The total revenue receipts in respect of special wharfage on coal, port charges, and special coal rate were adversely affected by stoppage of work at the mines for a period of seventeen weeks. The total coal-export for the year amounted to 439,707 tons, as against 572,342 tons for the previous year—a decrease of 132,635 tons, and approximately relevant to the period of stoppage of work. The annual approximate deficit in round figures, under existing normal conditions, will continue to be about £7,000, made up as follows :—

	Expenditure. £	Revenue. £
Maintenance charges	17,000	..
Interest on loans	23,000	..
Sinking fund instalments	5,000	..
Depreciation	3,000	..
Special coal rate (3d. per ton)	..	3,000
Special wharfage (9d per ton)	..	17,000
Endowment revenue	..	15,500
Port charges	..	4,500
Rents and miscellaneous receipts	..	1,000
	48,000	41,000
Estimated annual deficit after providing for depreciation, interest on loans, and sinking fund instalments	..	7,000
	£48,000	£48,000

It does not appear practicable to further increase charges, except perhaps port charges ; but an increase in these, within practicable limits, would not materially affect the position.

Before proceeding to deal in detail with various sections of the Department's operations, I wish to stress a departure in administration of the Harbours Act on which you have been good enough to take a determined stand.

The Harbours Act provides that before a " harbour-work " may be commenced the plans thereof must be approved, and the work authorized by the Governor-General in Council. Hitherto the attitude has largely been that if the work proposed would not " be or tend to the injury of navigation " the Department's function under the Act was fulfilled. It seemed clear, however, as the recommendation of approval to the Governor-General in Council rested in the Minister of Marine, that it was competent for the Minister, acting on expert advice, to exercise a discretion as to whether, in the public interest, every work proposed should be approved provided it was so designed as not to wreck a ship, regardless as to whether (*a*) it was really necessary, (*b*) adequate and/or alternative transport facilities did not already exist, (*c*) the expenditure was justified as a self-supporting harbour-work proposition.

Primarily, a harbour-work, being one in respect of which the constructing authority is authorized to levy adequate charges for services rendered, should be a self-supporting undertaking without recourse to special rating on property, particularly so in circumstances where other suitable and reasonably economical means are available for the transport of the goods imported into and exported from the district concerned. Since the general public must eventually pay all costs and losses arising out of any other transport ways, it is obvious that no advantage can possibly accrue to a district constructing a harbour which cannot, by reason of cost or lack of outstanding advantage, exist as a self-supporting undertaking and in spite of competition from other transport ways.

Our transport ways for goods and passengers are threefold—by road, by railway, and by sea. To meet the cost of construction and maintenance of the first, and the cost of construction, maintenance, and operation of the second, the general public must of necessity pay, since they are publicly owned utilities, and any loss must be made good by increased charges or indirect taxation. Internal communication by these means is an essential. Harbours are also essential, in first degree, for export from New Zealand of our products and receipt of goods from overseas. They are equally necessary for dealing with transport between islands, and between places where no other adequate or sufficiently economical means of transport exists. But they cease to justify essential category when constructed to provide for traffic which can be adequately provided for otherwise by publicly owned utilities (road or railway), and at a capital-plus-operating cost which cannot be met by charges on shipping and goods, but which requires the deficit to be made good by special taxation over the district. Interests particularly served by competitive transport ways quite naturally do not concern themselves with the loss accruing to the community, while the community, by reason of apathy or lack of understanding of the net result, or lack of opportunity to govern the matter, fails to assert itself ; but it has to pay in any event.

In what I have to say on this subject I exclude, of course, those harbours which I have termed essential. Apart from these, yet to a certain extent including some of them, it is submitted that in many cases costly and unsatisfactory harbours have been constructed in places where population has congregated, rather than at places in near vicinity where natural harbour conditions existed ; that large sums of money have been expended in creating harbours in competition with existing and economically suitable transport ways ; in piecemeal pottering at an essential harbour proposition which could be satisfactorily dealt with only as a comprehensive whole ; or in providing accommodation for overseas vessels where charges on vessels and goods cannot possibly be made to cover the expenditure involved in making the provisions. In dealing with harbours and the expenditure in constructing and maintaining them, we are merely dealing with one of three transport ways, each of