

1885.
NEW ZEALAND.

PUBLIC ACCOUNTS COMMITTEE

(REPORT OF THE) ON THE DISTRICT RAILWAYS PURCHASING BILL, WITH MINUTES
OF PROCEEDINGS AND EVIDENCE AND APPENDIX.

Report brought up 14th September, 1885, and ordered to be printed.

REFERENCES FROM THE TREASURY.

SIR,— I have the honour to ask you to bring before the Committee on Public Accounts the District Railways Purchasing Bill, with a view to their considering whether the contracts to which it proposes to give effect are such as the Committee can recommend to the House.

Wellington, 24th August, 1885.

I have, &c.,

JULIUS VOGEL,
Colonial Treasurer.

The Chairman, Public Accounts Committee.

SIR,— On my informing the Government that the reference made to the Committee of Public Accounts of the Districts Railways Purchasing Bill is not held to include the proposed arrangement with the Kaihu Valley Railway Company, it has been decided that I shall ask the Committee to also take that proposed agreement into consideration; and I have now the honour to make that request.

Wellington, 1st September, 1885.

I have, &c.,

JULIUS VOGEL,
Colonial Treasurer.

The Chairman, Public Accounts Committee.

REPORT.

THE Committee have the honour to report, with reference to the proposed terms of purchase and other arrangements in connection with the several railways in the Schedule to the District Railways Purchasing Bill, that they have taken full evidence thereon, which, with the minutes of proceedings, will be found attached. Their inquiry has been confined to the question referred to them, "Whether the proposed contracts for the purchase of the Rakaia and Ashburton Forks, Waimate, Duntroon and Hakateramea, and Thames Valley and Rotorua Railways, and the proposed guarantee of debentures to finish the construction of the Kaihu Valley Railway, were such as could be recommended." In accordance with this reference they have given to these several proposals their careful consideration, and recommend for adoption the terms of purchase proposed in the several agreements in Parliamentary Paper D.—5B for the

Rakaia and Ashburton Forks Railway,
Duntroon and Hakateramea Railway,
Thames Valley and Rotorua Railway.

They have also considered the terms proposed for the Waimate Railway, but do not recommend them for adoption.

With reference to the Kaihu Valley Railway, the Committee approve of the proposed guarantee of £50,000 of debentures to be secured by first mortgage on the railway works, to cost between £85,000 and £90,000, with such other security, if any, as the Governor in Council may consider necessary.

14th September, 1885.

F. J. Moss,
Chairman.

MINUTES OF PROCEEDINGS.

WEDNESDAY, 26TH AUGUST, 1885.

The Committee met pursuant to notice.

Present : Mr. Moss (Chairman), Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Mr. Montgomery, Mr. Peacock, Sir Julius Vogel.

The minutes of last meeting were read and confirmed.

Letter from the Colonial Treasurer, dated the 24th August, read.

Resolved, That each contract be taken into consideration separately, according to the order in which they appear in the schedule.

Resolved, That Mr. O'Connor and Mr. Maxwell be called to give evidence, and that they be requested to bring maps and any other documentary information they may have.

Resolved, That the Committee sit daily until the business under consideration is disposed of.

The Committee adjourned until 11 a.m. to-morrow.

THURSDAY, 27TH AUGUST, 1885.

The Committee met pursuant to notice.

Present : Mr. Moss (Chairman), Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Montgomery, Dr. Newman, Sir Julius Vogel.

The minutes of last meeting were read and confirmed.

Mr. O'Connor attended and gave evidence, which was taken down by a shorthand reporter.

The Committee adjourned till 11 a.m. to-morrow.

FRIDAY, 28TH AUGUST, 1885.

The Committee met pursuant to notice.

Present : Mr. Moss (Chairman), Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Mr. Montgomery, Dr. Newman.

The minutes of last meeting were read and confirmed.

Mr. O'Connor attended and gave further evidence, was thanked, and withdrew.

Mr. J. P. Maxwell attended, and gave evidence, which was taken down by a shorthand reporter.

The Committee adjourned till Monday, the 31st instant, at 11 a.m.

MONDAY, 31ST AUGUST, 1885.

The Committee met pursuant to notice.

Present : Mr. Moss (Chairman), Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Montgomery, Dr. Newman, Sir Julius Vogel, Mr. Wilson.

The minutes of last meeting were read and confirmed.

Mr. Maxwell completed his evidence, was thanked, and withdrew.

Resolved, That Mr. McKerrow, Surveyor-General, be called to give evidence.

The Committee adjourned till to-morrow, at 11 a.m.

TUESDAY, 1ST SEPTEMBER, 1885.

The Committee met pursuant to notice.

Present : Mr. Moss (Chairman), Major Atkinson, Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Mr. Montgomery, Dr. Newman, Mr. Peacock, Sir Julius Vogel, Mr. Wilson.

The minutes of the last meeting were read and confirmed.

Mr. McKerrow attended and gave evidence, which was taken down by a shorthand reporter.

Resolved, That Mr. Stewart, Mr. Duncan, and Major Stewart be called to give evidence to-morrow; and that Mr. Maxwell be requested to be in attendance.

The Committee adjourned till to-morrow, at 11 a.m.

WEDNESDAY, 2ND SEPTEMBER, 1885.

The Committee met pursuant to notice.

Present : Mr. Moss (Chairman), Major Atkinson, Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Mr. Montgomery, Dr. Newman, Mr. Peacock, Sir Julius Vogel.

The minutes of the last meeting were read and confirmed.

Mr. Stewart attended and gave evidence, which was taken down by a shorthand reporter.

Mr. Maxwell also attended and gave further evidence.

A letter from the Colonial Treasurer, dated the 1st September, referring the question of proposed agreement with the Kaihu Valley Railway Company to the Committee, was read.

Resolved, That Mr. Knorpp, Major Steward, and Mr. Duncan be called to give evidence to-morrow.

The Committee adjourned till to-morrow, at 11.30 a.m.

