

a complete answer to the question that has been raised as to whether the present method is conducive to the efficiency of the staff or otherwise, or insures the employment of the better class of tradesmen.

The reference of the Board to the fact that the actions of persons outside of the Railway service in interesting themselves on behalf of particular men or bodies of workshops men is not calculated to improve the discipline or smooth working of the shops is noted, but in my opinion the position has not been properly understood. The fact of an individual preferring a request or making a suggestion on a matter connected with railway-working does not influence the management one way or the other, and I am not aware that foremen or Workshops Managers have allowed themselves to be influenced in any way by outsiders. I have carefully perused the newspaper reports of the evidence on this head, and the conclusion I have come to is that what was intended to be conveyed was the fact of persons outside of the Department being permitted to walk through the shops, and while doing so to converse with the men, was not conducive to discipline. So far as my own evidence is concerned, I made the position perfectly clear, stating distinctly that any alterations that were made or concessions that were granted resulted from the fact that the requests were reasonable.

Turning now to the question of the amount that should be added by way of commission to cover fixed charges, I would point out that the present basis of 15 per cent. was decided upon by Royal Commission, which reported in 1876, and which was set up for the purpose of dealing exhaustively with the system of Railway accounts. In actual practice the commission has been found to be sufficient to meet the charges for which it was imposed, and, that being so, the natural result that would accrue from the raising of the commission charge would be an increase in the capital cost of the rolling-stock and appliances forming part of the Railway equipment, and on which sum the Department is expected to return 3 per cent. per annum.

In regard to this question of commission it is interesting to note that, while in New Zealand a charge of 15 per cent. is made in respect to the cost of both the labour and material, on the Midland Railway in England and the Canadian Pacific Railway the charges amount to 10 per cent. only, and are calculated on the cost of the labour only; the Great Northern Railway of England makes a charge of 20 per cent. on cost of labour only; the Grand Trunk Railway of Canada makes no charge; the Victorian Railways charge 20 per cent. on labour only; New South Wales 32½ per cent. on labour only; another Australian State 30 per cent. on labour only; Queensland, 12½ to 17½ per cent. on labour only. In addition to the charge of 15 per cent. which the New Zealand Government Railways make for commission, calculated on the total cost of labour and material, a charge of 4d. in the pound on the value of material is added to cover stores commission. This represents an impost of nearly 2 per cent. on the cost of the materials, and the workshops commission of 15 per cent. is calculated on this additional cost. It is not, I submit, necessary nor desirable for the Department which is manufacturing stock for its own purposes to make a profit out of the manufacturing account. The cost of the new machinery being charged to Capital Account, the Working Railways have to provide for the interest on the capital invested. The upkeep of the shops and the wear-and-tear of all machinery is provided for out of the working-expenses, and becomes a charge against the ordinary vote of the Department. Nothing is therefore to be gained by abnormally increasing the Manufacturing Account.

In arriving at the cost of the three "A" Class locomotives built at Addington in 1908, the Board has assumed 33½ per cent. on the cost of wages and material. I have already shown that the New Zealand Railway method of computing commission on wages and material stands alone, that the general practice elsewhere is to compute such charges on the labour only, and that the commission varies from 10 per cent. on the Midland and Canadian Pacific Railways to 32½ per cent. on the New South Wales. The basis assumed by the Board is therefore higher in a double sense than that of any other railway system, first in respect to rate, and secondly, by reason of the inclusion of the cost of material.

This latter factor represents approximately a charge of £10 per ton on a locomotive, as, even assuming the Board's basis for the purposes of calculation, and dealing with it on the same lines as other railways, by excluding material, the cost per engine ("A" Class) is approximately £90 8s. per ton, or, in round figures, £10 per ton less than the amount estimated by the Board. The cost of the same locomotive, estimated by the Railway Department's method, is £86 10s. 11d. per ton, so that the inclusion of the material on a 15-per-cent. commission basis, as has been done by the Railway Department in all its calculations, represents a loading of £4 per ton on the locomotive. The rate per ton on the basis of calculation ruling on other railways would have been £82 10s. 11d. Throughout the whole of the Board's calculations the highest rate of commission has been charged, and on the aggregate amount of wages and material, thus showing the cost of locomotives built in the Railway workshops in the worst possible light. The Board has apparently assumed, in making its calculations and deductions, that the firms with which the comparisons have been made have charged up to 33½ per cent. as manufacturers' cost in respect to both wages and material. There is, however, no data to support the supposition that such an amount is calculated in the prices for contract locomotives. In respect to these the commission is an unknown quantity, and it is therefore impossible to make an accurate comparison. It has also been shown by direct evidence that Messrs. Price Bros., as the result of their experience, consider that they have taken the contract for the "A" Class locomotives at much too low a rate, and, as a matter of fact, it is known that the Department could not to-day place a contract for a similar class of locomotive at the same rate. Furthermore, there is the fact that the Railway Department has materially assisted the contractors by doing certain portions of the intricate work in the Railway workshops.

With respect to the comparison of the Class "Q" Baldwin locomotive with Class "A," it is only necessary to point out that the "Q" was built in a large American workshop which has