282. The total amount provided on this account for 1931-32 was £2,524, but the estimated recoveries amounted to £2,309. The net cost to the State is approximately £200, and we can recommend no saving on this Subdivision.

SUBDIVISION IX.—MAGNETIC OBSERVATORY.

1283. The amount provided for 1931-32 was £1,325, which represented only eight months' expenditure, as the Observatory was previously under the control of the Department of Lands and Survey. A larger sum will accordingly be required on the vote for 1932-33.

GENERAL.

1284. We are impressed with the wide range of research investigations carried out. These may briefly be stated as follows: Cold-storage, dairy research, flax, fruit, fuel, leather, meat industry and products, mineral content of pastures, noxious weeds, plant research, wheat research, wool research, pakihi land investigation, kauri-gum; and, in addition, other side lines of research may be opened up and prosecuted from time to time, with the approval of the Minister.

1285. **We are of opinion that the activities of the Department are too widespread, and should be confined to a few of the more important lines of research of particular interest to the staple industries of the Dominion. In order of importance we would place the main lines of research upon which the Department should concentrate as follow: (1) Dairy research; (2) plant research; (3) fruit research.**

SUMMARY.

1286. The savings recommended in this vote, so far as they can be assessed, are shown hereunder:—

Subdivision I.—Head Office:—

Item—	£	£
Advertising, photographs, books, newspapers, &c.	25	
Building Regulations Committee expenses.. .. .	778	
Liaison Officer, London	140	
<i>New Zealand Journal of Science and Technology</i>	150	
Office fittings and requisites	75	
Postages, telegrams, rent of boxes	50	
Printing and stationery	30	
Research scholarships	400	
	—	1,648

Subdivision II.—Research Investigations:—

Item—	£	£
Dairy Research—		
Equipment, apparatus, &c.	361	
Expenses of officers travelling overseas	320	
Grants	750	
Library	60	
Running-expenses	605	
Travelling-expenses	50	
	2,146	
Less possible reductions in grants	1,000	
	—	1,146
Flax	350	350
Fruit—		
Reduction in expenditure	420	
Levy on fruit exported	1,100	
	—	1,520
Imperial Agricultural Research Bureaux	588	588
Leather	402	402
Meat industry and products	10	10
Noxious weeds (ultimately £700)	350	350
Plant research	1,440	
Less possible reductions in grants	720	
	—	720
Wheat research	500	500
Wool research	300	300
Pakihi land investigation	75	75
Canterbury Agricultural College	260	260
General—		
Grassland-management research	380	
Miscellaneous	179	
	—	559

Subdivision III.—Dominion Laboratory :—

Item—	£	£
Salaries	500	
Advertising, photographs, books, &c.	80	
Chemical apparatus, &c.	500	
Fees of officers attending science lectures at Universities	35	
Laboratory accommodation and maintenance	100	
Printing and stationery	25	
Rent, Laboratory premises, Auckland	55	
Rent, Laboratory premises, Dunedin	21	
	—	1,316

Subdivision IV.—Dominion Observatory :—

Item—	£	£
Establishment and maintenance of observing-stations	50	
Furniture, fittings, &c.	10	
General expenses	25	
Instruments and equipment	85	
	—	170

Subdivision V.—Geological Survey Branch :—

Item—	£	£
Salaries	220	
Advertising, photographs, books, &c.	20	
Aerial surveys	175	
Field expenses	50	
Fuel, light, and water	20	
Wages of field hands	200	
	—	685

Subdivision VI.—Meteorological Office :—

Item—	£	£
District weather-reporting stations, establishment of	10	
Instruments: Purchase and repairs	100	
Observatories, maintenance of, and establishment	50	
Office fittings and requisites	10	
Postages, telegrams, and rent of boxes	575	
Printing and stationery	25	
	—	770

Subdivision VII.—Petrological Laboratory

	160	160
	£11,529	

VOTE—TRANSPORT DEPARTMENT.

1287. This Department was first established in 1929 by a decision of the Government, and the setting-up of the Department was ratified by the Transport Department Act of the same year.

1288. The amount provided for 1931-32 as compared with the expenditure in 1930-31 was as follows :—

Expenditure.			Amount appropriated.		
1930-31.			1931-32.		
Salaries.	Other Charges.	Total.	Salaries.	Other Charges.	Total.
£	£	£	£	£	£
4,444	1,538	5,982	3,821	936	4,757

1289. The fees collected under the Transport Licensing Act, 1931, are approximately sufficient to cover the expenditure of the Department, so that under present conditions the Department is not a burden on general taxation.

1290. The staff employed directly by the Department numbers twenty, and, in addition, the services of officers of the Public Works Department are largely used in the various districts in the administration of the Transport Licensing Act, 1931. That Act requires that all applications for licenses shall be forwarded to the Commissioner of Transport and after investigation they are submitted to the appropriate licensing authorities for consideration. There are ten licensing authorities dealing with applications for licenses for various services, and the secretarial work of these authorities is carried out by the district organization of the Public Works Department.

1303. (1) The amount derived from the indigenous forests is credited to the State Forests Account, but this is a diminishing quantity, and, although the decline is probably largely due to present economic conditions, **the fact remains that this so-called revenue is now barely sufficient to meet the cost of administration of indigenous forests.** The receipts have declined from £150,000 in 1924-25 to approximately £55,000 in 1931-32, while the estimated receipts for 1932-33 amounts to only £41,000. **It seems to be worthy of special comment that the receipts from the forests with which New Zealand was endowed by Nature are even at this stage insufficient to meet purely administrative costs.** It is admitted that in the past there has been a surplus over and above administrative costs, and this surplus has been used to meet, in part, the cost of exotic plantations.

1304. In regard to the revenue derived from indigenous forests and the administrative costs in connection therewith, **the foregoing statement raises the question as to whether the return from exotic plantations will be sufficient to meet the capital cost, compound interest thereon, and annual maintenance costs until maturity.**

1305. In so far as the expenditure of the Department in connection with indigenous forests is concerned (Subdivisions II and III of the vote) it would appear that there are some items of expenditure which might be reduced, and **we recommend that the total of these subdivisions be reduced by 20 per cent.**

1306. There are other charges on the revenue from indigenous forests which should be abolished. We refer particularly to payments to local authorities (£9,065) under section 17 of the Finance Act, 1924, which appear under Subdivision VIII of the vote. This section provides that one-fifth of the revenue derived from the sale of timber from provisional State forests shall be paid to the local authorities in whose districts the timber is situated, to assist them to construct and maintain the roads in the district. We have carefully considered the principle underlying this provision, and believe that, while these payments to local authorities may have been justified when the legislation was introduced, circumstances have altered to such an extent that the payments should not be continued. The original idea apparently was that portion of the revenue derived from indigenous forests should be utilized in assisting to make good the damage caused to county roads by the transportation of timber. We are informed, however, that a very large proportion of the timber now being milled is transported to the rail-head by logging tramways, and that the question of damage to roads does not arise to such an extent as formerly. The local authorities, since 1924, have received considerable assistance from the Main Highways Fund for the maintenance and construction of roads, and it appears that they are obtaining benefits in more than one way—*e.g.*, by way of "fifths" under section 17 of the Finance Act, 1924, and out of the taxation paid by lorries in which the timber is transported. **We strongly recommend the repeal of section 17 of the Finance Act, 1924.**

1307. It may be mentioned, in passing, that **the Timber Royalties Commission of 1924 also recommended that the system of handing over a portion of the timber revenue to local bodies should be wholly abolished by legislation.** In addition to any reasons which that Commission may have had for the abolition of the system, there is now the further reason that the local authorities are obtaining a direct and real benefit from motor-taxation which they did not obtain in the past.

Annual saving, £8,000.

1308. The foregoing recommendation in connection with "fifths" deals with a direct subvention of revenue derived from the sale of timber. The State Forests Account does not at present reflect other timber revenues which should, we think, be credited to it. There are large sums collected annually by the Department from timber-sales in the Nelson and Westland Regions which are credited to the Consolidated Fund as goldfields revenue available for distribution to local authorities. The statutory provision in regard to this revenue appears in sections 6 and 7 of the Forests Amendment Act, 1926. The Department is involved in administrative costs in the collection of this revenue, and, although 10 per cent. is retained in respect of these costs, the balance is payable by the Treasury to the local authorities in whose districts the revenue is collected. This is in accordance with a long-standing custom, but **we consider that revenue of this description, which is, in fact, forest revenue, should be credited to the State Forests Account.** Under present conditions, and in view of the assistance which local authorities have received in other directions, the continuation of the policy of paying forest revenue to them is not justified. **We recommend an amendment to the law to provide that the revenue derived from the sale of timber in goldfield areas should be credited to the State Forests Account.**

Annual saving, £11,000.

1309. (2) The greater part of the expenditure of the Department is in respect of the establishment and maintenance of exotic plantations, and it has already been shown that only a relatively small part of the proceeds derived from indigenous forests is available for the establishment of such plantations. It should again be mentioned also that the annual appropriations on the State Forests Account do not give an accurate idea of the cost of forestry operations to the State, for the reason that interest on loan capital is not subject to annual appropriation. It is a recognized principle of forestry accounting practice to provide for the compounding of interest until plantations reach maturity. This is being done in the accounts of the Department, **but the most undesirable feature is that interest on loans already raised is met each year out of fresh loan capital.** In view of the uncertain ultimate value of the asset, and the time of maturity of the forests being problematical, we are of opinion that this practice should cease as soon as possible, and that the annual charge for interest on loans raised for purposes of the State Forests Account should be met from general taxation—*i.e.*, from the Consolidated Fund.

1310. The loan capital provided for the State Forests Account up to the 31st March, 1932, amounted to £1,753,171, while advances from the Consolidated Fund for forestry operations (on which interest is charged) amounted to £104,250. Virtually the loan capital is therefore £1,857,421, on which the annual interest is approximately £100,000. The revenue earned for the year ended 31st March, 1931, was only £54,415, which did not cover the ordinary administrative costs of the service; hence it is clear that interest has in the past been paid from loan funds.

1311. In considering the operations of the Department in connection with the establishment of exotic plantations it should be noted that the planting programme aimed at some years ago has been very considerably accelerated in order to provide work for unemployed, and the State Forest Service has evidently done good work in this direction. The effect has, however, been that a total of 347,000 acres has now been planted, while the goal for afforestation was set at 300,000 acres to be planted by 1935, and strict adherence to that programme, laid down in 1921, would have meant that only approximately 220,000 acres would now be planted. Loan-moneys have accordingly been raised much sooner than was originally contemplated, and we believe, from a purely forestry viewpoint, this policy has not been without its drawbacks, particularly when it is remembered that private enterprise has also been responsible for the planting of large areas of exotic trees within the last few years. The danger is that when State and private plantations reach maturity the supply of softwoods may be in excess of the demand. Under a more conservative policy this risk would have been minimized.

FUTURE PLANTING OPERATIONS.

1312. One result of the policy of utilizing forestry operations as a means of relieving unemployment has been that the service has considerable stocks of trees in the nurseries and seed on hand. Its resources in this connection are sufficient to provide for a reasonable planting programme for the ensuing three years, and it is accordingly impossible to close down planting operations immediately unless the Government is prepared to sacrifice the present stocks of trees and seed and the expenditure already incurred in preparing land for planting next season.

1313. The value of stocks on hand and the preparation work already done in anticipation of next season's planting is approximately £127,000, and it is questionable whether this asset should be abandoned, particularly when the planting of further areas offers such a ready field for the absorption of unemployed labour. **We cannot, however, recommend that the Government should continue to provide loan-money for further planting**, as it has in recent years already raised much more than was contemplated when planting operations commenced. **The necessary assistance towards the planting-costs should now be obtained from the Unemployment Board and the work put in hand purely as unemployment relief. We strongly recommend that the Government should provide the amount required for the planting of 50,000 acres next season out of unemployment taxation and utilize unemployed labour for the work.** This would have the effect not only of obviating the necessity of raising further loan capital immediately, but would also relieve the State Forests Account of the burden of compound interest over a long period of years.

1314. An estimate has been obtained from the State Forest Service of its requirements for next season on this basis, and a considerable reduction in last year's cost is possible by this means. This does not provide for any immediate saving to the Consolidated Fund.

1315. The foregoing deals with the more important aspects of the expenditure of the State Forest Service. There are, however, other avenues of economy in the administrative cost of the service to which we must now refer.

FUTURE PLANTING POLICY.

1316. We have suggested that the aim should be to complete the planting programme over a period of three years, and **we recommend that under no circumstances should further planting be undertaken after the completion of this programme.** It should be possible during the next three years, in the course of carrying out the programme we have outlined, to reduce progressively the establishment costs to what may be termed a "maintenance" basis. The planting which we suggest for the next three years is as follows:—

					Acres.
1932-33	..	..	..	..	50,000
1933-34	..	..	..	..	40,000
1934-35	..	..	..	..	33,000

1317. The progressive decrease in the area to be planted should result in a similar decrease in the staff required, or, in other words, the administration should in time be concentrated on the maintenance of existing plantations. In this connection a note of warning should be sounded. Maintenance costs have been reduced considerably over the last few years until they are now based on an average of 1s. 8d. per acre planted. This appears to be altogether inadequate, and the evidence taken confirms this conclusion. A reasonable cost per acre for maintenance would be from 2s. 6d. to 3s. per acre, but even on the lower figure the amount required annually for maintenance when the planting programme is completed will be £56,222.

1318. We wish now to deal with the general organization of the Department, as we are of opinion that by reorganization and the closing of some district offices considerable savings might be effected.

HEAD OFFICE ADMINISTRATION.

1319. The amount required for salaries for 1932-33 is estimated at £35,500. This indicates an extensive organization, which should be reduced considerably.

1320. Referring firstly to the Head Office administration, we are of opinion that the professional staff should be considerably reduced. Forest engineering and research at present undertaken by the Service should be severely curtailed and in some directions eliminated. We recommend an immediate overhaul of the professional and expert staff in the Head Office with a view to retirement of surplus officers. This would effect a saving of at least £2,000.

GENERAL ADMINISTRATIVE ORGANIZATION.

1321. The Department has branch offices at Auckland, Rotorua, Palmerston North, Nelson, Hokitika, Christchurch, and Invercargill. We believe that a less extensive organization should be aimed at. In particular, it should be possible to close down the offices at Auckland, Palmerston North, Nelson, and Invercargill, although there may be some doubt about the latter. We are of opinion that the time has arrived when the work of the Auckland office could well be carried out at Rotorua and the work of the Palmerston North office could be done through Head Office. Similarly, the work of the Nelson District could be performed in the Hokitika office and a central office in Christchurch should suffice for the remainder of the South Island. This would undoubtedly result in administrative economy. We believe that the closing of the offices in the centres mentioned would not affect the efficiency of the service, particularly if reliable field officers were stationed in those centres. On a conservative estimate, a saving of £5,000 to £6,000 should thereby be possible. There is a tendency right throughout the Government service to provide a widely scattered organization with a view to giving extensive service to the public. In view of present conditions, such extensive organizations are no longer justified, and this Department should be no exception to the rule.

Estimated saving, £5,000 to £6,000.

1322. *Silvicultural Operations at Waipoua Forest.*—We recommend that the silvicultural operations at the Waipoua Forest be discontinued immediately, and that the staff be reduced to a "caretaking" basis.

Estimated saving, £750.

CONCLUSION.

1323. The foregoing recommendations involve a reduction of £69,500 in the last years' appropriations on the State Forest Account. In addition, there is the sum of £11,000 involved in our recommendation that the revenue derived from sales of timber in goldfields area be credited to the State Forests Account and £8,000 in respect of "fifths." In all, the result is that it should be possible to obviate the raising of further loan capital to the extent of at least £88,500 per annum.

1324. There will be an ultimate indirect saving to the Consolidated Fund for the reason that the utilization of unemployment moneys and the saving in expenditure generally will result in an annual reduction in interest on loans.

1325. It is of particular interest to note that forestry operations in the United Kingdom were considered by the Committee on National Expenditure in Great Britain in 1921, again by the Select Committee on Estimates in 1929, and by the Committee on National Expenditure in 1931. Taking these investigations in their order, the Committee in 1921 expressed the opinion that the scheme of afforestation by the State should be discontinued, for the reason that the expenditure will always show a heavy loss and cannot reach fruition for something like eighty years. In 1929 it was stated that about 60 per centum of the expenditure of the Forestry Commission might, in certain circumstances, be expected to yield a net return up to 3·7 per centum, while the remaining 40 per centum would yield little or no return. The Committee in 1931 stated that, as an investment of the national resources, an estimated return of from 2 per centum to 2½ per centum, has no attractions. That Committee recommended a drastic curtailment of forestry operations.

1326. One point that emerges clearly from the reviews of the Committees in Great Britain is the fact that the programme embarked upon in New Zealand has been unduly ambitious. The objective of the Forestry Commission in the United Kingdom was the afforestation with conifers of 1,750,000 acres at the rate of 1,180,000 acres in the first forty years, including 150,000 acres in the first decade.

1327. It seems quite obvious from the foregoing that the goal so soon reached in New Zealand is years ahead of its time, and we have no hesitation in saying that the cessation of State afforestation operations in this Dominion in three years' time, as recommended, is essential.

UNEMPLOYMENT FUND.

1328. Expenditure out of this fund is not subject to review by Parliament, although the administration expenses, amounting to £57,686 for 1931-32, were the subject of appropriation.

1329. We dealt with one aspect of unemployment expenditure in our interim report—namely, the subsidy of £1 for £1 payable out of the Consolidated Fund—and expressed the opinion that the assignment of the proceeds of a particular class of taxation to a special account is unsound. We recommended that the proceeds from unemployment taxation should be paid into the Consolidated Fund and that Parliament should appropriate each year such an amount for unemployment as may be necessary in the light of the general requirements and irrespective of the sources of taxation from which the funds are to be supplied. We repeat this recommendation, as we believe that the assignment of taxation to a particular account is not in accordance with the best principles of public finance.

1330. In examining various forms of expenditure in connection with the Unemployment Fund we have been impressed by the fact that various departmental organizations are being used in connection with the administration of unemployment relief, and that in some cases the cost of such administration is being borne by the several Departments concerned. For instance, the Public Works Department is largely engaged in administering relief, the administration expenditure on which is charged against the Public Works Fund—*i.e.*, loan-moneys. Also many duties are being undertaken by both the Labour Department and the Post and Telegraph Department, and the charges incurred are not always debited to the Unemployment Fund. We consider it should be accepted as a general principle that all administration expenses in connection with any particular activity should be charged against that activity, **and recommend that the whole administration charge in connection with unemployment relief be borne by the Unemployment Fund, if it still remains in existence, or by the special vote which should be taken on the annual appropriations.**

1331. We appreciate the difficulties under which the Board is operating, but would mention that, in our opinion, there are too many authorities dealing with the question of unemployed relief. We are informed that some schemes are undertaken by the Public Works Department, and they are in effect unemployment relief schemes, but are on a different basis to those operated by the Unemployment Board, and, **furthermore, are financed by the Department from loan-money, which is inconsistent and undesirable.**

1332. It is not suggested that Departments are acting in ignorance of what is being done by the others, or that there is no proper co-ordination between them, but we are definitely of opinion that assistance from several sources results in a greater total sum being expended than would be the case were the total amount voted by Parliament. In the circumstances, without expressing any opinion on the policy or method of ameliorating the unfortunate conditions due to unemployment, we may properly comment upon the variety of the machinery by which that policy is given effect to,

1333. The difficulty of transforming what has grown up by instalments into a co-ordinated whole is recognized, but from time to time opportunities of amendment and development will arise and should be taken advantage of. The ideal co-ordination may not be attainable, because considerations of administrative efficiency sometimes override those of financial simplicity and parliamentary control, but it is essential to make sure in every case that there are adequate reasons for departing from a long-established canon of sound finance.

1334. **There is a grave danger to which we feel we should direct attention—*i.e.*, the inauguration of capital works which are not required and will entail a heavy annual maintenance charge. In the endeavour to avoid the employment of men on uneconomic and useless work, there is a risk that large and ambitious schemes, such as roading, irrigation, and others, much in advance of the requirements of the community, may be put in hand without sufficient consideration being given to the ultimate liability which must be borne by the general taxpayer for maintenance and renewal of works.**

1335. The remarks of the Committee on National Expenditure in England in 1931 on the subject of unemployment, are singularly appropriate—*viz.*, “ We are inclined to regard much of the expenditure as unwise in that it has been incurred considerably in advance of requirements.” Again, the Committee stated, “ We recommend also that the Committee in future should not make grants towards road and bridge improvements.” We consider these remarks entirely applicable to this Dominion.

1336. The Committee made a further statement which we regard as sound: “ We cannot endorse a policy of great expenditure on capital works irrespective of their economic value as a means of providing work. This is too expensive.”

1337. **The small-farms scheme recently inaugurated apparently involves the expenditure of loan-money, and violates the principle that borrowing for the relief of unemployment is unsound.**

COLLECTION OF UNEMPLOYMENT-TAX.

1338. We would also mention that there appears to be a degree of overlapping and uncertainty in regard to the collection of the unemployment levy and wages-tax. **We hold the view that taxation of this nature should be controlled by the Commissioner of Taxes, by whom the machinery for collection should be devised, and in whom should be vested the authority to give rulings in connection with the involved subject of unemployment taxation.** At the present time there does not appear to be that degree of uniformity of practice between the Tax Department, the Unemployment Board, and the Post Office which is essential to the smooth administration of the Act.

