

tration costs of the Department should be reduced by approximately £150,000 per annum. This saving is calculated on the gross administration charges, for the credits-in-aid shown under this vote come from other votes and accounts, which would participate in the saving accruing from the adoption of the system recommended.

1512. A definite saving would be possible by closing many small offices throughout the Dominion, as they would not be necessary in the reduced establishment.

1513. Before passing to consideration of other votes, there are one or two matters in connection with vote Public Works, Departmental, to which attention should be drawn. The Department has certain statutory obligations in respect to examination, inspection, &c.—as, for instance, the administration of the Engineers Registration Act. The accounts for 1930–31 disclose that the excess of expenditure over income in connection with the Engineers Registration Act was £97. It is considered that the fees charged for examination and registration should be sufficient to recoup the total relative expenditure by the Department, and **we recommend that the scale be increased accordingly.**

1514. The Department also carries out various duties of an advisory nature for local authorities, and no direct charge is made in such cases. As the salaries and administrative expenses incurred are met out of loan-money, the result is that failure to recover from local authorities and others the value of services rendered necessitates expenditure being capitalized and sinking fund requiring to be met over the ensuing sixty years, which is the period of amortization in respect of the public debt. **We recommend that where the Department undertakes services for local authorities or other Departments that charges be made therefor to recoup the Public Works Fund.**

1515. The propriety of various charges against the Public Works Fund has frequently come under our notice. **There are many items on the vote at present under discussion which we cannot agree should be met from loan-money.** Indeed, it is questionable whether the whole of this vote should not be transferred to the Consolidated Fund and the services performed by departmental officers in respect of construction projects—i.e., legitimate charges against loan-money—recouped to the Consolidated Fund. Such expenditure as, for instance, the cost of printing the Public Works Statement (Parliamentary Paper D.-1) and the printing of the Public Works Estimates should certainly not be a charge against loan-money. Also, we draw attention to the fact that the Public Works Statement appears to be rather extravagantly prepared and too profusely illustrated. The cost of printing in 1931 was £264, which appears to be excessive, and we recommend that further economy be practised in this connection.

VOTE—RAILWAY-CONSTRUCTION.

1516. The amount provided under this vote for 1931–32 was £700,000; but since the appropriations were passed practically all work on lines under construction has been discontinued, as it has been amply demonstrated that new capital expenditure on railway-construction can no longer be justified.

VOTE—RAILWAYS IMPROVEMENTS AND ADDITIONS TO OPEN LINES.

1517. The amount provided under this vote for 1931–32 was £1,445,000, against which credits-in-aid were estimated to reach £425,000, leaving a net vote of £1,020,000. The credits-in-aid are derived mainly from the Working Railways Account, and represent depreciation accrued during the year on buildings, bridges, plant, &c. We have already referred to this question of depreciation in the Railways and Post and Telegraph Departments, and have recommended that the amount not required to replace worn-out assets during any year should not be invested in new capital works, but should be specifically set aside to provide a fund for the replacement of assets as required in the future. A review of the expenditure provided under this vote will indicate that substantial new works must, in part, under the present arrangement be financed from Depreciation Fund moneys. No doubt the expenditure under this vote is also subject to close scrutiny by the Railways Board, and, apart from our comment in connection with the use of Depreciation Fund moneys, we have no further recommendations to make.

RAILWAY FINANCE—GENERAL.

1518. The capital invested in railways now totals £68,679,000, but in 1929 legislation was enacted whereby £8,100,000 was written off the Capital Account for interest recoupment purposes in respect to non-paying lines, this being the estimated amount of contributions from the Consolidated Fund towards railway capital purposes. This writing-off was authorized in lieu of the subsidy previously paid from the Consolidated Fund in respect of non-paying lines. The amount was increased in 1930 to £10,400,000 on account of depreciation and losses of assets not otherwise provided for up to the 31st March, 1931. If the writing-off of capital to the extent of £10,400,000 were the beginning and end of the burden on taxation through the adverse drift in railway finances, the situation would not be so grave. Interest is calculated on cost of open lines and is charged against the earnings of the railways, while interest on the cost of unopened lines is not so charged until the lines are taken over by the Railways Department.

1519. For the year ended 31st March, 1931, the interest charged to the Department, after making provision for the writing-off of £8,100,000, was £2,255,345, but the amount actually contributed to the Consolidated Fund towards this interest was only £685,000. **Thus there was a shortage of £1,570,000, which had to be found from general taxation.** Capitalizing this deficiency at 5 per