

Provision for the raising of the necessary loans to carry out the three main schemes above was made in the Electric-power Works Loan Act, 1919, and in the Finance Act of 1920, but owing to the difficulty of obtaining labour or material at a reasonable cost during the period immediately following the war, and owing to the high rates of interest now ruling, it has been decided as inadvisable to proceed with the active construction of the whole of these works at the present time.

It may be unfortunate that I have to preach this doctrine at a time when financial stringency compels the Government, and should, but apparently does not, similarly compel local organizations, to hasten slowly with a view to securing development at lowest possible capital cost.

If local organizations would calculate with the same exactitude that my Department has done the eventual cost to the consumer of the various schemes which they propose to carry out at existing costs as against the cost of bigger schemes taken in hand and pushed through in the minimum time, once the money required to carry them out is definitely available, they would realize the wisdom of the Department's view.

It must be remembered that in large electric-power works, of the total cost of power as delivered to our consumers from 70 to 80 per cent. is due to capital charges, interest, depreciation, and sinking funds. It is essential, therefore, that the works, when undertaken, must be carried out in the most economical manner that is consistent with good work and proper provision for extensions and for the future, if these capital charges are to be kept down, and power to be sold at the lowest possible rate. To reduce the interest charges during construction also it is essential that, once started, the works must be carried along on businesslike lines, so that they may reach a revenue-producing stage as early as possible. When it is realized that a reduction of 1 per cent. in the rate of interest payable on the loan-moneys means that the cost of power supplied can be reduced at least 11 per cent., apart from any reduction due to the general reduction in cost of material that would naturally follow a reduction in interest, it is evident that we should very carefully consider embarking on any undertaking involving large capital expenditure if there is any early prospect of a drop in the money-market, unless by delay we are seriously retarding the industries of the country.

Though the full programme of development which it was hoped to carry out when the scheme outlined above was adopted has not been started, yet the Department's activities in hydro-electric development have been greater than in any other year in the history of the Dominion. The expenditure on extensions to existing schemes and in the development of new ones amounted to £325,234. To carry on the schemes to which the Department is already committed and on which work has commenced means the expenditure of the following sums during the next few years :—

	Spent up to 31st March, 1921.	Commitments, 31st March, 1922.	Commitments, 31st March, 1923.	Commitments, 31st March, 1924.
	£	£	£	£
Southland	200,000	50,000	..	..
Lake Coleridge—				
Headworks	568,000	56,500	150,000	200,000
Transmission		60,000	60,000	60,000
Horahora—				
Headworks	295,000	50,000	50,000	..
Transmission		150,000	150,000	..
Mangahao—				
Headworks	143,000	275,000	300,000	200,000
Transmission		75,000	100,000	125,000
Waikaremoana	3,000	60,000	50,000	..
Otago—				
Headworks	..	50,000	150,000	100,000
Transmission	..	30,000	120,000	100,000

which sums total over three millions and a quarter commitments for development^s to end of 1923-24, or total to 1929 of £4,715,500.

Were the whole scheme gone on with these expenditures would grow considerably, and the country would be faced with the following expenditure to complete these in the time that is desirable if the work is to be done in the most economical manner :—