I do not include in this sum the amount charged by Martin for interest and contingencies. On the other hand, the Colonial Architect's valuation of the building, as it stood after completion, was £16,245, less profit added £1,476, or total cost price £14,769, being £4,264 less than that arrived at by taking Martin's statement as a basis of calculation.

According to the calculations of the Colonial Architect of the values paid, it would appear that the payments actually made, either in money or materials, almost exactly correspond with the value at which he has estimated the building. These payments in money and materials are as follows:—

Paid to Smith	£2,674
Value of materials on the ground to the benefit of contractor ...	1,829
Materials supplied by Government	314
Total payments to Martin	9,954
Total payments	£14,771

Thus it would appear, according to the valuation of the Colonial Architect, that the cost price of the building has been paid either to Smith himself, or to Martin as his assignee. But over and above these payments, value has also been received by the contractor from third parties, in the shape of bills unpaid, to the amount of £1,454 12s. 2d., as specified above; and if this sum be added to the values paid by Government, it would appear that the contractor had received payment to the following amount:—

	£	s.	d.
Payments as above	14,771	0	0
Bills unpaid	1,454	12	2
	£16,225	12	2

It will probably hardly be necessary for me to explain that the difference between the original contract price for the building, £10,583, and the value of the building at its completion, arises from additions made during the course of the works to the original specifications, under separate supplementary contracts, agreed to by the contractor. I assume that it is not contended that these were taken at too low a price, under the influence of delusive representations by the Colonial Architect, as is alleged in regard to the main contract. On this assumption, I have throughout omitted all reference to these supplementary agreements.

I am totally at a loss to account for the discrepancy between the estimate of the value of the building by the Colonial Architect and the alleged expenditure incurred by Martin. Whether it arises from some unaccountable error on one side or the other, or from an unnecessarily wasteful expenditure on the part of the contractor, I am unable to decide. I am bound, however, to think, when I compare the amount made up of money, materials, and labour which have been put into the building, which, as stated above, comes to £16,225, and the Architect's valuation so nearly coinciding with this sum, viz. £16,245, that the estimate must be nearly correct. It will, no doubt, be remarked that the former of these sums allows nothing for profit, while the latter includes a profit of 10 per cent.; but it will be seen from the evidence of the Colonial Architect that it is not usual, in tendering for contracts of this nature, to include in the sum named in the tender, any profits. The contractor is supposed, in making his arrangements with his sub-contractors, to save sufficient to leave him a reasonable profit.

I shall probably not be considered to be going beyond the limits prescribed by my commission, if I draw attention to the case of those who, without having had any connection with the contract, have sustained heavy losses by supplying materials and labour for which they have never, or at least had not when the Commission was sitting, received payment.

As I have already stated, bills for the aggregate amount of £1,454 12s. 2d., the particulars of which are given above, are still unpaid. For these the contractor appears to be alone responsible; but as he has become bankrupt, there is very little prospect of their being settled. It may be a matter for the consideration of the Government whether, as a matter of grace, though not of right, the case of these persons should receive a favourable consideratlon. I think such a course might be justified on two grounds.

In the first place, it will be seen from the comparison of the estimated value of the building, £16,245, and the payments made to the contractor, viz. £14,771, that the Government would appear to be gainers to the amount of £1,474, or of about £20 more than these claims, which amount to £1,454.

In the second place, these persons might reasonably suppose that they were safe in supplying materials or giving their labour to a contractor who had undertaken so large a contract and who, therefore, might be expected to have at his command capital sufficient to satisfy their demands.

I enclose herewith, for the information of His Excellency, the following papers:—

1. The Commission issued by His Excellency, dated 28th March, 1871.
2. Minutes of Proceedings taken under Commission.
3. Evidence taken—numbered 1–10 inclusive.
4. Report and Evidence of Public Petitions Committee, 4th October, 1871.
5. Report of Select Committee, 7th November, 1871.
6. Evidence (copy) taken before Select Committee.
7. Schedule (copy) Smith's Assets and Liabilities—the claims of third parties ticked off.
8. Statement of Expenditure, &c., by J. Martin.
9. Sub-contracts entered into by J. Martin.

HENRY JOHN TANCRED,
Commissioner.

22nd June, 1872.