

Holmes, the senior partner in the firm of Holmes and Son, Consulting Engineers to the Board. Mr. Holmes had revised and reduced some of the costs of construction put forward by his son at an earlier stage, and he further stated that, after hearing evidence concerning the reclamations, he desired also to increase the value of land which his firm used as a deduction from the gross cost of construction of the harbour in order to arrive at what they called the net cost, and the result of the figures he then used was to reduce the so-called net cost to £170,000, and he stated the Board now had £124,000 in hand, so that it would only be necessary to raise £46,000 plus value of reclaimed land, which would be an extremely valuable asset. This is the statement which was presented in a two-column precis of Mr. Holmes's evidence in the following words: "From what was stated by Mr. Latham on Wednesday concerning reclamation, Mr. Holmes revised his estimates of the cost of constructing a two-berth Inner Harbour, bringing it down to £170,000—only £46,000 more than the loan-money now in hand for the purpose."

The real truth is (and we have searched in vain through all the utterances of the Harbour Board for any presentation at any time of this aspect of the matter) that in the ordinary way the Harbour Board must raise by way of loan the full gross amount required for harbour-construction, and must pay interest and sinking fund amounting to at least 6 per cent. on that. The assistance to be sought for from the reclaimed lands is the ability of those lands to produce, by way of rents, an annual sum in excess of interest on the cost of reclamation.

We have prepared, and propose to present under this present part of our report, detailed figures showing, on the evidence of witnesses put forward by the Board, the expected cost of reclamation and the expected returns from these reclaimed areas; and we find that for the next decade very little assistance could be given to harbour finance by the returns from reclaimed land.

The productivity in the way of rent of the different blocks varies considerably, and one of the large blocks must for nearly twenty years after its reclamation is commenced be considered as a liability rather than an asset. We refer to the McDonald Block, of 700 acres, which comprises only what have been described as salt lands, and which must be put through a tedious and comparatively expensive process of sweetening before it will have any letting-value.

COSTS OF RECLAMATION.

There is one further aspect of this matter to which we desire to refer. We submit that in principle it is correct that when a public body such as a Harbour Board is carrying out two revenue-producing public works—viz., the construction of a harbour and reclamation of land—it should in its accounts keep correct records of the cost of each of these works. This involves the principle that when any process such as excavation, which provides rock for harbour-construction and spoil for filling in reclamation areas, is undertaken, the best possible basis for apportionment of that cost between the two schemes should be adopted. This is especially important where loans are raised under statutory authority to proceed with reclamation work as distinct from harbour-construction, and *vice versa*. But, apart from this aspect, we believe that the soundness of the principles we submit must be apparent. One argument in favour of it is that it is impossible now to ascertain from the Harbour Board's past records the exact cost of building the breakwater to date, and the exact cost of reclamation to date, because these have been mixed in the accounts of the past, and the items cannot now be dissected accurately. The Board has therefore lost, for comparative purposes, when undertaking new work, part of the value of its existing records.

The method adopted by the Board's consulting engineers is described, and its attempted justification put forward, in the following formula: "When we are quarrying spoil for stone for a breakwater, or dredging harbour basin to get the required depth, we would have to dispose of the spoil if we had no use for it, and in doing so would charge the whole cost of disposition of the spoil to the harbour-works. When, therefore, as in the present case, we can at no additional expense use the spoil for the purposes of reclamation, we still charge the whole cost of excavating or dredging, as the case may be, and disposal of the soil, against harbour-works, and view the reclaimed land *as a gift*, to be brought into account *at its selling-value*, as a deduction to arrive at the net cost of construction of the harbour."

Our submission is that this method is one of those things which needs only to be stated to carry its refutation on its face. The Harbour Board is the custodian of public funds, and should keep the best records possible of the directions in which it has expended those funds. It is also a semi-trading concern, collecting revenue from two forms of public service, in the acquisition of which it has sunk public moneys; and our submission is that it should keep the best records possible of the cost of acquisition of the equipment and assets which makes these services possible. We submit that if, for instance, a land-drainage authority had to clear and improve a large swamp area that was covered in parts with flax, and was required to do this by making the best possible disposal of this flax as a waste and useless product, the total cost, including the cost of disposal of the flax, would be charged up as cost of the drainage project. If, however, the body was entrusted with the power at the same time of running a flax-mill to utilize the flax, we contend that it should apportion its costs, and keep accounts of the flax-mill approximating as nearly as possible to those kept by flax-mills run by private enterprise. This would involve apportioning the cost of getting the flax as nearly as possible at the point of actual cutting of the flax.

METHODS OF RECLAMATION DISCUSSED.

We propose now to deal with the relative desirability of the different methods of reclamation put before us. We have already stated that the siltation method is rejected by all the witnesses and expert advice put before us, and we have no more to say under that heading.