MONDAY, 7TH SEPTEMBER, 1885.

Present: Mr. Moss (Chairman), Mr. Ballance, Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Montgomery, Dr. Newman, Mr. Peacock, Mr. Wilson.

The minutes of the last meeting were read and confirmed.

Mr. Knorpp, Major Steward, and Mr. Duncan attended and gave evidence, which was taken down by a shorthand reporter.

The Chairman was requested to ask Mr. O'Connor to furnish a statement with reference to the following railways, namely, Rakaia and Ashburton Forks, Waimate, and Duntroon-Hakateramea, showing how the rate levied and how the subsidy payable by the Government for the last year would have been affected by sections 80 and 82 of "The District Railways Act, 1877," if, by the lapse of time, the said sections had come into operation.

The Committee adjourned till to-morrow, at 11 a.m.

WEDNESDAY, 9TH SEPTEMBER, 1885.

The Committee met pursuant to notice.

Present: Mr. Moss (Chairman), Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Mr. Montgomery, Mr. Peacock, Mr. Wilson.

Minutes of last meeting read and confirmed.

Letter from Major Steward read, and ordered to be added to his evidence.

Resolved, on the motion of Mr. Montgomery, That the Committee do now adjourn till 11 o'clock on Thursday, to deliberate and come to a conclusion on the District Railways Purchasing Bill.

The Committee adjourned till to-morrow, at 11 a.m.

THURSDAY, 10TH SEPTEMBER, 1885.

The Committee met pursuant to notice.

Present: Mr. Moss (Chairman), Hon. Mr. Ballance, Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Mr. Montgomery, Dr. Newman, Sir J. Vogel.

Minutes of last meeting read and confirmed.

Letter from Mr. C. Y. O'Connor, dated the 8th September, read. (*Vide Appendix.*)

Resolved, on motion of Mr. Dargaville, That each contract be considered separately.

Rakaia and Ashburton Forks Railway.

Proposed by Sir Julius Vogel, That the proposed terms of purchase for the Rakaia and Ashburton Forks Railway in Agreement No. 1, Parliamentary Paper D.-5B, are fair and reasonable.

The Committee adjourned till Saturday, at 11 a.m., for final consideration of the report.

SATURDAY, 12TH SEPTEMBER, 1885.

The Committee met pursuant to notice.

Present: Mr. Moss (Chairman), Mr. Cowan, Mr. Dargaville, Mr. Hislop.

The minutes of the last meeting were read and confirmed.

On the motion of Mr. Hislop, *Resolved*, That the Committee adjourn till Monday, the 14th instant, at 11 a.m.

MONDAY, 14TH SEPTEMBER, 1885.

The Committee met pursuant to notice.

Present: Mr. Moss (Chairman), Major Atkinson, Hon. J. Ballance, Mr. Barron, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Mr. Montgomery, Dr. Newman, Mr. Peacock, Hon. Sir J. Vogel, Mr. Wilson.

The minutes of last meeting were read and confirmed.

The consideration of motion by Sir Julius Vogel, adjourned from meeting of the 12th instant, was renewed.

On the motion being put, That the proposed terms of purchase for the Rakaia and Ashburton Forks Railway in Agreement No. 1, Parliamentary Paper D.-5B, are fair and reasonable.

Mr. Dargaville moved, as an amendment, To strike out the words "fair and reasonable," and to substitute "such as the Committee can recommend."

The original words were withdrawn by leave of the Committee, and, the motion as amended being put, the Committee divided:—

Ayes, 8.—Major Atkinson, Hon. Mr. Ballance, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Dr. Newman, Sir J. Vogel, Mr. Wilson.

Noes, 2.—Mr. Barron, Mr. Montgomery.

Motion carried accordingly.

Waimate Railway.

Moved by Sir Julius Vogel, That the proposed terms of purchase for the Waimate Railway in Agreement No. 2, Parliamentary Paper D.-5B, are such as the Committee can recommend.

On the motion being put the Committee divided:—

Ayes, 4.—Major Atkinson, Hon. Mr. Ballance, Mr. Cowan, Sir J. Vogel.

Noes, 5.—Mr. Barron, Mr. Dargaville, Mr. Montgomery, Mr. Newman, Mr. Wilson.

The question was accordingly decided in the negative.

Duntroon-Hakateramea Railway.

Moved by Sir Julius Vogel, That the proposed terms of purchase for the Duntroon-Hakateramea Railway in Agreement No. 3, Parliamentary Paper D.-5B, are such as the Committee can recommend.

On the motion being put the Committee divided:—

Ayes, 8.—Major Atkinson, Hon. Mr. Ballance, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Dr. Newman, Sir J. Vogel, Mr. Wilson.

Noes, 2.—Mr. Barron, Mr. Montgomery.

Motion carried accordingly.

Thames Valley and Rotorua Railway.

Moved by Sir Julius Vogel, That the proposed terms of purchase for the Thames Valley and Rotorua Railway in Agreement No. 4, Parliamentary Paper D.-5B, are such as the Committee can recommend.

On the motion being put the Committee divided:—

Ayes, 8.—Major Atkinson, Hon. Mr. Ballance, Mr. Cowan, Mr. Dargaville, Mr. Hislop, Dr. Newman, Sir J. Vogel, Mr. Wilson.

Noes, 2.—Mr. Barron, Mr. Montgomery.

Motion carried accordingly.

Kaihu Valley Railway.

Moved by Sir Julius Vogel, That the terms proposed in clause 25 of the District Railways Purchasing Bill are such as the Committee can recommend.

The motion was by leave withdrawn, and the following substituted by Sir Julius Vogel:—

That the Committee approve of the proposed guarantee of £50,000 of debentures if they are secured by first mortgage on works costing between £85,000 and £90,000, and by such other security, if any, as the Governor in Council may consider necessary.

Amendment proposed by Mr. Barron, To strike out the words "if any."

