

## GENERAL.

150. We cannot recommend any further reduction in the charge for depreciation in either Department, although a reduction would automatically benefit the Consolidated Fund at a time when all possible avenues of increasing its resources should be explored.

151. The policy of reducing the charge for depreciation in either or both Departments would be fraught with danger, in that the time would doubtless arrive when a considerable amount would require to be spent on renewals, and this would not be available if part of the depreciation charges were used for the general purposes of the Consolidated Fund.

152. We do, however, feel that the present system is open to some objection, in that it presupposes the ability of the Government at some future date to raise fresh capital by way of loans for depreciation purposes, by reason of the fact that fresh capital works are to-day being financed from depreciation funds not immediately required. For this reason we suggest that all new capital works should be postponed, and that surplus depreciation not immediately required should be specifically invested.

## MOTOR TAXATION.

*Payment to Main Highways Revenue Fund, and Disbursements under Motor-spirits Taxation Act, 1927.*

153. We would again refer to the recommendation contained in our interim report, that the Main Highways Revenue Fund and the Capital Fund be abolished. We estimated that it should be possible to augment the Consolidated Fund for 1932–33 by at least £500,000 from the proceeds of motor taxation.

154. In the Finance Act, 1932, provision is made for the sum of £500,000 to be transferred from the Main Highways Revenue Fund to the Consolidated Fund, and, while this partly follows our recommendation, the special fund has still been retained. Relief to the Consolidated Fund by the appropriation of one sum of £500,000 from the Main Highways Account is merely a temporary expedient, and does not remove the root cause of excessive expenditure on the development of roads. The earmarking of taxation for special purposes is quite wrong in principle, and is opposed to the accepted canons of sound finance. It is the prerogative of Parliament to allocate all taxation according to the general needs of the Dominion, and it should not be possible for any Department or controlling Board to have a proprietary right to the taxation derived from any special source.

155. Considerable outlay is necessary to provide for the economic development of the Dominion, but heavy expenditure has been incurred in the past on what may be termed more or less “luxury development,” which has encouraged pleasure traffic and has also provided for the growing demands of commercial road transport, with disastrous results to the earning-capacity of the railways system. It appears to be essential that road finance should be subject to rigid parliamentary control, and this cannot be done if the system of earmarking special taxation is to continue. No Parliament could, in successive years, provide for the expenditure of only a small portion of the revenue derived from motor taxation and leave the balance to accumulate in a separate Fund. Political pressure would make this course quite impossible, whereas if the proceeds from motor taxation were credited to the Consolidated Fund, and the amount merged in what may be termed the general taxation pool, there would not be the same amount of agitation for continued expenditure on road-development.

156. **We consider the matter of sufficient importance to again stress the necessity for the abolition of the Main Highways Revenue Fund, as by this means only can real and sustained economy in roading expenditure be obtained, and the commencement of grandiose projects years ahead of the needs of the Dominion be avoided.**

157. **We trust that political expediency will not be allowed to stand in the way of the abolition of this and other special funds, which we are convinced are quite wrong in principle.**

## VOTE—PRIME MINISTER'S DEPARTMENT.

158. The Prime Minister's Office was constituted as a separate Department in 1926, and the following statement shows the comparative costs in 1926–27 and 1930–31 :—

	1926–27.	1930–31.
	£	£
1. Salaries .. .. .	2,292	2,675
2. League of Nations .. .. .	13,088	11,628
3. Printing and stationery, &c. .. .	223	345
4. Rent, depreciation, and interest charges .. .	704	1,072
	<u>£16,307</u>	<u>£15,720</u>

159. There is little scope for economy in this Department, but we would mention the following items on the Appropriations for 1931–32 :—

*Item—League of Nations: New Zealand Proportion of Secretariat Expenses, £12,180.*

160. It is a matter for consideration whether the proportion of the expenses of the Secretariat of the League of Nations allocated to New Zealand is not excessive. We are aware that every effort has been made to reduce the cost to New Zealand, but consider that the representative of the Dominion should continue to press for a reduction in the proportion allocated to New Zealand, or in the general expenses of the League.