

"This gambling item need not be large, and the following example will show that it is not a serious item to the builder.

"Let us assume that £1,000 of the increase of £2,500 on the estimate of £10,000 (in the example previously referred to) is due to increased prices of materials. It will then be apparent that the actual increase over estimate was £1,500, or only 15 per cent. A deduction from the agreed fee (£1,000) 15 per cent. would lower it to £850—or £100 more than if the £1,000 had been included. The builder therefore under this contract would only pay £100 of the £1,000 increase in prices.

"Inversely: if we consider that £500 of the saving of £1,000 (referred to in the same example) is due to a drop in prices of material, the actual saving on estimate would only amount to £500, or 5 per cent. A bonus of 5 per cent. on the fee of £1,000 brings it up to £1,050, or £50 less than if the drop in prices of materials had been neglected.

"The builder would in this case get £50 of the £500 saving to which he in no way contributed.

"When making up his original estimate the contractor can allow for any immediate rise in prices he knows to be inevitable, and therefore any loading of the fee would be a very small amount.

"Should a contractor have such an organisation that he is able to purchase or produce materials below current market rates, he has the same advantage over his competitors as he would have under any other form of tendering and, owing to the contract element, employers find that they can get more work out of the men than is possible under 10 per cent. work.

"A feature of this system of special interest (particularly to builders with small capital) is that under it the builder cannot lose any of his capital.

"His loss will be a reduction of his estimated earnings, to lose the whole of which the cost, including maintenance, would require to be double his estimate—a very remote possibility.

"The system lends itself to co-operative contracting by a group of working partners tendering in the name of one of them, as all but he may draw full award pay, which is charged with any other labour to the job and regularly paid by the owner according to previous agreement as to periods of payment.

"The present advantages of the system will be increased when conditions become stable, and I believe that, once the builders become accustomed to it and realise the benefits to all concerned, it will permanently supplant the old tender system."



N.Z.I.A. STUDENTS' ASSOCIATION, (Otago Branch) 1920.

Back Row (left to right)—G. Drummond, G. Callander, E. Smith, W. Shardlow, E. Osten.

Middle Row—C. Dunning, E. Davys (Hon. Treas.), C. E. Macfie (Vice Pres.), B. B. Hooper (Pres.), N. Y. A. Wales (Hon. Sec.), W. McPheat.

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