On the question being put the Committee divided:—

Ayes, 2.—Mr. Barron, Mr. Montgomery.

Noes, 5.—Hon. Mr. Ballance, Mr. Cowan, Dr. Newman, Sir J. Vogel, Mr. Wilson.

Amendment negatived accordingly, and the original question put and carried.

On the motion of Mr. Cowan, it was resolved that the report be presented to the House at to-day's sitting.

MINUTES OF EVIDENCE.

THURSDAY, 27TH AUGUST, 1885.

Mr. CHARLES Y. O'CONNOR examined.

Rakaia to Ashburton Forks Railway.

1. *The Chairman.*] The Committee, Mr. O'Connor, have decided to inquire into each of the lines in the order in which they are placed in the Schedule to the District Railways Purchasing Bill now before the House. What is your official designation?—Under-Secretary for Public Works.

2. *Mr. Dargaville.*] As to the Rakaia to Ashburton Forks line, the estimated cost of it was £74,000, was it not?—Yes; that was the company's original estimate of cost.

3. Was it part of your duty to inform yourself whether that cost was a correct one, and how it was arrived at?—That was the certified cost of the railway, in terms of the District Railways Act. The system under which district railways are constructed is that, before the railways are commenced at all, the companies undertaking them submit to the Government—that is, the Minister—an estimate of the cost of the line, and the Minister then obtains from the Engineer-in-Chief, or from the District Engineer, a report on this estimate, and the company also submits its estimate, amongst other information, to the local bodies of the district concerned and to the rate-payers; and the project is launched on the basis of this estimate. If the project is affirmed by the Minister, this estimate is the amount on which rates can afterwards be made payable. In this case £74,000 was the amount laid down by the company in their estimate; and as it was affirmed by the Minister as reasonable, that is the amount upon which, by law, the company is entitled to get interest at 7 per cent. I will read, with your permission, the clause of the Act upon this portion of the subject, and this is the clause which governs the whole of the after proceedings. It is clause 11 of "The District Railways Act, 1877," and it enacts as follows: "Within thirty days after such deposit (that is, the deposit of the first plan and book of reference) the company shall transmit to the Council of each county, wholly or partly comprised in the proposed district, a notice containing or accompanied by the following particulars: (1) a copy of the plan and book of reference, and an estimate of the cost of the proposed railway, and of the equipment thereof; (2) a statement of the maximum rate of tolls and charges for the carriage of animals, goods, merchandise, and passengers proposed to be charged on such railway; (3) a statement of the maximum rent or charge to be made for the storage of goods, produce, or merchandise; (4) a statement of the minimum number of trains to be run daily; and (5) a specification of the rate it is proposed to levy in respect of the various classes of land hereinbefore mentioned." That is the governing clause; and the Act goes on to state that the amount of the estimate, as so lodged, if approved by the Minister, shall be the amount on which interest is afterwards guaranteed; and also that the rate thus proposed to be levied shall be the maximum rate which the company shall be, under any circumstances, entitled to levy in respect of each class of land. The £74,000 before referred to was the amount announced to the County Council and to the ratepayers concerned as the estimated cost of the Rakaia to Ashburton Forks Railway at the time that the railway was projected, and that amount was approved by the Minister, and he gave a certificate on the 7th January, 1881, that that was to be the amount for rating purposes. The certificate was given in the form of the fifth schedule of the Act of 1878. The effect of this certificate is defined in clauses 22 and 37 of the Act of 1878. Clause 37 says: "For the purpose of deciding the amount of guaranteed interest to be paid on any district railway, the cost of such railway shall in no case exceed the estimate of the cost of the proposed railway and of the equipment thereof, transmitted by the company in accordance with the provisions of the 11th section of the said Act."

4. What I wanted to get at is: before the Minister signifies approval of the estimate, what steps are taken to inform him as to the reasonableness of it?—The Engineer-in-Chief is instructed to examine the company's estimate, and to report whether or not it is reasonable.

5. Then, in this case, the Engineer-in-Chief did send an officer to report?—Yes; and I have got here a memorandum made from the correspondence relating to that part of the subject. It amounts to this: that in October, 1880, a certificate was given by Mr. Blair, then Engineer-in-Charge, Middle Island, to the effect that the value of this railway was £80,000, "including £5,500 for works to be done but not in hand."

6. It was, I suppose, on Mr. Blair's estimate or report that the Minister approved of the the amount of £74,000?—Yes; I presume that the Government considered they were not authorized to guarantee interest on any amount beyond the amount of the estimate, as set forth in the original prospectus; so that, although Mr. Blair's estimate of the cost of the railway was £80,000, the certificate was only given for £74,000. If the Government engineer's estimate had been less than the original estimate, then, I presume, the guarantee would have been for less than the original estimate accordingly; but the Government engineer's estimate being more than the original estimate, they fell back upon the original amount.

7. Well, in this instance, the officer of the department estimated the amount of cost at £80,000?—Yes; when it was quite finished. Works to the value of £5,500 still remained to be done—that is to say, he estimated that, at the time he saw the line, its cost (or value) was £74,500.

8. And the £5,500 worth of works were subsequently completed?—Possibly so; but I am not myself in possession of any evidence that they were.

9. They were necessary portions of the line?—It is to be presumed so, from the tenor of Mr. Blair's report; but I cannot say for certain.

10. What is the date of his report?—16th October, 1880. The length of the railway is twenty-two miles, so that £74,000 cannot be a very high value for it. The average cost of construction of New Zealand Railways is about £8,000 a mile. I think they average that.

11. And this is considerably under £4,000?—Yes. Of course this is an exceptionally cheap line as lines go. All the Canterbury lines are cheap, but I think the average is quite £4,000 a mile.

12. Do you know anything of the district and the nature of the traffic on the line?—Yes, a little.

13. And the nature of the traffic?—Well, the traffic is the ordinary sort of traffic as obtaining in Canterbury—chiefly, I should think, grain and other agricultural produce. I cannot, however, speak with any certainty upon this matter. Mr. Maxwell would be the proper person to tell you about the traffic.