PUBLIC TRUST OFFICE.

STATE ADVANCES OFFICE.

NEW ZEALAND RAILWAYS.

POST AND TELEGRAPH DEPARTMENT.

1339. As we have already been granted two extensions of time in which to submit this final report, we are disinclined to ask for the further period that would be necessary for a complete investigation of these Departments, which, with the exception of New Zealand Railways, have, up to the present, not involved any charge upon general taxation. **In our opinion such an investigation is necessary, but would take several months to complete, and we accordingly recommend that a departmental examination of the expenditure be made as early as possible, with a view to effecting economies.** There are, however, several matters in connection with the Departments to which we briefly refer.

PUBLIC TRUST OFFICE.

1340. This Office operates on its own funds, in respect of which there is no immediate liability on the Consolidated Fund. We note, however, that the legislation now provides that half the net profits of the Office shall be paid to the Consolidated Fund, but that very little benefit has been derived from this source.

1341. For the year ended 31st March, 1931, the net profits amounted to only £1,525, notwithstanding the fact that the capital controlled by the Office exceeded £36,000,000.

1342. There is a contingent liability on the Consolidated Fund in respect of the operations of the Office in that any deficiency which may arise must be made good out of taxation.

1343. The legislative provision that half the profits be paid to the Consolidated Fund is reasonable. It is clear that if any economies can be effected in the expenditure of the Office, there should be corresponding relief to the Consolidated Fund, in that such economies would tend to increase profits.

1344. In dealing with the Public Service Superannuation Fund we commented on the fact that the contributions paid to the fund by the Public Trust Office and certain other Departments were inadequate. We recommend that arrears of contributions on a £1 for £1 basis since the inauguration of the Superannuation Fund be paid by the Public Trust Office.

1345. This Office will be affected by our general recommendations in regard to the furnishing of Government offices, the provision of telephones, &c., and there will be certain savings in this respect.

STATE ADVANCES OFFICE.

1346. The operations of this Office also do not at present directly affect the Consolidated Fund. There is, however, a risk that the Office may not always be able to pay to the Consolidated Fund the full amount of interest on loan capital provided in terms of the State Advances Act.

1347. If any reduction in the expenses of the Office is possible, it would automatically provide a further margin for the payment of interest on loans.

1348. We have referred elsewhere to the fact that there are many Departments of State engaged in lending money for various purposes; **indeed, it is the dependency upon State lending institutions which has been responsible for adding a considerable amount to the public debt of New Zealand.**

1349. **The time has arrived when the State should cease borrowing money for the purpose of lending it, and we strongly recommend that no further capital be provided for the purposes of the State Advances Office even when conditions improve.**

1350. The loan capital of the Department now amounts to over £48,000,000, and this should be sufficient to meet the needs of the community, more particularly as the bulk of this capital is invested on table mortgage providing for gradual redemption; thus there is a large amount of principal being returned each year which should be available for reinvestment purposes.

NEW ZEALAND RAILWAYS.

1351. Reference has been made elsewhere in this report to the position of railway finance, more particularly in regard to the depreciation funds and the uneconomic competition between road and rail services.

1352. Railway finance is now separated entirely from the Consolidated Fund, which obtains recoupment, as far as railway earnings will allow, of interest on the capital invested in the railway system.

1353. In view of the fact that the Railways Board is continually studying the position of railway finance, and has already effected substantial economies in expenditure, it has not been necessary to review that Department in detail.

1354. However, perhaps we should state that representations have reached us from various sources to the effect that **present railway employees are enjoying extraordinary privileges and concessions in the shape of low rent for departmental houses, and past and present officers are granted unduly liberal concessions in regard to railway travel.**

1355. It is suggested that if reviewed in the light of present conditions considerable benefit to railway finance would accrue.

POST AND TELEGRAPH.

1356. We have not conducted an exhaustive examination into the activities of this Department, but have confined ourselves to a general review of unremunerative services carried out by it wherein some indirect economy appears to be possible.

1357. It should be stated that the operations of the Department are now separated from the Consolidated Fund, and the funds are kept in a separate account. The earnings of the various branches are charged with interest on the capital invested in the business, and this interest is credited to the Consolidated Fund in reduction of interest payable on the public debt.

1358. For the year ended 31st March, 1931, the net profit of all branches of the Department, excluding the Savings-bank Branch, after providing for interest on capital and a substantial sum for depreciation, was £11,616, representing—

					£
Postal Branch (profit)	..	..	..	..	21,315
Toll Branch (profit)	..	..	..	..	92,502
Telephone Branch (profit)	..	..	..	..	18,450
Garages (profit)	..	..	..	..	3,524
					135,791
Less—					£
Telegraph Branch (loss)	..	..	..	..	115,304
Wireless Branch (loss)	..	..	..	..	8,871
					124,175
Balance, net profit	..	..	..	..	<u>£11,616</u>

1359. In so far as the year ended 31st March, 1932, was concerned the Department, by reason of increased profits arising from the higher postal charges then prevailing, and by reason of an adjustment of the charge for depreciation, was able to assist the Consolidated Fund to the extent of almost £1,000,000, in addition to which interest on Post Office capital was also paid to the Consolidated Fund. Notwithstanding the foregoing, if any savings can be effected in the expenditure of the Department, or if unremunerative services can be made remunerative, there will be a corresponding gain to the Consolidated Fund.

1360. **The unremunerative services referred to are as follow :—**

Name of Service.	Amount received.	Deficiency carried by the Post and Telegraph Department.
	£	£
Ministerial memoranda	2,000	2,304
Members of General Assembly telegrams	1,200	1,093
Franked Government messages	600	596
Franked toll cards and toll accounts	150	667
Shipping telegrams .. .. .	..	5,000
Press messages	73,840	53,000
Rural deliveries	10,345	2,000

1361. **In addition, the following free services are provided by the Department :—**

1362. *Daily Radio Press Messages to Pacific Islands and Ships at Sea.*—The estimated value of this service at 1½d. per word for transmission and £100 for preparation is £1,100 per annum.

1363. *Newspaper Exchanges: Postage.*—Estimated value, £4,000.

1364. *Notices under the Health Act addressed to the Health Department (Section 136 (3), Health Act, 1920): Postages.*—Estimated value, £138.

1365. *Newspapers for Light-keepers and for Libraries, Charitable Institutions, &c.: Postages.*—Estimated value, £915.

1366. **The following services are provided by the Department at considerable concessions in price :—**

1367. *Postage on Hansard.*—A bulk rate of 2d. per pound on separately addressed packages weighed together. This represents a 50 per centum reduction.

1368. *Other Government Publications.*—A bulk rate of 3d. per pound on separately addressed packages weighed together. This represents a reduction of 25 per centum.

1369. *"School Journal."*—A bulk rate of 3d. per pound on separately addressed packages weighed together. This represents a reduction of 25 per centum.

1370. *Books for Light-keepers.*—A bulk rate of 2d. per pound on separately addressed packages weighed together. This represents a 50 per centum reduction.

1371. *"The Navy" (Organ of Navy League).*—A bulk rate of 2½d. per pound on separately addressed packages weighed together. This represents a reduction of 36 per centum.

1372. *Books exchanged between Libraries and between Libraries and their Subscribers, between recognized Book Clubs and between recognized Book Clubs and their Subscribers.*—2d. per pound up to 5 pounds. This represents a reduction of 50 per centum.

1373. **We recommend that the services enumerated above be reviewed, as it is evident that some at least should be charged for at the full cost. Incidentally, as the Department is now more or less on a commercial basis, free services should only be given if specifically approved by the Legislature.**

1374. In addition to a review of the services we accordingly recommend that those which are considered a proper charge against taxation should be provided for each year on the vote of the appropriate Department.

1375. In view of present financial conditions it would not be unreasonable to expect at least a 50 per centum contribution towards free services and a 50 per centum increase in the charges at present levied for partly remunerative services.

1376. **We draw particular attention to the deficiency of £53,000 in connection with press telegrams.**

1377. In addition to the foregoing the rural telephone-lines are operated at loss, but it is not possible to state the exact loss. On a selected number of lines the percentage of loss to revenue is 13.67.

1378. Furthermore, the wireless service during 1930-31 showed a loss of £8,871, but this is a national service of great convenience to the travelling public and necessary for the safety of shipping.

1379. The telegraph branch also showed a loss of £115,304, of which the loss on press messages already referred to was a part. This loss was largely offset by the profit on the toll and telephone branches, and the development of those branches has probably resulted in reduced telegraph revenue. We do not think an increase in the transmission rates is possible or advisable, and therefore **any saving can only come from a reduction in the operating-costs of the branch.**

Post and Telegraph Workshops.

1380. In Wellington the Post and Telegraph Department maintains a well-equipped workshop for the manufacture of office furniture and joinery, in addition to equipment and staff for the repair

of typewriters, mechanical office appliances, and telephones and telegraphic equipment. We have referred, when dealing with the operations of the Public Works Department, to the fact that that Department also has a workshop for the manufacture of office furniture and joinery, that these workshops are practically adjoining each other, and that each has sufficient capacity to absorb the other. We have recommended that the Public Works workshops be closed, except that a skeleton staff be maintained for the purpose of effecting minor repairs and maintenance of Government buildings.

1381. In regard to the Post and Telegraph workshops, although they are fully equipped and can no doubt undertake the manufacture of office fittings, furniture, and joinery for all Departments in Wellington, **we are of opinion that work of this description should be left to private enterprise, and recommend that the manufacture of office furniture and joinery be discontinued.** The closing-down of the workshops should not result in any loss to the Government; in fact, **it is probable that furniture can be purchased more cheaply in the open market.**

1382. In view of the large amount of technical equipment with which the Department is concerned, a mechanical workshop is necessary and this should be retained.

1383. While dealing with this subject we would refer to the great variety of office furniture to be found in Government offices. Considerable economies could be effected in the furnishing and equipment of Government offices if equipment were standardized.

Competitive Services.

1384. There is a degree of competition between the Railway and the Post and Telegraph Departments in the handling of parcels traffic, and both these services should be co-ordinated. This degree of competition between State Departments is not altogether confined to the handling of parcels traffic in the Railway and Post and Telegraph Departments. It was evidenced, for instance, in connection with the workshops previously mentioned and in other minor matters, there is considerable duplication of services and competition between various Departments of State. **The duplication of services is obviously uneconomic, and should not be permitted.**

1385. **We accordingly recommend that the parcels services of the Railway and Post and Telegraph Departments be reviewed and co-ordinated.**

SUPERANNUATION FUNDS.

1386. We made two references to the position of the Railways, Teachers', and Public Service Funds in our interim report. In the first place, we recommended that the subsidies payable to the three Funds should be provided by annual vote, but could not recommend any reduction in the subsidies in view of the actuarial unsoundness of the Funds. We further stated that in the limited time at our disposal we had been unable to consider the complicated question of superannuation to retired officers, but would deal with the subject at a later date and embody our findings in our final report.

1387. We have now considered in detail the whole question of superannuation to retired officers, and believe that unless the State is able to make good its obligations to the Funds some radical alteration must be made in the basis of calculation of retiring-allowances if the interests of the present contributors are to be conserved.

1388. We also draw special attention to the huge potential liability on the State in regard to the Funds, a liability from which the State cannot honourably escape.

1389. It perhaps will not be out of place here to mention that some form of superannuation is necessary in any State service, even if the need be only for the purpose of promoting efficiency within the Service by facilitating the removal from office of those who as a result of age or medical unfitness should be retired. This principle has long been recognized in most countries, and in England as early as 1810 a Superannuation Act was passed, providing for free pensions to retired State employees.

1390. Government contributions to any retirement scheme must be regarded as in the nature of deferred pay, more particularly as the emoluments of senior public servants are, as a general rule, on a somewhat lower plane than those in other callings. Various systems of providing for some form of superannuation have been tried in New Zealand, the first being that provided under the Civil Service Act, 1858. The Civil Service Act of 1886 must be read in conjunction with the Act of 1858. Under these Acts a public servant was entitled on retirement at the prescribed age to a pension not exceeding two-thirds of his average salary for the three years immediately preceding retirement. No contribution was paid by the officer for this benefit. The widow and children of a deceased officer were paid a gratuity.

1391. The legislation also provided for payment of compensation at the rate of one month's salary for each year of service to an officer whose services were dispensed with through no fault of his own or in consequence of the abolition of the office he held.

1392. The Civil Service Amendment Act, 1871, abolished pensions, preserving existing rights, but the compensation provision remained in force until the passing of the Civil Service Reform Act, 1886, when it was abolished also, and replaced by what is commonly known as the Public Trustee Fund. Every public servant appointed after the date of the passing of the Act was required to pay 5 per cent. of his salary to the Public Trustee, to be invested for his benefit on retirement, or, if his death intervened, the total amount to his credit was payable to his legal personal representatives.

1393. In 1893 the Civil Service Insurance Act provided for compulsory life insurance for future appointees to the Public Service, and allowing those officers who joined under the 1886 Act the option of transferring from the Public Trust Office Fund to the insurance scheme. The policies which were

issued by the Government Insurance Department provided for payment of a lump sum at death before reaching sixty years of age, or an annuity on reaching that age. Next came the Government Railway Superannuation Fund Act, 1902, the Teachers' Superannuation Act, 1905, and the Public Service Classification and Superannuation Act, 1907, whereby the present Superannuation Funds were inaugurated.

1394. Before proceeding to a brief historical review of the last-mentioned Act, it is as well to state that **all contributors to the Superannuation Fund were relieved of any obligation to contribute further to any other Fund, but their existing rights were preserved.** Compensation rights under the Act of 1871 were not affected, but were made cumulative with the contributor's right to payment from the Superannuation Fund. On joining the Fund the compensation of the contributor was calculated up to the date of joining, the amount becoming a contingent asset of the contributor until retirement on superannuation. On qualifying for retirement, contributors had the option of accepting an annuity from the Fund, or they could elect to accept their accrued compensation, together with a refund of their total contributions to the Fund without interest. **The Consolidated Fund was accordingly relieved of a considerable liability for accrued compensation,** and the amount of State liability from the initiation of the Fund is approximately £560,000 (*vide* the annual report of the Public Service Superannuation Board for the year ended 31st March, 1931). **This matter of compensation is important and should be remembered in considering the liability of the Government to the Superannuation Fund.**

1395. It will thus be seen that before the present Superannuation Acts were placed on the statute-book, the Government of New Zealand had tried various other schemes.

1396. It is desirable that we should now give a brief history of the three Funds, taking the Public Service Fund as a fair example; **but before doing so we would refer to the apparently common misconception that it is only by the generosity of the State that the public servants of New Zealand are able to enjoy the benefits of superannuation schemes. That this is a fallacy is proved by the following table, showing the contributions of employees and the State respectively to the various Funds up to the 31st March, 1931.**

	Public Service.	Teachers.	Railways.	Totals.
	£	£	£	£
State contributions	1,819,000	990,000	1,874,000	4,683,000
Employees' contributions ..	4,213,000	1,967,000	2,760,000	8,940,000
	6,032,000	2,957,000	4,634,000	13,623,000

1397. We give hereunder a brief history of the Public Service Fund. There is no radical difference between the three Funds, but any special points of interest in regard to the Teachers' Fund and the Government Railways Fund will be specially mentioned later.

PUBLIC SERVICE SUPERANNUATION FUND, HISTORY OF.

1398. The Fund was established on the 1st January, 1908. The contributors to the Fund are of two classes—"original" and "new." In the first class are those who—

- (a) On the 1st day of January, 1908 (being the date of the coming into operation of the Public Service Superannuation Act, 1907) were permanently employed in any capacity in the Public Service; or who
- (b) On that date were employed in any Department and had then been continuously employed in any one or more Departments for a period of five years or more.

1399. From the date of election these were deemed to be original contributors entitled to all the benefits of the Fund.

1400. The second class—*i.e.*, all officers who have been permanently appointed since the 1st day of January, 1908—are compulsory contributors.

1401. Contributions are based on age at last birthday at the date of joining the Fund. The scale of payments is as follows:—

Age on Joining.	Rate of Contribution. Per Cent.
Under 30 years	5
30 years and under 35 years	6
35 years and under 40 years	7
40 years and under 45 years	8
45 years and under 50 years	9
50 years and over	10

1402. The Police Provident Fund was merged in the Public Service Fund on the 1st April, 1910, by the Public Service Classification and Superannuation Amendment Act, 1909, which provided that the contributors to the Police Provident Fund should become contributors to the Public Service Superannuation Fund, and that the money belonging to the first-mentioned Fund should be transferred to and the annuities payable from the latter Fund. Under this arrangement 773 members of the Police Force, contributing £7,829 per annum, were taken over; also 85 ex-members and two widows, drawing an aggregate annual allowance of £8,231; while the Funds transferred amounted to £32,786. The Government subsidy to the Public Service Fund was increased by £3,000 per annum owing to the inclusion of the Police Provident Fund.

1403. In the principal Act of 1907 qualifications for the right to retire were as follow :—

Males at ages not less than 65, or after forty years' service.

Females at ages not less than 55, or after thirty years' service.

But there was a provision giving the Minister in Charge of the Department to which the contributor belonged power to extend the provisions of the section to any case in which the age of the male contributor was not less than sixty years or the age of the female contributor was not less than fifty years.

1404. This was further extended by section 7 of the Public Service Classification and Superannuation Amendment Act, 1909, to any case in which the age of a male contributor is not less than fifty-five years, if his length of service is not less than thirty years, or to any case in which the length of service of a contributor is not less than thirty-five years. The amendment gave the Minister power to impose upon retiring contributors such terms and conditions as to payment into the Fund or otherwise as he deemed fit. In the case of this Fund the power to prescribe special terms and conditions in respect of early retirement has, so far as we can ascertain, been rarely, if ever, exercised. The effect is that the Fund has had to assume liability for annuities calculated on the actual length of service of contributors having thirty-five or more years of service who have been compulsorily retired, and no adjustment has been made for the increased liability on the Fund by reason of these retirements taking place at earlier ages than would normally be the case. It is difficult to understand why the provisions of the Act under which special conditions could have been imposed, and the strain on the Fund thereby lessened, have been so consistently ignored. No doubt the easier and more pleasant course has been taken of paying retiring-allowances based on years of service only, without regard to the increased liability on the Fund. The adverse position of the Fund to-day is largely due to this policy of early retirements.

1405. Summarized, the qualifications for retirement now are :—

Males—

Of right—

Forty years' service.

Sixty-five years of age.

With Minister's consent—

Sixty years of age.

Thirty years' service and age not less than fifty-five.

Thirty-five years' service.

Females—

Of right—

Thirty years' service.

Fifty-five years of age.

With Minister's consent—

Fifty years of age.

1406. In 1921, a year in which there was retrenchment in the Public Service, section 28 of the Finance Act, 1921-22, reading as follows, was brought into operation—

1407. “(1) While this section remains in force every male contributor to the Public Service Superannuation Fund shall, subject to the provisions of this section, be entitled, on his compulsory retirement from the Public Service through no fault of his own, to receive from the Fund an annual retiring-allowance at a rate computed in the manner prescribed by section thirty-five of the Public Service Classification and Superannuation Act, 1908” [now section 26 of the 1927 Act]—

“ (a) Whose age is not less than fifty-seven years ; or

“ (b) Whose age is not less than fifty-two years, if his length of service is not less than twenty-seven years ; or

“ (c) Whose length of service is not less than thirty-two years.

1408. “(2) The right to receive a retiring-allowance by virtue of this section shall be subject to such conditions as to payment into the Fund or otherwise as the Board, with the approval of the Minister of Finance, may, in any case prescribe.

1409. “(3) No retiring-allowance granted by virtue of this section shall exceed the annual rate of three hundred pounds.

1410. “(4) This section shall be deemed to have come into operation on the first day of July, nineteen hundred and twenty-one, and shall continue in force until the thirty-first day of December, nineteen hundred and twenty-two, and no longer, save that the expiry of this section shall not affect the continuance of any retiring-allowance granted thereunder.”

1411. Legislation which lessens the qualifications for retirements without providing for the actuarial equivalent of a deferred annuity must load the Fund with liabilities earlier than anticipated, and also increase the amount required as subsidy. **We find, however, that the potential liabilities on the Fund have been added to from time to time without provision being made to meet these additional liabilities.**

1412. For every year of service a contributor, on qualifying for retirement, is entitled to receive one sixtieth part of his or her average annual salary during the three years preceding retirement and for every fraction of a year of service a proportionate part of one sixtieth of his or her annual salary ; but in no case does the retiring-allowance exceed two-thirds of such average “ final ” salary.

1413. The only limitation of retiring-allowance under the principal Act was two-thirds of such salary, which meant that any service in excess of forty years would not be included for the purpose of computing the allowance.

1414. In 1909 the principal Act was amended so that no person who joined the Fund after the 24th December of that year should be entitled on retirement to a retiring-allowance exceeding £300 per annum; but no corresponding reduction was made in the scale of amounts to be paid by contributors for the purchase of such limited allowance, nor was any limit placed on the rate of salary on which contributions are payable. The effect of this amendment has, as yet, not been experienced, but it is well understood, particularly by professional men who are appointed to the Public Service at relatively high salaries on which they contribute to the Fund in full. These contributors pay a greater amount for the benefits received than does the contributor who joins the Service at a minimum salary and reaches the maximum by comparatively small increments. A salary averaging £450 for the three years immediately preceding retirement will produce the maximum allowance of £300 per annum after forty years' service, whilst an average of £750 over the whole period of service will produce only the same result, although the total contributions on the latter salary may be three times greater than on the former.

