

The actual position of overhead expenses between the old and the new shops is set out below, and shows an increase of £276,657.

—				1926.	1930.	Increase.
				£	£	£
Otahuhu (Newmarket)	..			45,474	111,093	65,619
Hutt	..	..	..	54,132	166,635	112,503
Addington	..	..	..	67,241	97,163	29,922
Hillside	..	..	..	49,025	117,638	68,613
				215,872	492,529	276,657

The overhead expenses in 1930 were in many respects abnormal in that certain expenses of a non-recurring nature were charged against overhead in this year, but it may be anticipated that the overhead expenses will be stabilized at about £250,000 per annum above the overhead of the old shops. Assuming that the original estimated saving of £230,000 will be realized, this saving will be more than counter-balanced by the increased overhead expenses, and no actual economy will accrue to the Department. Further, in order to effect the saving of £230,000 and to offset increased overhead a considerable reduction in staff would have to be made and the staff rather than decrease shows a decided tendency to increase.

Method of Costing.—Your Commission is of opinion that considerable improvement can be made in the system of costing in operation in the various workshops. The present method, which necessitates the full overhead expenses for each workshop being absorbed by a percentage added to the productive wages unduly penalizes the production costs in those departments where expensive machinery is not used, and, on the other hand, does not fully disclose the results of operation on machines which were purchased with the object of reducing costs by a saving in man-power. It is possible to apportion the correct overhead rating for each department, and to extend the system of costing to give more accurately than at present the costs of manufacture of various articles, but, in order to do this, a thorough reorganization of the present costing system, including the rating of individual machines, will require to take place.

Scheduling of Work.—The scheduling system now in force calls for no special comment, as it follows the same general lines as systems that have been in use for many years in the workshops of the principal British, American, and other railway systems. In respect of the more detailed routing of work through the shops it is capable of considerably more elaboration than has yet been attempted, or need be attempted until the staff as a whole has gained further experience. Local conditions in no way affect underlying principles. The system is employed elsewhere with valuable results, and it should be mentioned that so far as the schedules prepared for work in the locomotive shops at Hutt and Hillside go they appear to be somewhat on the “easy” side.

Equipment in excess of Requirements.—In a few cases equipment in excess of requirements has been purchased, but it is anticipated that reasonably full use of all equipment will be made as soon as the workmen are thoroughly trained in the use of the new machinery. It has been necessary in some instances to transfer machinery from one shop to another in order to locate the site where a particular machine could be used most advantageously, but any disadvantages suffered in this direction now appear to have been overcome.

Undertaking of Work for other Government Departments.—It can be said that the workshops now occupied by the Railways Department are the best equipped and most up to date in the Dominion. This being so, the Department should be able to undertake work required by other Government Departments at a less cost than this work can be catered for by private firms, and opportunity should be given to the Railways Department to tender for such work. Your Commission makes this suggestion, not with the object of taking away from private firms certain Government work which they are now carrying out, but rather with the object of utilizing to their full capacity the machines and equipment which is in the possession of the Government through the Railways Department.