14. Do you know anything of the district it taps—what kind of country it is?—The land it taps is fairly good land. It is subject to very high winds. That is the greatest objection. But I think the character of the land is very fair.

15. Is it an agricultural district?—Yes; I should certainly call it so.

16. Almost entirely?—Yes; but varying in quality.

17. Is it a district likely to increase in population and agricultural productions?—Yes, I would think so. If agriculture pays well anywhere in Canterbury it should pay fairly well in the district tapped by this line. Of course, I do not suppose it would be as high-class land there as in Southbridge and in some other parts of Canterbury. I have seen much better land about Southbridge and Waimate.

18. Do you, personally, know anything of the condition of the line—of the rolling-stock and permanent-way?—The rolling-stock is the property of the Government, all of it. The Government is working the line, so I presume the rolling-stock there is in as good order as in other parts of the colony. But it is not specially confined to that line; it is interchangeable with the main-line stock.

19. And the permanent way?—That was in very good order when I saw it last, but that was some years ago.

20. *Mr. Montgomery.*] Have you made any estimate of the cost of constructing this line at present prices—that is, if it was made now?—No; I have not.

21. Then the estimate as given to the Committee has nothing to do with the value of the railway as to what it would cost if constructed at the present moment?—No; at least not necessarily so; but the difference would be merely in proportion to the prices for work and materials ruling five or six years ago as compared with prices now.

22. So that railway might, in point of fact, be constructed for a great deal less now than it was then?—That is, presuming that the prices for work are less now than they were in 1879.

23. For work and for ironwork and work generally?—It would depend upon the relative prices.

24. You have not estimated what would be the cost of constructing the line at the present moment?—No; I have not. I never made an estimate at all myself. The estimate I quoted just now was Mr. Blair's estimate.

25. Then, the value now might be a good deal less than the estimate given then?—Speaking theoretically, it might be so.

26. You have examined all the papers before the Committee, and are aware of their contents?—Yes.

27. Is there anything in them to guide the Committee as to the value of the railway at the present moment, taking material and labour at present prices?—No; I do not think so—nothing as distinct from the estimate made by the Government engineer in 1880.

28. *Dr. Newman.*] What was the date of this estimate of £80,000?—October, 1880.

29. And how long was the line making—two or three years?—I do not think it was more than a year or two actually in progress.

30. The whole of the 22 miles?—Yes; it was made very quickly.

31. This estimate of £74,000: does that include the cost of floating the company?—I cannot say. The £74,000 is the company's own estimate—namely, the amount which the company announced to the ratepayers that the railway would cost.

32. Then, it might have cost £20,000 less?—Yes; speaking theoretically, it might, or £20,000 more; but it is not probable that it varied either way to anything like that extent.

33. And there is really no guarantee, then, except the statement of the directors, that it cost £74,000?—There is no guarantee, except the estimate of the Government Engineer, that it was value for £74,500 when he saw it.

34. Then, they might have put down any sum they pleased. Have you any documents to show how they brought it up to £74,000—any proof beyond the statement of the directors that it actually cost £74,000?—No; we have no proof of that. We have their statement that that was their estimate; but we have nothing to show that it did cost exactly that amount. It was done by the company, and it would be next to impossible for the Government to say exactly what it would actually cost; but we have the estimate of the Government engineer to the effect that its value, when he saw it, was £74,500, and that when completed it should be value for £80,000.

35. Are there any bridges or cuttings on this line?—Yes; there are bridges, and cuttings and banks.

36. Is it not all level country?—Well, it is what is called "level country;" but there are, nevertheless, cuttings and banks—some of them, I should think, 8 to 10 feet deep.

37. Any bridges?—No bridges of any magnitude.

38. *Mr. Barron.*] Have you made a personal inspection of this line as it now stands; or will you tell the Committee whether it would be better to get Mr. Blair's evidence on that particular point, he having been immediately concerned in the work?—Mr. Maxwell is the person immediately in charge of the line, as General Manager of Railways, so if you want to know its present

condition it would be best to apply to him. He can also give you information as to the management of the line generally.

39. But did I not understand you to say that Mr. Blair would be the best judge as to the equipment of the lines—as to the permanent-way, &c.?—Yes, as to its original construction and value when completed; but as to its present condition Mr. Maxwell has most information.

40. You have not made any personal inspection of the line?—No; I have been over the line, in connection with other works, but not since two or three years ago.

40A. You have not made any personal inspection which would enable you to give information upon it as it now stands?—No, I have not.

41. You cannot say whether the line is such a one as you would advise the Government to construct, if the question was one of construction rather than of purchase? I mean, suppose it was proposed to construct a line to meet the traffic of the district?—Do you mean from a commercial or an engineering point of view?

42. From an engineering point of view?—The line was very well constructed, and in a workmanlike and businesslike manner. The permanent-way was well laid; and it was quite as good a line as the Government usually makes for branch railways.

43. Do you think it is equal to a larger traffic than there is at present?—I should think so.

44. Do you suppose the cost of renewals would be considerable?—I cannot say, as I do not know the condition of the sleepers or the bridge timber. Mr. Maxwell will be able to tell you that.

45. And you could not say what would be the probable annual charge for maintenance as far as this line is concerned as compared with other lines belonging to the Government?—It would depend upon the amount of traffic, but I think it would be better to get that class of information from Mr. Maxwell: it is in his department.

46. Do you think Mr. Blair will be able to give the particular information about the line as it now stands from personal knowledge?—Possibly he will, but Mr. Maxwell is the person in whose charge the line is at present, and he must necessarily know most about its present condition. Mr. Blair's information should be of most value to you as to the probable cost of the line when it was made and its relative value if constructed now.

46A. *Mr. Cowan.*] In your opinion, from an engineering point of view, is £74,000 a fair value for that line?—Yes; I would say that it was worth that money.

