

1320. Referring firstly to the Head Office administration, we are of opinion that the professional staff should be considerably reduced. Forest engineering and research at present undertaken by the Service should be severely curtailed and in some directions eliminated. We recommend an immediate overhaul of the professional and expert staff in the Head Office with a view to retirement of surplus officers. This would effect a saving of at least £2,000.

GENERAL ADMINISTRATIVE ORGANIZATION.

1321. The Department has branch offices at Auckland, Rotorua, Palmerston North, Nelson, Hokitika, Christchurch, and Invercargill. We believe that a less extensive organization should be aimed at. In particular, it should be possible to close down the offices at Auckland, Palmerston North, Nelson, and Invercargill, although there may be some doubt about the latter. We are of opinion that the time has arrived when the work of the Auckland office could well be carried out at Rotorua and the work of the Palmerston North office could be done through Head Office. Similarly, the work of the Nelson District could be performed in the Hokitika office and a central office in Christchurch should suffice for the remainder of the South Island. This would undoubtedly result in administrative economy. We believe that the closing of the offices in the centres mentioned would not affect the efficiency of the service, particularly if reliable field officers were stationed in those centres. On a conservative estimate, a saving of £5,000 to £6,000 should thereby be possible. There is a tendency right throughout the Government service to provide a widely scattered organization with a view to giving extensive service to the public. In view of present conditions, such extensive organizations are no longer justified, and this Department should be no exception to the rule.

Estimated saving, £5,000 to £6,000.

1322. *Silvicultural Operations at Waipoua Forest.*—We recommend that the silvicultural operations at the Waipoua Forest be discontinued immediately, and that the staff be reduced to a "caretaking" basis.

Estimated saving, £750.

CONCLUSION.

1323. The foregoing recommendations involve a reduction of £69,500 in the last years' appropriations on the State Forest Account. In addition, there is the sum of £11,000 involved in our recommendation that the revenue derived from sales of timber in goldfields area be credited to the State Forests Account and £8,000 in respect of "fifths." In all, the result is that it should be possible to obviate the raising of further loan capital to the extent of at least £88,500 per annum.

1324. There will be an ultimate indirect saving to the Consolidated Fund for the reason that the utilization of unemployment moneys and the saving in expenditure generally will result in an annual reduction in interest on loans.

1325. It is of particular interest to note that forestry operations in the United Kingdom were considered by the Committee on National Expenditure in Great Britain in 1921, again by the Select Committee on Estimates in 1929, and by the Committee on National Expenditure in 1931. Taking these investigations in their order, the Committee in 1921 expressed the opinion that the scheme of afforestation by the State should be discontinued, for the reason that the expenditure will always show a heavy loss and cannot reach fruition for something like eighty years. In 1929 it was stated that about 60 per centum of the expenditure of the Forestry Commission might, in certain circumstances, be expected to yield a net return up to 3·7 per centum, while the remaining 40 per centum would yield little or no return. The Committee in 1931 stated that, as an investment of the national resources, an estimated return of from 2 per centum to 2½ per centum, has no attractions. That Committee recommended a drastic curtailment of forestry operations.

1326. One point that emerges clearly from the reviews of the Committees in Great Britain is the fact that the programme embarked upon in New Zealand has been unduly ambitious. The objective of the Forestry Commission in the United Kingdom was the afforestation with conifers of 1,750,000 acres at the rate of 1,180,000 acres in the first forty years, including 150,000 acres in the first decade.

1327. It seems quite obvious from the foregoing that the goal so soon reached in New Zealand is years ahead of its time, and we have no hesitation in saying that the cessation of State afforestation operations in this Dominion in three years' time, as recommended, is essential.

UNEMPLOYMENT FUND.

1328. Expenditure out of this fund is not subject to review by Parliament, although the administration expenses, amounting to £57,686 for 1931–32, were the subject of appropriation.

1329. We dealt with one aspect of unemployment expenditure in our interim report—namely, the subsidy of £1 for £1 payable out of the Consolidated Fund—and expressed the opinion that the assignment of the proceeds of a particular class of taxation to a special account is unsound. We recommended that the proceeds from unemployment taxation should be paid into the Consolidated Fund and that Parliament should appropriate each year such an amount for unemployment as may be necessary in the light of the general requirements and irrespective of the sources of taxation from which the funds are to be supplied. We repeat this recommendation, as we believe that the assignment of taxation to a particular account is not in accordance with the best principles of public finance.