

expenditure is not incurred unless the Department is satisfied that the business is ultimately self-supporting, apart from the indirect benefits accruing to the State resulting from placing a cheap and flexible form of power at the command of the individual, and also quite irrespective of the large national economy resulting from saving in coal-consumption.

*Paragraph 7.*

In this paragraph it is claimed that the State hydro-electric-power undertakings should also pay all the usual charges that have to be met by private enterprises, including rates and taxes.

This is a question of Government policy. Another point of view which presents itself is that the power-supply business should be conducted at the lowest possible cost, so as to enable economies to be effected and production generally increased, to the benefit of the State indirectly, for if the whole benefit does not go to the consumer the State gains a new source of revenue as the business develops and a surplus is obtained. As a question of policy, however, the real point at issue is not whether State enterprises should or should not contribute to taxation, but whether any sort of enterprise, private or public, should be taxed on its improvements.

*Paragraphs 8, 9, 10, and 11.*

These paragraphs deal with the average revenue per unit obtained for the Lake Coleridge supply—viz., 0·427d.—and point out that had the average price charged been 0·5d. per unit instead of 0·427d. per unit a sufficient sum would have been earned to pay all capital charges as well as working-expenses.

I find no fault with the arithmetic. A power-supply business is not, however, amenable to the kind of reasoning displayed in this paragraph. I have never known a power-supply undertaking to reach a self-supporting stage in the second year of operation, or even the fifth; whereas the Lake Coleridge undertaking has earned enough in its third year to pay working-expenses and interest, with a surplus to the credit of depreciation—a stage which we did not expect to reach until the fourth or fifth year—and this in spite of the fact that the undertaking has been hampered, and indeed brought to a standstill, because of the impossibility of obtaining the necessary plant to cope with the demand. Restrictions upon the growth of business have been in operation for nearly two years, and power for new industries, partly from outside the Dominion and partly from other districts within the Dominion, aggregating 3,500 h.p., has been refused. Moreover, the works are only half-completed, and they were never designed with a view to paying their way at such a stage. All we expect the business to do is to pay its way when fully developed, and to yield a small surplus with which to pay off the deficits on the first few years' working, and to write off items of expenditure not represented by tangible assets, such as preliminary expenses and compensations.

*Paragraph 12.*

In this paragraph the argument is advanced that the State in carrying out this undertaking is engaged in an unfair competition with other interests which are subject to income-tax and other taxes, whilst the State is exempt from such taxation.

The object of the State, I take it, is to place a supply of power at the command of the individual, especially in the country, and in the interest of economy and increased production. It is not in competition with any other interest in doing it, because there is no other power offered in the field capable of meeting the requirements. It may be alleged that it enters into competition with the gas interests in certain towns; but proof is adduced in the pamphlet that electricity cannot compete in price with gas for heating and cooking, and that the usual increase in the gas business in a certain district continues in spite of a supply of cheap electricity. This, I believe, is a fact, and is quite general; and I am convinced that the demand for gas will continue to increase, and that both have a special field of use, and that a town community needs both.

In any case, the argument of competition only applies to a few favoured towns, and leaves out the farmers and the smaller towns.

Even as regards the towns, it is a remarkable fact that the demand for a supply of electricity has been just as insistent from those boroughs which own a municipal gasworks, such as Lyttelton, Sumner, Rangiora, as from other districts. It is noteworthy also that the Dunedin Corporation, whilst owning a gas business, found it incumbent, in the interest of the municipality, to embark upon a hydro-electric enterprise.

The following resolution recently passed by the Borough Council of Blenheim is also pertinent to this issue: that "A supply of electricity to this borough, already supplied with gas municipally owned, is necessary and desirable." (*Marlborough Express*, 14th September, 1918.)

*Paragraphs 13, 14, and 15.*

The object of these paragraphs is to show that a supply to Auckland from Arapuni suffers in comparison with Lake Coleridge in two ways, viz. :—

- (1.) That the hydraulic works will be unduly expensive for partial development; and
- (2.) That the chief centre of the population to be supplied (Auckland) is twice as far from Arapuni as Lake Coleridge is from Christchurch.

With reference to the first comparison, it is probably true that for a development of 12,000 h.p. Lake Coleridge would be less costly than Arapuni, but on the other hand the advantage would be in favour of the latter for a development of, say, 30,000 h.p. The argument advanced by Mr. Lowe fails if it be conceded that the requirements of the Auckland Province are so much in excess of Canterbury as to require an initial outlay on 30,000 h.p. instead of 12,000 h.p. We now know that,