Hikurangi Drainage Area.

897. These works also are still in course of construction, and as at the 31st March, 1931, the capital expenditure, including interest during construction, was £279,200. The estimated cost when the works were first put in hand was £98,800. **There will be a very large loss in connection with the drainage operations on this area, and after reviewing the prospects we recommend that the works be closed down immediately, as there is no justification for continued expenditure of money on this scheme.**

898. The works have been under construction for some considerable time, but no endeavour has been made to levy rates either in respect of capital or maintenance charges. This, we consider, is wrong, and **we recommend that investigations be made immediately with a view to levying rates at least for the maintenance of existing works,** provided that it can be demonstrated that the land has received, and will continue to receive, some benefit from the works.

Mangawai and Harihari Areas.

899. These schemes are relatively small, and need not be commented upon here, except to state that so far as can be ascertained the whole of the expenditure in connection with the Harihari works (£5,900) has been lost; in any case there has been no return to the State up to the present.

General.

900. In our opening remarks in connection with this special account we stated that the total capital provided for the purposes of the account amounted to £783,500. On a conservative basis it is estimated that the sum of at least £500,000 (and probably more) has been lost in these drainage operations, and **we feel bound to state that the results are such that no further schemes should be undertaken. We further point out that it should have been evident many years ago that the continued expenditure of public money on several of the schemes was not justifiable in view of the potentialities of the areas and the impossibility of obtaining an adequate return for the capital expended.** Incidentally, the failure of the Department to levy rates for maintenance, at least when schemes were substantially completed, has undoubtedly added to the capital cost, and thus to the ultimate loss.

901. In our report in regard to the Public Works Department we have recommended the setting-up of a Board of Works to review all developmental projects before they are undertaken by the Government. This Board's functions should extend to all projects under consideration by any Department of State, as it is not only in connection with works undertaken by the Public Works Department that there has been unwarrantable loss of public money.

RANGITAIKI LAND DRAINAGE ACCOUNT.

902. The Rangitaiki Land Drainage Act, 1910, authorized the raising of moneys for the purposes of draining a large area of land on the Rangitaiki Plains which was privately owned. The Act also provided that the capital cost of the works should be repaid by the owners by means of rates to cover interest and sinking fund charges on loans raised. The original estimate of the cost of the works was £50,000, but the scheme was enlarged from time to time and the final cost is in the region of £550,000. The loan-moneys actually raised for the reclamation of the land totalled £515,500, but in addition to this the sum of £121,000 has been paid by the Consolidated Fund in respect of interest on the loan capital.

903. It early became apparent that the settlers could not pay rates sufficient to cover the full capital liability plus annual maintenance, and it has been necessary for the Government to grant substantial concessions to the settlers by writing down the capital cost of the works. The balance-sheet as at the 31st March, 1931, shows that the actual cost recoverable by way of rates is £205,000, together with capitalized interest amounting to £40,373. **The loss as disclosed by the balance-sheet at that date was £375,131, and interest and amortization charges in respect of this sum must be met from general taxation.** It is pointed out also that there is a large amount owing in respect of current rates, despite the fact that the liability of the settlers has been reduced by more than 50 per centum, and notwithstanding also that the Government is assisting the settlers by way of a subsidy in respect of maintenance rates. This latter fact is not apparent from the accounts, but an item of £2,500 appears on vote: Lands and Survey Department for 1931–32 for this purpose. The general taxpayer, who has no direct interest in this local scheme, has, therefore, contributed over £120,000 already in respect of interest, while an annual charge of over £18,000 must be met for interest and sinking fund on the unproductive capital. The subsidy which has up to the present been given towards maintenance rates must also be met out of general taxation.

904. In view of the very large contribution to this scheme already made by the Consolidated Fund and the ultimate liability in respect of the unproductive loan capital, **we recommend that the maintenance subsidy be discontinued immediately.** It is understood that the works have now been substantially completed, but, **if any further avenues of expenditure be suggested in the future, we strongly recommend that the landowners themselves be left to finance the work.** The activities should be confined wholly to the maintenance of drains and the collection of rates, to cover both maintenance and the reduced capital, as defined by section 22 of the Finance Act, 1925.

905. Now that the works have been substantially completed, **we are of opinion that the area should be handed over to the control of a Drainage Board, and that the capital cost repayable by the ratepayers should be treated as a loan to the Board, which should have the responsibility**