1415. It will be realized that on the inauguration of the Fund there was a considerable liability on the Government for the "back service" of many officers. Their contributions to the Fund were based on a sliding scale according to age, but the only means whereby the Fund could have been commenced on a sound basis was a substantial payment by the Government in respect of accrued "back service" and of compensation rights. **It is estimated that the Government's actuarial liability to the Fund on its inauguration in respect of "back service" was approximately £1,816,719, but the then Government elected to postpone payment of this liability, providing by statute for the payment of subsidies.**

1416. The statutory annual subsidy when the fund was first inaugurated was £20,000. In 1909 it was increased to £23,000, in 1912 to £48,000, and in 1918 to £86,000. In point of fact, the subsidies required by the Act (which, in addition to the amounts quoted above, provides for a further amount certified by the Actuary at the triennium investigation) have not always been paid, and **up to the 31st March, 1927, the shortages in the statutory subsidies totalled £804,000, while if interest at 4½ per centum were added the total shortage would be £1,060,000.**

1417. **This and other factors have led to a present actuarial deficiency in the Public Service Superannuation Fund exceeding £8,000,000.**

TEACHERS' SUPERANNUATION FUND.

1418. This Fund was originally constituted under the Teachers' Superannuation Act, 1905, but has since been varied, and the provisions and benefits have been extended by various enactments. Contributors to the Fund include—

- (a) Teachers in the Education service in any public school:
- (b) Employees in any branch of the Education service which is also a branch of the Public Service:
- (c) Employees of the University of New Zealand, Auckland University College, Victoria College, University of Otago, Canterbury College, and the Canterbury Agricultural College.

1419. **This Fund also commenced operations with an initial deficiency (estimated at approximately £800,000) due to "back service" prior to the commencement of the Fund.** Either this amount of £800,000 should have been provided as the commencing capital of the Fund, or it should have been liquidated by the Government over a period of years with interest at, say, 4½ per centum: but neither of these methods were adopted. **The result is a progressive increase in the actuarial deficiency in the Fund at each valuation. The actuarial deficiency is now approximately £6,000,000.**

1420. This Fund differs from the others in that there is a larger proportion of women contributors. These contributors become eligible for retirement at an earlier age than do the men, and, in addition, they have a greater expectation of life. This throws a relatively greater burden on the Teachers' Fund. Otherwise there is little radical difference between this and the other Funds.

GOVERNMENT RAILWAYS SUPERANNUATION FUND.

1421. This Fund was inaugurated on the 1st January, 1903, but the scale of contributions fixed by the Act was, on the initiation of the Fund, on a lower basis than that later adopted for the other Funds.

1422. Under the original Act the percentage contribution was 3 per centum, rising to 10 per centum according to age, and **there are some officers of the Railway Department who are still contributing on those lower scales, which are quite inadequate to provide for the benefits prescribed by the Act.** We shall have further comments to make in regard to these contributors later.

1423. In this Fund also, the initial contributors qualified for an annuity based on their total length of service, so that **there was a large initial liability on the Fund in this respect, and no provision has been made by successive Governments to meet this liability. The actuarial deficiency to-day approximates £9,000,000.**

1424. A heavy drain has also been placed on the Fund by numerous compulsory retirements of officers with thirty-five years' service, irrespective of age, as in the ordinary course of events many

officers in this category would automatically continue in the Service either until they had a total service of forty years or had reached the age of sixty-five years. Early retirements in this way throw a heavy burden on any fund.

1425. Incidentally, the Act has been amended from time to time in the direction of granting increased benefits, and further liabilities have thereby been thrown upon the Fund.

GENERAL.

1426. In our following remarks the three Superannuation Funds will be dealt with as a whole.

1427. It is as well to state, first of all, that statutory provision exists for meeting from time to time from the Consolidated Fund and the Working Railways Account respectively any deficiency in the respective Funds for the payment of current charges.

1428. We have already referred in general terms to the adverse position of the Funds, and it would be well at this stage to state the position more explicitly.

1429. The following table indicates the progressive deficiencies up to the date of the last published actuarial valuations :—

Fund.	Date of Valuation.		
	1913.	1919.	1927.
	£	£	£
Public Service	2,381,466	4,142,989	6,659,770
Teachers'	1,443,597	2,813,176	4,647,798
Railways	1,776,851	3,959,455	6,810,204
All Funds	5,601,914	10,915,620	18,117,772

1430. It has already been explained that each Fund commenced with an initial deficiency. Actually it was the duty of the State to make suitable provision to meet the initial liability cast on the Funds. A portion of the prospective annuities was in cancellation of existing compensation rights, and, failing payment of a capital sum in liquidation of this liability, provision should have been made for the redemption of the initial deficiency within a specified period. The State, however, adopted the plan of postponement, and such postponed liabilities have up to the present been only partly liquidated. **The result is that the liability for annuities arising from service prior to the initiation of the Funds is now being met from current contributions of employees.**

1431. The continued failure to meet State obligations to the Funds has resulted in the rapid growth of the deficiencies disclosed in the table given above. The worst feature of the position is the cumulative effect of this failure, which may be visualized from the following table comparing the annual interest on the deficiencies in 1927 (which interest was in each case the minimum annual subsidy required to prevent such deficiencies from increasing) with the annual subsidies now being paid :—

Fund.	Interest at 4½ per Centum on 1927 Deficiency.	Present Annual Subsidy.	Shortage in Annual Subsidy.
	£	£	£
Public Service	299,690	86,000	213,690
Teachers'	209,151	43,000	141,151
Railways	306,459	170,000	136,459
Totals	815,300	299,000	491,300

1432. The effect which these deficiencies have had on the Funds in past years is exemplified in the table given previously, showing that from 1913 to 1927 the actuarial deficiencies in the three Funds increased from £5,601,914 to £18,117,772.

1433. We are informed that the 1930 actuarial examinations of the Public Service and Teachers' Superannuation Funds have just been completed, and the results disclose an increase of over £2,000,000 in the deficiencies in these two Funds alone.

1434. **It seems clear that the actuarial liability of the Government in respect of the three Funds is approximately £23,000,000.**

1435. It is not only the failure of the State to meet the initial liabilities and to provide adequate annual subsidies as required by the Acts which has been responsible for the adverse drift in the Funds. Numerous retirements of comparatively young officers with long service have contributed largely to the adverse position. These retirements have not all been voluntary, **but the Funds have been unwisely used in times of stress as a means for facilitating retrenchment, and the conditions of retirement have been liberalized from time to time, with disastrous results.** As regards the Public Service Fund, the Actuary, as far back as 1910, sounded a note of warning

regarding amendments to the Act which were even at that time detrimental to the stability of the Fund. The views embodied in the actuarial report for the triennium ended the 31st December, 1910, have the appearance of such a prophetic warning that they are worthy of repetition here:—

“ So far as amendments generally are concerned, it is detrimental to the Fund to have the benefits continually interfered with, and I am very strongly of opinion that after this investigation it should be determined what amendments are desirable, make them, and let the Service clearly understand that the benefits will not be altered again, for better or for worse.”

1436. It should here be stated that the Public Service Superannuation Bill which was prepared in 1906 was referred by the Public Accounts Committee of the House of Representatives to an Actuary for examination and investigation. **It was reported upon by Mr. Morris Fox, who made it clear that the whole of the liability for “ back service ” should be borne by the Government, and this point was not questioned at the time.** This fact should be stressed, as it is the accumulation of the liability for “ back service ” which is to a large degree responsible for the present position of the Fund. **Mr. Fox also insisted on the importance of reserving and accumulating the contributions of officers to meet the liability for individual annuities, and stressed the fact that current contributions should not be used to relieve the State of its liability in respect of “ back service.”** The words of Mr. Fox may well be quoted:—

“ If it be deliberately resolved to offer these pensions, it should also be recognized that they constitute a present liability, and they should be met out of the present resources of the State.”

1437. **The very essence of a sound scheme is the accumulation of the sums contributed by employees for the purpose of meeting the portion of current and future liabilities for which they were intended, and it is largely in this respect that the otherwise satisfactory superannuation schemes of the Government have become unsound.**

1438. As already mentioned, another contributory factor has been the large number of retirements of comparatively young officers with long service; and here again the State must accept its share of the responsibility, as it has been prone to look upon the Superannuation Funds as a means of facilitating retrenchment.

1439. In addition, there is the effect of the post-war rise in salaries. Those officers who have retired on annuities since 1921 have received a material additional benefit, towards which they made only an inadequate contribution. This is, however, a temporary phase, the general effect of which on the Fund will be diminished as a result of reduction in the scales of salaries and wages and by the effluxion of time. The adverse effect of the post-war rise in salaries could have been, to a degree, averted had the calculation of annuities been based on the average salary over a longer period than three years.

1440. It has already been stated that annuities are calculated on the average salary for the last three years of service, hence fluctuations in salary scales and accelerated promotion near the close of an officer's official career result in the granting of annuities disproportionate to the amount contributed by the individual. **We consider that annuities should have been based on the average salary over a period of at least seven years or ten years.** The alteration of the basis of calculation in so far as present contributors are concerned would not be difficult to effect, and would result in a lessening of the burden on the Funds and in the reduction of the present deficiency.

1441. **The position of the three Funds is undoubtedly serious, both from the point of view of contributors and annuitants, and is embarrassing from the point of view of the Government.** The deficiency has already been stated as being £23,000,000, but it should be made clear that it does not necessarily follow that this sum need be paid to the Funds to maintain their solvency. The deficiency is arrived at by an actuarial valuation, and the Actuary must not only take into account the liabilities to present annuitants, but must also have regard to the liability in respect of future annuitants. In the latter connection, the incidence of retirements in the past must naturally affect the calculations of the Actuary, and future liabilities must be calculated on a comparable basis. It follows, therefore, that a part, at least, of the actuarial deficiency is in respect of future liabilities on the Funds, and therefore any amendment of the law which has the effect of limiting the retirement of officers or providing for the calculation of annuities on a less liberal scale must automatically reduce the present actuarial deficiency. It seems imperative that there be some radical alteration of the law in this respect, not only for the purpose of reducing the actuarial deficiency of the Funds but also in the interests of efficiency in the Service, as we believe that a hard-and-fast rule that officers must retire after a specified length of service is uneconomic. **We consider that a reasonable limit must be placed on the age of retirement, but we believe that the present right to retire after forty years' service, irrespective of age, is too liberal.**

1442. If the present system is to continue without alteration, the only method whereby the Funds can be saved from progressive insolvency is by the payment of a sum of £23,000,000 to the Funds. This is impracticable at present, and, moreover, can be rendered unnecessary, in part, by an alteration of the law regulating future retirements.

1443. It may be stated that an alteration in the rights of present contributors is in the nature of a breach of contract, but, be this as it may, it is undoubtedly in the interests of the present contributors to the Funds that steps be taken to place the funds on a sounder basis.

1444. We have accordingly investigated the position from this standpoint, and after careful consideration would recommend the amendment of the law in the following directions :—

1445. (1) Modify the present right of members to retire by length of service by limiting it to those who have attained a specified age—*e.g.*, age 60 in the case of males, and age 55 in the case of females ; also increase by five years the age or length of service at which a female contributor has the right to retire.

<i>Present Rights.</i>	<i>Proposed Rights.</i>
Males—	Males—
(a) After age 65.	(a) After age 65.
(b) After forty years' service.	(b) After age 60, if combined with forty years' service.
(c) At any age if medically unfit.	(c) At any age if medically unfit.
Females—	Females—
(a) After age 55.	(a) After age 60.
(b) After thirty years' service.	(b) After age 55, if combined with thirty-five years' service.
(c) At any age if medically unfit.	(c) At any age if medically unfit.

1446. (2) Eliminate all options to retire, with the Minister's consent, &c, earlier than above, but, in order to avoid hardship in the case of those compulsorily retired through no fault of their own, make provision for an actuarially reduced annuity that will place the Superannuation Fund in the same financial position as if the contributor had been retained in the Service to the earliest date at which he could have retired as of right—*i.e.*, on similar lines to section 14, Finance Act, 1931 (No. 1).

<i>Present Options.</i>	<i>Proposed Options.</i>
(a) After age 60 (females age 50).	Actuarially reduced annuities only if compulsorily retired through no fault of their own after twenty-five years' service or attainment of age 50.
(b) After age 55 if combined with length of service of thirty years.	
(c) After thirty-five years' service.	

Note.—This should be qualified to the extent that it should be optional for male officers to retire with forty years' service after, say, age 55, and female officers to retire with thirty-five years' service after, say, age 50, on an actuarially reduced annuity. There will be cases where, through failing health, officers are desirous of retiring before the age-limit is reached, and it would be to the advantage of the State that they should do so, provided that the Funds do not suffer.

1447. (3) (i) Alter the basis of calculation of "final salary" to the average salary of the last seven or ten years, instead of three years as at present.

An actuarial calculation will be necessary to determine which of these periods—*i.e.*, seven or ten years, will give the results aimed at, and, as this will take some considerable time, we are unable to state a definite period over which the average salary should be calculated.

Or,

(ii) Disregard for annuity (and contribution) purposes any salary increases after a specified age—say, age 55.

Of these two alternatives the former has the merit of correlating to some extent the retiring-allowance and the average salary received in the years preceding retirement, while from the viewpoint of the Fund the latter alternative has the advantage of being as effectual as the former in minimizing violent fluctuations in the annuity liabilities due to salary increases immediately preceding retirement, and at the same time does not penalize those retiring medically unfit to the same extent as the former basis would.

We have considered the relative merits of the two alternatives, and, while admitting the adverse effect of the former in so far as retirements through medical unfitness are concerned, we are nevertheless of opinion that the alteration of the basis of calculation of "final salary" to the average of the last seven or ten years is preferable. The percentage of retirements on account of medical unfitness is relatively small, and on this account the advantages of the first alternative outweigh the disadvantages.

1448. (4) The Government to guarantee a net effective interest yield of 5 per centum on the Funds. This would enable valuation of the Funds to be made at 5 per centum, and in effect be equivalent to a deferment of subsidy.

This recommendation is made primarily with a view to enabling the Actuary to value the Fund on a 5 per centum basis and will virtually have the immediate effect of reducing the actuarial deficiencies in the three Funds by a considerable amount. Without some such guarantee the Actuary is unable to value on a higher basis than $4\frac{1}{2}$ per centum. The Funds at present are earning considerably more than 5 per centum and the adoption of this recommendation should not throw any immediate liability on the Government.

1449. (5) Alter the method of paying the Government subsidy, which at the present time bears no relation to the actual deficiencies in the Funds, but is merely an average annual proportion of the actual annuities falling due during the next triennium which the Funds are unable to provide from their own resources. Although not sufficient to secure immediate solvency, an automatic £1 for £1 subsidy is suggested as being in keeping with the basis adopted in large superannuation

schemes of other Governments, and of commercial institutions ; it would also secure a more adequate contribution than is at present payable by the Government trading Departments in respect of their employees.

It should be recognized as a cardinal principle of the scheme that contributions by present employees should be reserved for future annuities.

It does not appear that £1 for £1 subsidy will be required for all time as when the liability in respect of "back service" is ended—*i.e.*, forty years from the inception of each of the Funds, a much smaller subsidy will suffice, provided that our recommendations as to the conditions of future retirements are now accepted, and are not later altered.

1450. (6) Increase by 2 per cent. of salary in respect of their future service the contributions of contributors to the Railways Fund who joined prior to the 1st January, 1908, at ages under 50.

At the present time officers in this class pay 2 per cent. less than do officers who joined the Service on or after the 1st January, 1908, and there is no doubt that the original scheme was far too liberal in view of the lower contributions. The Fund had to assume liability in respect of the "back service" of all officers who joined prior to the 1st January, 1908, while those who joined after 24th December, 1909, are subject to an arbitrary annuity limitation of £300 per annum on retirement. It is accordingly anomalous that for a greater benefit the officers joining prior to 1st January, 1908, should be paying 2 per cent. less by way of contributions. The suggestion, therefore, is that those contributors should be charged just the same rates of contribution for the remainder of their service as are paid by their fellow officers.

1451. It is estimated that recommendations numbers (1) to (4) inclusive, if adopted, would reduce the deficiency in the three Funds by approximately 50 per cent., and if recommendations numbers (5) and (6), coupled with the adjustment of present annuities recommended later in this report, were also adopted, the Funds would become solvent. As has already been explained, there would, in course of time, be a reduction in the State subsidy below £1 for £1 as recommended, but some years must elapse before this will be possible.

1452. Under existing conditions it will be difficult for the Consolidated Fund to bear its full share of the increased subsidy at the rate of £1 for £1, but it is nevertheless not unreasonable that a subsidy at this rate should be paid. There are many forms of public expenditure to-day which should not take precedence over what is, after all, a real liability of the State to the Funds. If by the means now suggested the Superannuation Funds are put on a sound basis once and for all, no possible exception can be taken to a reasonable subsidy being paid by the State.

1453. It would not be out of place here to mention once more that had the Superannuation Funds not been in existence it would have been necessary for the Government to provide compensation from the Consolidated Fund to an amount approximating £700,000 in respect of officers who have drawn superannuation from the Public Service Fund. This is a reasonable offset to the subsidy paid to this Fund, but is one which is apt to be overlooked when considering the position of the Fund and the liability of the State in regard thereto.

1454. Before passing from the subsidy phase the position of the trading Departments outside the Consolidated Fund must be mentioned. **There does not appear to be any valid reason why a £1 for £1 subsidy should not be paid by these Departments to the Superannuation Funds. We would go further, and say that there is little reason why a subsidy at this rate should not have been paid by the trading Departments from the inception of the superannuation schemes.** It is only of recent years that a contribution has been made by Departments such as the Public Trust Office, Government Life Insurance Office, State Fire Insurance Office, &c., to the Superannuation Funds ; and, even so, the contributions which have been paid by those Departments have been used to reduce the amount contributed from the Consolidated Fund in respect of subsidies. Also, the calculation of the contribution from the trading Departments has not been on a £1 for £1 basis, but has been on a similar basis to the total subsidy from the Consolidated Fund. **We are of opinion that the trading Departments should undoubtedly contribute £1 for £1 on officers' contributions, and that such subsidies from those Departments should date from the inauguration of the Funds.** It was not until 1923 that the system of recovering a portion of the subsidy from the trading Departments was brought into effect, and it is a difficult matter to compute accurately the amounts which would have been payable from the inauguration of the Public Service Fund, which is the one principally affected.

1455. We estimate, however, that on a £1 for £1 basis, and making allowances for those portions of subsidies which have been collected from the trading Departments since 1923, the amount payable to the Fund by the three main trading Departments is as follows :—

	£
Public Trust Office	100,000
Government Life Insurance Office	58,000
State Fire Insurance Office	26,000
	<hr/>
Total	£184,000
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1456. In arriving at the foregoing estimate the contributions have been compounded at 4 per cent. interest. **We recommend that the amount shown above be paid by the trading Departments to the Public Service Fund either by lump-sum cash payments or by an amortization table over a period of 36½ years, with interest at 5 per cent.**

1457. There are other Departments which have been similarly affected, as, for instance, the State Advances Office ; and we recommend that similar action be taken wherever possible.

1458. We have so far recommended that the basis of the calculation of future annuities be altered and that various trading Departments be required to pay £1 for £1 subsidies from the inauguration of the Funds.

1459. The position of present annuitants now remains to be considered. It will be recognized that a review of the conditions governing future retirements from the Service, if unaccompanied by a review of existing annuities, would be unreasonable and unfair, and if it be right to alter the present law to provide more stringent conditions on retirements for the future, **it is equally just that those who have retired from the Service under the too liberal provisions of the law should have their annuities reviewed in line with our recommendations concerning future annuities.** There is of course, the objection that the alteration of an existing annuity is an interference with a contractual right; but this is equally true in the case of present contributors to the Funds who joined the Service on the understanding that the benefits provided by the Act would be available to them. In any case, we cannot overlook the fact that it would be quite unfair to penalize those who will be retiring in the near future and to allow those who have recently retired to enjoy benefits which are too liberal in view of their contributions.

1460. There is a further consideration which has a bearing on any proposal for the reduction of existing annuities, and that is that the majority of those who have retired since 1921 have done so on an inflated annuity, in most cases out of relation on an actuarial basis to the average salary upon which their contributions to the Funds have been made. This is, of course, due to post-war rises in salaries. On the other hand, there is the decreasing body of annuitants who retired prior to the war-inflated period, and to whom no adjustment by way of increased annuities was made to compensate for the subsequent increase in the cost of living. A distinction must be made between these two classes, and **it would be unfair to recommend either a percentage reduction in annuities of those who retired prior to 1921 or the review of their annuities on a less liberal scale.**

1461. The whole question of annuities to officers who have already left the Service is bristling with difficulties, and whatever basis of adjustment is decided upon, some measure of hardship must follow. It seems, however, that the most equitable recommendation would be for the review of existing annuities in line with the recommendations already made in respect of future annuities. **We therefore recommend that existing annuities be reviewed on the following basis:—**

(a) **The calculation of annuities on basis of average salary of last seven or ten years of service, instead of last three years as at present:**

Provided, however, that such average salary shall in no case be deemed to be less than the average salary for the three years ending the 31st March, 1921: nor shall any alteration be made in any annuity granted before the 31st March, 1921 (vide proposal 3).

