

"After the estimates have been voted by Parliament, however, Ministerial authority is required for all expenditure over £100 and not exceeding £1,000, and Cabinet authority for all expenditure exceeding £1,000: no work involving a charge to the Loan Account can proceed until the authority has been obtained. Any surplus on the year's work is absorbed in the Consolidated Fund on the 31st March of each year, and is not available to be carried forward. Similarly, any deficit is met by the Treasury out of Consolidated Fund. Financially each year's working stands entirely by itself. The estimates are prepared in June and passed late in the year—that is, within three or four months of the end of the financial year to which they refer. This delay in giving authority for expenditure which must go on from day to day not only upon capital works, but also upon revenue, places the Railway Department in an extremely awkward position. It is the practice to authorize expenditure in anticipation at a rate proportionate to that of the previous year, but for anything additional there remains, as a rule, four or five months only of the financial year in which to carry out the work. The passing of a Budget by Parliament under such conditions as these has from a railway departmental point of view no practical value; on the contrary, it is subversive of economical working and management."

The Accountant, in answer to a question as to any difficulty in obtaining moneys from the Treasury within the vote, said, "There was difficulty in 1922, but not since then." Q. 54: "Parliament sanctioned the expenditure, but you had difficulty in obtaining the actual cash?—Yes." "To any large extent?—No, not to a very large extent; but we were asked to keep the expenditure down to the lowest possible limit." Q. 56: "Owing to financial stringency?—Yes; for the last two years there has not been much trouble."

So long as the Treasury is in a sanguine mood the estimates on revenue and betterment meet with approval, but in times of financial stringency the Railway is treated in the same way as Departments of State which are non-revenue-producing, and pressure is applied in the direction of reduction.

SEPARATION OF RAILWAY FINANCE FROM TREASURY ACCOUNTS.

New Zealand would appear to have escaped some of the more flagrant disadvantages due to the inclusion of revenue and capital receipts and expenditure in a consolidated State fund, but there is ample justification for the opinion expressed by the Minister of Railways as to the desirability of separating railway finance from Treasury accounts.

British budgeting methods, which are followed in New Zealand, were not at their inception formed for the purpose of administering a large industrial undertaking such as a system of railways, and they do not, and cannot, conform to the requirements of a revenue-producing establishment which needs not a yearly vote, but financial provision arranged from time to time as necessity arises, capable of dealing with a policy and programme over a period of years, and at the same time sufficiently flexible to meet any emergency that may arise.

We recommend that loans and obligations which can be earmarked as attributable to railways be transferred to a separate railway account, that railway revenue and expenses, including purchase of stores, be included in this account, the whole being dealt with by the Railway Department.

Provided there is a statutory obligation to keep railway funds liquid and available on demand, the Treasury might continue to be the banker to the Railway Department, although experience in other countries has shown that in times of financial stress moneys representing reserves or current remittances have proved too alluring to escape seizure in aid of other State obligations.

ABSENCE OF RESERVES.

There are no reserves to meet wasted and wasting assets in the shape of wear-and-tear of rolling-stock or permanent-way. The accounts do not, therefore, disclose the actual position, inasmuch as depreciation in value is not charged against working expenses year by year and accumulated to meet renewals as they become due. This has been provided for in part by charging such renewals as