

go far to kill initiative and all power of forming fresh ideas and exercising independent judgment. It is, of course, necessary that there should be rules and regulations. These are required in any large service, but they should be as elastic as possible. The rules that govern the Service are laid down in numerous Acts and regulations. The rules that are laid down in Acts are hard-and-fast, and can only be changed with great difficulty, therefore fresh legislation should be on broad lines and as simple as possible, leaving details as much as possible to be dealt with by regulations to be drawn up by the Board of Management. In starting on fresh lines such as we have suggested, initial mistakes are bound to be made, but these can be set right by regulations that are capable of being quickly altered. In incapable hands regulations can be made as irksome as Acts of Parliament, but under capable and alert management they can, and should be, altered quickly to cope with the unceasing demands of ever-changing conditions. Rules laid down by Act of Parliament never can do this. The alterations, too, often arrive after the mischief is done.

It may have been expected that we should put down figures in black and white showing what economies might be effected in the Service if the recommendations that we have made are adopted, but we think it will be conceded that the time that we had at our disposal was altogether insufficient to attempt anything of this nature. We have confined our attention to dealing with the broad principles that we thought it would be necessary to adopt in order to obtain an efficient service. It can be laid down as an axiom that true efficiency always means economy, and without true efficiency there can be no economy. An increase in the efficiency of the service rendered to the people of the Dominion is just as much an economy as a decrease in the cost of that service. True efficiency will produce both the economy of decreased cost and the economy of better service. It is hard to give an estimate of what this would mean, but we are satisfied that the results, if the recommendations that we have made are adopted, will be very great.

To give a business illustration of how it would result: The profits in an ordinary business concern can be divided into two portions—(a) the capital interest—that is, the interest that the capital in the business would produce if invested in ordinary loans; and (b) the profits in excess of capital interest, which are the true trading profits. It is the latter for which people are in business. They do not go into business to get capital interest—this can be obtained by lending the money invested in the business in any of the various forms of loan investments that are available. It is difficult to say just how the gross profits of an average business in this country, after deducting capital interest, would compare with the gross expenses. They will, of course, vary enormously according to the nature of the business and the skill of the management, but we think we will not be very far out if we say that out of every £100 of gross earnings in excess of capital interest not less than £80 will go in expenses, and £20 will remain as net trading profits. Now, imagine such a business, and a man taking charge of it who, by reorganization and good management, produces such increased efficiency that he is able to reduce that £80 of expenditure to £75 (which does not seem a very large reduction), and to increase that £100 of earnings to £105 (which does not seem a very large increase), yet that comparatively small decrease in expenses and increase in earnings mean an addition of 50 per cent. to the net trading profits. Applying this argument to the finances of this Dominion: We are obtaining and spending roughly, on an average, a revenue of £11,000,000 a year. Imagine, now, an increased efficiency that would merely mean a reduction of 1 per cent. in expenses and an addition of 1 per cent. in the efficiency of the Service rendered: these comparatively small improvements would amount to £220,000 a year. This does not seem much on a revenue of £11,000,000, but accumulating at 4 per cent. it would amount to a sum that would wipe out the present national debt of the Dominion in seventy-one years—a long time in the life of an individual, but a very short time in the life of a country. This is what can be done by a decrease