(b) **The calculation on an actuarial basis of annuities payable to those who retired after the 31st March, 1921, for reasons other than medical unfitness, prior to attaining age 65 (females, 60) or after completing forty years' service (females, thirty-five) (vide proposal 2):**

Provided that in neither of the foregoing cases shall annuities below £100 per annum be interfered with and that in no case shall a reduction below £100 per annum be brought about.

1462. The effect of the foregoing would be the automatic review of annuities granted since the 31st March, 1921, in line with our recommendations regarding future annuities, with the exception that we do not suggest that those officers who retired after completing forty years' service but who may not have reached sixty years of age should have their annuities reviewed under subclause (b) above. These officers complied with all the requirements as to length of service and were in many cases invited to retire, and we hardly think it would be equitable to suggest the recalculation of their annuities on an actuarial basis according to age. With this exception, and the limitation of £100, which is open to argument, our recommendations would result in the review of existing annuities granted since 1921 on all fours with the alterations recommended in the basis of calculation of future annuities. **This would at least ensure that uniformity of treatment would be achieved, and would result in a greater correlation between contributions and benefits and in a more equitable distribution of the sacrifice involved in a reconstruction scheme.**

1463. It is admitted that in certain cases the review of existing annuities, as recommended, will result in drastic reductions, particularly in the case of those officers who have retired voluntarily or who have been compulsorily retired after less than forty years' service. It will also affect those retired officers who received promotion towards the close of their official career, and the calculation on an actuarial basis of the future liability on the Superannuation Funds might require reductions in some existing annuities of up to, say, 35 per centum. **Nevertheless, we must recommend the reconstruction of these Funds in order to secure for the future the interests of both annuitants and contributors, and can find no more equitable method of distributing the losses among all parties.**

1464. In view, however, of the drastic reductions which will in many cases follow the calculation of present annuities on an actuarial basis, **we would add a proviso that no reduction exceeding 20 per centum of present annuities be brought about. We recommend that provision be made for the appointment of a special Undue Hardship Tribunal, as even a reduction of 20 per centum may cause hardship to those in receipt of relatively small annuities.**

1465. We have considered as an alternative to the review of existing annuities the possibility of recommending an arbitrary reduction of, say, 10 per centum. This would, however, result in many anomalies and in many cases grave injustices, and would, moreover, be impracticable as regards future annuities. If a 10 per centum reduction were imposed in perpetuity it would be particularly unjust to those officers who retired after having contributed to the Superannuation Funds over the

whole period of their service. Those officers will have bought and paid for the whole of their annuities, and for this reason we could not recommend a permanent reduction.

1466. It will be noticed that no alteration is suggested in connection with annuities granted before the 31st March, 1921. Those officers who retired prior to that date did not receive the benefit of the post-war rise in salaries, and consequently their retiring-allowances are on a relatively lower scale, and a general reduction in their annuities would be inequitable.

1467. In making our recommendations in regard to the readjustment of existing and future annuities we have kept in mind the fact that there are a few superannuated officers receiving quite large payments from their respective funds. It is important to realize that these are isolated cases, as is evidenced by the following figures showing the average annuities payable to those in receipt of over £300 from the various Funds:—

	£
Public Service Superannuation Fund	415·8
Teachers' Superannuation Fund	386·4
Railways Superannuation Fund	407·5

1468. The following table in connection with the Public Service Superannuation Fund will show clearly that the majority of superannuitants are receiving relatively small annuities:—

	Number of Annuitants.	Amount. £
Up to £200	1,298	149,169
£200 to £350	659	171,000
£350 to £600	187	81,844
£600 and over	30	21,931
Total	2,174	£423,944

1469. There may be some officers who would suffer no reduction as a result of the alteration in the basis of calculation recommended. In these cases we see no justification for any reduction.

1470. We would now refer to the arbitrary limit of £300 by way of annuity to officers who joined the Service after the 24th December, 1909. **The imposition of this limit is operating detrimentally to the best interests of the Service, and after considering the opinions of eminent actuaries on the point we believe that the removal of the limit would have only a slight adverse effect on the Funds and would go a long way towards remedying what is an anomalous position, particularly in so far as it concerns professional officers who join the Service relatively late in life.**

1471. The objections to the limit may briefly be stated as follow:—

- (1) It leads in some cases at least to officers paying more in contributions than their annuities are worth.
- (2) It helps to defeat one of the main objects of the Fund by diminishing the inducement to the best officers to remain in the Service.
- (3) It renders it more difficult to retire the higher officers who remain in the Service until the retiring-age, the annuity of £300 being small compared with a salary of, say, £1,000 particularly in the case of a deserving officer of long service.
- (4) It will cause a great deal of embarrassment in the future; at present its effect is more or less dormant because it applies only to officers joining the Service since the 24th December, 1909.
- (5) It does not proportionately help the finances of the Fund; witness the following remarks of Mr. George King, F.I.A., of London, a distinguished authority on actuarial matters: "It is wonderful how little saving was thus made upon the general finances of the Fund, because the pensions of the higher grade officials, although they seemed very large, were almost a negligible quantity in looking at the Fund as a great whole."

1472. Taking the three Funds together, the payments in excess of the £300 limit for annuities are only 2·8 per centum of the total annuities payable, and when this fact is remembered the remarks of Mr. George King quoted above will be appreciated.

1473. An even more striking example of the relatively little saving to the three Funds is contained in a report of the Government Actuary in 1920. He pointed out that had a limit of £300 been in force from the inception of the respective Funds the saving would have been only 4·7 per centum in the Public Service Fund, 0·7 per centum in the Teachers' Fund, and 1·8 per centum in the Railways Fund. **The disadvantages and anomalies created by the arbitrary limit therefore outweigh the small monetary saving to the Funds.**

1474. **The limit of £300 has been adversely commented upon by successive Government Actuaries in New Zealand, and we have no hesitation in recommending that this limit be abolished, as operating quite unfairly against those officers who by industry and ability rise to the higher positions in the Service.**

1475. We have painted a somewhat gloomy picture of the position of the Superannuation Funds. **The actuarial deficiency of some £23,000,000 is quite sufficient evidence of the gravity of the position.** If a radical alteration be not made in the basis of calculation of annuities, we can go further and state that were the three Funds put into liquidation and were existing annuities treated as preferential claims against the Funds, there would be nothing whatever available to refund to existing contributors any portion of their contributions. The position is even worse, in that on an actuarial basis the present Funds would be insufficient to meet the present annuities, and, taking the three Funds as a whole, the present annuitants could obtain a dividend of only 12s. 9d. in the pound of their annuities or allowances, while contributors still in the Service would forfeit all the contributions they have paid into the Funds.

1476. We feel that these facts should be brought home to the Government and the community generally, as the position is so serious that there should be no delay in effecting remedial measures.

1477. We would again stress the following points :—

- (1) That any alteration in the basis of calculation of future annuities should be accompanied by a review of existing annuities.
- (2) That any relief obtained by the Funds as a result of the foregoing must not be taken as justifying a reduction in the subsidies payable by the Government to the three Funds.
- (3) That the benefit of additional contributions from trading Departments herein recommended should accrue directly to the Funds concerned.

1478. Before closing, we must refer to the superannuation schemes of local authorities and business firms which are arranged through the National Provident Fund. It is a striking commentary that the Government subsidy to the National Provident Fund is sufficient to maintain the solvency of that Fund, and thus we see the Superannuation Funds of the State drifting into a hopeless position, due to insufficient Government subsidies in relation to the retirement conditions, while the obligations of the State in respect of subsidy to the National Provident Fund, which includes the superannuation schemes of local authorities and business firms, are met in full.

1479. We are fully aware of the gravity of these proposals. They reflect the belief that the sums involved are so enormous that the State in the past has failed, and is now unable to face the position, and must now divest itself of a portion of its liability to its own servants; but we believe that the public servants and present annuitants will accept a compromise in view of the very serious financial position of the Dominion. **With a full sense of responsibility, we urge that payments be never again allowed to fall into arrears. Whatever adjustments are made should be final and bear proper relation to the ability of the Funds to carry their liability. A second failure of the State to meet its obligations would shatter all faith in Government superannuation schemes.**

1480. Finally, we wish to place on record our indebtedness to the Secretary to the Treasury, the Public Service Commissioner, and the Government Actuary for their valuable assistance in dealing with this highly technical and difficult subject.

VOTE—STATE FIRE INSURANCE.

1481. We do not propose to examine in detail the expenditure of this Department, as no charge on the Consolidated Fund is involved. There is, however, one point to which reference should be made. When the State Fire Insurance Department was first constituted, authority was provided in the legislation for the raising of the sum of £100,000 as a Capital Fund for the Office, but the sum of only £2,000 was raised under this authority, and was repaid many years ago with interest.

1482. Since its inauguration, in 1903, the Department has thus functioned practically independently of State capital, and, to judge from the reserves which have been accumulated, the management has been successful. The balance-sheet as at the 31st December, 1930, disclosed that the Office had a Reserve Fund of £644,000 and an Investments Fluctuation Reserve Fund of £22,000, in addition to other specific reserves necessary in view of the nature of the business. It is satisfactory that these reserves have been built up in such a relatively short period, and at the same time that the Office has been largely able to fulfil the purpose for which it was inaugurated.

1483. It is a fact that, although the introduction of State capital has not been necessary, considerable benefit must have accrued to the management by virtue of the State guarantee, **and it is not unreasonable that the State should obtain some benefit from the operations of the Department.** The State guarantee is of some value in attracting business, and it is usual in commercial practice to make some charge for the giving of such a guarantee.

1484. Furthermore, the State is engaged in a number of enterprises of various kinds. As large losses are made in the operation of some of these enterprises, we are of opinion that these losses to the Consolidated Fund should be at least partly set off by contributions to the Fund from the profits of enterprises which prove successful.

1485. In view of the present depression and the urgent necessity for exploring every avenue to relieve the burden on the Consolidated Fund, **we recommend that the law be amended to provide for the payment of a part of the annual profits of the State Fire Insurance Department into the Consolidated Fund. We do not recommend that the legislation should provide for payment of an arbitrary portion of the profits into the Consolidated Fund, but suggest that it should be left to the discretion of the Minister of Finance to determine the amount, if any, which should be so transferred, having in mind the adequacy of reserves of the Office and other factors relating to insurance practice.** We do suggest, however, that the legislation should fix a maximum amount which may be taken from the profits in any year, and **suggest that one-third would be a fair maximum contribution.**

1486. The foregoing is dictated mainly by reason of present financial conditions, but there is another factor which makes the proposal an equitable one. In past years the Department has not always been liable for land and income tax and for the payment of an annual license fee, and it is evident that the Consolidated Fund has suffered a fairly large loss of taxation in this respect, with consequential benefit to the funds of the Department.

1487. In arriving at these conclusions we have not overlooked the fact that the Department is to a certain extent at a disadvantage with its competitors in the matter of investment of surplus funds. Its funds are invested in the Dominion mainly in Government stocks, and while private companies—whether mutual or otherwise—may purchase stock in the open market, oftentimes at a discount, the State Fire Insurance Department purchases from current issues at par.

1488. It is impossible to state definitely what benefit will accrue annually to the Consolidated Fund as a result of our recommendation, but it should be approximately £14,000 per annum.

PUBLIC WORKS DEPARTMENT.

1489. The activities of the Public Works Department are many and varied, and the Department controls the expenditure on numerous votes and separate accounts.

1490. By way of introduction, we show the actual expenditure for 1914-15 and for 1930-31 under all headings:—

	1914-15.	1930-31.
Public Works Fund—	£	£
Public Works, Departmental	100,625	131,816
Railways: Railway Construction and Additions to Open Lines	1,146,753	3,035,401
Public Buildings	417,000	423,020
Lighthouses, Harbour Works, and Harbour Defences	17,131	10,844
Tourist and Health Resorts	8,232	60,288
Immigration	33,219	33,544
Construction, Maintenance, and Supervision of Roads, Bridges, and other Public Works	514,430	1,475,523
Telegraph Extension	288,395	419,756
Lands Improvement	13,810	70,534
Plant, Material, and Stores	94	Cr. 44,772
Development of Mining	2,384	..
Contingent Defence	15,222	..
Timber-supply and Sawmills for Public Works Department .. .. .	..	Cr. 2,271
Acquisition and Operation of Quarries .. .. .	..	4,219
Irrigation, Water-supply, and Drainage .. .. .	..	62,614
Electric Supply Account .. .. .	..	1,187,797
Total, Public Works Fund	2,557,295	6,868,313*
Railways Improvements Account	9,023	..
Wellington-Hutt Railway and Road Improvement Account	368†	..
Aid to Water-power Works Account	74,291	..
Irrigation and Water-supply Account	32,089	..
Waihou and Ohinemuri Rivers Improvement Account	10,004	..
Land for Settlements Account	92,975	..
National Endowment Account	9,151	..
Main Highways Account: Revenue Fund .. .. .	..	1,091,362
Main Highways Account: Construction Fund .. .. .	..	757,906
Education Loans Account .. .. .	..	501,234
Hauraki Plains Settlement Account .. .. .	..	33,468
Rangitaiki Land Drainage Account .. .. .	..	6,767
Swamp Land Drainage Account .. .. .	..	48,063
	2,785,196	9,307,113

* Includes Railways Improvement Account figures for 1930-31.

† Charge to "Unauthorized."

1491. With the exception of expenditure from Main Highways Revenue Fund, practically the whole of the expenditure shown above is provided out of loan-moneys. It has occasionally been possible in the past to allocate relatively small amounts of revenue for the capital purposes of the Public Works Fund, but in relation to the total expenditure from loan-money these allocations are negligible. It must be remembered that any saving which can be recommended in regard to the foregoing expenditure will not represent immediate relief in so far as the budgetary position is concerned. The interest and sinking fund on loan-moneys are provided in the first instance from taxation, but are recouped, where possible, from the earnings of the various works undertaken. Unfortunately, however, in practice it has very often been found that works have not had that productive value which was anticipated when they were started.

1492. It is difficult to obtain a comparison between the two years—firstly, because of changes in accounting methods, and, secondly, because the separate accounts in existence in 1914-15, such as Railways Improvement Account, Irrigation and Water-supply Account, &c., are now merged with the Public Works Fund, and the expenditure which was formerly met from the separate accounts is now met from the General Purposes Account of the Public Works Fund. Then, again, the separate accounts which are now in existence were actually to a degree reflected in the Public Works Fund in 1914-15.

1493. **The main point which is to be noted from the foregoing table is that whereas in 1914-15 the total expenditure from the Public Works Fund and other accounts was £2,785,196, for 1930-31 it was no less than £9,307,033.** The graph appearing on the next page supplies an interesting comparison of the annual expenditure of the Department, and the expenditure per head of population from 1874 until 1931. It will be seen that from 1878 until 1921 the annual expenditure only twice exceeded £3 per head of population, and for many years it was less than £2 per head. During the last ten years it has, however, with the exception of 1923, been well in excess of £4 per head, until in 1931 it exceeded £5 10s. per head. **If any regard is to be had to the credit of the Dominion, it is obvious that this rate of expenditure cannot be continued.**

1494. We understand that it is intended that the Department is to be very considerably reduced in size and cost, and, from our investigation into the works which have been carried out during recent years, we have no hesitation in saying that this reduction is long overdue; in fact, it appears that the financial position of the country to-day is in no small measure the result of extravagant expenditure out of loan-money on schemes which, from a national point of view, have not justified the expenditure which has been incurred on them.

1495. As a preliminary to the analysis of the expenditure and the projects in more detail, we give hereunder a statement showing the accumulated outlay on capital works as at the 31st March, 1914 and 1931, respectively, but would preface this with the remark that all the expenditure shown in the following statement is not controlled by the Public Works Department—*e.g.*, such accounts as the Hauraki Plains Settlement Account, Rangitaiki Land Drainage Account, and Swamp Land Drainage Account are under the control of the Department of Lands and Survey, but the works are nevertheless of a national character, and the relative expenditure should be included if a correct perspective of the cost of national development is to be obtained.

	Accumulated Expenditure to 31st March,	
	1914.	1931.
	£	£
Public Works Fund :—		
Departmental	850,745	2,740,866
Rates on Native Lands	68,672	68,672
National Development Account :—		
Roads, Roads to Outlying Districts, and Roads on Goldfields	10,101,329	20,334,817
Harbour Works and Lighthouses	1,105,504	1,291,817
Lands: Purchases and Development	2,186,140	2,722,363
Mining Development	893,526	891,900
Social Services	3,053,827	5,190,714
Immigration	2,288,520	3,309,850
Public Buildings	2,802,998	5,909,181
Timber Supplies and Sawmills .. .. .	..	Cr. 5,489
Acquisition, &c., of Quarries .. .. .	..	9,636
Development of Tourist Resorts	259,128	591,308
Contingent Defence	974,395	1,406,587
Irrigation, &c.	4,356	968,743
Plant, Material, and Stores .. .. .	..	274,633
Railway Construction and Additions to Open Lines	31,048,631	56,117,712
Telegraph Extension	2,669,773	10,930,501
Charges and Expenses of raising Loans	1,252,400	3,713,744
Interest and Sinking Fund	218,500	218,500
Motor Transport .. .. .	..	33,635
Development of Water-power	18,451	..
Total, Public Works Fund	59,796,895	116,719,690
Receipts-in-Aid, Transfers from Revenue, &c.	11,054,380	15,674,303
Special Funds :—		
Electric Supply Account	177,837	10,270,384
Main Highways Account .. .. .	..	4,536,977*
Hauraki Plains Settlement Account	152,227	942,095
Rangitaiki Land Drainage Account	45,216	499,935
Swamp Land Drainage Account .. .. .	..	538,626
Irrigation and Water-supply Account	48,291	..
Wellington and Manawatu Purchase Account	1,000,000	†
Waihou and Ohinemuri Rivers Improvement Account	22,956	709,740
Wellington-Hutt Railway	331,321	330,032
Railways Improvement Account	636,332	641,275
Railways Improvement Authorization Act 1914 Account .. .. .	..	8,727,918
Loans to Local Bodies Account: Roads to open up Crown Lands	..	697,408
Opening up Crown Lands for Settlement Account: Roads to open up Crown Lands	695,398	206,626
Land for Settlements Account: Roads to open up Crown Lands	..	590,025
National Endowment Account	24,120	53,401
Education Loans Account .. .. .	..	4,678,965
Total, Special Funds	3,133,698	33,423,407
Grand totals.. .. .	£62,930,593	£150,143,097

* Includes £1,400,000 transferred from revenue funds and £1,226,000 raised through Public Works Fund General Purposes Account.

† Included in Railway Construction and Additions to Open Lines above.

1496. The Department also operates to a small extent on certain votes out of the Consolidated Fund, and the following statement will show the expenditure on those votes in 1914 and 1931. The works involved are mainly of a maintenance nature, and it would be misleading to show the total amount which has been expended year by year on work of this nature.

Avenues of Expenditure.	Net Annual Expenditure for Years ended 31st March,	
	1914.	1931.
Consolidated Fund—	£	£
Public Buildings	78,877	62,381
Government and other Domains	2,575	4,498
Maintenance and Repairs to Roads	44,014	32,848
Maintenance of Irrigation Works .. .. .	..	16,242
Total, Consolidated Fund	125,466	115,969

1497. A significant point noticeable in the table showing the accumulated capital expenditure is that between 1914 and 1931 it more than doubled. Another interesting feature is that whereas receipts and transfers from the Consolidated Fund up to 1914 totalled £11,000,000, in subsequent years, when times of comparative prosperity were experienced, the additional transfers to capital purposes amounted to little more than £4,500,000. **Undoubtedly a serious mistake has been made in the past in not depending to a greater extent on revenue for works of a developmental nature. Loan-money has been too easily obtained in good times, and the lessons now being learnt should not be forgotten when the tide of prosperity returns.** The loan liability in respect of the activities of the Public Works Department and other Departments engaged in developmental works, such as land-drainage, &c., totals £134,823,659, as shown in the following statement :—

	Loan Liability, 31st March, 1931.	Interest and Amortization Charge.
Public Works Fund :—	£	£
Departmental	61,716	2,998
National Development Account—		
Roads, Roads to Outlying Districts and Roads on Goldfields	20,612,161	1,001,338
Harbour Works and Lighthouses	1,027,151	49,899
Lands Miscellaneous	653,591	31,751
Mining Development	867,778	42,146
Main Highways	1,226,000	67,430
Unallocated	1,462,771	71,061
Social Services	7,017,172	340,894
Immigration	3,316,816	161,131
Public Buildings	1,868,519	90,773
Timber Supplies and Sawmills	Dr. 5,514	..
Acquisition, &c., of Quarries	9,661	469
Development of Tourist Resorts	583,326	28,338
Contingent Defence	1,313,412	63,806
Irrigation, &c.	990,070	48,098
Plant, Material, and Stores	262,380	12,746
Waihou and Ohinemuri Rivers Improvement Account	710,000	32,611
Railway Construction, Railways Improvement and Additions to Open Lines and Lines under Construction	66,656,298	3,281,071
Telegraph Extension and Post Office Buildings, &c. ..	12,202,101	592,778
Total, Public Works Fund	120,835,409	5,919,338
Special Funds :—		
Electric Supply Account	10,033,576	562,281
Main Highways Account	1,971,604	109,319
Hauraki Plains Settlement Account (Lands)	814,070	37,032
Rangitaiki Land Drainage Account (Lands)	500,000	22,685
Swamp Land Drainage Account (Lands)	669,000	30,801
Total	134,823,659	6,681,456

1498. In so far as the accumulated loan liability in respect of railway-construction is concerned, the sum of £10,400,000 is free of interest to the Railway Department, and interest and sinking fund on this amount must be provided from general taxation.