47. The certificate you spoke of is the only certificate?—For rating purposes, yes.

48. Has a certificate for a larger amount ever been issued?—No, to the best of my belief it has not. That is the amount on which interest has been guaranteed.

49. And that amount, I understand, was fixed as the probable cost of the line?—Yes, in the original prospectus of the company.

50. By plans and specifications, I suppose, attached?—Yes, from the information furnished, as I read out of the Act.

51. But you do not know from your own knowledge whether or not the amount has been expended?—No. I do not know of my own knowledge exactly how much has been expended by the company.

52. Do you know from your own knowledge if the line is fairly equipped? [With rolling-stock?] No, with regard to conveniences, stations, &c.?—No, I have no personal knowledge as to whether or not the sidings and stations, &c., are equivalent to the requirements of the present traffic. Mr. Maxwell will be able to tell that.

53. I think you have already said that you do not know what the Government will require to expend to put the line in the same condition as the other Government lines?—I do not know its present condition, but what I said was, that I was not sure whether there would be a large expenditure required in the immediate future for repairs. I do not know the condition of the bridge-timber or sleepers. I have no doubt the line is kept in a proper state of repair from day to day, because that is part of the railway system; but the sleepers may require renewal.

54. Had you anything to do personally with fixing the amount originally certified?—No, not in this case.

55. *Sir Julius Vogel.*] Do you think the Government would be able to work this line with less difficulty than the company?—The Government is working it now, under an agreement with the company. If it were a Government railway it would save the trouble of keeping distinct accounts; and, if the Government had their own option, possibly they might run the trains to better advantage. I should think, generally, if all the railways are under one control, the administration must necessarily be cheaper.

56. Perhaps you would consider the question, and send in a memorandum?—I can do that, if desired; but, as I have already informed the Committee, this matter is in Mr. Maxwell's department. He could give better information on the subject than I could.

57. Do you consider the line an improving one?—I should judge from the character of the land that the traffic would improve as time goes on.

58. Do you consider that, if Parliament makes up its mind to buy the line, the terms upon which it is proposed to do so are reasonable?—I have not considered it from a commercial point of view; but, from an engineering point of view, I should think it was well worth the money offered.

59. Is that apart from the goodwill?—Yes; I did not consider the question of the goodwill.

60. You are simply dealing with the question of the value of the works?—Yes.

61. Without any consideration for the goodwill?—Yes; that was how I answered the question. I did not go into the question of the commercial value at all.

62. According to the standpoint from which these things are usually looked upon, with the prospects of the railway in the future, would it be considered to have a value in excess of the present cost?—I should say that, irrespective of the returns the railway is now giving, it may be said with certainty that the yield will increase, as much of the lands through which it travels are of such a character as would admit of increase in production.

63. Do you not consider there is a value for this goodwill or monopoly?—I think the railway is one which has every prospect of paying.

64. Supposing one person proposed to sell a business to another person, would a value for goodwill be a fair element to include in the price?—Yes; the value of the goodwill should undoubtedly be added to the cost price, presuming that the commercial value of the business was in excess of the cost price to begin with. But in this case I have not considered the subject from a commercial standpoint at all. I have merely gone into the question of the value of the works from an engineering point of view. The two systems of valuation seem to me to be entirely distinct. This particular line might be worth either less or more than £74,000 from a commercial point of view; but from an engineering point of view I take it that it is worth exactly what it cost to carry it out, and that was probably about £74,000.

65. You would not consider the commercial element an additional element in the value of a railway?—As I understand it, it might be so, or it might not, as it might possibly detract from its cost value.

66. Take the present railway. Do you consider it advances or diminishes the value?—I have really not gone into the matter. I will consider it, and give further evidence if you desire it. As I understand the question, it is whether the railway is worth more from a commercial point of view, or less, than if looked at from an engineering point of view.

67. That is a very professional point of view to look at it from. I am sorry that you do not appreciate the commercial element. What I want to get at is whether, if the Government were a private person, the line might not have a value beyond its cost on account of the commercial elements surrounding it?—I have not considered it from that point of view.

68. *Mr. Montgomery.*] You say traffic will increase on that line. Is it not very light gravelly land, the whole of the land over which that railway runs—it is light land?—Yes; but there is soil on it. The gravel is sometimes on the surface, as it is in many parts of Canterbury; but there are many similar places where I have seen very good crops growing.

69. *Dr. Newman.*] With reference to the question asked by Sir Julius Vogel about goodwill, are you aware that the railways can be bought again in two years, and that therefore the question of goodwill is perfectly useless?—I do not remember exactly what the conditions are as to purchase.

70. *The Chairman.*] Has the line been recently inspected on behalf of the Government; and if so, by whom?—The Working Railways Engineer (Mr. Lowe) has charge of it. He is in charge of the whole Hurunui-Bluff line and branches. One of his assistants (Mr. Burnett) has charge of this Ashburton line.

71. Then he has recently reported on the condition of the line?—He has no doubt recently reported to Mr. Maxwell.

72. Do you know whether the direction the line takes is the most suitable to open up the district?—I could not say as to that; but it traverses the district, I should say, in a fairly suitable direction.

73. In other words, the direction which the railway—as a branch railway—takes, is what you consider the Government would adopt if its object were to construct a branch railway in that district?—I think it is fairly well located to meet the wants of the district, and to make the railway yield the best return.

74. And to tap the district in the most complete way as a feeder to the main line?—I have never gone very thoroughly into the question from that point of view, but I should say the line is well located.

75. *Mr. Barron.*] Sir Julius Vogel has asked you, Mr. O'Connor, whether in estimating the value of the railway, you have taken the question of goodwill into consideration; by section 59 of the Act of 1877 you are aware that in taking into consideration the value of the line, it is especially provided that no compensation whatever shall be allowed for the goodwill of any railway. So that, in making your estimate, you have avoided making any provision in your own judgment for goodwill? Of course you know that this is the law?—I have not taken the goodwill into consideration at all. My answer was that my estimate was not made on any commercial basis at all.

