105. *The Chairman.*] The rails are said to have cost £6 4s. a ton; fish-plates, £20 10s. a ton; fang-bolts, £11 12s. 9d. a ton; spikes, £11 8s. 8d. a ton; and points and crossings, £9 5s. 6d. the set. Would they be fair prices to estimate in the cost of this line at the present time?—I am not sure as to the cost of the fastenings, but I should think rails would be rather cheap at £6 4s., including freight and landing and all charges. The rails are the heaviest items.

106. Fifty-two-pound iron rails and fastenings in accordance. You consider the prices mentioned in that letter would be fair at the present time?—I should think so: £6 4s. is a very reasonable price, to include all charges. It is rather low.

107. *Mr. Dargaville.*] And that is the chief item?—Yes.

108. *The Chairman.*] Would the certificate given by the Minister as to the cost of a railway or the purpose of levying a rate represent its actual value to the Government, if the Government were going to buy it? What I mean is, that the rates seem to be payable on the cost as originally estimated, and not the present value of the railway?—It is not necessarily its present commercial value.

109. And, therefore, the certificate could not be taken into account as an estimate of its present value?—Not as an estimate of its value from a commercial point of view.

110. In estimating the net returns from the line, what would you consider a fair percentage to set aside for wear and tear and renewals?—The system of putting aside a fund for renewals has, I think, gone out of date. It is found in practise that the renewals average pretty nearly the same amount year by year, and their cost is met as a part of the yearly working expenses. Very few railway companies have special renewal funds now-a-days. The cost of maintenance is generally rather heavy during the first year or two after a railway is opened, and then it decreases for two or three years, but gradually mounts up again as the rails begin to wear out and the sleepers and other timbers begin to decay; but the sleepers do not all decay at the same time, they vary very considerably, so that the cost of renewal of both rails and sleepers is spread over a number of years, and becomes a matter of continuous maintenance.

111. Are there any wooden bridges on this line?—Only small ones.

111A. And they would require renewing?—They do not all go together. It is found, in practice, that, when a railway is properly maintained, the cost of renewals averages pretty much about the same amount year after year.

112. That is, you renew the lines gradually from year to year, and do not find it necessary to make any other provision than for annual maintenance?—Yes, the sleepers decay; but you are always doing a little repairing, and you seldom have an exceptionally large amount to do at once. Sleepers last on an average about seven years; but they do not all decay at the end of seven years—it is a gradual decay. It is the same with rails. Some show signs of decay at an early period. Lines on which trains are run at a rapid pace have always got to be kept in a state of thorough repair, and the rails have to be renewed when they are at all seriously abraded. At the end of ten or twelve years, therefore, the line is usually in a better state than when laid down, because it is thoroughly consolidated, and all the very bad material is weeded out and replaced with new material.

113. *Mr. Dargaville.*] Is there not a life allowed for rails?—It depends on the traffic.

114. *Mr. Montgomery.*] When do the expenses of the line increase, owing to wear and tear?—We find that for the first year or two the expenses are usually very heavy because of slips and other contingencies, which could not be provided for in the original construction. In the third or fourth year the expenses are usually light, and after that the line works into its average—perhaps in its seventh or eighth, or perhaps not till its tenth or twelfth year, and under ordinary circumstances it will keep at that average.

Duntroon–Hakateramea Line.

115. *The Chairman.*] We are now considering the Duntroon–Hakateramea line, and I should like to ask you, Mr. O'Connor, whether this line takes, in your opinion, a direction the most suitable for a branch railway to open up the district?—So far as it is at present constructed, it follows the main valley of the country, namely, the valley of the Waitaki River, and could not very well go any other way.

116. The extent of the line at present, I understand, is sixteen miles?—Yes.

117. Connecting with a Government branch line, of what length?—It is in continuation of the Government railway from Oamaru to Duntroon. The length of that branch from where it leaves the main line is about twenty-one miles, and the length from Oamaru to Duntroon is twenty-six miles.

118. Do you know the price at which it is proposed to take it over?—Yes; I believe it is £61,100.

119. Do you consider that a fair price at which to purchase the railway?—Yes, I think from an engineering point of view that the work done is worth that amount, and I have some evidence to give which will show how it was arrived at. When the question arose as to what rates should be levied on account of this line, the Government held that a reasonable value for the work so far constructed was £55,000. This was a *pro ratâ* valuation on the basis of the original estimate for the whole line. The company, on the other hand, held out for a value of £72,000. Thus, there was a large difference between us. We reckoned, on the basis of the original estimate, that the portion then constructed was not worth more than £55,000, while the company asserted that it had cost over £72,000. The Government, then, in pursuance of clause 85 of the Act of 1877, referred the matter to arbitration, and Mr. Scott, a gentleman of considerable standing, and an engineer of eminence, was mutually agreed upon to decide the case. He made a valuation, after carefully examining the railway, and his estimate was £62,100, and on that estimate we have given certificates for the rates up to date.