1499. Before passing to a detailed review of the expenditure under various votes and accounts it should be mentioned that there has been a tendency in the past to meet, out of loan capital, expenditure which should rightly have been met from revenue—*e.g.*, vote Contingent Defence and vote Immigration have appeared on the Public Works Fund appropriations. A review of the public-works estimates suggests that other items of expenditure should be charged to the Consolidated Fund, as, for instance, lighthouses and harbour-works. A large portion of this outlay represents conversions and replacements, which are a legitimate charge against revenue. Other examples appear under vote Lands Improvement and vote Construction, Maintenance, and Supervision of Roads. Also, an increasing proportion of the expenditure from the Education Loans Account for school buildings is in the nature of replacement of obsolete and inadequate school buildings, and, as such, should not be capitalized or provided from loan funds. It should be stated that in the past a proportion of the expenditure of the nature indicated has been partly offset by transfers of surplus revenue to the Public Works Fund. A statement given previously shows that the sum of £15,674,000 has been transferred in this way, but a *pro rata* apportionment of all such transfers would provide only about £440,000 for Immigration against an aggregate capital expenditure of £3,300,000 for this purpose. **This demonstrates that the provision that has been made for partly financing such projects out of revenue has not been adequate.**

1500. **Notwithstanding present financial conditions, we recommend that the practice of utilizing loan-moneys for the purpose of financing unproductive capital works or for renewals and replacements of capital works should cease immediately, and that suitable provision be made for expenditure of this nature out of the Consolidated Fund.**

1501. We now propose to review the various votes and accounts under the control of the Public Works Department, and will commence with the appropriations chargeable on the Public Works Fund and other accounts.

VOTE—PUBLIC WORKS, DEPARTMENTAL.

1502. This vote comprises salaries and general administration expenses incurred in carrying out the various works under the control of the Department, and these overhead expenses are allocated to the respective works. The residual charge against vote Public Works Departmental for 1930-31 was £131,816, whereas the gross expenditure was £311,448. In addition to the expenditure provided out of this vote there are certain salaries and administrative expenses charged to the Consolidated Fund under vote Public Buildings, Maintenance, &c., but wages, materials, and supplies are charged direct to the votes of the various works concerned. The vote Public Works, Departmental, is therefore provided for expenses of a purely administrative character.

1503. There is to-day an extensive Public Works organization which is directing and controlling works of considerable magnitude, and so long as the present system continues it will be necessary to maintain a comprehensive organization to provide for the supervision and control of large numbers of workmen in the direct employ of the State.

1504. Under present conditions there is another factor which makes it necessary for the Public Works Department to maintain a larger administrative staff than it should. The Department is called upon, often at short notice, to provide work for unemployed, and the organization must be such that supervision and control is immediately available in order to meet the exigencies of the moment. Furthermore, although this is not strictly appropriate to vote Public Works, Departmental, the necessity for finding and supervising work for the relief of unemployment entails the keeping of a considerable quantity and value of plant, material, &c. It is hoped that this is but a temporary phase, and that the unemployment situation will shortly improve. **An undesirable feature, however, is that both the administration and the acquisition of plant is being financed out of loan-money.** We have, however, dealt with this subject of inappropriate expenditure out of loan-money in regard to other phases of the Department's activities, but just mention here that the question of unemployment has a bearing on the matter.

1505. It is necessary at this stage to consider whether it would not be in the best interests of the Dominion if the system of carrying out public works by day labour under the control of the Department were abandoned. Without wishing in any way to impute lack of efficiency to the present organization, we think that **one of the main objections to the system of the State engaging all labour necessary for the carrying-out of public works is that it has developed an army of workmen who know no other employer than the State, and for whom it is increasingly difficult to find employment. We think it very undesirable that the Government should be the direct employer of men engaged on public works.** If works were let by contract the administrative staff of the Public Works Department could be reduced to a minimum, the expenditure on plant would largely disappear, and the Department would escape the work, annoyance, and dissatisfaction which result from the fact that every direct employee of the Government considers that he has the right to have his grievances heard by the Government. **If the men were working for a contractor this would be eliminated ; and, moreover, we believe that better results would be obtained.** It may be contended that, as contracting has not been carried out in New Zealand on a large scale for some considerable time, there would be some difficulty in obtaining skilled men as contractors, but we think that this objection is not a valid one.

1506. **Another disadvantage of the present system is that it is very easy for the Government to start perhaps small works with a view to relieving unemployment in any locality. Many works**

which when started are expected to be on a small scale have the disadvantage that as the work proceeds larger avenues of expenditure are opened up, and what may be a small job in the beginning ends up in the expenditure of much larger sums than were originally contemplated. There would not be the same tendency under the contract system, and, moreover, the reversion to such a system should not have an adverse effect on the unemployment situation, for it matters not whether men are employed by a contractor or by the Government.

1507. A distinct advantage of the contract system would be that a greater degree of certainty with regard to the final cost of construction works would be obtained. That this is a factor of considerable importance is clear from evidence we have obtained as to the estimated cost of various works and the final cost. **Large works are frequently authorized on the basis of estimates compiled by engineers, but in many cases the actual cost greatly exceeds the original estimate.** Good and sufficient reasons may be advanced in many cases for increases in original estimates—*e.g.*, additional work not contemplated when those estimates were framed may later be decided upon. The fact remains, however, that there are many cases where estimates are substantially exceeded for no apparent reasons, and this tendency would be avoided under the contract system. To give some examples of the increased cost of various works, we append a table showing estimated and completed cost of various irrigation schemes, railway works, and drainage works; and this table by no means completes the list of such cases.

Scheme.	Estimated Cost.	Capital Cost.
Central Otago Irrigation Works—	£	£
Manuherikia	156,000	233,000
Teviot	42,000	55,000
Ardgour	27,000	34,000
Tarras	78,000	137,000
Hawkdun	59,000	68,000
	362,000	527,000
Mangahao electric power	439,000	2,400,000
Railway workshops	1,500,000	2,000,000
Westfield deviation	450,000	803,000
Waihou and Ohinemuri Rivers improvement	150,000	710,000
Rangitaiki land drainage	50,000	500,000
	2,951,000	6,940,000

1508. To take just two cases from the above table, we suggest that had it been realized that the cost of the Waihou and Ohinemuri Rivers improvement scheme and the Rangitaiki land-drainage scheme would be £1,210,000 as against an original estimate of £200,000 the works would not have been commenced. We also refer to the practice whereby comparatively small works are started and which later develop into works of some magnitude requiring greatly increased expenditure. **The time is long overdue when full consideration should be given to the effect of such works on finances in succeeding years, and we consider that works of this nature should not be commenced unless the full amount required to ensure their completion and future maintenance is definitely known and can be provided for.**

1509. In the past, where estimates have been exceeded, additional loan funds have been too readily obtained; but, although this easy method of finance has been checked meantime, the greatest care and closest control of the expenditure of public money on developmental projects is absolutely essential in the future. The establishment of a thorough system of costing based upon sound commercial principles which would keep administrative officers comprehensively and finally informed as to the progress of the works, and the proper utilization of such a system, would go a long way towards eliminating faulty estimates in the future; but this is, of course, assuming that the present system of carrying out public works is to continue, which we do not recommend.

1510. **The annual estimates of expenditure out of the Public Works Fund and other accounts should be subject to more rigid scrutiny and control. We recommend the incorporation of the Public Works estimates as an integral portion of the Budget.** The machinery which at present exists for the overhaul of the estimates is in itself insufficient, and after reviewing the various votes and accounts under the control of the Department we shall have further proposals to put forward to provide for a more adequate review and consideration of works before they are undertaken.

1511. It is unnecessary to review in detail the items provided under vote Public Works, Departmental. **Our recommendation for a reversion to the contract system of carrying out public works would have an immediate and far-reaching result in so far as the present organization of the Department is concerned.** There would no longer be any necessity for the maintenance of a large administrative staff designed to control and carry out public works in every corner of the Dominion. The administrative staff could be reduced to an advisory and inspectorial staff, and the clerical and accounting machinery could be greatly simplified. **We feel so confident that a reversion to the contract system is the only satisfactory basis upon which true economy can be obtained that we have not considered it necessary to inquire into the possibilities of effecting economy, assuming the present policy is to be continued.** If our suggestion is adopted, it is estimated that the adminis-

tration costs of the Department should be reduced by approximately £150,000 per annum. This saving is calculated on the gross administration charges, for the credits-in-aid shown under this vote come from other votes and accounts, which would participate in the saving accruing from the adoption of the system recommended.

1512. **A definite saving would be possible by closing many small offices throughout the Dominion, as they would not be necessary in the reduced establishment.**

1513. Before passing to consideration of other votes, there are one or two matters in connection with vote Public Works, Departmental, to which attention should be drawn. The Department has certain statutory obligations in respect to examination, inspection, &c.—as, for instance, the administration of the Engineers Registration Act. The accounts for 1930–31 disclose that the excess of expenditure over income in connection with the Engineers Registration Act was £97. It is considered that the fees charged for examination and registration should be sufficient to recoup the total relative expenditure by the Department, and **we recommend that the scale be increased accordingly.**

1514. The Department also carries out various duties of an advisory nature for local authorities, and no direct charge is made in such cases. As the salaries and administrative expenses incurred are met out of loan-money, the result is that failure to recover from local authorities and others the value of services rendered necessitates expenditure being capitalized and sinking fund requiring to be met over the ensuing sixty years, which is the period of amortization in respect of the public debt. **We recommend that where the Department undertakes services for local authorities or other Departments that charges be made therefor to recoup the Public Works Fund.**

1515. The propriety of various charges against the Public Works Fund has frequently come under our notice. **There are many items on the vote at present under discussion which we cannot agree should be met from loan-money.** Indeed, it is questionable whether the whole of this vote should not be transferred to the Consolidated Fund and the services performed by departmental officers in respect of construction projects—*i.e.*, legitimate charges against loan-money—recouped to the Consolidated Fund. Such expenditure as, for instance, the cost of printing the Public Works Statement (Parliamentary Paper D.-1) and the printing of the Public Works Estimates should certainly not be a charge against loan-money. Also, we draw attention to the fact that the Public Works Statement appears to be rather extravagantly prepared and too profusely illustrated. The cost of printing in 1931 was £264, which appears to be excessive, and we recommend that further economy be practised in this connection.

VOTE—RAILWAY-CONSTRUCTION.

1516. The amount provided under this vote for 1931–32 was £700,000; but since the appropriations were passed practically all work on lines under construction has been discontinued, as it has been amply demonstrated that new capital expenditure on railway-construction can no longer be justified.

VOTE—RAILWAYS IMPROVEMENTS AND ADDITIONS TO OPEN LINES.

1517. The amount provided under this vote for 1931–32 was £1,445,000, against which credits-in-aid were estimated to reach £425,000, leaving a net vote of £1,020,000. The credits-in-aid are derived mainly from the Working Railways Account, and represent depreciation accrued during the year on buildings, bridges, plant, &c. We have already referred to this question of depreciation in the Railways and Post and Telegraph Departments, and have recommended that the amount not required to replace worn-out assets during any year should not be invested in new capital works, but should be specifically set aside to provide a fund for the replacement of assets as required in the future. A review of the expenditure provided under this vote will indicate that substantial new works must, in part, under the present arrangement be financed from Depreciation Fund moneys. No doubt the expenditure under this vote is also subject to close scrutiny by the Railways Board, and, apart from our comment in connection with the use of Depreciation Fund moneys, we have no further recommendations to make.

RAILWAY FINANCE—GENERAL.

1518. The capital invested in railways now totals £68,679,000, but in 1929 legislation was enacted whereby £8,100,000 was written off the Capital Account for interest recoupment purposes in respect to non-paying lines, this being the estimated amount of contributions from the Consolidated Fund towards railway capital purposes. This writing-off was authorized in lieu of the subsidy previously paid from the Consolidated Fund in respect of non-paying lines. The amount was increased in 1930 to £10,400,000 on account of depreciation and losses of assets not otherwise provided for up to the 31st March, 1931. If the writing-off of capital to the extent of £10,400,000 were the beginning and end of the burden on taxation through the adverse drift in railway finances, the situation would not be so grave. Interest is calculated on cost of open lines and is charged against the earnings of the railways, while interest on the cost of unopened lines is not so charged until the lines are taken over by the Railways Department.

1519. For the year ended 31st March, 1931, the interest charged to the Department, after making provision for the writing-off of £8,100,000, was £2,255,345, but the amount actually contributed to the Consolidated Fund towards this interest was only £685,000. **Thus there was a shortage of £1,570,000, which had to be found from general taxation.** Capitalizing this deficiency at 5 per

centum gives a figure of £31,400,000, which can be taken as a dead-weight of debt, the interest and amortization charges on which must meantime continue to be met from general taxation. If the amount of £8,100,000 written off is added to this figure it means that £39,500,000 has been sunk in railway-construction from which no return is being obtained, and this is without making any allowance for the sum of £7,000,000 expended on unopened lines. **In other words, almost two-thirds of the money invested in railways was at the above date not earning interest.** We shall later show that upwards of £40,000,000 has been expended on road-construction by the State and by local authorities, and **it is evident that the wasteful competition between road and railway services is partially responsible for the unproductiveness of so much railway capital.**

1520. The burden of taxation to-day would be considerably eased were it possible to recover from the earnings of the railways the full interest on capital expended in construction and every effort should be made to deal effectively with this problem of road and railway finance. It is obviously uneconomic for the Dominion to continue on a comprehensive roading policy, which is already, in our opinion, years ahead of its time, when Railways finance is in such a languishing state. Publicity campaigns and reorganizations of the railway service will not, of themselves, bring back traffic to the railways in sufficient quantities to arrest the drift in Railways finance. While it may not be within our province to deal specifically with forms of taxation, **we nevertheless venture to suggest that it is only through a combination of increased and properly directed taxation, and control and regulation of transport, that the wasteful competition between road and railway services can be eliminated.** It seems clear that road-users in general, and particularly goods and passenger transport services, are not contributing as they should to the maintenance and upkeep of the highway system, and **if it is reasonable to expect the railways to meet running-expenses and maintenance, as well as interest on the capital cost of construction, it is equally reasonable to expect all classes of mechanical transport to meet their just proportion of maintenance and interest on the capital cost of highways.** The Main Highways Accounts disclose that whereas the total revenue received for 1930-31 was £1,767,000 the actual expenditure for maintenance and administrative services alone was £940,000. The account is not charged with any interest on the capital previously expended out of the Public Works Fund on road-construction amounting in all to approximately £21,000,000. The problem should, however, be considered not merely from the point of view of income and expenditure of the Main Highways Account, but on a national basis. It is estimated that the total maintenance cost of roads, including interest and amortization by the State and local authorities, for the year ended 31st March, 1931, was approximately £4,700,000, while the receipts from motor and allied taxation for the same period amounted to approximately £2,140,000. **In other words, by direct taxation mechanical transport contributes less than half of the annual interest and maintenance cost of the roading system.** Viewed in this light, the inability of the railways to meet all operating, maintenance, and interest charges is not surprising. **We suggest an immediate review of the taxation on mechanical transport, more particularly as it affects passenger and goods transport services, with a view to a more equitable share of the burden being met by the users.** We would stress the fact that any further taxation levied on road-users should not be taken to strengthen the position of the Main Highways Account, which we have already recommended should be abolished. Assistance is now required not so much for special accounts as for the Consolidated Fund in relief of general taxation.

VOTES—PUBLIC BUILDINGS.

1521. The amount appropriated for 1931-32 in respect of public buildings was £680,600. Of this amount the sum of £350,000 was for education buildings, and we have commented on the large expenditure in this direction when dealing with the Department of Education. We do not propose to review this vote in detail.

1522. There is, however, a constant tendency towards the provision and replacement out of loan-money of such buildings as mental institutions, prisons, and the like, by new and fully equipped buildings, annexes, &c., in sympathy with changes in population density, administrative policies, &c.

1523. We point out that the total amount provided up to the 31st March, 1931, from loan-moneys for the erection, improvement, &c., of all public buildings was approximately £16,000,000, and it appears that **the time has arrived when the expenditure of large sums of overseas loan-money each year on such buildings should cease.**

1524. Taking the appropriations for 1931-32, the following are only a few minor examples of expenditure inappropriately charged against loan money:—

	£
Temporary accommodation and clearing sites, Napier	2,000
Hood's Buildings—Additions for Unemployment Board (short-term lease, expiring 1935)	800
Government Buildings—Installation of heating system	5,000

1525. Even if it were possible to continue the policy of erecting public buildings out of loan-money, there are many other items under the votes in respect of public buildings which cannot be justifiably charged against borrowed money. The period within which the public debt is being funded is sixty years, and **it is obvious that there will be charges on taxation for many years after assets which are now being created out of loan-money are worn out and have themselves been replaced (if the present policy is continued) also out of loan-money.** The result must be in increasing burden on posterity and an increasingly pressing burden on general taxation for interest and amortization charges.

1526. Involved with this question of expenditure on public buildings is the general question of accommodation for Departments. The rentals paid for Government offices in the Dominion amount to approximately £42,000 per annum, and from cases which have come under our review it is evident that considerable economy could be effected by carefully reviewing the floor-space occupied by those Departments at present accommodated in Government buildings with a view to making room for some at least of the departmental offices which are now accommodated in private premises.

1527. There should also be a review of the floor-space occupied by Departments at present housed in rented premises, as there is reason to believe that more space than is necessary is being leased. In Wellington alone some Departments occupying rented premises are provided with up to 180 square feet of floor-space per officer whereas, in Government buildings the average floor-space is under 100 square feet.

1528. It is impossible to review in detail the whole question of office accommodation, but obviously there is room for economy in this direction. **We recommend that the matter be subject to close overhaul by the Government Buildings Office Accommodation Board, whose decision should be given effect to.**

1529. A further question arising out of this vote is that of housing-accommodation provided for departmental officers. The total capital expended by the State for the purpose of housing its employees, exclusive of the value of the land utilized, is in the vicinity of £2,000,000; but there is no uniformity of practice as between Departments, or even within Departments, in the fixing of the rental charged to employees. In some cases houses are provided rent-free, in others at a weekly rental providing only a small interest return on the capital. As far as can be ascertained, in no case is the Consolidated Fund fully reimbursed upon a normal commercial basis. The matter was mentioned by the Royal Commission which recently inquired into and reported on the various phases of railway policy, and the Railway Department has since put into operation an amended schedule of rentals which is designed to produce an aggregate revenue increase of approximately 33½ per cent over the old rates.

1530. **We recommend that the rental charged to employees should be based upon the current value of the land and dwellings.** The matter is of considerable importance, in that many Departments are affected—*e.g.*, the Public Works, Post and Telegraph, Health, Mental Hospitals, Education, Forestry, and Marine Departments.

1531. We have dealt with the allied question of house allowances to teachers, and recommended that the policy of providing a free house, or alternatively paying a house allowance, should cease, except in cases where accommodation is required in remote localities. We recognize that what may be feasible for one Department may not apply to another, but generally it should be accepted that all employees should pay a reasonable rent where premises are provided. This question of housing has a direct bearing upon the capital cost of railway-lines constructed by the Public Works Department out of loan-money and ultimately controlled by the Railways Board. Notwithstanding that the wages paid to employees are substantially regulated by commercial conditions, and that only a portion of the employees enjoy such privileges in regard to housing, it has been stated that **the policy of providing dwellings upon railway-construction works has been responsible for an increase of up to £3,000 per mile in the cost of construction of new lines.** In view of present economic conditions we are definitely of opinion that further accommodation should not be provided for Government officers, except perhaps where they are stationed in remote localities, and even then, and in the case of officers for whom dwellings have already been provided, reasonable rentals providing a return of at least 7 per centum on capital value should be charged.

VOTE—TIMBER-SUPPLY AND SAWMILLS FOR PUBLIC WORKS DEPARTMENT.

1532. The amount provided for 1931–32 on this vote was £2,500, while the estimated credits-in-aid amounted to £100. The assets have been reduced as at the 31st March, 1931, to £5,327, and the account as a whole shows a surplus of £5,514; consequently these ventures have not involved the Public Works Fund in any permanent loan liability. We are of opinion that the economic justification for the mills no longer exists, and that **the ventures should be liquidated as soon as possible**, thus eliminating such expenses as caretaking, &c.

VOTE—ACQUISITION AND OPERATION OF QUARRIES FOR PUBLIC WORKS DEPARTMENT.

1533. The amount provided under this vote for 1931–32 was £11,000, while credits-in-aid were estimated to reach £6,000, leaving a net charge of £5,000 against loan-money. These operations are carried out principally for the purpose of supplying road-metal for public works in districts where metal is scarce, but small sales are made to local bodies, &c. Substantially, however, the price is regulated by the cost of production, which is automatically charged to the construction works involved, and is not necessarily competitive.

1534. The justification for the continuance of these ventures appears to depend upon the volume of the public works in the respective localities and the availability of metal-supplies from private contractors at a reasonable cost. The indications are that there must be a drastic curtailment of expenditure on public works for some years to come, and **we are of opinion that these ventures should be liquidated as soon as possible.**

VOTE—LIGHTHOUSES AND HARBOUR-WORKS.

