

As to what should be the duration of such loans the evidence was conflicting, but it was recognized that, with the continual advance of scientific knowledge, and consequent changes in hospital construction, planning, and equipment, it is difficult to predict the hospital necessities of the future. That being so, it was generally admitted that the distant future should not be loaded up with the expenditure for present-day requirements. In the case of buildings constructed of wood or other non-permanent material, your Commission recommends that the loan-money should be repaid by a sinking fund within ten years; whereas the period for repayment of loans for buildings erected with permanent material, or for the purchase of land, might be extended to twenty years.

#### MAINTENANCE EXPENDITURE.

Para. 2. (a). *The extent to which the Government should contribute towards the net maintenance requirements of Hospital Boards in the Dominion.*

#### GOVERNMENT CONTRIBUTION.

Under the Hospitals Act, 1885 (consolidated 1908) the policy was that half the net requirements of the Hospital Boards for maintenance should be raised by Government subsidy, and the other half by levy. The Hospitals and Charitable Institutions Act, 1909, provided for a Government subsidy "for every pound levied by the Board from contributory local authorities . . . an amount determined in accordance with the schedule in respect of expenditure other than capital expenditure," and the average subsidy-rate for the Dominion at that time was £1 for £1, or, to be more accurate, £1 0s. 5d. for £1.

It has evidently been the intention of the Government to continue the policy of contributing by way of subsidy one-half the total Dominion cost of maintenance requirements of hospitals, and that was done for a few years after the passing of the Act, but the operation of the subsidy scale ultimately resulted in a drop in the average rate of subsidy from £1 for £1 to 15s. 3d. for £1. As the Minister of Health said, "The Government contributed in the first two or three years just about one-half of the total of the hospital requirements of the Dominion, and then the subsidy began to drop, with the result that to-day under this scheme, which was presumed to be £1 for £1, the Government is, on the average, only paying 15s. 3d. for every £1. . . . There is the fact that this scale has operated in a way that the founders of the system at the time did not anticipate."

Your Commission therefore recommends that it be definitely laid down that the policy of the Government in the future be as it has been in the past—that is to say, that the Government contribute one-half of the Dominion net maintenance requirements of Hospital Boards, and the other half be raised by levy upon the contributory local authorities.

Para. 2. (b). *The basis of allocation of any such contribution amongst the individual Boards.*

#### BASIS OF ALLOCATION.

A flat rate of £1 for £1 subsidy on contributory local authorities for maintenance purposes was the policy adopted in the Hospitals Act, 1885. This was found to be inequitable, and, in an endeavour to assist poorer hospital districts, a sliding scale of subsidies was introduced in the Hospitals and Charitable Institutions Act, 1909. The amount of subsidy then ranged from 24s. 3d. to 12s. 3d. for £1. As stated in the *Journal of Public Health*, "In drafting that scheme of sliding scale of subsidies it was assumed that a large rateable capital value per head of population means a wealthy district and little poverty, and that a high expenditure per head of the population on hospitals and charitable aid meant either extravagance in hospital administration or poverty in a district."

The result of that policy was that districts which desired efficiency and modern improvements and developments in the hospital service of a growing community found themselves penalized by reduced subsidies for carrying out such ideas. Almost unanimously the existing scheme for payment of subsidies was condemned by witnesses and the repeal of it was urged. The Director-General of Health said,