

and one-sixth on the consolidated revenue. In 1919, when it was known that the £150,000 would not cover the cost of the works, provision was made in the Finance Act of that year (section 6) for an additional amount of £150,000, the section stating that “all moneys so borrowed shall be dealt with as provided in the said section”—meaning section 17 of the Waihou and Ohinemuri Rivers Improvement Act, 1910.

RESPONSIBILITY FOR INTEREST AND SINKING FUND.

The section referred to is the one that fixed the responsibility for five-sixths of the interest and sinking fund on the local contributors and one-sixth on the consolidated revenue; but it seems doubtful if the wording above quoted, “moneys so borrowed shall be dealt with as provided in the said section” would extend as far as binding the local contributors to pay the interest and sinking fund. The wording seems rather to apply to the manner and purpose of the expenditure of the capital sum than to provide for the interest and sinking fund; but this point will doubtless be referred for the opinion of the Crown Law Officers. If it is held that the section does not require the local contributors to provide their five-sixths, then it would appear that, although provision has been made for the raising of £300,000, the provision as to local responsibility for the interest and sinking fund applies only to the first £150,000, and that the interest and sinking fund on the second £150,000 will devolve entirely on the Crown. Doubtless this was not intended, and it will therefore be necessary to provide for the matter in any amending Act that may be passed as a result of this present inquiry.

DELAY IN SETTING UP COMMISSION.

It seems a great pity that this Commission was not set up directly it became known that the original estimate of the cost of the works was entirely inadequate. If this had been done the Government could have considered the matter before any very large expenditure had taken place, and if abandonment or indefinite postponement of operations had then been decided upon the loss would not have been nearly so great as the adoption of any such course now will entail, and the local authorities could not have complained, as they do now, that they were not notified of the increase in cost until a large portion of the money had been expended. It seems to the Commission that so vast a scheme as this has now developed into should not have been proceeded with until full financial arrangements had been approved by Parliament, and arranged with the local authorities and the settlers who are to be contributors.

COURSES OF ACTION OPEN FOR ADOPTION.

The inability of the local contributors to bear the financial strain will render it necessary to adopt one or other of the following courses:—

- (1.) To greatly modify the scheme of works proposed with a view to largely reducing the total cost;
- (2.) To abandon it altogether and to stop the works; or
- (3.) For the Government to assist with a much larger money contribution.

An increased contribution by the Crown will be necessary under either of the above alternatives.

REASONS FOR AND AGAINST DIFFERENT COURSES.

1. The Commissioners pressed upon the departmental officials and counsel the great desirability—almost amounting to a necessity—of a material modification of the scheme so as to reduce the cost very considerably and bring the total expense involved within the means of the contributors, but the evidence of the principal departmental witness (the District Engineer) was strongly averse to the proposal. Mr. Baker gave the matter careful consideration, and took time to deliberate over it, so that his opinion when expressed was far from being a hasty and immature one. We believe Mr. Baker honestly tried to meet the Commissioners' views in the matter, but that the circumstances of the case would not permit him to fall in with our ideas. So important is this matter, however, that the Commission feels compelled to stress it, even in opposition to the views of the District Engineer. It seems to us that a scheme of works satisfactory to an ably constituted Commission