1535 The amount provided in respect of lighthouses for 1931-32 was £10,000, and for harbour-works £15,000, or a total of £25,000.

1536. A considerable portion of the expenditure provided for 1931-32 was on conversions and replacements, which do not appear to be a legitimate charge against loan capital; this particularly refers to the amount provided in respect of lighthouses. The expenditure on harbour-works was confined for the most part to subsidies and grants towards the improvement of water transport conditions for many of the smaller communities, and for which no direct revenue return can be expected. This is just another small instance of non-productive works being financed out of loan capital, and in view of present conditions this practice should cease and whatever assistance is required should be provided from revenue.

VOTE—DEVELOPMENT OF TOURIST RESORTS.

1537. The expenditure provided under this vote for 1931-32 was £110,000, and included the cutting of tracks, the erection of huts, additions and improvements to existing hostels, &c., and here again **we are of opinion that the expenditure of loan-money on such projects is not justified.** If the finances of the Dominion were such that expenditure of this nature could be financed from taxation, then no objection should be taken to it, but in the present state of national finances such expenditure should cease until it is possible to meet the cost from the Consolidated Fund.

1538. The total capital expenditure up to the 31st March, 1931, in respect of the development of tourist resorts was £576,708, and the result of the operations of the Department of Industries and Commerce, Tourist, and Publicity for the year ended 31st March, 1931, was a loss of £89,273. The greater part of this loss was in respect of tourist and health resorts, and the position therefore is that **the Consolidated Fund is obtaining no relief from the interest and debt-repayment charges in respect to the total expenditure out of loan-money of £576,708, and, in addition, there is a very considerable annual loss on the running of these tourist resorts. If any justification is required for our recommendation that capital expenditure should cease, it may surely be found in the steadily increasing burden of these activities on general taxation.**

VOTE—DEPARTMENT OF IMMIGRATION.

1539. The amount provided for 1931-32 on this vote was £10,000, and the annual expenditure in 1914-15 and for the last three years has been as follows:—

	£
1914-15	33,219
1928-29	50,266
1929-30	41,756.
1930-31	33,544

1540. The total capital expenditure on immigration to the 31st March, 1931, was £3,309,850. This amount has all been provided out of loan-money, and the result is that the Consolidated Fund must meet each year interest and debt-repayment charges totalling approximately £160,000.

1541. **We are of opinion that any amounts required in future (and the expenditure should be reduced to a minimum) should be provided out of the Consolidated Fund.** This policy was in part followed in 1931-32, as the sum of £9,345 was provided for that year out of the Consolidated Fund under vote Labour Department; but the balance of £10,000 remained a charge against the Public Works Fund—*i.e.*, loan-money.

1542. The total vote for immigration, if any be necessary, should in future be provided entirely from revenue.

VOTE—CONSTRUCTION, MAINTENANCE, AND SUPERVISION OF ROADS, BRIDGES, AND OTHER PUBLIC WORKS.

1543. The amount provided under this vote for 1931-32 was £1,325,000. The expenditure for 1914-15 as compared with 1930-31 was as follows:—

	£
1914-15	514,430
1930-31	1,475,523

1544. The total cost of construction, maintenance, and supervision of roads as provided from this vote up to the 31st March, 1931, has been £20,334,816; but it is by no means the total expenditure from all sources on road works, as no account is taken of the expenditure from the Main Highways Construction Fund. The expenditure represents principally grants and subsidies since the inauguration of the public-works scheme in 1870, and the substantial increase in the annual expenditure during recent years is largely due to the necessity of finding work for unemployed.

1545. In the Public Works Statement submitted to Parliament in 1931 it was stated that, as a result of the present depression and the need for providing relief for unemployed, roads throughout the Dominion which under normal conditions would be looked upon as of sufficiently high standard to meet the present-day requirements have been further improved in width, grading, and alignment.

1546. Roadworks are generally looked upon as providing a fitting means of relieving unemployment, owing to the high proportion of labour cost involved; but, in our opinion, there are special reasons why the prosecution of works of this nature should not be carried out to excess, even for the purpose of providing relief and work for unemployed. The increased maintenance cost is a factor which cannot be overlooked, and also the more the roading system is developed the greater will be the economic waste through competition between road and rail transport.

1547. **A note of warning should be sounded in this respect, as there is ample evidence that substantial works—not only road-construction projects—have been put in hand in the past without sufficient regard being taken to the incidental charges which in later years must fall upon general taxation.**

1548. As has been previously stated, the expenditure provided on this vote is largely by way of grants and subsidies to local authorities for various roadworks undertaken by them, but it would appear that local authorities are prone to put in hand extensive works without adequate investigation as to whether the interests of the whole community are being served or not.

1549. In many instances the cost of road-formation has been far in excess of the capital value of the land served. In other instances the work to be undertaken by means of State subsidy and loan-moneys raised by local authorities undoubtedly results in keener competition between road and rail transport services.

1550. There are also cases where subsidies are provided for roadworks in closely settled areas and for roads giving access to seaside properties used for week-end purposes only. Greater discrimination should be shown in the types of works to be subsidized out of loan funds. **There is an increasing tendency on the part of local authorities to look to the Central Government for grants and assistance from general and special taxation and from other sources.**

1551. The following statement, which has been extracted from the "Local Authorities Handbook," gives some idea of the various forms of assistance afforded to local authorities:—

	1928-29.	1929-30.
	£	£
From Revenue—		
Subsidies upon rates (from Main Highways Account as from 1930)	226,800	241,440
Goldfields revenue	28,300	28,850
"Thirds" and "Fourths" from land-sales and revenue ..	16,800	13,800
Rates upon Crown and Native lands	11,700	1,100
Timber and flax royalties	9,900	15,250
Fees, fines, and sundries	99,400	61,600
Petrol-tax receipts .. .. .	..	74,880
	392,900	436,920
From Capital—		
Grants for special works	1,132,400	1,515,130
Loans from State Advances Office	9,700	5,580
Advances from Main Highways Board .. .. .	..	5,000
	£1,535,000	£1,962,630

1552. It will be noted that local authorities now receive from the Main Highways Account, instead of from the Consolidated Fund as formerly, subsidies on general rates to the extent of approximately £240,000 per annum. These subsidies were first instituted in 1885, and the idea in instituting them was, to quote Sir Julius Vogel, "to greatly extinguish that practice of relying for the roads and bridges of the country upon borrowed money" and to enable the whole cost thereof to be thrown on consolidated revenues instead of the Public Works Fund. **That this hope has not been fulfilled is evident both from the extent to which local-body debt for roading purposes has grown and from the continued and increasing practice of providing large sums annually from the Public Works Fund (i.e., loan-moneys) for subsidies for road-construction projects.**

1553. Unfortunately, when the subsidies on rates were first instituted the purpose for which they were given was not defined in the legislation, and the result is that local authorities now look upon such subsidies as relief for their General Account, and the amounts are used for general administrative expenditure, salaries, &c. In other words, they have become subsidies in relief of rates.

1554. The general question of assistance to local authorities, including subsidies on rates, should be reviewed, as we have mentioned in our remarks on the cost of local government.

1555. Reference has been made elsewhere in this report to the question of "thirds," "fourths," and "fifths" in connection with the Lands and Survey and Forestry Departments.

1556. **A review of the basis of assistance to local authorities is long overdue.** In so far as the vote now under discussion is concerned, some proportion of the expenditure is in respect of maintenance, and the utilization of loan funds for this purpose is essentially wrong. Many of the roads which are now being subsidized have received considerable assistance for many years past, and this appears to indicate the necessity of more rigid control. We are proposing the constitution of a National Board of Works, and consider that one of the first duties of the Board should be to lay down definite rules governing the provision of subsidies from the State under this vote.

1557. The whole question of road construction and maintenance and its relation to road transport in competition with the railways is a most complex one, and steps must be taken to eliminate the economic waste which is increasing annually.

1558. It is important to remember, however, that each roading project which is put in hand either by the Government or by the local authorities, or by both, must result in increased annual maintenance cost, and we have already shown that the receipts derived from motor and allied taxation fall far short of the amount required each year for maintenance and interest and repayment charges on loans raised by the State and by local authorities.

VOTE—TELEGRAPH EXTENSION.

1559. The amount provided under this vote in 1931–32 was £250,000, and the annual expenditure for 1914–15 and the last three years has been as follows:—

	£
1914–15	288,395
1928–29	624,414
1929–30	594,383
1930–31	419,756

1560. The total capital provided for telegraph extension, post-office buildings, &c., up to the 31st March, 1931, was £12,202,101, in addition to which the sum of £1,617,062 has been provided by the Post and Telegraph Department, making a total sum of £13,819,163 invested as follows:—

	£
Telegraphs and tolls	2,368,052
Telephone exchanges	8,311,966
Wireless	64,629
Buildings and sites	2,615,807
Plant, workshops, garages, furniture, &c.	458,709
	<hr/>
	£13,819,163
	<hr/> <hr/>

1561. The interest and amortization charges on the above capital liability amount to approximately £592,000 per annum, against which the sum of £504,000 was received during 1930–31 as interest on the capital liability of the Post and Telegraph Department. The Savings-bank profits are subject to the direction of the Minister of Finance, and some relief may be obtained for the Consolidated Fund in this respect. Owing to increased postal revenue and reductions in salaries the Consolidated Fund benefited to the extent of approximately £1,000,000 during 1931–32.

1562. **As regards the provision of new capital for the extension of the telephone system, we believe that the time has arrived when any necessary extensions should be financed from our own resources or from the earnings of the Post and Telegraph Department.**

1563. It will be noted that the largest item in the vote under discussion is the construction of telephone exchanges, and some at least of these projects are necessary on account of the present exchanges having outlived their usefulness or being too small to meet present-day requirements. It is evident that the total cost should not be charged against new loan-money, and this is a further reason why borrowing for extensions of the system should be discontinued as soon as possible.

VOTE—LANDS IMPROVEMENT.

1564. The amount provided for this vote for 1931–32 was £100,000. The expenditure for 1914–15 and 1930–31 was as follows:—

	£
1914–15	13,810
1930–31	70,534

1565. It may be stated that a comparison of the actual amount expended under the vote in 1914–15 and in 1930–31 is misleading, for the reason that various works which are now financed from the vote were in previous years financed from special accounts—*e.g.*, Waihou and Ohinemuri Rivers Improvement. However, during recent years, the expenditure has been in the vicinity of between £70,000 and £80,000 and is substantially by way of grants to local bodies for drainage, access, river protection, &c., for which no financial return can ever be expected. Furthermore, the amounts provided from this vote are in addition to extensive grants from the Consolidated Fund for what may be termed national development, and are also in addition to substantial expenditure which has been incurred in respect of drainage and reclamation of land from the Hauraki Plains Settlement Account, Rangitaiki Land Drainage Account, and the Swamp Land Drainage Account, all of which are under the administration of the Department of Lands and Survey and are reviewed in connection with that Department.

1566. **Expenditure by way of subsidies to Drainage Boards and other local authorities for drainage, river protection, water-supply, and other works should be provided from the Consolidated Fund, as non-productive expenditure of this nature is not a legitimate charge against loan-money. We accordingly recommend that the vote be transferred to the Consolidated Fund as soon as financial conditions will permit.**

1567. There are two major works, the expenditure from which is now met from this vote, to which we wish to draw attention. They are the Waihou and Ohinemuri Rivers improvement scheme and the Taieri River protection scheme. A brief statement outlining the history of these schemes is submitted hereunder:—

1568. *Waihou and Ohinemuri Rivers Improvement Scheme.*—As has been stated, the expenditure previously incurred in connection with this scheme was debited to a special account called the Waihou and Ohinemuri Rivers Improvement Account, which was funded from loan-money. This account was transferred as from the 1st April, 1931, to the General Purposes Account of the Public Works Fund, and the amount required to complete the scheme will be found by way of appropriation on vote Lands Improvement. The sum of £25,000 appeared on the appropriations for 1931–32.

1569. The Waihou and Ohinemuri Rivers improvement scheme is a major work of flood-control and land-reclamation, which was put in hand under the authority of the Waihou and Ohinemuri Rivers Improvement Act, 1910, which was passed to give effect to the report of a Royal Commission set up immediately following the severe floods in the two rivers in January, 1910. The effect of the flood had been greatly intensified by the deteriorated condition of the Ohinemuri River, due to its use for fifteen years as a sludge-channel for mining purposes. **The Commission estimated the cost of the works required to protect the district from flooding at £150,000, but this estimate was apparently based on scanty engineering data, for the actual cost up to the 31st March, 1931, was £710,000.**

1570. The original intention was that the interest and sinking-fund charges on loans raised for the carrying-out of the works should be met as follows:—

- One-sixth to be paid from the Consolidated Fund.
- Three-sixths to be paid from the gold duty derived in the river district.
- One-sixth to be paid by mining companies using river as sludge-channel.
- One-sixth to be paid by the lands to be benefited by the works.

1571. Maintenance after the completion of the work was to be found in the same proportions.

1572. As the works proceeded it became apparent that the estimate of £150,000 made in 1910 was hopelessly inadequate, and further expenditure was authorized from time to time in the Finance Acts. The scheme which has now developed is much more comprehensive than was originally contemplated by the Commission, and, indeed, **it appears to us to be evident that had it been known that the works would cost in the vicinity of £750,000, they would not have been commenced.**

1573. In 1921 a further Commission was appointed to report upon the scheme, and particularly as to how the increasing costs should be allocated, having in view the changed aspect of the work owing to the decline in the mining industry and to the fact that land improvement and reclamation had become more important. It was then reported that the cost would be approximately £625,000.

1574. The original allocation was found by this later Commission to be inequitable, and it was recommended that interest and sinking-fund charges in respect to the estimated cost of £625,000 and subsequent maintenance should be apportioned as follows:—

- One-half from the Consolidated Fund.
- One-quarter from land in the river district.
- Balance from gold duty and mining companies.

1575. Under this recommendation the land benefited would be called upon to pay only interest and sinking fund and maintenance charges amounting to approximately £11,000. The recommendation had the effect of increasing substantially the Government contributions to the work, but, notwithstanding this, strong protests were made against the finding of the Commission, **and the result was that no action was taken to give legislative effect to the recommendations.**

1576. It was not until 1926 that the matter again came under review, when a departmental committee was set up to classify the land within the river district receiving benefit from the works, and to make recommendations as to what portion of the cost of the works the committee considered the district could reasonably bear. Betterment was estimated by this committee at approximately £372,000, and the committee also made recommendations whereby maintenance costs would be substantially borne by the owners of the land within the district.

1577. To revert now to the original provisions for the repayment of the capital cost, one-half of the expenditure was to be repaid from the gold duty derived from the district. This was originally in the vicinity of £29,000 per annum, but owing to the continued decline in mining operations the amount collected is now only approximately £8,000 per annum. This duty was the main source of revenue of the Waihi Borough Council, and in order to give some relief to borough finances it was agreed not to deduct and pay to the Waihou and Ohinemuri Rivers Improvement Account any greater sum than that which would reduce the revenue of the Waihi Borough Council from this source to less than £5,000 per annum. Under present conditions approximately £3,000 per annum only is received from gold duty, instead of the amount originally contemplated by the 1910 Act.

1578. It is clear from evidence received that the land in the district cannot be expected to bear any portion of the capital cost of the works, and, indeed, it is doubtful whether the full cost of maintenance can be collected. **We are unable, however, to see any justification for the continuation of the present state of affairs, which results in the full cost of both capital and maintenance being met by the general taxpayer, except for the small amount of £3,000 received from gold duty.** But for the passing of the Act in 1910 the whole of the gold duty would have been payable to the Waihi Borough Council, so that in effect the sum of £3,000, or whatever amount is received from gold duty, is virtually a contribution from the Borough Council.

1579. We are of opinion that legislation should be introduced immediately with a view to handing over the works to a Drainage Board, in order that rates might be levied on land in the district for maintenance purposes. In view of the large amount of public money which has been sunk in the works, it is considered that the Board should have a majority of Government nominees in order that proper maintenance might be assured.

1580. Briefly put, the result of these operations is that there has been a direct loss of loan-money approximating £750,000, and the general taxpayer must continue to meet interest and amortization charges in respect of this capital. As already stated, maintenance is at present being met by the Government, and the sooner this state of affairs is remedied the better. The problem presented by these works has been systematically shelved for some years past, with the result that maintenance has accordingly been capitalized—that is, it has been provided from loan-money and has been added to the cost of construction.

1581. *Taieri River Protective Works.*—A substantial portion of the expenditure out of vote Lands Improvement has been incurred in respect of the Taieri River protection scheme, which was projected when the Taieri Land Drainage Act, 1907, established a local body to control the whole of the Taieri Plain below Outram Gorge and to assimilate six other small Boards. For various reasons the river control and drainage problem in connection with Taieri Plains continued to be reviewed, principally by Royal Commissions, until 1920, when one Commission recommended a comprehensive scheme of works estimated to cost £150,000. It is substantially this scheme which has been carried out, and it is nominally under the control of the Taieri River Trust constituted under the Taieri River Improvement Act, 1920. In 1923, as the Taieri River Trust had not carried out the scheme recommended by the Commission, the Government was approached for financial assistance, principally because of a severe flood which occurred in that year which made the position desperate. The result was that section 17 of the Appropriation Act, 1923, was passed, authorizing an expenditure not exceeding £150,000 from the Public Works Fund, subject to the River Trust first obtaining the consent of the ratepayers to the raising of a special loan not exceeding half the cost of the work—*i.e.*, £75,000. The raising of this loan by the River Trust was authorized at a poll of the ratepayers in April, 1924, but the contribution from the Trust was subsequently reduced to £65,000 on account of the works proving of benefit to the railways, and the Railways Department agreeing to find the sum of £10,000 from its own funds.

1582. In 1927 it was found that the work originally planned could not be carried out for £150,000, and legislation introduced in that year authorized increased expenditure out of the Public Works Fund, bringing the total up to £215,000, the contribution of the Trust being increased proportionately. The Trust was authorized to borrow its additional quota without taking a poll of the ratepayers. Subsequently it was decided by the Government that the ratepayers could not be expected to find half of the cost—that is, £107,500. **The amount was reduced to £76,000, and the Government undertook to complete the works and internal drainage as originally contemplated.**

1583. The position now is that the works are substantially completed, but the actual cost to the Government cannot be established until certain lands acquired for the purpose of carrying out the works have been sold. The fixing of the liability of the River Trust at £76,000 was ratified by section 21 of the Finance Act, 1930 (No. 2), and in December, 1930, the Trust exercised the option given in the Appropriation Act of 1923 of meeting this amount over a period of 36½ years at 5 per centum per annum instead of raising a loan of the same amount. The raising of the loan would have enabled the Government to obtain immediate reimbursement of the share of the works to be borne by the district.

1584. **The payment of the first instalment in respect of the liability of £76,000 has not been made by the Trust, and no payments have as yet been received by the Government in respect of the large amount invested in these works for the benefit of the locality.**

1585. The position now is that the commencing payments in respect of the sum of £76,000 have been capitalized, and the first instalment does not fall due until the 1st December, 1932. As far as can be ascertained, the total cost of the works will be £200,245, of which the sum of £124,245 must remain a charge upon general taxation, and, in addition, interest amounting to approximately £38,000 has up to the present been met from the Consolidated Fund. **This is just a further example of the disastrous effects following the inauguration and carrying-out of these particular schemes by the Government.**

1586. We are strongly of opinion that such schemes should not be put in hand until a local authority has been constituted with sufficient powers itself to carry out construction work and with full rating-powers. Where works are considered to be of national importance a subsidy not exceeding £1 for £1 might be given in special cases. Indeed, this standard has been adopted in the past, but in those cases where the State has carried out the work the result has been that the proportion of cost which has to be finally met by the State is far in excess of a £1 for £1 subsidy, which would have been considered reasonable had the schemes been undertaken by local authorities.

1587. We recommend that legislation be introduced in this case providing for the reconstruction of the River Trust along the lines suggested in connection with the Waihou and Ohinemuri Rivers improvement scheme previously dealt with—that is, with a majority of Government representatives on the Trust. The amounts involved are sufficiently large to justify a majority of Government nominees. Efficient annual maintenance is imperative, but there is a danger of it being allowed to stand in abeyance and of the State later having to step in and see that the works are adequately maintained. This would be obviated by the constitution of a local authority with a majority of Government representatives. The experience of the State in connection with land-drainage and river-improvements schemes has been disastrous. Further evidence in support of this statement will be found in our comments on the land-drainage schemes undertaken by the Department of Lands and Survey. **We are forced to the conclusion that these schemes cannot be justified by the results obtained, and we must recommend that developmental work of this nature should either be left to private enterprise or to the local authorities who obtain the most benefit from the carrying-out of the works. It is certain that the national benefit accruing in no way compensates for the large sums of public money which have been sunk in these ventures.**

VOTE—IRRIGATION, WATER-SUPPLY, AND DRAINAGE.

1588. The amount provided under this vote for 1931–32 was £75,000, and the expenditure for 1914–15 and 1930–31 respectively was as follows:—

	£
1914–15	32,090
1930–31	62,614

1589. The total capital involved in schemes under construction and in operation is approximately £990,000. The schemes under construction number eleven, which have either been investigated or commenced, and the principal one is the Arrow River scheme, which is nearing completion and upon which £140,000 has been spent.

