(41) The present position is, therefore, that out of the sum of £247,100 borrowed in order to develop the Inner Harbour, a sum of £84,348 has already been, in effect, written off, and can be of no benefit if the Inner Harbour scheme is jettisoned; whilst at least £10,000 more is lying idle in the shape of piles and other materials, which can only be utilized by slow degrees. Fortunately, the balance of the loan-money has been profitably and usefully expended in putting the existing Inner Harbour works into good condition. Mr. Mackenzie has prepared an estimate of cost of completion, and this appears as Table G in the appendix.

(42) OUTER HARBOUR LOAN EXPENDITURE.

The capital expenditure of £448,707 has been written down to about £255,000 in 1927, and will have been further written down to about £252,165 by 1928. Fortunately, there is no dead capital item to criticize in connection with the Breakwater Harbour. Successive Boards since 1909 have apparently pursued a cheeseparing policy in regard to the Breakwater Harbour, which has evidently been looked upon rather as an adjunct to the Inner Harbour than anything else. In consequence the breakwater itself has been to some extent starved, while the Glasgow Wharf had at one time been allowed to get into a state of disrepair approaching danger-point. (See Exhibit No. 93.) These defects have been remedied to some extent, but expenditure in respect to the Outer Harbour has never been lavish. The result is that there are no dead assets to comment on in connection with that scheme. On the other hand, there is a capital investment in good, useful harbour-works, which at present-day valuation stands at £255,000. These works, with the expenditure of perhaps £450,000 more, are capable at some future date of being converted into a satisfactory harbour for overseas vessels, and, taking all circumstances of the case into consideration, it is therefore essential that the breakwater, with the wharves and other facilities pertaining thereto, should be maintained in good and efficient working-condition, with a view to expansion when commercial and financial circumstances so warrant.

Mr. A. C. Mackenzie has prepared an estimate of the cost of completion of Breakwater Harbour, and this appears as Table H in the appendix.

(43) FINANCIAL CONCLUSION.

In view of the present financial position of the assets and liabilities and of the revenue and expenditure of the Napier Harbour Board, in conjunction with the capital costs of the present works and the probable expenditure necessary to bring these works into a state of efficiency, together with the important fact that none of the present sources of income are capable of producing any marked increase of revenue in the near future, it is evident that the Napier Harbour Board and the Hawke's Bay Rating District are in no condition to shoulder any further financial burden at present. It has been stated that the increased rentals to be obtained by reclaiming further areas of land would compensate for increased harbour expenditure, but a full exploration of this source of income, which will be dealt with separately, does not disclose any grounds for such optimism. Therefore it can be said without hesitation that the heavy expenditure required by a complete scheme of harbour development is not justifiable from the financial aspect.

SUMMARY OF COMMERCIAL AND ECONOMIC REPORT.

(44) In reply to Question No. 1C—"Whether the expenditure of the money necessary to construct such a harbour (as referred to in the replies to Questions 1A and 1B), taking into account the amount already expended, can be justified from the financial and economic aspect"—and referring to the details furnished in the foregoing pages, and more particularly to paragraphs 8 and 42, we beg to summarize as follows:—

(45) In view of the fact that no rapid increase may be anticipated in the trade of the port, and that the corresponding revenue will only grow slowly, and, furthermore, that both inwards and outwards tonnage is being handled and can be handled effectively under existing conditions, there is no urgent necessity for the people of Hawke's Bay to rush into a further borrowing policy and a large expenditure on harbour development. Such a policy, entailing the raising of perhaps £450,000 and resulting in an addition to the present bill for interest and sinking fund of a further £27,000 per annum, could only be justified if some very considerable advantage, either financial or commercial, were to be gained.

(46) In time past the saving of lighterage has been held out as a compensating advantage in order to justify the expenditure required to provide an up-to-date harbour, but it will be apparent on reflection that no real saving could be effected in this way. The people of the Harbour rating area who are now paying £30,000 per annum for lighterage would merely be exchanging that burden for a similar burden in the shape of interest and sinking fund. The incidence of the burden would be shifted, but the community would in the long-run be no better off.

(47) From an economic and commercial point of view the time has not yet arrived for harbour development, no matter how desirable it may appear to provide an enclosed harbour and wharf loading for overseas ships, and the Harbour Board and the people of Hawke's Bay will therefore do well to proceed quietly on present lines for perhaps ten or even fifteen years before they even consider seriously the launching of a complete harbour-development scheme. In the meantime every effort should be made to carry on with economy, to inaugurate a prudent and helpful reclamation scheme, to reduce harbour charges and rates wherever such reduction is possible, and at the same time to build up reserve funds, so that when the production of the province and the trade of the port has sufficiently increased the Board may be in a sound financial position to undertake a carefully considered scheme of harbour development.