

Mr. Ormond.
13th Sept., 1877.

1803. By whom was the appointment made?—By the Colonial Secretary, in connection with the Audit Department.

1804. On the recommendation of the Colonial Auditors or Commissioners of Audit?—Yes. As far as I remember there are five of these travelling Auditors, of whom two or three were in the Middle Island; and there were two new officers employed. All have been in the public service, I believe, for a considerable time, as far as I know.

1805. And these officers have not been appointed by your sanction?—I have nothing to do with the auditing of the railway accounts. I look upon travelling audit as an essential part of the system.

1806. Have not the Commissioners of Audit time to overtake the duties there?—The duty of the travelling Auditors is to continually go round and take the stock of all Stationmasters, to see that their books are right, and everything else. They see whether everything is right or wrong.

1807. I thought those duties would appertain to the Commissioners of Audit?—They are under the Commissioners of Audit. I think it is the best principle.

1808. In letting contracts for formation of railways under the Public Works Act, it is usual to have a deposit from each tenderer?—Yes.

1809. Do you remember the amount of the deposit?—Five per cent, I think. I am not quite clear on the point.

1810. It is usual to accept the lowest tender?—Yes, unless there is a very serious objection against the tenderer.

1811. If the lowest is the successful tenderer, is his position looked into?—Yes. I only know of one case in which it was necessary to refuse because the man was not satisfactory.

Mr. Ormond.
19th Sept., 1877.

WEDNESDAY, 19TH SEPTEMBER, 1877.

The Hon. Mr. ORMOND examined—*continued.*

1812. Mr. Larnach.] Are you in favour of continuing the present system so far as relates to the amount per cent. payable on railway contracts. A contractor for a very large and important contract has to deposit a small percentage, and whether he has anything at his back or not, the lowest tenderer invariably gets the contract. Many contracts of that kind have come under my notice in the South, where men of no substance have sent in the lowest tender, regardless of whether the job would pay. In order to get into credit, they were determined to get the contract, heedless of whether it would pay. The consequence has been that the contract was thrown up in a short time. This necessitated the re-letting of the contract by the Government, and, as you are aware, whenever contracts are re-let, it invariably tends to loss, as every advantage is taken?—I understand that the present system has worked on the whole very well. There are not more than two or three cases in which the Government has been at any loss in completing contracts. So far as the protection of the Government is concerned, I am inclined to think that the practice of only paying a certain percentage upon the works as they are completed does act as a protection to the Government. As regards the amount of security, that is a question that I do not know that I am prepared to give a very decided opinion about. It would be in some points of view desirable to take larger security than is the practice, but if you do you would shut out the small contractors, and experience has shown that small contractors do the work at a very reduced cost to the colony. I would add to that, as far as I am able to judge—and I have been through a good many contracts now—that the contracts done by the small contractors are better done than those carried out by the large contractors.

1813. Is it desirable that the Government should run any risk of a contract being thrown up and subsequently taken?—I do not think it at all desirable. One effect from it is that it would lead to loss of time.

1814. You are aware that if a contract is to be re-let it cannot be let so advantageously as in the first instance?—Experience has shown that we have not had to re-let them.

1815. Is it not desirable, in your opinion, that the Government should carry on contracts?—So far as my experience goes, the work we are getting done is cheaper than the work done by contract. On the Otago line the "unemployed" have done the cheapest work.

1816. How is this ascertained?—By calculating the number of yards of the cuttings or other work performed.

1817. Are the "unemployed" engaged by day-work?—No, piece-work. At the commencement the idea was to provide what are called the unemployed with work, and for that purpose it was set aside. The very best men have now congregated upon the Government work, and we have a great number of small contractors working by piece-work. They prefer coming to the Government, because they get their money free from any encumbrance. So much better has the work of those men been, that I was seriously inclined to carry out that piece of line from Balclutha to Clinton without calling for tenders at all. Nothing deterred me from it excepting that it would be carried on during the busy season of the year, and might have interfered with harvest operations. I am very sure we could have saved money by having it so done.

1818. As a matter of principle, are you not in favour of doing the Government work by contract?—Yes. I only state those extreme cases where we have been urged to find employment for the people.

1819. Presuming a contractor takes the contract too low, notwithstanding that the Government may have it in their power to protect themselves by withholding a certain portion of the money —?—They do that as a matter of course.

1820. Is it not likely that the Government would lose in having to re-let any contract that would be thrown up?—My answer to that is that experience has shown that there are only two or three such cases in which the Government have actually lost.

1821. In the re-letting of the contracts?—Yes. I do not think the rule has been to re-let them. The rule has been to carry them out at the cost of the contractor or the sureties.