1590. A statement has already been incorporated in our report to indicate that the estimated cost of various schemes has been very considerably exceeded, and this appears to be a weakness in the departmental administration. For instance, the five schemes previously mentioned were originally estimated to cost £362,000, whereas the actual cost to date has been £527,000.

1591. The vote at present under discussion is to provide funds for the actual construction works. In addition, there is a vote on the Consolidated Fund for maintenance of irrigation, drainage, river protection and improvement works, and the amount of this vote for 1931–32 was £14,250.

1592. We now proceed to deal both with construction and maintenance costs and the financial results of the schemes as a whole. **It is significant that only one out of nine schemes which have been completed is paying its way, and that accumulated losses up to date exceed £123,000.** The position will become progressively worse as the schemes now under construction come into operation.

1593. In addition to the unsatisfactory position of the finances of the schemes, it appears to be clear that many, if not all, of them have been put into operation without any attempt being made to preserve to the Crown any betterment accruing from the works. It is, however, a difficult matter to formulate any proposals whereby betterment from any construction schemes undertaken by the Government can be secured as a set-off to the cost involved. Even in cases where the land to be benefited has been owned by the Crown substantial losses have accrued, **and the results of Government activities in the direction of irrigation works, drainage-works, river-protective works, &c., have been such that we must recommend a cessation of these activities. If land is worth developing, private enterprise will be attracted.**

1594. In regard to the maintenance of these works, the following statement will illustrate results in 1929–30 and 1930–31 respectively, while accumulated losses to the 31st March, 1931, total £123,000:—

Scheme.	1929–30.	1930–31.
	£	£
Ardgour Loss	1,160	1,142
Bengerburn Profit	23	16
Earnsclough Loss	312	582
Hawkdun "	..	5,150
Ida Valley and Galloway "	6,303	7,264
Last Chance "	1,428	1,278
Manuherikia "	8,414	11,204
Tarras "	8,240	6,342
Teviot "	2,450	2,696
Total Loss	28,284	35,642

1595. The revenue accounts and balance-sheets of the irrigation and water-supply schemes in Central Otago for 1930–31 show that the earnings from the schemes are barely sufficient to meet maintenance costs, and the position, therefore, is that interest and amortization charges in respect of the loan capital invested in the works is almost wholly a burden upon general taxation.

1596. We are aware that the experience of this Dominion in connection with these schemes is paralleled by the experience in other and older countries, and that it is often agreed that the benefits accruing from increased production are sufficient to offset the direct loss of capital involved. On general grounds **we are not prepared to subscribe to this view, and are of opinion that a £1 for £1 subsidy is the utmost which the Government should consider as a reasonable contribution towards such schemes. We do not think that the investment of public money in these schemes is ever justified where the rates that can be collected only pay for physical maintenance and the whole of the interest and amortization charge falls on the Consolidated Fund.**

1597. Many of the schemes which have been undertaken could not have received that full and careful investigation of the prospective benefits which would be essential in any private enterprise, and, moreover, the original estimates have failed to furnish a reliable guide as to the ultimate cost of the works. **In our opinion, no new schemes should be undertaken unless first investigated by the independent Board which we suggest should be set up.**

1598. As to the management of the schemes already completed and in course of construction, the history of State enterprise is such that we believe that the schemes should be handed over to local authorities, and suggest an amendment to the law, if such be necessary, to vest the control of the undertakings in local authorities with full rating-powers, for maintenance and whatever contribution towards capital cost is found to be within the capabilities of the respective districts.

1599. One of the main reasons which leads us to recommend the handing-over of these works to local control is the fact that under present conditions it is not always possible to take those measures for the collection of arrears of rates and charges which are desirable and which would be enforced by a local authority. It is hardly necessary to enlarge on this aspect of the case.

1600. Before concluding this portion of the report, we mention some specific cases of faulty estimates of both capital and maintenance costs to show how the expenditure on these schemes has grown beyond what was first contemplated.

1601. The facts mentioned will, to some extent, supply the reason for the present unsatisfactory financial position of the schemes:—

1602. *Manuherikia Scheme*.—The estimated area to be served was 11,000 acres, but is only 5,830. The estimated cost was £156,000, but £233,182 has been expended, while instead of an estimated working-cost of £1,790 it has been much above this, even as high as £4,398, but estimated now to be on an average of £2,000.

1603. *Teviot Scheme*.—The Teviot scheme, which was estimated at £41,835, has cost £55,236, while its upkeep instead of being £400 is £550.

1604. *Ardgour Scheme*.—Ardgour was originally estimated to cost £14,000 and to irrigate 2,000 acres. A later estimate was £26,742, while the actual expenditure has been £33,605 and the area served only 1,462 acres.

1605. *Tarras Scheme*.—The first estimate was £34,735, with an estimated irrigible area of 5,900 acres. A year and a half later the estimate was raised to £77,500 and the irrigible area to 7,000 acres. The actual cost has been £136,800 and the net area served is only 2,495 acres, and, instead of an estimated revenue of £5,250, the ultimate expected revenue when charges reach the full amount is £3,352. Similarly, the working-expenses were first placed at £885, then at £930, and are actually £1,200.

1606. *Hawkdun Scheme*.—The original estimate was £20,000. This was early in 1924. At the end of 1925 an amended estimate was made of £59,000. The work has cost £68,167.

VOTE—PLANT, MATERIAL, AND STORES.

1607. The amount provided for this vote for 1931–32 was £100,000, but credits-in-aid were estimated to produce £80,000, leaving a net vote of £20,000. This vote functions mainly as a suspense account for store transactions, the allocation of machinery to special works, &c.

1608. The expenditure for the last two years has been as follows:—

	£
1929–30	74,957
1930–31	99,735

1609. The recoveries on account of plant and material transferred to miscellaneous works during the foregoing years have been—

	£
1929–30	106,770
1930–31	144,507

1610. The value of plant, material, and stores on hand as at the 31st March, 1931, was £266,616, or a reduction of £51,000 in the value at the close of the previous year. It is considered that under present financial conditions, and in view of the suspension of certain major works, there should be a still greater fall in the value of plant and material on hand, and even if it is relatively expensive to utilize the large stocks of material which may be held in different parts of the country, it would be preferable to do this rather than to acquire fresh supplies.

1611. This expenditure is also provided out of loan-money, and it is recommended that consideration be given to the possibility of providing for expenditure on plant, material, &c., from the Consolidated Fund in the future.

ELECTRIC SUPPLY ACCOUNT.

1612. This account, which is funded principally from loan-moneys, is used to finance the construction of hydro-electric schemes throughout the Dominion. The capital liability in respect of schemes as at the 31st March, 1931, was as follow:—

	£
Debentures and stock issued	9,821,076
Liability to Waihi Gold-mining Co. (for purchase of Horahora Works)	212,500
	<hr/>
	£10,033,576
	<hr/>

1613. The balance-sheets disclose the assets of the separate schemes to be as follow :—

	£
Lake Coleridge	1,825,511
Horahora-Arapuni	4,072,995
Mangahao-Waikaremoana	4,107,456
Waitaki (under construction)	1,129,436
Other assets	167,047
	£11,302,445

1614. The operating results of the last three years may be summarized as follow :—

Scheme.	1928-29.	1929-30.	1930-31.	Accumulated Profit or Loss at 31st March, 1931.
	£	£	£	£
Mangahao-Waikaremoana (loss)	98,580	53,267	36,515	467,290 loss.
Horahora-Arapuni (loss)	15,291	32,768	35,695	38,312 loss.
Loss .. .. .	..	..	..	505,602
Lake Coleridge (profit)	50,374	68,171	70,083	97,345 reserve.
Net accumulated loss .. .. .	..	..	..	408,257

1615. It will be noted that whereas one scheme, Lake Coleridge, has disclosed a profit on working to the 31st March, 1931, of £97,345, the other two show accumulated losses, totalling £505,602, and the further cost of repairs to the Arapuni Station, involving an operating loss during the period the station was idle, will throw an additional burden on the accounts. These schemes were for the most part initiated during periods of comparative prosperity, but, even so, we believe that many sections of the community have found the cost of power and incidental capital outlay a severe financial burden. That this has been intensified by reason of the present economic conditions is certain, and it is unfortunate that interest and amortization charges must continue to be a burden upon farm, domestic, and business budgets over a long period of years until the population density, which at present appears to be disproportionate to the magnitude of the schemes, is substantially increased. It seems that the Dominion has progressed too rapidly in the matter of hydro-electric development, while the establishment of the works may have a detrimental effect upon the future of the coal industry and local labour conditions. Moreover, most of the schemes were undertaken during periods when price-levels for both labour and materials were very high, so that in comparison with present prices the works are greatly over-capitalized. This is a serious factor when taken in conjunction with the high rate of interest on loan-money invested in the works.

1616. Here again in some cases original estimates have been far below the completed costs. To take but one scheme, Mangahao, had it been realized that the capital cost would be £2,400,000 the works would probably not have been put in hand. Now that most of the schemes have been completed—there is only Waitaki in course of construction—there is little room for economy, but **we are definitely of opinion that the present stage of development in the matter of hydro-electric power is sufficient for the needs of the Dominion for many years to come ; and, moreover, in view of the uncertainty as to what will prove to be the cheapest form of power development in the future, any move for the commencement of further works, whether by the State or by local authorities, should be strenuously opposed.** It is impossible to overlook the expenditure of huge sums of public money by local authorities on similar projects when dealing with the developmental works of the State, hence the possible construction of independent schemes by local authorities should be closely watched.

1617. It is evident that the future policy should be one of rigid economy and strict business management on the commercial side. The Department, apart from the completion of the Waitaki scheme, is now mainly concerned with the selling of power, and, in this connection, we are informed that, while standard rates are in operation over the whole of the Dominion, special contract rates have been made for a few local authorities. We are aware of the reasons which have led up to these special contracts, **but are of opinion that there should be standard rates applicable to the whole Dominion, and that no exceptions should be made to this rule.**

1618. It appears to be impossible to divorce Government business from the influence of politics, and we are forced to the conclusion that it is essential in the interests of the general taxpayer that some method be devised whereby the business management of such works as hydro-electric works, irrigation works, &c., should be subject to general supervision by an independent tribunal. Later in this report we recommend the setting-up of a National Board of Works which should be charged with the duty of considering all constructional projects and reporting thereon to the Government. The duties of this Board could include the fixation of charges for hydro-electric power, water from irrigation schemes, &c., while it should have a general oversight of the measures necessary to ensure the collection of such charges. We do not advocate that this Board should have arbitrary powers, as it is recognized

that this would be opposed to the principles of democratic government. We nevertheless consider that if the Board reports adversely on any suggested contract for, say, the supply of hydro-electric power at a rate not in accordance with the standard rates for the Dominion, the contract should not be entered into without legislative authority.

1619. We considered the possibility of recommending the establishment of Electricity Commissioners in whom should be vested the power to promote, regulate, and supervise the supply of electricity and prices. Such a system is in operation in the United Kingdom, but we do not consider that it would be necessary to have a special Board of Electricity Commissioners in this Dominion, as the National Board of Works, which we recommend, should be capable of dealing with both the constructional and commercial side of the hydro-electric schemes.

HAURAKI PLAINS SETTLEMENT ACCOUNT.

1620. This account is under the control of the Department of Lands and Survey, and is dealt with in our report on that Department.

MAIN HIGHWAYS ACCOUNT (REVENUE FUND).

1621. We have already dealt with this account in our interim report, and have made further reference earlier in this report to the general question of motor-taxation with which is involved the maintenance of highways.

MAIN HIGHWAYS ACCOUNT (CONSTRUCTION FUND).

1622. We have also dealt with this subject in our interim report, and recommended that new construction should cease for the present.

1623. After fully reviewing the many and varied developmental activities of the Government, we again stress our opinion that this Dominion has reached a stage in its development far ahead of the population requirements, and it is this rapid development, coupled with a consequential dependence on loan-moneys, which is partly responsible for the unemployment evil. We consider that road-construction should be the first to stop, particularly in view of the economic waste caused by competition between road and railway transport.

RANGITAIKI LAND DRAINAGE ACCOUNT.

SWAMP LAND DRAINAGE ACCOUNT.

1624. These accounts are both under the control of the Department of Lands and Survey, and are dealt with in our report on that Department.

GENERAL.

1625. This concludes our report on the appropriations on the Public Works Fund and other accounts. It is now necessary to consider the various votes on the Consolidated Fund under the control of the Public Works Department. These are vote: Public Buildings, Maintenance, &c.; vote: Maintenance and Repairs to Roads; and vote: Maintenance of Irrigation, Drainage, and River Protection and Improvement Works. The amounts provided in the foregoing votes for 1931-32 were as follow:—

	£
Public Buildings	60,712
Maintenance and Repairs to Roads	14,950
Maintenance, Irrigation, Drainage, and River Protection, &c.	14,250

The expenditure for the year 1930-31 was:—

Public Buildings	66,133
Maintenance and Repairs to Roads	32,848
Maintenance of Irrigation and Drainage Works	16,242
	£115,223

1626. We do not propose to review these votes in detail. In the course of our report we have already discussed various matters which in addition to having a bearing on the votes on the Public Works Fund are also connected with these votes on the Consolidated Fund. For instance, rent of offices is paid from vote Public Buildings on the Consolidated Fund, and we have already recommended that the question of accommodation should be thoroughly reviewed, as in our opinion the floor-space per officer in some instances is excessive, and a closer examination into the possi-

bilities of effecting economies in floor-space in Government buildings should reduce the amount of accommodation required in leased buildings. Moreover, **in some of the leased buildings the accommodation per officer is excessive, and some reduction in the annual charge for rental should be possible.**

1627. In connection with vote Public Buildings, we would point out that the expenses of running the Public Works Workshops in Wellington are a charge on this vote, and this has led to an investigation into the necessity for the workshops.

1628. The Department has for many years maintained workshops for the purpose of carrying out repairs to Government buildings and plant, and for the manufacture of furniture and fittings for the various Government Departments. In recent years the Post and Telegraph Department and the New Zealand Railways have also established workshops duplicating in many respects the operations of the Public Works Department's Workshops. No doubt during post-war years when large works were being undertaken separate departmental workshops could perhaps be justified, but with declining prices accentuated by the present depression it is evident that the position should now be reviewed.

1629. In Wellington the Public Works Department and the Post and Telegraph Department have adjacent stores and workshops, whilst the New Zealand Railways have workshops at Lower Hutt. We are not so much concerned with the latter, as there is not the same degree of overlapping as exists in the case of the other two. The Post and Telegraph Workshops are larger, and deal with a greater variety of work than the Public Works Workshops, **but the chief point in common is that each is fully equipped for the manufacture of furniture and joinery, and each has sufficient capacity to absorb the work of the other.** The losses in connection with the Public Works Workshops for the five years ended 31st March, 1929, have been as follow:—

							£
1924-25	..	..	..	..	..	..	702
1925-26	..	..	..	..	..	..	5,850
1926-27	..	..	..	..	..	..	3,040
1927-28	..	..	..	..	..	..	4,173
1928-29	..	..	..	..	..	..	1,899

The reduction in the amount of loss in 1928-29 was due to an overhaul of the workshops, including staff reductions and adjustments, but, notwithstanding these adjustments, the following year resulted in a loss of £3,063.

1630. In our opinion, the present Public Works Workshops in Wellington should be reduced in size, and the work should be confined to minor repairs to buildings, &c. We see no reason why, particularly under present conditions, the manufacture of furniture and joinery could not be left to private enterprise, as **we feel sure that the calling of competitive tenders would result in a large measure of economy. Our recommendation is, therefore, that the manufacture of furniture and joinery in the Public Works Workshops be discontinued, that the plant be sold, and that a skeleton establishment only be maintained for the purpose of repairing and maintaining Government buildings in Wellington.** The adoption of this recommendation would result in sufficient space being made available to accommodate the bulk store, and the building known as Mills' Building would then be available for other purposes.

1631. **We also recommend that the workshops at Auckland be closed, except in so far as the maintenance of a skeleton staff for the repair of Government buildings is concerned.** The remaining work at present carried on in the Public Works Workshops at Auckland could be done by the Railway Workshops there.

1632. The Public Works Department and the Post and Telegraph Department also maintain garages in Wellington, and we see no necessity for the duplication of establishments in this way. **We accordingly recommend that the Public Works Garage be closed, and that the work other than that of inspection be diverted to the Post and Telegraph Garage,** which must of necessity maintain a repair staff in connection with its own mechanical transport.

1633. In regard to the vote of £14,950 for Maintenance and Repairs to Roads, we do not consider it advisable to recommend a reduction in this vote; on the contrary, we believe that a greater proportion of the expenditure hitherto charged to the Public Works Fund should in reality be a charge upon the Consolidated Fund.

1634. We have already dealt with the vote for the maintenance of irrigation, drainage, and river-protection works, especially in connection with the irrigation works of Central Otago, in respect of which an item of £12,900 appears on this vote. We have also dealt with the Waihou and Ohinemuri Rivers improvement scheme, a portion of the maintenance of which is also chargeable to this vote.

GENERAL COMMENTS *RE* PUBLIC WORKS ADMINISTRATION.

1635. The amazing growth of the public debt, resulting from the large and extensive public works which have been put in hand in recent years, and from many of which there is little or no direct return to the State, calls for special remark. We submit hereunder a table showing the total expenditure out of the Public Works Fund on what may be termed "national development."

TOTAL EXPENDITURE OUT OF THE PUBLIC WORKS FUND AGAINST NATIONAL DEVELOPMENT ACCOUNT
(ALL DEPARTMENTS).

	£	£
Roads (Public Works Department)	19,470,822	
Roads on Goldfields (Public Works Department)	1,141,339	
	<hr/>	20,612,161
Roads (transfer to Main Highways Account) .. .. .	..	1,226,000
Harbour Works (Public Works Department) .. .. .	..	1,027,151
Development of Mining (Public Works Department)	73,878	
Development of Mining (Mines Department)	793,900	
	<hr/>	867,778
Land Development (Public Works Department) .. .. .	..	653,591
Social Services—		
Health (Health Department)	12,901	
Educational (from Education loans)	4,541,502	
Educational (from Public Works Fund)	2,462,769	
	<hr/>	7,017,172
Immigration (Immigration Department) .. .. .	..	3,316,816
Cost of raising loans .. .. .	..	36,772
		<hr/>
		<u>£34,757,441</u>

1636. It is worthy of note that, out of the total expenditure of £34,757,000, the only revenue-producing item is the amount of £1,226,000 which has been utilized for main highways, and upon which interest at 5 per cent. is being provided out of petrol-taxation. **Thus the bulk of the above expenditure constitutes a direct burden on taxation for interest and debt-redemption charges amounting to approximately £1,630,000. If this were the total expenditure on works of an unproductive nature, the position would be less alarming.** This is, however, but a small part of the public-debt burden. There is, for instance, the sum of £10,400,000 which has already been written off the Capital Account of the New Zealand Railways, and a deficiency in interest recoupments from the Railway revenue of £1,570,000, which capitalized at 5 per cent., represents a loss of Railway capital of £31,400,000, or a total Railway loss of £39,500,000. This position will only be improved if and when the net earnings of the railways increase. Then there are losses in connection with such schemes as the Waihou and Ohinemuri Rivers improvement scheme, Taieri River protection scheme, Rangitaiki land-drainage scheme, Swamp-land drainage schemes, and Hauraki Plains Settlement Account.

1637. It is evident that insufficient consideration has been given in the past to the economic justification of many of the works which have been undertaken, and also we believe that a proper conception has in many cases not been formed of the manner in which maintenance charges are to be financed on the completion of work. **We are definitely of the opinion that the time has arrived for a halt to be called in public-works expenditure. We consider that a return to the contract system of carrying out public works is of prime importance, and that the Public Works Department should be reduced to a staff of Advising and Inspecting Engineers, as was intended when the Department was first inaugurated.**

1638. **We believe, also, that before any public works are undertaken in the future, or before any assistance is given by the State to public works which are to be carried out by local authorities, the proposals should first of all be subject to expert examination by an independent Board of Works somewhat akin to the Local Government Loans Board. It should be the duty of this Board to review all matters connected with proposed works or Government assistance in respect of proposed works, and to report thereon to the Government. This Board would require statutory powers, and we suggest that the legislation should provide that in any case where an adverse report is submitted by the Board of Works, the proposals should not be proceeded with, except with special legislative authority. With the exception of a Treasury representative, the Board should be entirely non-political and non-technical.**

1639. It would naturally have advice and reports from the Public Works Department, and should be authorized to call for independent engineering reports on any project. It is not so much a Board of professional men that is called for as a Board of business men capable of correctly estimating the financial position and prospects and economic justification of proposed works.

1640. **It is worthy of note that when the Public Works Department was first constituted, in 1870, the Act provided for the appointment of a Board of Advice to assist the Minister of Public Works in the administration of the Act. We refer to section 91 of the Immigration and Public Works Act, 1870. The idea is, therefore, by no means a new one, and is more than ever necessary at the present time in view of the experience gained in the past in connection with public works of various descriptions.**

1641. The setting-up of such a Board and the adoption of our recommendation that all public works should in future be carried out by public tender and contract should go a long way towards definitely fixing the cost of works before they are commenced, and if this only is achieved much good must result. We have also suggested that the Board of Works should be authorized to deal with the fixation of charges in connection with hydro-electricity and irrigation works. This would avoid the invidious distinctions which are made between different classes of local authorities and others under the present system, which is subject to so much political and local pressure.

