

Schedule" basis was formulated and put into operation with the co-operation of the building construction industry. The adoption of a schedule of basic rates for different items of construction enabled the contractor to commence work immediately with the assurance that, wherever the location of the work itself, he would be recompensed in accordance with the Master rates with adjustments on variable items according to the factors governing each particular work. From the Government's standpoint this system was of special advantage for two principal reasons—firstly, because of the expedition with which urgent defence work could be done, at a time when the safety of the country was in jeopardy, and, secondly, because the cost of work being performed under conditions of urgency and stress was brought under a greater measure of control.

It was not to be expected that the execution of a major programme of this kind under such abnormal circumstances and conditions as regards speed and magnitude would be able to proceed without some difficulties. The time factor alone did not allow of comprehensive specifications such as are usually adopted in public tendering, and the magnitude of our requirements at the time was such that immediate results were demanded irrespective of any other consideration and in the face of acute shortages in both man-power and materials. However, the results obtained were generally satisfactory, but, owing to the pressure under which the work was done, final payments on some contracts were unavoidably delayed pending the settlement of certain matters of detail where checking and verification were required.

The Master Schedule system allowed for a standard rate for overhead and profit and, as far as was found practicable, any particular item was adjusted as circumstances required. It transpired that in the initial stages returns to some contractors were more advantageous than the Master Schedule was designed to provide. In addition to the factors I have already mentioned, the reason for this may have been due partly to the need for further adjustment in the schedule rates which could not have been gauged on the data available at the time, partly to the repetition nature of much of the work once an organization was well developed, and to some extent because of the continuity of work and increased turnover and possibly other relevant circumstances. A very considerable amount of work under the Master Schedule system was carried out by groups of firms and contractors, formed for the express purpose of combining several smaller units in favour of a larger combined unit for the carrying-out of bigger tasks than usual.

It was readily conceded by many of the constructing organizations that undue returns may have accrued on certain contracts during the period of great stress, and they voluntarily agreed that if this were found to be so an endeavour should be made to effect some adjustments. Discussions took place between representatives of my Department and of the New Zealand Federated Builders and Contractors' Industrial Association of Employers, and it was agreed that consideration be given to some means whereby an appreciation of the situation could be established. After consultation it was mutually agreed that a Committee under the chairmanship of Mr. Justice Tyndall should review the results of the Master Schedule system in general to ascertain if there had been undue margins of profit having regard to what could be considered a fair and reasonable return under all the circumstances which governed the matter at the time. The Association was invited to nominate a representative to act on the Committee, and its nominee was duly appointed. In addition, the order of reference for the Committee was discussed with and agreed to by the association. This Committee, which is known as the Contracts Adjustment Commission, has already commenced its task and is reviewing the programme executed since 1st April, 1942, under the schedule system in question.

It might be assumed that a review of work with the object of adjusting any disproportionate returns would be a comparatively simple process. There are so many diverse circumstances directly involved, however, that a simple formula would not meet every case. It was felt that every relevant factor should receive due consideration and that men of wide experience and mature judgment should be entrusted with the review. The personnel of the Commission is such as to ensure that full regard is given to every relevant aspect.

Arising from the exigencies of the war and by common consent, the usual public-works activities have been suspended during the past few years, and only in special cases of national importance has construction work been allowed to proceed. As circumstances have permitted, however, attention has been given to the investigation of projects in connection with the post-war programme, and in a few instances a moderate amount of detailed surveying has been undertaken. The shortage of experienced technical staff and labour generally has not enabled these investigations to proceed as far as required before further considering the relative merits of competing schemes in the field of national development.

During the five years of war the position relating to heavy mechanical plant has seriously deteriorated. Notwithstanding the wide range of parts manufactured in both Government and private engineering shops, the servicing of this plant cannot be maintained without the importation of an appreciable amount of spare parts. Moreover, there is considerable difficulty in procuring new equipment to replace, as well as worn-out plant in New Zealand, the machines valued at over half a million pounds which were sent abroad with the Forces and which must now be regarded as written off, some having been lost by enemy action and the remainder having outlived their economic life. Much other equipment remaining in New Zealand has also outlived its economic life; and until the supply of such equipment from abroad substantially improves our requirements will have to remain largely unfulfilled.

In addition to new plant and equipment, better means of repairing and maintaining such equipment are essential. I am able to report that during the year I have had a thorough survey of the position made and plans prepared for effecting such improvements as are practicable at the moment.

Consequent on the passing of the Ministry of Works Act, 1943, Mr. James Fletcher, formerly Commissioner of Defence Construction was appointed Commissioner of Works. By arrangement between the Wellington City Council and the Government, Mr. E. R. McKillop, Deputy Chief Engineer, has been acting as Deputy Commissioner of Works.