Waimate Line.

76. *The Chairman.*] Is this line one which in your opinion is suitable to open up the district, and as a feeder to the main Government line?—It goes through very good land.

77. Does it take a direction suitable for a Government line, and suitable to connect the district with the Government lines?—I do not think it could have gone any other way than it has done, because there is a gorge through which it had necessarily to pass before getting to the open country beyond.

78. What is the length of the line?—About eight miles.

79. Will it be necessary to extend the line in order to make it useful?—It goes through a very good district, and ends in a good district. The land some distance beyond the end of the line is also very good.

80. If the Government take the line over, you would not consider it necessary to extend it further to make it efficient as a branch line?—From what I know of the nature of the line, I should think it would pay to extend it. But I should imagine that in time the line would pay very well as it is.

81. *Mr. Dargaville.*] Has Mr. Blair reported on the value of this line?—We have a report from Mr. Ussher as to the cost of the line so far as it has been constructed at a time shortly before the negotiations for the purchase.

82. Could you give us that?—Yes; the amount was £40,500.

83. What is Mr. Ussher?—He is District Engineer in that locality. The amount offered to the company was only £33,913, and they have agreed to accept it. I have here a memorandum I made at the time the question of purchase was under consideration. From it it appears that the cost of

the line was £42,816; but that appeared to include discount on debentures, £2,737, and interest, £3,687. Deducting these items brought the cost down to £36,392 net. Then, besides these deductions, there was also another item of £2,479 which might or might not be considered proper to deduct—namely, the alleged loss by the company on the original purchase of material for the line. If that is deducted, it will leave a net amount of £33,913, and I believe that was the amount that was offered.

84. Can you speak of your own personal knowledge of the country adjacent to the line?—

85. Do you know personally anything about the line or the district in its neighbourhood?—Yes; I know the line and the country through which it travels. For the first mile or so it goes through good land, and then through a gorge for a couple of miles. After that you get on to the plains. There the land is, I believe, very good indeed. It goes by the name of the Plains of Paradise. At some few miles beyond the end of the railway you get into a district which appears to be very good land for some considerable distance.

86. Is it an improving line?—I should think so.

87. And there is a prospect of the traffic increasing?—Yes; I should think so. Referring again to the value and cost of the line, and the amount of £33,913 offered for it, the District Engineer's valuation, made some time since, was £40,500, so that it would appear that the work was done very cheaply. It is probable, however, that some items, especially lands, were valued by the Government engineer at more than the company paid for them. There is no evidence as to what price was paid by the company for the land. I think £10 per acre would be a low price for it. That would come to about £1,000 in all; but we are probably getting it for nothing.

88. Could the line be further extended with advantage to the district and the Government?—I should think so. It was originally proposed to construct sixteen miles of the railway at a cost of £100,000, but the company has only carried it to the extent of half that distance.

89. *The Chairman.*] Was that estimate made by Mr. Coyle?—I do not really know; but I thought it was made by Mr. Macgregor.

90. *Mr. Dargaville.*] Are there any engineering difficulties in the way of extending it to the originally contemplated length?—No; it is pretty stiff rolling country, but not exceptionally difficult as compared with many other New Zealand railways.

91. *Mr. Montgomery.*] Have you examined this line as an engineer, so as to be able to give an estimate of its value based upon the cost of construction at present prices?—No; I have not made an estimate of the line in detail, but I should say, generally, as an engineer having had a large experience in constructing railways, that £34,000 is a cheap price for eight miles of such a railway as that.

92. If you had been employed by a private person to purchase a railway, would you not have examined it with great care, and given an estimate of its value?—Certainly so, if there was no trustworthy estimate already existing; but I was never instructed to purchase this railway myself, or to make an estimate of it myself. We were already in possession of an estimate of it, made by a Government engineer.

93. *Dr. Newman.*] Do you know what was the condition of the fences, rails, and rolling-stock?—I inspected the line when it was first opened; in fact, I gave the certificate for its being opened. They were in good condition then.

94. What date was that?—About April, 1883. I found then that the line was in good order. The rails were of a good class, and the line well laid; and I certified that it was safe, and a good line for traffic.

95. Do you know whether it has been kept up to the mark since then?—No, not of my own knowledge; but Mr. Maxwell can tell you about that.

96. *Mr. Barron.*] You have not seen the line lately?—Not since 1883.

97. From the opinion you formed at that time, do you consider it equal to a much larger traffic than goes over it now?—Yes; I should say it was equal to a very much larger traffic.

98. There would be a heavy bridge required if it was extended farther?—Yes; the extension is more difficult than the part already made. The next eight miles are reckoned to cost £60,000, as against £40,000 for the first eight.

99. And the present portion of it goes up to the river at Douglas's place. The railway does not open up the best part of the country that would be opened up if it was extended the other eight miles. In your opinion, the other eight miles would open up better country?—I should think that the line as at present constructed would draw the traffic from the country beyond it for six or eight miles. I should say that you would in time get a good deal of traffic even without extending it, but, of course, only from country within six or eight miles from the end of the railway.

100. Do you know how many trains are worked?—No, I do not; the traffic is very small.

101. *Mr. Cowan.*] Is this line worked by the Government in the same manner as the Ashburton-Rakaia line?—I believe it is; at least, practically so; but I am not quite sure as to the terms on which the Government works it. That is in Mr. Maxwell's department.

102. From an engineering point of view, do you think £33,913 was a fair buying price?—I should think that the line would be cheap at that price.

103. The amount on which rates are levied is £40,500?—Yes; the company valued it at £42,816; that was the amount they wanted a certificate for; but we had the thing carefully gone into at the time when they got the first certificate, and the engineer reported that the value was only £40,500.

