

1498. In so far as the accumulated loan liability in respect of railway-construction is concerned, the sum of £10,400,000 is free of interest to the Railway Department, and interest and sinking fund on this amount must be provided from general taxation.

1499. Before passing to a detailed review of the expenditure under various votes and accounts it should be mentioned that there has been a tendency in the past to meet, out of loan capital, expenditure which should rightly have been met from revenue—*e.g.*, vote Contingent Defence and vote Immigration have appeared on the Public Works Fund appropriations. A review of the public-works estimates suggests that other items of expenditure should be charged to the Consolidated Fund, as, for instance, lighthouses and harbour-works. A large portion of this outlay represents conversions and replacements, which are a legitimate charge against revenue. Other examples appear under vote Lands Improvement and vote Construction, Maintenance, and Supervision of Roads. Also, an increasing proportion of the expenditure from the Education Loans Account for school buildings is in the nature of replacement of obsolete and inadequate school buildings, and, as such, should not be capitalized or provided from loan funds. It should be stated that in the past a proportion of the expenditure of the nature indicated has been partly offset by transfers of surplus revenue to the Public Works Fund. A statement given previously shows that the sum of £15,674,000 has been transferred in this way, but a *pro rata* apportionment of all such transfers would provide only about £440,000 for Immigration against an aggregate capital expenditure of £3,300,000 for this purpose. **This demonstrates that the provision that has been made for partly financing such projects out of revenue has not been adequate.**

1500. **Notwithstanding present financial conditions, we recommend that the practice of utilizing loan-moneys for the purpose of financing unproductive capital works or for renewals and replacements of capital works should cease immediately, and that suitable provision be made for expenditure of this nature out of the Consolidated Fund.**

1501. We now propose to review the various votes and accounts under the control of the Public Works Department, and will commence with the appropriations chargeable on the Public Works Fund and other accounts.

VOTE—PUBLIC WORKS, DEPARTMENTAL.

1502. This vote comprises salaries and general administration expenses incurred in carrying out the various works under the control of the Department, and these overhead expenses are allocated to the respective works. The residual charge against vote Public Works Departmental for 1930–31 was £131,816, whereas the gross expenditure was £311,448. In addition to the expenditure provided out of this vote there are certain salaries and administrative expenses charged to the Consolidated Fund under vote Public Buildings, Maintenance, &c., but wages, materials, and supplies are charged direct to the votes of the various works concerned. The vote Public Works, Departmental, is therefore provided for expenses of a purely administrative character.

1503. There is to-day an extensive Public Works organization which is directing and controlling works of considerable magnitude, and so long as the present system continues it will be necessary to maintain a comprehensive organization to provide for the supervision and control of large numbers of workmen in the direct employ of the State.

1504. Under present conditions there is another factor which makes it necessary for the Public Works Department to maintain a larger administrative staff than it should. The Department is called upon, often at short notice, to provide work for unemployed, and the organization must be such that supervision and control is immediately available in order to meet the exigencies of the moment. Furthermore, although this is not strictly appropriate to vote Public Works, Departmental, the necessity for finding and supervising work for the relief of unemployment entails the keeping of a considerable quantity and value of plant, material, &c. It is hoped that this is but a temporary phase, and that the unemployment situation will shortly improve. **An undesirable feature, however, is that both the administration and the acquisition of plant is being financed out of loan-money.** We have, however, dealt with this subject of inappropriate expenditure out of loan-money in regard to other phases of the Department's activities, but just mention here that the question of unemployment has a bearing on the matter.

1505. It is necessary at this stage to consider whether it would not be in the best interests of the Dominion if the system of carrying out public works by day labour under the control of the Department were abandoned. Without wishing in any way to impute lack of efficiency to the present organization, we think that **one of the main objections to the system of the State engaging all labour necessary for the carrying-out of public works is that it has developed an army of workmen who know no other employer than the State, and for whom it is increasingly difficult to find employment.** We think it very undesirable that the Government should be the direct employer of men engaged on public works. If works were let by contract the administrative staff of the Public Works Department could be reduced to a minimum, the expenditure on plant would largely disappear, and the Department would escape the work, annoyance, and dissatisfaction which result from the fact that every direct employee of the Government considers that he has the right to have his grievances heard by the Government. **If the men were working for a contractor this would be eliminated ; and, moreover, we believe that better results would be obtained.** It may be contended that, as contracting has not been carried out in New Zealand on a large scale for some considerable time, there would be some difficulty in obtaining skilled men as contractors, but we think that this objection is not a valid one.

1506. **Another disadvantage of the present system is that it is very easy for the Government to start perhaps small works with a view to relieving unemployment in any locality. Many works**