

888. There will be little increased cost of administration in the State Advances Office, as it already has an organization dealing with securities to the value of over £45,000,000.

889. **What we recommend is the handing-over of the farms and dwellings securities of the Discharged Soldiers Settlement Account, totalling approximately £12,000,000, to the State Advances Office for administration. A similar recommendation was made by the Economy Committee set up in 1921.** In view of the need for economy and the fact that the administration is now practically confined to the collection of instalments, there is less reason than ever why the change advocated should not be made. It would enable the Lands Department to revert to its normal functions in the promotion of settlement, and would divorce from it a large portion of the activities for which the administration was not designed.

890. In regard to advances for stock and improvements, every effort should be made to curtail investments of this nature, in order that the Discharged Soldiers Settlement Account may be liquidated as soon as possible.

891. The foregoing recommendations should result in considerable economy in the administration of the Lands Department.

#### SWAMP LAND DRAINAGE ACCOUNT.

892. The Swamp Land Drainage Account was established under the Swamp Drainage Act, 1915. This Act authorized the Department to undertake the reclamation of swamp lands throughout the Dominion.

893. The accounts for the year ended 31st March, 1931, show that the total capital raised in connection with the various drainage schemes undertaken from this account was £669,000, to which must be added £110,000 representing amounts owing to the Consolidated Fund for interest, &c. There was also a further sum of £4,500 expended from the Public Works Fund in connection with the schemes. The capital thus amounted to £783,500. The various drainage schemes financed from this account are :—

Kaitaia Drainage Area.	Hikurangi Drainage Area.
Waihi Drainage Area.	Mangawai Drainage Area.
Poukawa Drainage Area.	Harihari Drainage Area.

#### *Kaitaia Drainage Area.*

894. The total capital expended is £300,200, of which £85,400 represents interest during construction. These works are now completed, and rates are being levied on lands in the area for capital and maintenance purposes. When the works were initiated it was considered that the whole of the capital cost would be recoverable from the ratepayers in the area, but on completion it was necessary for the Government to write down the capital cost upon which rates are levied. The position is that the cost has been written down to £68,200 so that the loss on the scheme as at the 31st March, 1931, amounted to £232,000. The general taxpayer must, therefore, meet interest and sinking fund on almost four-fifths of the cost of the Kaitaia scheme. In so far as maintenance is concerned the Government is also providing assistance, to the extent of £980, provided on vote Lands and Survey for 1931-32. Actually therefore, in addition to paying interest and sinking fund on four-fifths of the cost of the works, the general taxpayer must also assist in their maintenance. **We are of opinion that the time has arrived when the control of these works should be handed over to a local Board, and we recommend that the law be amended in this direction.** In view of the large amount of public money invested in the works, the Government should have majority representation on the Board. It is only by this means that continued application for Government assistance both in respect of the capital cost and maintenance can be checked. There is no justification for any further burden being thrown upon general taxation. The residue of the capital cost repayable by way of rates should be treated as a loan to the Board.

#### *Waihi Drainage Area.*

895. These works are also substantially completed and the capital cost as at the 31st March, 1931, amounted to £117,400. This area is divided into three subdivisions, one of which is owned by the Crown. The capital cost of reclaiming this subdivision is not recoverable by way of rates. The return is derived from rents of leased lands. As with other drainage areas, it has been necessary for the Government to write down the cost. On the other two subdivisions rates are levied. In all, the cost has been written down from £117,400 to £62,500, so that the burden on general taxation is £54,900. It appears, however, that the capital cost in so far as the central subdivision is concerned (*i.e.*, the land owned by the Crown) is far in excess of the rental value of the land, and the loss is therefore greater than is shown by the above figures. **We recommend that these works should also be controlled by a local Board, and that the capital repayable by means of rates should be treated as a loan to the Board.** We recommend that the law be amended in this direction, and that, as with the Kaitaia drainage area, the Government should have majority representation on the Board in order to ensure that the works will be adequately maintained.

#### *Poukawa Drainage Area.*

896. The drainage of this area has not yet been completed, and rates have not been levied either in respect of capital expenditure or for maintenance. The total expenditure as at the 31st March, 1931, amounted to £15,900. We are informed that the prospects with this area are good, but at the same time **we see no reason why rates should not be levied for maintenance of the works already completed, and we recommend that this action be taken immediately.** This would avoid the capitalization of maintenance costs during construction.