

In the similar Act of 1878 provision was made for a contribution of £20,000 to the undertaking, provided that the Borough of Ross would guarantee the completion of it without any further call on the colonial revenue.

The work, however, remained in *statu quo* till July, 1879, when it assumed a new aspect altogether, and, in fact, a new project may be said to have been instituted. This project was in place of commencing with the long tunnel and going to Mikonui River for water supply to construct the race from Donnelly's Creek downwards, and to buy out the existing water rights in the creek, and to utilize them at the higher level of the Mikonui Race.

In pursuance of this project contracts have been let at various times, up to date, for sections of the race, representing a total expenditure (including liabilities) of £11,478, including two sections now in progress.

The existing water rights were offered to the Government in October, 1879, for £6,000, and could then have been purchased for that amount, but their offer not being closed with in April, 1881, the Ross Flat Gold Mining Company purchased these water rights for the sum of £6,000, at which they were under offer to Government, and the rights are still in their possession.

The present aspect of the case then is as follows:—(1st.) About £11,478 has been expended and contracted for on race from Donnelly's Creek downwards, which may be said to be of very little value, as a supply of water could only be got in flood time, as at other times the water is the property of private owners, and there is no prospect of forming reservoirs to store the flood waters in. (2nd.) The source from which a supply of water might have been got by purchasing existing rights is precluded, as those rights have fallen into the hands of a company who are not likely to part with them, except at a very advanced figure, and perhaps not at all. (3rd.) The long tunnel, which would probably take about four years to construct, and without which water from another valley cannot be obtained, is not started yet. The maps herewith indicate the extent of the work done and under contract.

Financial Position.

The financial position of undertaking is at present as follows:—

	£	s.	d.
<i>Already spent from Donnelly's Creek to Ross</i>	9,000	0	0
<i>Contracted for on same part</i>	2,478	0	0
<i>Yet to be spent:—</i>			
To complete above portion	4,527	0	0
Supply pipe at Ross	6,000	0	0
Long tunnel	20,000	0	0
Long tunnel to Cedar Creek	7,000	0	0
Cedar Creek to head of race, including headworks	34,000	0	0
Total probable cost	£83,000	0	0

Summary.

	£	s.	d.
Spent or contracted for	11,478	0	0
To be spent	71,527	0	0
	£83,000	0	0

As above remarked, the Ross Flat Gold Mining Company, who own the water rights in Donnelly's Creek, are not likely to sell now, except at an advanced figure; but it is to be presumed that there is some price for which they would sell, and it may be well to investigate what the Government could afford to pay them on a purely commercial basis.

The water supply derivable from Donnelly's Creek, if carried at the level of Mikonui race, would probably produce following revenue:—

	£	s.	d.
8 heads, for 250 working days per year, at £4 per head per week of 6 days	1,333	0	0
40 heads, for 50 working days per year, at £4 per head per week... ..	1,333	0	0
2 heads, for 300 days per year for pumping purposes, at, say £10 per head per week	1,000	0	0
Total	£3,666	0	0
Deduct for water lost through irregularity of sales, say one-third... ..	1,266	0	0
	£2,400	0	0
Deduct expenses, say	800	0	0
Net revenue	£1,600	0	0

I think this revenue might reasonably be counted upon, for, say 25 years, and the discounted value (at date,) of an annuity of £1,600 for that period would be £22,500, computing interest, at, say 5 per cent. That is to say, it would be justifiable to spend £22,500, in order to secure an annuity of £1,600 of 25 years' tenure; but, as before pointed out, £11,478 has been expended (and contracted for), and £4,527 must yet be spent to finish the race to Donnelly's Creek, and £6,000 for supply pipe to Ross: total, £22,000, or there would be only £500 left to lay out on purchasing water rights. If,