104. Did you represent the Government on that occasion?—I did not; but I did not make the valuation; the District Engineer did that, and reported that the line was worth £40,500. We told the company we would not give a certificate for more than that, and it was given so.

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 practice 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 rata* 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.

120. *Sir J. Vogel.*] There was a bridge put up by the County Councils: did Mr. Scott's valuation include that?—It included the amount the company had spent on the bridge.

121. Not the amount spent by the County Councils?—No.

122. How much had the County Councils spent on it?—I think £5,000 each. I think two County Councils provided £5,000 each, and the General Government £5,000, and the company £5,000; that is, as well as I can recollect.

123. Then, the amount provided by the County Councils was excluded from the valuation?—Yes; and the £5,000 paid by the General Government also. The bridge, I think, cost originally £20,000; the General Government, the two County Councils, and the company each finding £5,000. Afterwards it cost, I believe, £2,000 or £3,000 more, which, I think, came out of the funds of the company.

Sir J. Vogel: Supposing we have to refer the buying of this railway to arbitration, the company, I believe, maintain that we should have to pay the value of this bridge: that, in fact, the Government and the counties handed the bridge over to the railway company, and that, therefore, we should have to pay for the full value of the work. I should like you to take advice on that matter, if you will make a note of it, and tell us about it at a future meeting.

125. *Mr. Dargaville.*] Generally, do you think the £61,100 is a fair price to pay for the railway, or should it be £55,000?—The £55,000 was merely arrived at on the basis of the estimate for the whole line. Our contention was that the estimate should be made *pro rata* as compared with the cost of the work originally contemplated. When the matter was referred to the arbitrator, he reported that the value of the work done up to that time was £62,100, and on that we acted. I do not know personally what it was worth.

126. The gentleman conducting that inquiry was a competent engineer?—Yes; an engineer of considerable eminence. He is at present engineer for the Greymouth Harbour Board.

127. And that finding of his would, if the line were to be purchased by arbitration, in accordance with the Act, be held to be absolute and final?—I do not think that it would be absolutely final as regards a purchase of the railway by Government in terms of the Act, but it would at any rate be very difficult to upset.

128. *Mr. Montgomery.*] This £61,100 being the price for that line, is that what it would cost to construct it at the present time?—I have not formed any trustworthy opinion on that subject. It would depend on the relative prices for work when the line was constructed as compared with prices now. I do not think prices have varied much in the interval.

129. Have you formed any opinion as to the commercial value of the line?—No; I have not.

130. *Dr. Newman.*] When was this railway finished?—In July, 1881—the portion now opened.

131. And as the price is £61,100, while Mr. Scott's valuation was £62,100, is the £1,000 difference allowed for depreciation?—At first there was a reduction attempted to be made for depreciation and cost of engineering supervision; but the company contended these were reasonable items; and the Government finally allowed that they were.

132. Then, £58,000 was what the Government thought at first it should be taken for?—Yes.

133. It has no rolling-stock of its own?—No.

134. *Mr. Barron.*] I presume that with this as with the other lines you have no strong opinion that, for the Government to acquire the lines, would lead to a large increase of traffic. That is, as far as you know, do you think that the requirements of the district are met by the present lines?—I do not really know very much about that. I have been told that an extension up the Hakateramea Valley would pay very well; but I do not know anything about the country beyond the end of the present line. I have not seen it.

135. There has been a change in the classification of the Hakateramea lands?—Yes.

136. Do you know why the Hakateramea lands, generally admitted to be of considerable value, and served by the lines, have been moved from one class into another?—It seems to me to be only right and just that altering the scope of the railway from original intention should effect everything. If the railway was constructed to the extent originally intended, some lands would be close to the line, which are now a long way off from it—say, for instance, at the fortieth mile on the line as originally proposed—that point is now about twenty-four miles from end of line as constructed. It is, I think, therefore necessary if you alter the scope of the railway, to reclassify the land.

137. But the line has not necessarily been stopped for ever at the point it has now reached?—That is true; but still it would be hardly fair to make ratepayers at the far end of the railway district pay as high a rate as if they had the railway to their doors. The first Act gave no power to rate at all until the line was finished; but the subsequent Act of 1882 provided that rates might be levied for a portion of a fine when opened, on condition, however, that the whole question of rating should be gone into afresh before a rate was struck. In this case it was desired to levy rates proportionate to the piece done, and the district was consequently reclassified.

138. *Mr. Cowan.*] You have told us that the department estimated the value of the railway at £55,000?—Yes; we estimated it at that amount on the basis of the original estimate of the cost of the whole line, *pro rata*.

139. Is it your opinion that the buying price should be £55,000?—Not necessarily so. The position we took up then was that if a company made an agreement with the ratepayers of a district to make, say, 100 miles of railway for £100,000, they ought not to charge more than £50,000 for fifty miles, and that consequently the ratepayers ought not to be called upon to pay a greater rate in proportion for the piece of railway constructed than they had agreed to pay for the whole railway. We were overridden, however, in this contention by the terms of the Act, which provides that in case of a dispute as to the value of the whole railway, or any part of a railway, it shall be referred to a commissioner. That was done—an arbitrator was appointed, and he decided that £62,100 was the value.

140. And you do not consider that the same argument should now be considered in reference to the buying value as influenced the department in making the estimate of £55,000?—No; the position we took up then was for a *pro rata* valuation, and not considering the actual value at all; but Mr. Scott's valuation is supposed to be an actual value, to the best of his judgment.

141. *Sir J. Vogel.*] Can you give any idea as to the character and value of the land beyond the railway?—No; I do not know the country beyond the end of the existing line.

142. *The Chairman.*] In D.-5, page 10, certain contracts are referred to in connection with the construction of this line: do you know anything of the nature of these contracts?—No; I do not know anything about them personally.

