

1929.

NEW ZEALAND.

ARMSTRONG, WHITWORTH, AND CO., LTD., AND THE ARAPUNI CONTRACT

(REPORT ON) BY F. W. FURKERT, ENGINEER-IN-CHIEF, PUBLIC WORKS DEPARTMENT.

*Return to an Order of the House of Representatives dated 5th September, 1929.**Ordered, "That there be laid before this House a return showing (1) The claims of Messrs. Armstrong, Whitworth, and Co., Ltd., to be relieved of their contract at Arapuni; (2) the reply of the Public Works Department to those claims; and (3) the terms of settlement."—(Mr. FLETCHER.)*

Public Works Department,

Wellington, N.Z., 16th October, 1929.

It would be a very difficult matter to supply the whole of the information asked for by Mr. J. S. Fletcher in Return No. 47, as the negotiations took months to finalize, and a great deal of correspondence took place and interviews were held between the contractors' engineers and the Government's Engineers, and later between the contractors' representative and the Government, counsel being employed on both sides. It is difficult even to give a summary, but the following will make the position clear.

The firm of Armstrong, Whitworth, and Co. did not, in the beginning, formally ask to be relieved of their contract, but endeavoured to escape from the responsibilities of their contract, which called upon them not only to build the power-house but design the same, by asking the Department for directions as to what they should do when they found difficulty in connection with unwatering the foundations. Naturally to have commenced giving detailed instructions to the contractors would have relieved them of the major responsibility, and would have thrown upon the Government the responsibility for making decisions and devising schemes for which they were already paying the contractors.

The contractors took up the stand that what the Department asked them to do was impossible. (That it was not impossible has been amply demonstrated since.) After considerable argument the contractors put forward certain suggestions and asked that the Government should approve of them, thereby taking the responsibility for the success or otherwise of what was proposed, and they also wished to be paid for the cost of doing anything in excess of what they had originally contemplated. As there was no evidence of what they originally contemplated, it would therefore have been impossible to check what work (which had to be done) had not been allowed for by them when tendering, and consequently their contention, for two reasons, could not be accepted.

Meanwhile they had ceased work on the most essential part of the job, and for a long time before ceasing had made such poor progress that it was amply evident they could not complete the work in anything like contract time, even if they attacked the problem vigorously.

The Department served them with various notices to get on with the work, and finally a special King's Counsel was sent out from London by the company to negotiate direct with the Government, with the idea of getting out of the contract altogether. He endeavoured to put the blame of the trouble on the Department by stating that we had induced his principals to take a contract to do what was impossible, and what the Government officers now knew in their hearts was impossible. The Government officers never admitted this contention, and have since proved the contrary.

In pursuance of this attitude the company's representative mentioned some extraordinarily high figures as being what he considered his firm should receive as compensation for the cancellation of the contract. A newspaper report of an interview with the company's London representative mentioned £1,000,000, but later Sir Edward Shortt, the King's Counsel, denied the accuracy of this report, but there is no doubt that the figure which Sir Edward Shortt had in mind when discussing the matter with the Government at first was at any rate a very considerable fraction of £1,000,000.