1642. Our recommendations in regard to the Public Works Department as a whole are such that we cannot translate them into definite monetary savings, but it may be taken, however, that they will be large and immediate.

1643. In considering the Public Works administration and policy, we have not been unmindful of the fact that many of the works have been of great value to the Dominion, and that increased production has resulted. We do say, however, that the increased production and the consequential increase in national wealth have not been in proportion to the growth of the public debt and the consequential charges on taxation through the prosecution of non-revenue-earning schemes.

1644. For many years past borrowing has been indulged in to an excessive extent, and a large amount of loan-money has been unwisely spent and much has been wasted. The raising of large amounts of loan-money overseas has made possible fictitious standards of living and has been largely responsible for the present difficulties in which the Dominion is involved. One of the main factors in the present economic crisis is the public debt. Lavish expenditure has called into existence a large body of men who have known no other employment than that made possible by the use of borrowed money. It is an illusion that it is only possible to carry on the development of the country by borrowing overseas. Temporary hardship to all classes of the community may follow the cessation of overseas borrowing, but this will have to be faced, as the time has arrived when the Dominion must be content to live within its own resources.

COST OF LOCAL GOVERNMENT.

1645. Under the Appropriation Act, 1916, provision was made for the payment of subsidies on general rates to municipalities, County Councils, and other local authorities. These subsidies were instituted many years ago, and were intended to provide for roads and bridges in the country without recourse to borrowed money. The subsidies are not now payable out of the Consolidated Fund, but are met from the Main Highways Account. They are, nevertheless, a direct charge on taxation, and in considering these subsidies we have also considered the wider field of local government as a whole. It is unnecessary to trace the history of local government, but there seems to be little doubt from a careful study of the available statistics that **the form of local government which has developed in the Dominion is well beyond the needs of the community.** A brief statement, setting out the manner in which the system has gradually grown up is submitted hereunder. Generally speaking, the system was inaugurated in 1876 upon the abolition of the Provincial Councils, and the statement traces the growth of different classes of local authorities since that date.

1646. *Counties.*—A few counties were constituted by Proclamation prior to 1876, but the present system was first instituted in that year, when the colony was divided into 63 counties. There are to-day 129 counties, but the Counties Act is wholly in force in only 125.

1647. *Boroughs.*—The Municipal Corporations Act, 1876, provided for the incorporation of the 36 boroughs then in existence and for the creation of new boroughs after certain formalities had been complied with. The number has steadily increased from 36 which were in existence in 1876 to the present total of 130, although there have been numerous amalgamations of adjacent boroughs in the interim.

1648. *Town Districts.*—A Town Board, as a distinct type of local authority, first came into existence in 1882, and on the formation of a Board the County Council still retained control of main roads and county roads, and both authorities levied rates in the Town Board district. A further amendment in 1908 provided for dependent and independent town districts, and in the first class comes a town district having a population of not less than five hundred persons. This type is practically divorced from county control. The number of town districts at present is 68—27 dependent and 41 independent.

1649. *Road Districts.*—These were constituted in order to ensure adequate roading communication, and they played an important part in the scheme of local government, especially before the advent of railways. There is now not the same need for this type of local authority, and the number has been reduced from 320 in 1883 to 19.

1650. *River Districts.*—Authority for the constitution of river districts was contained in the Rivers Boards Act, 1884, and the intention was to have separate Boards for the construction of river-protection works. Originally there were 16 districts, but now there are 50, although in 6 of these there is no Board in active operation.

1651. *Land Drainage Districts.*—The constitution of these districts was first authorized by the Land Drainage Act of 1893. The Boards were to provide for the drainage of agricultural and pastoral lands of comparatively small areas, which were more suited to control by a local administrative body than by a County Council. The number of Boards has gradually grown until there are now 65 in existence.

1652. *Water-supply Districts.*—The Water-supply Act, 1891, provided for the constitution of these districts in order to permit of water-supply schemes being undertaken in country districts. There are six districts now in existence.

1653. *Urban Drainage Districts.*—These districts, now three in number, have all been constituted by special Acts of Parliament for the purpose of giving one authority the general control of drainage matters in areas subject to the jurisdiction of more than one existing local authority.

1654. *Tramway Districts.*—There is only one in existence, constituted by a special Act in 1902. It was formed in order to give uniform control of tramway transport services in several adjacent boroughs.

1655. *Transport Districts.*—There is also only one transport district in existence, and it was formed for the same purpose as the tramway district previously referred to.

1656. *Local Railway Districts.*—There are five local railway districts in existence, but in only one of these is a Board functioning.

1657. *Electric-power Districts.*—These are a comparatively recent development of the system of local government, and the constitution of special districts was provided under the electric-power Boards Act, 1918. This course was rendered necessary by the extension of electric supply to country districts. There are 44 districts in the Dominion, but only in 39 is the distribution and sale of energy actually carried out.

1658. *Harbour Boards.*—These Boards gradually developed until in 1878, when there were 22 in existence, legislation was passed providing that no new Board should be constituted, except by special Act of Parliament. There are now 45 in existence.

1659. *Hospital Districts.*—There are 46 hospital districts in the Dominion to-day; but we have dealt with the subject of hospital administration in a special report, and it is unnecessary to give further details here.

1660. *Fire Districts.*—These were first provided for under the Fire Brigades Act, 1906, and prior to this fire protection was a responsibility of the respective local authorities. There are 54 fire districts now in existence.

1661. *Rabbit Districts.*—These districts were constituted in order to control the rabbit nuisance. There are 47 in existence at the present time.

1662. *Gas-lighting District.*—There is only one Gas-lighting Board in the Dominion, and this was constituted by special Act of Parliament to provide for the extension of the gas service of one borough to meet the needs of an adjoining one.

1663. It will be seen from the foregoing that there are seventeen different forms of local governing bodies in the Dominion; but this is not the greatest evil, for the total number of local authorities is no less than 650, or approximately one local authority to 2,300 inhabitants. At the 31st March, 1915, the total number of local authorities was 562, so that there has been an increase of 88 since that year.

1664. We give hereunder some statistics from the "Local Authorities Handbook" which will give a better idea of the growth of local-authority expenditure and debt from 1915.

1665. **The number of employees has increased from 13,789 to 24,290, an increase of 76 per centum. The wages paid to employees have increased from £1,987,000 to £5,945,000, an increase of 199 per centum.** The latter increase may appear to be disproportionate to the increase in the number of employees, but the basic wage has substantially increased during the period. **The gross debt of local authorities has increased from £24,539,000 to £71,208,000, or an increase of 191 per centum.** An analysis of the debt follows:—

	£
Boroughs	32,276,814
Electric-power districts	12,636,351
Harbour Boards	10,468,881
Counties	7,624,395
Transport districts	3,106,250
Urban drainage districts	2,671,129
Town districts	810,178
Road districts	343,980
River districts	371,998
Land-drainage districts	486,271
Gas-lighting district	123,976
Fire districts	212,240
Railway districts	50,000
Water-supply districts	18,967
Rabbit districts	6,109
	£71,207,539

1666. One noticeable feature is that only approximately £26,000,000 has been raised from external sources, for, out of a total debt of over £71,000,000, approximately £18,000,000 is domiciled in the United Kingdom and £8,000,000 in Australia. **The annual loan charge on the gross debt in 1915 was £1,238,000, or approximately £1 1s. 6d. per head of population. In 1930 the annual charge had risen to £4,682,000, or £3 2s. 11d. per head of population.**

1667. The following is a statement showing the purposes for which the debt has been incurred:—

	£
Electric supply and lighting	16,667,379
Roads, streets, footways, and bridges	16,153,335
Drainage, sewerage, and water-supply	14,440,167
Harbour-works	10,478,149
Tramways, omnibuses, and other passenger and carrying services	5,137,119
Municipal buildings	1,000,185
Miscellaneous	6,261,830
Gas supply and lighting	1,069,375
	£71,207,539

1668. *General Expenditure.*—The general expenditure of local authorities, excluding Hospital Boards, has increased from £6,807,000 in 1915 to £22,061,000 in 1930, or an increase of 224 per centum. An analysis of this expenditure follows:—

	£
Maintenance and construction	14,486,488
Hospital and charitable aid	685,134
Administration	1,053,613
Interest on loans and overdraft	3,895,632
Amortization of debt	1,147,630
Other payments	792,591
	<hr/>
	£22,061,088
	<hr/> <hr/>

1669. *Sources of Revenue.*—The amount required to meet the expenditure of local authorities in 1930 was derived from the following sources:—

	£
Receipts from rates	6,010,987
Licenses, rents, and charges for services supplied	10,309,785
Subsidies and other receipts from Government (revenue)	436,946
Receipts (not revenue)	5,494,427
	<hr/>
	£22,253,145
	<hr/> <hr/>

1670. The rates collected in 1930 amounted to £6,010,987, as compared with £2,325,494 in 1915, or an increase of 181 per centum. It will be noted that Government subsidies are shown as producing £436,946, but it should be stated that under the heading of "Receipts (not revenue)" special grants provided by the Government total £1,515,128, so that the total contributions from the general taxpayer amounted to £1,952,074.

1671. It will be seen from the foregoing that local government constitutes a heavy burden on general taxation, hence our reference to the general question in some detail.

CONCLUSIONS.

1672. For the period under review—that is, 1915 to 1930—the population of the Dominion has increased by only 29 per centum, whereas the number of local-authority employees has increased by 76 per centum, the wages paid by 199 per centum, the gross loan debt by 191 per centum, the total expenditure by 224 per centum, and the rates, licenses, and taxes by 181 per centum. The growth of local authorities has been so abnormal that we have no hesitation in saying that a comprehensive investigation, with a view to effecting economies in local government administration, is now a matter of considerable urgency and should form an essential feature of any plan of readjustment over the whole community. While there have been decreases in the numbers of certain local authorities, in others there has been a steady increase, and this notwithstanding improved transport facilities and the increased use of machinery, particularly for roadmaking and maintenance.

1673. The scope for economy is obviously wide, but we are unable to investigate the subject in detail. Nevertheless, the burden on the National Exchequer has come under our survey, and we are forced to the conclusion that it is only by a general review of the whole system of local government, with the object of minimizing the number of governing bodies and thus reducing administrative costs, that the burden on general taxation can be lessened. It is equally important from the point of view of local taxation and the good of the whole community that this review and investigation should be undertaken. We venture to suggest that considerable economies could be effected in the following directions:—

1674. (1) By reducing the number of counties, either by the union of existing counties or by a readjustment of the boundaries, or by both.

Note.—The revolutionary improvements and changes in transport conditions should enable a considerable reduction in the number of counties to be effected. If sixty-three counties were sufficient for the colony in 1876, with its then imperfect and hazardous means of transport, surely there is no necessity for more than double that number to-day.

1675. (2) By the reorganization of the system of keeping separate accounts for each riding of a county.

Note.—The abolition of riding accounts was provided for in the Local Government Bill introduced in 1912, which is referred to later in this report.

1676. (3) By the abolition of Road Boards.

Note.—This is gradually being brought about but should be accelerated.

1677. (4) By the abolition of certain boroughs or Town Boards.

Note.—Owing to changes in the density of population the reason for the continued existence of certain boroughs and Town Boards is no longer apparent, and some savings in administrative costs should be effected by reversion to county control.

1678. (5) **By the amalgamation of existing boroughs.**

Note.—There are many boroughs in the Dominion whose continued existence is dictated only by reason of local politics, and where community of interest renders amalgamation with contiguous boroughs wholly desirable.

1679. (6) **By a reduction in the number of river districts or drainage districts either by (a) union of existing river districts or drainage districts, or (b) the abolition of existing river districts and drainage districts and the transference of their functions to County Councils.**

1680. (7) **By the abolition of specially constituted local authorities whose functions can be efficiently controlled by either Borough Councils or County Councils.**

1681. **It appears to be certain that maximum economies can only be effected by a measure of compulsion in the amalgamation or abolition of local governing bodies.**

1682. We are of opinion that the investigation which we suggest should extend to the present system of subsidies and grants for local authorities from public moneys. The subsidy on rates which was instituted many years ago was, as previously stated, intended to provide for the roads and bridges of the colony. That this hope has not been realized is quite evident both from the alarming growth of local-body indebtedness and from the considerable grants which are made by the Government for specific purposes year by year.

1683. Finally, we would mention that the need for reform in local-government administration was evidently realized in 1912, for in the Local Government Bill introduced in that year by the then Prime Minister certain classes of local authorities, such as Road Boards, River Boards, Drainage Boards, and a number of Town Boards, were to be abolished. The Bill aimed at the establishment of Provincial Councils, whose chief functions were to relate to the following matters:—

- (a) Hospital and charitable aid :
- (b) Public health :
- (c) Harbours :
- (d) Education :
- (e) Main roads and bridges :
- (f) Rivers :
- (g) Drainage and water-supply.

1684. We do not necessarily endorse the scheme of reconstruction as outlined in the Bill referred to, but **merely mention the matter to show that even twenty years ago the system of local government was apparently considered extravagant. The comparative statistics which are included in this report will show how much more urgent has become the need for reform, and how the burden on local and general taxation has increased much beyond what it was in 1912.**

CONCLUSION.

1685. We have completed our task and have reviewed the public expenditure, but before closing it would perhaps not be out of place to refer in general terms to the recommendations made in this report for the setting-up of controlling Boards in connection with several Departments of State.

1686. **Our investigations have disclosed that sound administrative principles have often been subordinated to pressure exerted under the influence of both local and general politics. We regard it as essential that steps should be taken to counteract this influence ; hence our recommendations for the setting-up of independent Boards. We recognize that the delegation of absolute powers to independent Boards would violate the principles of democratic government and that the final decision must in every case rest with Parliament. We recommend, however, that the decision of the Boards—and we definitely include the Unemployment Board—should not be overruled by any authority other than Parliament itself.**

1687. We believe that the reductions proposed throughout this report are obtainable if prompt action is taken upon the lines of our suggestions and with determination to effect economies. We have no doubt that a close scrutiny of expenditure by Departments, by the Treasury, and by the Public Service Commissioner will disclose the possibility of further economies on the lines we have followed. **This more particularly applies, however, in regard to the personnel of the Public Service, and touches the possibility of reductions which should necessarily accompany a reduced volume of official business. We strongly deprecate any tendency to maintain the numerical strength of the personnel notwithstanding that there has been a falling-off in the volume of work.**

1688. We wish to add that our investigations during the past five months leave no doubt in our minds as to the critical position into which the public finances of the Dominion have drifted, following on a lengthy period of lavish and often unwise expenditure of loan-money too easily obtained. **We express the opinion that if equilibrium between national income and expenditure is to be again reached, and the paralysing effects of over-taxation minimized, dependence upon overseas loans for any purpose should cease, desirable social and other services by the State must be severely curtailed, and the pruning-knife continue to be applied to all administrative costs. Every item of avoidable expenditure must be eliminated. That this will involve hardship on all recipients of salaries, wages, interest, and other income is inevitable during this period of depression. In the light of past history, we feel assured that the tide will turn sooner or later, and the country enjoy a gradual return to comparative prosperity, towards which desirable end the present sacrifices by, and self-denial of, all classes of the community will have largely contributed.**

1689. **The whole of our recommendations have been considered and submitted in the light of stern necessity, but many of the economies we have recommended should continue even in prosperous times.**

1690. A summary of the savings recommended in this report so far as they can be assessed is given hereunder. There are many recommendations in respect of which savings cannot be assessed, but the total will be far in excess of the known amounts shown hereunder.

1691. There is another point which should not be overlooked—namely, that the whole of the savings shown cannot be brought into effect this year, as three months of the financial year have already elapsed. Allowances will have to be made in this respect when calculating the possible savings this year.

Permanent Charges—

	£	£
Hospital and Charitable Institutions Act, 1926—		
Subsidies to Hospital Boards	300,000	
Miscellaneous grants and subsidies—		
Auctioneers Act, 1928—Amount of fees, less administrative expenses, payable to local authorities	10,238	
Greymouth Harbour Board Amendment Act, 1920—		
Subsidy for interest, &c.	12,000	
		322,238

Vote—

Prime Minister's Department	750	
Treasury Department	2,000	
National Provident Fund and Friendly Societies Department	1,200	
Stamp Duties and Lands and Deeds Registry	6,000	
Cook Islands	11,000	
Department of Industries and Commerce, Tourist, and Publicity	26,500	
Department of Justice	10,268	
Pensions Department	9,950	
Mines Department	13,768	
Department of Internal Affairs	21,577	
Audit Department	450	
Printing and Stationary Department	9,779	
Mental Hospitals Department	3,000	
Department of Health	60,000	
Marine Department	14,553	
Department of Labour	17,200	
Department of Lands and Survey	42,985	
Valuation Department	6,050	
Electoral Department	63,218	
Department of Agriculture	177,200	
Department of Scientific and Industrial Research	11,529	
State Fire Insurance	14,000	
		522,977
		£845,215

1692. There is a further item of £88,500 in respect of the State Forests Account; but this is not a direct saving to the Consolidated Fund, as forestry operations in the past have been financed from loan-money.

1693. We desire to record our thanks to the Treasury Department for its valuable reports on the administration of the various State Departments. To heads of Departments, who for the most part have shown a commendable desire to co-operate with us in exploring possible avenues of economy, our thanks are also due.

1694. Lastly, we wish to express our high appreciation of the services rendered to the Commission by its secretary, Mr. F. E. Mitchell, whose intimate knowledge of departmental activities has been most helpful. He and his assistants have had an arduous task involving long hours daily of strenuous work, in the carrying out of which they have not spared themselves.

1695. This report we have the honour respectfully to submit for the consideration of Your Excellency, in obedience to the Commission addressed to us.

1696. Given under our hands, this first day of July, one thousand nine hundred and thirty-two.

G. SHIRTCLIFFE, Chairman.	}	Members.
J. J. ESSON,		
A. MACINTOSH,		
JAMES BEGG,		
J. L. GRIFFIN,		

ADDENDUM BY MR. MACINTOSH.

1697. An individual expression of opinion in conjunction with a general concurrence in the views set out in the report may be of some service in respect to certain features that have come prominently under observation, and it may, therefore, not be out of place to state briefly that evidence adduced and information otherwise at the disposal of the Commission indicate unmistakably that the financial difficulties under which the Dominion is at present labouring are, in large measure, attributable to the people themselves, through their representatives in Parliament, many of whom by way of placating constituencies, and, possibly, securing continuity of membership, have, year after year, made inroads on the Treasury for various objects, in numerous instances with no prospect of an adequate, or any, return on the expenditure involved. Unpalatable though it be to thus apportion blame, affording, as it may, scope for attack under cover of privilege when outspoken adverse comment is sometimes unfortunately not appreciated, it is, nevertheless, a fact that research and evidence prove incontestably the accuracy of this statement. The difficulties that have almost overwhelmed the country have seemingly come to be regarded as the result of world-wide depression. To a certain extent this is true, but it is undeniable that had there been more inclination to prudence and self-reliance, coupled with financing on safe lines, instead of cultivating the habit of leaning on Government, even in matters of temporary obstacles to progress, as shown, for instance, by the very large number of subsidies or grants-in-aid paid out of the Consolidated Fund for immature projects, apparently serving one purpose only—the circulation of money in the electorates—frequently resulting not merely in heavy loss, but also in stimulating demands for further questionable enterprises, then it would be found that world-wide troubles have played quite a secondary part in the unsatisfactory and wholly unsound conditions prevailing in the Dominion to-day. Adverse circumstances frequently met with in the past were surmounted by sustained effort and return to normality in the matter of prices. Now, in similar environment, it has become a question of almost universal appeal to Government—a process implying, in effect, pandering to sectional interests and class prejudices. This cannot be continued without exhausting the reserve strength of the country and dislocating national finance. This view will, no doubt, be challenged; it may even be scoffed at; but the opportunity has been provided for placing it on record for what it may be worth. It may be said with almost absolute certainty that unless a clearer conception of the position be realized, and the people generally adapt themselves to more prudent methods of living and recognize the very urgent necessity for economy in the distribution of public and private funds, we are, as a country, shaping a course that will inevitably lead, surely and rapidly, to a state of economic and social chaos; and there is a risk of the speed made in this direction being accelerated by a too-evident, grave, and growing tendency to openly break away from the traditional British regard for honourable adherence to contracts or engagements. There is, of course, the possibility of this analysis being looked upon as crude and ill-considered, but, at all events, it is based on most substantial evidence. The danger is so obviously real that the conclusion arrived at can scarcely be avoided. Some of the recommendations of the Commission may be regarded as partaking of ruthlessness, but the picture unfolded in the course of its investigations has revealed with perfect clarity that, in the circumstances, sentiment could not be permitted to hold undue sway. To ensure anything like an approach to a state of prosperity, such as has been enjoyed in past years, sacrifices must be made and unflinchingly faced. It should be stamped indelibly on the mind of the community that, as a country, we are burdened with a huge indebtedness in the shape of governmental, local-body, and private obligations, carrying a very heavy interest liability. Under such conditions the futility of knocking at the door of a depleted Treasury must be apparent. The spirit of self-reliance is loudly called for. There is imminent danger of breaking down under the strain imposed by overtaxing limited resources, and it is surely not necessary to emphasize what it would mean to be overtaken by such a catastrophe. It is clear, then, that impending irreparable injury to the credit of the State must be averted at all costs.

A. MACINTOSH.

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