

6. All Sunday work and holidays to be paid at the rate of time and a half. Holidays: Christmas Day, Boxing Day, New Year's Day, Good Friday, and Labour Day.

7. Wet places in the tunnel: Six hours shall constitute a day's work.

8. If union and employer fail to agree as to what is a wet place the Government Inspector in the tunnel shall act as arbitrator, whose decision shall be final.

9. The union to have the right to appoint inspectors, who shall be allowed to inspect the tunnel at any time when authorized by the union committee.

10. The employer shall agree to discharge any worker who does not become a member of this union and remain a member after he has been employed for fourteen days.

11. That houses for married men, with at least three rooms, be provided free.

EXHIBIT L.

REPORT ON STATEMENT OF ACCOUNTS OF MESSRS. McLEAN AND SONS (LIMITED) *re* OTIRA TUNNEL CONTRACT, HANDED IN BY P. S. WALDIE, INSPECTING OFFICER, PUBLIC WORKS DEPARTMENT.

I have the honour to report that I have examined statement of accounts submitted by Messrs. McLean and Sons (Limited) as to the 30th June last with the books of the company, and confirm the correctness of the figures given, except as regards the item "Sundry creditors," in which a sum of £11 16s. 7d. owing by the company could not be located from the books. The working-expenses for years shown in profit and loss statement submitted by the company are confirmed by audited statements of profit and loss, except as regards the year 1909. In the statement submitted the working-expenses to September, 1909, are shown as £41,267 0s. 9d.; value of work done on contract, £31,420. The *estimated* Profit and Loss Account for the year shows £38,767 0s. 9d. and £28,920 respectively. The sum of £2,500 provided for in the contract in connection with huts for workmen explains the difference between the actual and estimated charges, the Plant Account having been credited with the sum transferred to the working-expenses.

It is not claimed that the statement submitted by Messrs. McLean discloses the actual position of the company on the 30th June last, but the book balances at about that date. Thus the item "Interest due, £1,152 2s. 3d." is the interest accrued to the Government as on the 30th September last, when the annual balance took place; the interest due in that connection on the 30th June last amounted to £1,990.

Particulars of items comprising "Plant and materials" and "Working-expenses" to the end of June last are attached. Most of the items do not call for any particular comment, as a perusal of the list will disclose, but there are some items of expenditure to which attention is directed.

Included in the particulars of working-expenses to the 30th June last are the following, viz.: Interest, £1,863 3s. 4d. (paid to bank, &c., £711 1s. 1d., and accrued to the 30th September last against advances by Government £1,152 2s. 3d.); directors' fees, £300; auditor's fees, company's license fees, other expenses incidental to private individuals in business, also household expenses.

The cost of management has been at a high rate throughout, and bears a greater proportion to the work executed than would be the case if carried out by the Government. The amount expended on salaries, engineering expenses, and wages of foremen to the 30th June, 1912, was £26,796 13s. 8d., including £3,297 charged to plant, &c.: the percentage of cost of supervision charged to working-expenses to the total expenditure in that connection amounts to 11 per cent. Particulars of expenditure attached.

Salaries now paid are as follows, viz.: Two managers (at £1,500 per annum), £3,000; one engineer, £600; one accountant, £350; one electrical engineer, £300; one assistant engineer (£4 per week), £208; three timekeepers and storekeepers (£3 10s. per week), £546; one tunnel foreman (£5 per week), £260; three tunnel foremen (£4 10s. per week), £702; one outside foreman (£4 per week), £208; one foreman carpenter (£4 10s. per week), £234; two housekeepers (at £1 5s. and 15s.), £104: present annual rate of expenditure on supervision only, £6,512.

A careful examination of details of working-expenses shows that the Plant Account is not unfairly debited with the cost of renewals and repairs: such expenses are properly charged against working-expenses.

The cost of re-erecting buildings destroyed by fire is included in the working-expenses. No buildings are insured at present; but the premium payable to insure all the buildings would have probably equalled the loss incurred since insurance policies were allowed to lapse. I express no opinion as to the necessity to insure or otherwise.

I have pleasure in acknowledging the services rendered by the secretary to Messrs. McLean and Sons (Limited), Mr. J. Williams, who gave every assistance in connection with the examination.

Public Works Department, Wellington, 21st September, 1912.

P. S. WALDIE.