

which when started are expected to be on a small scale have the disadvantage that as the work proceeds larger avenues of expenditure are opened up, and what may be a small job in the beginning ends up in the expenditure of much larger sums than were originally contemplated. There would not be the same tendency under the contract system, and, moreover, the reversion to such a system should not have an adverse effect on the unemployment situation, for it matters not whether men are employed by a contractor or by the Government.

1507. A distinct advantage of the contract system would be that a greater degree of certainty with regard to the final cost of construction works would be obtained. That this is a factor of considerable importance is clear from evidence we have obtained as to the estimated cost of various works and the final cost. **Large works are frequently authorized on the basis of estimates compiled by engineers, but in many cases the actual cost greatly exceeds the original estimate.** Good and sufficient reasons may be advanced in many cases for increases in original estimates—*e.g.*, additional work not contemplated when those estimates were framed may later be decided upon. The fact remains, however, that there are many cases where estimates are substantially exceeded for no apparent reasons, and this tendency would be avoided under the contract system. To give some examples of the increased cost of various works, we append a table showing estimated and completed cost of various irrigation schemes, railway works, and drainage works; and this table by no means completes the list of such cases.

Scheme.	Estimated Cost.	Capital Cost.
Central Otago Irrigation Works—	£	£
Manuherikia	156,000	233,000
Teviot	42,000	55,000
Ardgour	27,000	34,000
Tarras	78,000	137,000
Hawkdun	59,000	68,000
	362,000	527,000
Mangahao electric power	439,000	2,400,000
Railway workshops	1,500,000	2,000,000
Westfield deviation	450,000	803,000
Waihou and Ohinemuri Rivers improvement	150,000	710,000
Rangitaiki land drainage	50,000	500,000
	2,951,000	6,940,000

1508. To take just two cases from the above table, we suggest that had it been realized that the cost of the Waihou and Ohinemuri Rivers improvement scheme and the Rangitaiki land-drainage scheme would be £1,210,000 as against an original estimate of £200,000 the works would not have been commenced. We also refer to the practice whereby comparatively small works are started and which later develop into works of some magnitude requiring greatly increased expenditure. **The time is long overdue when full consideration should be given to the effect of such works on finances in succeeding years, and we consider that works of this nature should not be commenced unless the full amount required to ensure their completion and future maintenance is definitely known and can be provided for.**

1509. In the past, where estimates have been exceeded, additional loan funds have been too readily obtained; but, although this easy method of finance has been checked meantime, the greatest care and closest control of the expenditure of public money on developmental projects is absolutely essential in the future. The establishment of a thorough system of costing based upon sound commercial principles which would keep administrative officers comprehensively and finally informed as to the progress of the works, and the proper utilization of such a system, would go a long way towards eliminating faulty estimates in the future; but this is, of course, assuming that the present system of carrying out public works is to continue, which we do not recommend.

1510. **The annual estimates of expenditure out of the Public Works Fund and other accounts should be subject to more rigid scrutiny and control. We recommend the incorporation of the Public Works estimates as an integral portion of the Budget.** The machinery which at present exists for the overhaul of the estimates is in itself insufficient, and after reviewing the various votes and accounts under the control of the Department we shall have further proposals to put forward to provide for a more adequate review and consideration of works before they are undertaken.

1511. It is unnecessary to review in detail the items provided under vote Public Works, Departmental. **Our recommendation for a reversion to the contract system of carrying out public works would have an immediate and far-reaching result in so far as the present organization of the Department is concerned.** There would no longer be any necessity for the maintenance of a large administrative staff designed to control and carry out public works in every corner of the Dominion. The administrative staff could be reduced to an advisory and inspectorial staff, and the clerical and accounting machinery could be greatly simplified. **We feel so confident that a reversion to the contract system is the only satisfactory basis upon which true economy can be obtained that we have not considered it necessary to inquire into the possibilities of effecting economy, assuming the present policy is to be continued.** If our suggestion is adopted, it is estimated that the adminis-