

As I quite concur in Mr. Martin's recommendations, there is no necessity for my writing a separate report, but I have added a few marginal notes to Mr. Martin's memorandum in further illustration of the ideas which he wishes to convey.

I have, &c.,
C. Y. O'CONNOR,
(For Engineer-in-Charge, Middle Island.)

The Under-Secretary for Gold Fields, Wellington.

Enclosure 1 in No. 2.

[NOTES taken down by Mr. Blair, from Hon. Mr. Rolleston's dictation, 29th January, 1882.]

1. Make out a short history of scheme to be sent to Mr. Hall; show expenditure involved; state prospects of undertaking; show how expenditure, already incurred, is of no use without acquiring Donnelly's Creek water, or else constructing long tunnel and other works beyond it; state time it would take to construct long tunnel; show what, if anything, would be gained by buying Donnelly's Creek water, and turning it down Government race instead of present race; what would be the value of additional pressure thus gained on Ross Flat.

2. A company has proposed to take up this undertaking. Should Government entertain this proposal, it would be necessary to give the Company some concessions, and arrange the terms upon which the undertaking would be made over to them. Will you suggest the form and scope of concession which you think it would be reasonable for Government to make, and which would afford reasonable prospect of a company being floated; also the terms of lease or grant to company.

Enclosure 2 in No. 2.

MEMORANDUM FOR MR. MARTIN.

Public Works Office, Dunedin, 11th February, 1882.

As you have all the necessary information on your file of papers, will you please let me have short history, &c., of above race, as asked for by Hon. Mr. Rolleston, in paragraph 1 of memorandum attached, in order that Mr. Blair may be able to supply same as requested. It should be as brief as possible.

The history of the race should state the first attempt to float it into a company, and its survey by promoters of said company. Subsequent purchase of plans by Government. Treaties with Mr. Brogden. Extracts from report I made for Mr. Brogden's information. Authorization of survey, *via* Totara side. Extracts from report on that. Subsequent provisions made by Government for construction or subsidy to race. Also, provision made for guaranteeing interest, in (I think) the Appropriation Act of 1877. In all cases give dates.

As regards paragraph No. 2, you might also please suggest the basis on which you think the undertaking could probably be floated with a reasonable amount of Government aid, and, in consideration of such, the amount of protection which should be bargained for, on behalf of the public and the customers, for water.

C. Y. O'CONNOR.

Enclosure 3 in No. 2.

MEMORANDUM FOR ENGINEER-IN-CHARGE, Middle Island, Dunedin.

Public Works Office, Greymouth, 15th March, 1882.

In reply to memorandum of the 11th of February, I enclose herewith a separate memorandum complying with first portion of Hon. Mr. Rolleston's memorandum. I also send attached thereto a plan of the race indicating various information in connection with report.

I have made the memorandum as brief as I considered consistent with clearness, but, as it extends over a good many pages, have added marginal notes to facilitate reference.

With regard to the second item in Hon. Mr. Rolleston's memorandum, I may, in the first place, say that the probability of a company taking the thing up is not now very great. When the Minister was here the promoters saw him about it (which is probably the origin of his note), but they did not seem to know much of the merits of the undertaking they contemplated, and having since learned more about it, have, I fancy, almost abandoned the idea. It is possible, however, that liberal concessions might revivify it.

Although I believe that the Mikonui Race, merely as the Mikonui Race, would probably be a financial failure, I see no reason why it should not, in conjunction with concessions of auriferous ground, be payable. In fact, it has long seemed to me that to make water-races of great extent, as separate investments, is placing them in a very unfair and disadvantageous position. The reason is simply this: that the *true* price of the water is never paid; that the utmost the water-race can get is so many pounds per week for so many heads of water; that an uniform price being fixed per head per week, this price is generally based upon the least payable ground in the locality; that while the miners using the water may be, and often are, making fortunes, the water-race, without which the gold could not be got, receives only a comparative pittance which enables it to pay 1 per cent. towards interest, or something like that, and, in fact, the race, while sharing *all* the perils of the venture, participates in only a comparatively small share of its success. But if the water-race owners are also the miners, then a deficiency in the water-race accounts will come out of the profits of the claim, and by silent adjustment the true price of the water is paid. (a.)

(a.) This is quite true. In event of Government retaining auriferous land for endowment of water-race, its value might be realized by putting it up to auction for lease in short periods, and the true value might be ascertained by trials during intervals between leases.—C. Y. O'C.