

provided that interest and sinking fund should be paid out of the proceeds of such rate. Later Acts gave the Board power to raise further loans, but, as there is no dispute about these moneys, they will not be further referred to.

The loan of £200,000 was duly raised; but the parties very soon began to see that, as the bulk of the money would be spent within the then City of Christchurch or in its immediate vicinity, the ratepayers in the outside districts would have to contribute very largely to the cost of constructing sewers and drains in the central area, which would be no direct benefit to themselves.

To remedy this state of affairs "The Christchurch District Drainage Act 1875 Amendment Act, 1877," was passed, which required the Drainage Board, before striking any rate, to make an estimate of the expenditure incurred or to be incurred for the benefit of the portion of the district which was situated in the City of Christchurch, and also of the portions of the district outside the city. The Act also required that the rates should be "in proportion to the expenditure which shall have been incurred or to be incurred for the benefit of the city and suburban and rural districts respectively," and the Board was required also to define the boundaries of such districts, with power to alter the boundaries from time to time. This Act therefore required that there should be differential rates in proportion to expenditure, but, while this was so, section 3 of the Act provided that "nothing in the Act should prevent the Drainage Board from levying the rate of 1s. in the pound equally over the whole district, if so required, to provide for interest and sinking fund in respect to the loan."

The Drainage Board then proceeded with its works, and defined the districts as required by the Act of 1877. It called the central district (which is now included in and forms part of Greater Christchurch) "the Sewage Area" (see Exhibits 1 and 19), and it called the portions of the city and surrounding districts that lie outside the Sewage Area "the Rural Areas," and in doing so it distinguished them by the name of the special local district in which each is situated—thus: "Rural Christchurch," "Rural Heathcote," "Rural Avon," &c. (See Exhibit I.)

The Drainage Board, however, very soon found that the differential rating, provided for in the Act of 1877, could not be applied so as to provide all that the Act required, for the Board found that the rates which could be levied on the Sewage Area were not sufficient to provide for interest and sinking fund (on the portion of the loan chargeable to that area) as well as to provide for the necessary maintenance-works therein. The proceeds of the rates were sufficient to provide for necessary works and for payment of interest, but not sufficient to provide for the sinking fund, and the payment of the latter therefore fell into arrear or was not made.

This state of things continued until October, 1890, when the Supreme Court, by mandamus, in the case of *The Solicitor-General (ex relatione J. H. Hopkins) v. The Christchurch District Drainage Board*, compelled the Board to strike a rate over *the whole of the rural districts* sufficient not only to provide for the general expenses, interest, and sinking fund properly chargeable to these districts, but to make up the deficiency in providing for the same things in the Sewage Area. (See Exhibit 9.)

This additional burden was then cast upon the Rural Areas, and they continued to bear it for several years, until in or about the year 1900 or 1901, owing to the increase in the value of property in the Sewage Area, the valuation of that area at last increased to such an extent as to enable the Board to obtain from it the whole of the money year by year necessary to pay the interest and sinking fund in respect to its own share of the loan as well as to provide for its share of maintenance and general expenses.

Now, it is the magnitude of the amounts which the Rural Areas had to pay to assist the Sewage Areas in these years from 1890 onwards that is the real grievance between the parties and in respect to which the local authorities representing the Rural Areas seek relief.

The Drainage Board appears to have always had in view the fact that the Rural Areas were entitled to relief, but the Board has never been in the necessary