

and a series of cost records, which are shown on pages 130 to 133 of the Book of Evidence. These figures show that the company calculates its costs per bus-mile for a period of five months at 10-7d. per mile. We also had before us Mr. Thomas Smith, who gave us information concerning the running of the Birkenhead Motor-bus and Transport Co., Ltd. On pages 234 and 235 of the Book of Evidence he is recorded as saying, "Our vehicles were run over rough roads, but were driven by careful, capable drivers, and were kept in first-class order by experienced mechanics. Our total operating-costs have run as high as 2s. 3d. per mile, but the average for twelve years is about 1s. 11d. . . . A town service could be run much cheaper than ours, and I should estimate the total cost at from 1s. 3d. to 1s. 8d. per mile, but the cost would depend on the class of vehicle used, the road conditions, the number of stops per mile, the proportion of peak load to average load, the cost of benzine, &c. Pirate services cater for all passengers offering at all times. The peak load is unprofitable if adequately catered for."

A comparative examination of all the figures we have referred to establishes the fact that the figures put forward by the Passenger Transport Co. are about the lowest we have to consider—certainly the lowest New Zealand figure. We have already, on page 29, referred to three features in the running of this company which give it an advantage over the City Council, and we beg leave to call attention to these again. In addition there are a further three most important factors in favour of the lower costs of the private company: Firstly, it pays wages at a lower rate and provides for a lower standard of comfort for its employees on and off duty; secondly, it does not have to meet the more stringent labour conditions required to meet broken shifts, spread of hours, and limits between meal reliefs which a larger service must face as a result of the Arbitration Court awards; thirdly, the proportion that vehicles required to be held in reserve for peak loads bears to the whole fleet is much lower than that carried by the City Council, and this is quite an appreciable factor in the cost per mile, for interest, sinking fund, and depreciation charges are running over the whole fleet twenty-four hours per day. Then, again, there is another important matter to be borne in mind in making this comparison with the city's figures, which relate to the whole period of their bus operations. The Passenger Transport Co. had, at the time the manager appeared before us, been in operation for about two years and three-quarters. The figures presented to us related to five months only, and they were prepared for the purpose of this hearing. There is implied no inference of unfairness or other unworthy motive against those who produced this evidence, and we certainly make no such express statement when we say that the facts we have just called attention to sadly discredit the figures. No auditor of repute would base any certificate or inference on the figures for five months out of a period of thirty-three months. If an investigation were being made for the purchase of this company, and its costs per bus-mile had to be established as the basis of verification of past earnings or of expected future profits or operations, any competent accountant or auditor would refuse to pronounce any finding much less give a certificate on the figures of a short period, worked out to an average. This aspect of the matter will be found to be emphasized in all standard works on accounting and auditing in relation to investigations for such purposes. We would refer briefly to Dicksee (the leading English authority) on Auditing, 5th edition, page 124, where he says, "Tram statistics for a short period will be of little value to the auditor as a general check upon the satisfactoriness of affairs, but the statistics of longer periods may prove most useful if intelligently applied." Montgomery (the standard American author), on page 511 of his work "Auditing Theory and Practice," says, "As a prospective purchaser wishes to know absolutely all that is possible about the past, it is useful to verify the earnings for as many years back as time will permit. Three years would be a minimum." We hold that no basis has been established on which to ground the present charge.

CHARGES RELATING TO FINANCIAL MATTERS.

1. *The City Council paid too great a price for the tramways, with the result that the citizens of the metropolis, as tram-users, have had to pay inflated interest and sinking-fund charges.*

ANSWER.—There is no ground whatever for this charge. The City Council bought on the report of one who is recognized throughout this Dominion as a competent, trustworthy authority, Mr. William Ferguson, M.Inst.C.E. There was not a scintilla of evidence in support of the present charge.

2. *That the City Council later threw away the ratepayers' money by the sale to the Auckland Power Board, at a heavy loss, of the Hobson Street Power-station.*

ANSWER.—There is nothing at all to substantiate this charge. In carrying out a policy of concentrating its electrical generating plant and resources, this power-station had been lying in disuse, and it was after this that the sale to the Auckland Power Board was effected. We are satisfied that in the transfer of this property to another public Board the city made the best bargain possible in the circumstances.

3. *During the period of track-reconstruction, 1923 to 1926 (inclusive), the City Council charged to its Revenue Account large sums of money which were admittedly in the nature of capital expenditure and should have been spent out of loan-moneys. The gravamen of this charge is, firstly, that this method enabled the Council to spend money on new construction without reference to the ratepayers, who should be called upon to sanction such works, and consequently that by charging such sums to Revenue Account the profits for the period were understated, thus requiring the users of the trams to find more revenue than was truly necessary.*

ANSWER.—The facts embodied in this charge were proved. The inference drawn, and making the basis of the charge, is in our opinion unjustifiable. It is, in our opinion, well established that it is a wise and prudent course for the operators of a public utility to put the profits available after running an efficient service back into the undertaking, and thereby do works which would either be left undone or necessitate the raising of further loans. It might have been blameworthy in the present instance if it could be shown that unduly high fares were charged to enable this to be done. We hold that there is no evidence of unduly high charges. In the circumstances we think the policy