(ii) On completion of the work detailed in the foregoing subparagraph (i), the Government to determine (regard being had to the economic conditions affecting construction then existing) the date on which construction work is to commence, and to invite tenders in New Zealand and abroad for so much of the work as it decides to have executed by contract.

(iii) The whole of the capital cost of the bridge and approaches to be provided by the Government, and to be recoverable with interest (subject to the recommendation contained in the following subparagraph (iv) ) from the revenue derived from tolls as hereinafter set forth.

(iv) £500,000 of the capital cost to be interest free for twenty years, the intention being that the non-recoverable compound interest on that sum for that period shall be regarded as a direct Government contribution to the project. The remission of compound interest on £500,000 for twenty years at 3 per cent. per annum is equivalent to a free grant of £400,000, and at 4 per cent. per annum is equivalent to a free grant of £600,000.

(v) We consider that any system of rating designed to offset the betterment which will accrue from the provision of direct access by means of a bridge is impracticable of application. We believe that the most practicable and equitable means of financing the bridge is the institution of a system of tolls so devised as to spread the charges over both direct users and those who derive indirect benefit from the bridge. We recommend accordingly, and we suggest that tolls be levied on—

(*a*) Motor-cars.

(*b*) Passengers in motor-cars and commercial vehicles (excluding drivers).

(*c*) Passengers in public conveyances (buses and trolly-buses), the vehicles being toll-free.

(*d*) Cycles and motor-cycles.

(*e*) Commercial vehicles according to carrying capacity.

Later in this report we supply comparative data on the subject of tolls and suggest a scale of toll charges.

Both the capital outlay and the annual cost are affected in a large degree by rates of interest, which are reflected in the sum allowed for interest during construction and in the earnings of the annual sums which we suggest should be set aside for a sinking fund and a contingencies and development fund. Having regard to the amount of the capital outlay and the desirability of providing finance therefor at a uniform rate of interest, we recommend that the financing of the project should be on the same basis as a State undertaking such as a railway, highway, or hydro-electric works. As works of this nature are at present subject to a fixed rate of interest of 4 per cent., we have assumed that this might be regarded as the appropriate interest-rate on the cost of the bridge and its approaches. In this connection we refer to a condition proposed some years ago by private interests that desired to be given a charter to construct and operate a harbour bridge, that the Government should guarantee interest at a fixed rate on the capital outlay. This, in our opinion, would have created a gilt-edged investment. We think that the Government should retain such an investment in its own hands and apply surplus income for the specific purposes we recommend later in this report, including the reduction of toll charges. On the other hand, the earnings of the sinking fund and of the contingencies and development fund, to which we shall later refer, may fluctuate from year to year and may fall below an average rate of 4 per cent. We have therefore assessed the average interest-rate to be earned by these funds on the more conservative basis of 3½ per cent., which, in the case of the sinking fund alone, would be sufficient to amortize the interest-bearing portion of the capital cost of the bridge and its approaches in approximately sixty years.

We recommend that an amount equal to ½ per cent. of the capital cost (less the interest-free sum of £500,000) of the bridge and its approaches be paid annually into a sinking fund, and that a similar amount be paid annually into a contingencies and