Aroha enjoys a preferential tariff on the railway which is equal to a reduction in freights of nearly £15,000 a year. If river traffic to Te Aroha were to become impossible by reason of the silting of the river, or any other cause, this large annual benefit would be withdrawn, and the ordinary railway tariff rates would be charged on all goods. Keeping the river open is therefore worth £15,000 a year to Te Aroha, and as improving the river to that point is an integral part of the scheme, and keeping the river open and improving navigation generally will be one of the principal duties of the River Board to be set up under the Act, it is quite clear the borough is going to benefit substantially, and must pay accordingly.

(j.) *The Thames Borough.*

As Mr. Clendon appeared for the Thames Borough Council as well as for the Public Works Department, it was perhaps scarcely to be expected that, as Borough Solicitor, he would lead evidence which, as Public Works Solicitor, he would have to gainsay or dispute. He therefore advanced no reasons, and called no evidence, to show that the borough should or should not be included in the rating scheme. He admitted, however, that the borough endowment would be benefited by the river-improvement works.

REPORT OF THE COMMISSION.

Having given the whole matter mature consideration, and having carefully weighed all the evidence adduced and the able and exhaustive arguments of the counsel engaged, your Commissioners have now the honour to report for Your Excellency's information as follows:—

General Remarks.

The Commission of 1910, on whose report the Act was based, regarded the mining industry as primarily if not wholly responsible for the damage that had occurred to the Ohinemuri River, and accordingly burdened that industry with the principal responsibility for its restoration, and for the upkeep of the improved conditions when established. They advised charging one-half the interest and sinking fund on the loan, together with half the cost of administration and maintenance of the works, against the gold duty received from mining in the river district, and one-sixth against the gold-mining companies. This means that a total of two-thirds of the expense was to be debited against the mining industry. The gold duty, when collected by the Crown, is paid to the credit of the local governing authority of the district from which it is derived—in this case principally the Waihi Borough Council—so that any sum charged against this gold duty is really a charge against the income of the borough, and hence the great interest of the Borough Council in the present proceedings.

As already stated, two-thirds of the total expense is a charge against the industry, and the other third, in terms of the Act, is to be divided equally between the Government (Consolidated Fund) and the landowners in the rating district.

If the scheme of contribution to the interest and sinking fund is to apply to future expenditure and not to the first £150,000 only, it will mean, when the total disbursements reach £625,000, that the sum required for interest, sinking fund, administration, and maintenance will amount to between £40,000 and £50,000 per annum. To charge one-half of this large sum against the gold duty would involve a contribution of fully £20,000 per year, while the one-sixth against the mine-owners would amount to about £7,000 per annum. The former contribution is, of course, an impossibility, in view of the fact that the gold duty has now gone down to under £8,000 a year; and the latter contribution is almost an impossibility, in view of the fact that the mines have, under existing conditions, ceased to be profitable. It is evident, therefore, that there must be an entire reallocation of responsibility.

Moreover, it must be borne in mind that, so far, the Public Works Department has done virtually nothing to "remedy or prevent the silting-up of the Ohinemuri River" or to "improve such river for the purposes of navigation,"