

“ The subsidy scheme was based on the scheme referred to in the Minority Report of the Royal Commission on Local Taxation, 1902, recommended by Lord Balfour of Burleigh. The Minister approved a sliding scale of subsidies as suggested, but submitted Lord Balfour’s scheme to certain authorities for their consideration, and the present scheme of subsidies is the result. It can hardly be said that it has fulfilled expectations.”

The scheme in operation has acted in many cases with gross unfairness, by giving to wealthy districts, whose hospital requirements could be met by a small rate, a larger subsidy than to poorer districts requiring to strike a heavy rate. As an illustration : Stratford, with a rate of levy on its contributory local authorities of 0·098d. in the £1, was receiving under the scale 20s. in the £1 Government subsidy, while Westland, with a rate of levy of 1·136d. in the £1, received only 19s. 3d. in the £1 ; and Waikato, with a rate of 0·122d., received 12s. 3d. in the £1.

The evidence given was practically unanimous in urging the repeal of the existing scheme for payment of subsidies, and your Commission endorses that view.

Two schemes were placed before your Commission for consideration—viz., (1) a flat rate of subsidy, (2) an improved scheme of sliding scale of subsidies.

Your Commission gave much consideration to proposals, *inter alia*, to grade the subsidy on the average annual cost of hospital bed, and on collection of fees. After exhaustive inquiry the last-mentioned proposals were found to be impracticable, for the reasons that the results were so dependent upon the accessibility of each hospital to supplies, and the financial position of patients, and it was deemed unfair to penalize those hospitals far removed from the centre of supplies or those primarily treating the necessitous poor.

Your Commission considers that to adopt the flat-rate system for the payment of the Government’s contribution would be a retrograde step, and, when cross-questioned, the advocates of the system generally abandoned the principle by admitting that extra financial assistance should be given to the poorer districts.

Advocates of the flat rate complained that under the sliding-scale system the hospital rate or levy alone was considered, and no allowance was made when assessing the amount of subsidy for other rates (special and general) struck by the contributory local authorities. That complaint must be deemed unreasonable. In support of it it must be argued that the benefits for which the other rates were struck did not exist, and that where a district paid a heavy harbour-improvement rate, or a large roads-construction rate, the rest of the Dominion should assist it in its hospital maintenance by a greater share of Government subsidy being allotted to it.

Your Commission could not entertain the suggestion, and decided against the flat-rate principle. They hold that it would be inequitable for a district whose cost of hospital maintenance was met with a $\frac{1}{10}$ d.-in-the-£1 rate of levy to participate in the distribution of the Government subsidy equally with a district burdened with a rate of levy of considerably over 1d. in the £1 for hospital maintenance. The evidence overwhelmingly disclosed the unfairness of such equal participation.

At a conference of representatives of Hospital and Charitable Aid Boards held in Wellington in June of last year, at which thirty-three Boards out of forty-three were represented, the Health Department submitted a scheme of sliding scale of subsidies with a minimum of 12s. 6d. in the £1 and a maximum of 31s. 6d. for £1. That scheme was approved by the conference by twenty-one votes to eleven.

It was asserted by the minority, who favoured the flat-rate subsidy, that the majority comprised the Boards who would be entitled to over 20s. in the £1 subsidy under the scheme, but an analysis of the voting shows that this is not so, as among the Boards voting with the majority were seven who would have been entitled under the scheme to 20s. or less in the £1 subsidy, and with the minority one—Thames—who would have been entitled to 25s. 1d. for £1. It must therefore be taken that the vote favoured the principle upon which the scheme was based—viz., “ the heavier the burden of a Board’s requirements on the rateable capital value, the higher the subsidy.”

Your Commission endorses that principle, and recommends accordingly ; but is further of opinion that the Minister should have full power to refuse the payment of the subsidy upon maintenance-expenditure estimates which in his opinion are extravagant, unnecessary, or beyond the means of the Board contemplating such expenditure.