

- (b.) To set aside the whole or a portion of the surplus income of the Board, after discharging its current obligations and providing for reasonable additions to harbour-works, in order to provide a further sinking fund in addition to those already existing until the combined sinking funds are sufficient to satisfy the claims of the bondholders and secure the interest on the loans.
- (c.) Without permanently interfering with the security of the bondholders, place a duty upon the Board to appropriate its surplus income towards recouping the Dominion the capital expenditure made by the colony on the works mentioned in the said subsection.

In the event of the adoption of either of the above suggestions (a) or (b) we are of opinion that the subsection might be revised. If suggestion (c) should be adopted the diversion therein suggested should cease if at any time the Board finds itself unable to meet its obligation to the bondholders, thus preventing any depreciation in the security, as the Board's income is principally expended upon works which form no part of the security of the bondholders.

We feel it our duty to emphasize the fact that any revision of this subsection must be made with due regard to the rights of the bondholders.

It has been shown to us that in ascertaining the cost of working the railway referred to in the subsection, interest on the capital sum originally expended by the colony has not been charged. It appears to us that this interest might in the future be a legitimate charge in arriving at the working-expenses.

In connection with the creation of a sinking fund to meet the obligations charged upon the endowments of the Board, it may not be inopportune to suggest here that the question should be determined whether the special coal rate mentioned in section 12 of the Westport Harbour Board Act, 1884, should not be applied in addition to, and not in partial substitution for, the obligation to contribute to a sinking fund provided for by the debenture.

It has been advocated that the Railway Department should give to the Harbour Board more detailed information with regard to the working-expenses of the railway to which this subsection refers, and we beg to refer this matter to Your Excellency's favourable consideration.

Your Excellency further commissioned us as follows: "Generally to inquire into and report upon such other matters as may come under your notice in the course of your inquiries, and which you consider necessary to investigate in the public interest."

Under this head we have inquired into the following matters:—

1. *The Probable Life of the Coalfields in the Neighbourhood of Westport.*

This is to a large extent a matter of estimation rather than one capable of exact demonstration. A reasonable estimate of the life of the mines at present in work places it between forty and fifty years at the present rate of output. New mines which may be opened may increase the output and prolong the life of the industry, but upon the best information available to date the end is within measurable distance. These facts must be taken into account in any future policy of the Harbour Board. The question is also one of considerable importance to Your Excellency's Responsible Advisers in considering to what extent foreign export trade should be encouraged. Representations were made to us that it was the duty of the Westport Harbour Board to encourage an overseas export trade in soft coal for steamer-bunkering purposes, but as this question is of national importance and was not specifically submitted to us we did not feel justified in undertaking an investigation of such magnitude under a general direction; nor do we feel in a position to make a recommendation further than to draw the attention of Your Excellency to the importance of the question, and to advise that a full inquiry should be made before any such trade is encouraged. It has been stated to us that a