143. They have not been submitted to you?—I have not examined them.

144. You have them in the office?—Yes, I expect so.

145. Can you say whether these contract prices would be considered fair and reasonable now?—No, I cannot say as to that, not having examined the contracts in detail; but, judging from the valuation made by Mr. Scott, which comes to £62,100, I should judge that the prices, exclusive of interest on capital, must be about reasonable—that is, assuming that the cost of railway, as given on page 10, includes all expenditure, including rails and sleepers, &c., which I presume it does.

FRIDAY, 28TH AUGUST, 1885.

Mr. C. Y. O'CONNOR'S examination continued.

Thames Valley-Rotorua Railway.

146. *The Chairman.*] The Thames Valley and Rotorua Railway is now before the Committee. Can you tell us anything about that railway?—This railway starts at Morrinsville and ends at Rotorua. It comprises two projects—first, a railway under the District Railways Act from Morrinsville to Lichfield, length about forty-two miles; and, secondly, a railway from Lichfield to Rotorua under the Railways Construction and Land Act; length about thirty-one miles. The one company, however, is concerned in both projects. Total length about seventy-three miles.

147. And what is the length of the line from Lichfield to Ohinemutu?—About thirty-one miles. It is seventy-three miles altogether—forty-two from Morrinsville to Lichfield, and thirty-one from Lichfield to Ohinemutu, at Lake Rotorua. It crosses the main road near Oxford, where there are two or three houses. There is some little settlement round about Oxford; but only, I think, two or three houses in the township itself. That was when I saw it nearly two years ago.

148. Do you think that the line takes a direction the most suitable for the district; in fact, the direction which the Government would be likely to have taken if they were constructing a railway in that locality?—I do not know. I cannot answer as to that. I am not sufficiently acquainted with the country thereabouts to give an opinion. Mr. Blackett would be the best person to tell you as to the location of the line.

149. Do you know anything of the character of the work—whether it is good or not?—No; I have not been over the work at all. I know that the rails are the ordinary character of rails used on New Zealand railways, and that the rolling-stock is all of good character; but as to the work done on the ground I know nothing.

150. There is an abstract of the total cost of the first section of the line in D.-5, page 22, Works already undertaken and other expenses, £111,615: can you say anything as to the correctness of that estimate?—Not of my own knowledge. I cannot say anything about it; but it was checked by Mr. Hales, the Government District Engineer at Auckland, and he reported that the prices were reasonable. Mr. Blackett can give you evidence as to this.

151. Then you really know nothing as to this line?—I know nothing except what is in the correspondence which has taken place as to the proposed purchase by the Government.

152. *Mr. Dargaville.*] Have you seen the line yourself?—No.

153. You have not inspected it?—No. I have only seen the places where it starts and ends.

154. Do you know anything of the country?—Very little.

155. *Dr. Newman.*] Do you know how this sum of £115,534, mentioned in the provisional agreement page 10, D.-5B, is made up?—I see it says here that the purchase-money shall be £115,534. I understood that the cost of the railway so far was about £111,000, but there is some £4,000 besides?—There is first £111,160 for works constructed and in progress, and £1,191 for land purchase, and £800 for directors' fees; that comes to £113,151: and subsequently to that the Government admitted a further claim for about £309 for extra plant imported, and £74 odd for property-tax, making in all £113,534. To this there was afterwards added the sum of £2,000, as stated in Sir Julius Vogel's letter of the 8th April last, making a grand total of £115,534 as stated.

155A. And in D.-5B, page 10, clause 6, "They shall finish the work for £40,853." Is that certified to by the engineer as the almost certain cost of the line?—Yes; that is the estimate of the company's engineer for finishing the line, and our District Engineer was instructed to examine it, and report as to whether the prices were reasonable, and he reported that they were so.

156. After a careful Government examination?—Yes; Mr. Hales was the Government Engineer who reported on it. As regards the £40,853, that was also checked as the probable cost of finishing the work.

157. It leaves the company no big margin of profit?—No, I believe not.

158. *Mr. Barron.* A portion of the line is under the District Railways Act, and a portion under the Railways Construction and Land Acts?—Yes, that is so.

159. And the length of the portion made under the District Railways Act is—?—Forty-two miles.

160. Which is well forward?—Yes, well on towards completion.

161. And the portion under the Railways Construction and Land Act: how does that stand?—I do not think there is any work done on that portion yet, but I believe they reckon that the

rolling-stock imported for the first piece will be sufficient for the whole line, at any rate for the present. I do not think any work is actually done on the ground as yet beyond the end of the Lichfield section.

162. Under the Railways Construction and Land Act you are aware that the Government has got the right of purchase, same as under the District Railways Act, only that the right is exercisable after ten years instead of after seven years?—Yes.

163. And on the same basis for valuation and so on?—Yes, practically the same, I think, omitting the question of land endowments.

164. As a mere matter of expert knowledge, do you think it would be advisable for the Government to take over this line now or to wait for ten years, as a mere matter of profit and loss, and bearing in mind that the Government after ten years might insist on acquiring the line?—That seems to me to be the same character of question as the one which Sir Julius Vogel put to me yesterday, and on which the Committee seemed to think I should not express an opinion. As regards the question of the value of these district railways, however, I might point out to the Committee that there are, I think, three distinct methods of valuing these lines. First of all, there is their intrinsic value as constructed works, that is to say, the value of so much earthwork, bridges, rails, and sleepers, &c. Then, there is their commercial value from two points of view—namely, their commercial value to the company, and their commercial value to the Government. These values seem to me to be all quite distinct the one from the other. In the commercial value to the company there is comprised the value of the guarantee of interest at 7 per cent. for fifteen years, which is in itself a considerable item; but its amount is dependent to some extent on other provisions contained in the Acts. The commercial value to the Government would depend upon the net revenue, present and prospective, together with such interest for a term of years as it is still proposed to collect from the ratepayers. The matter may be looked at from any one, or from all, of these points of view; but I do not think it is possible to mix the commercial value with the intrinsic value. A work may have cost £100,000 to construct, but, from a commercial point of view, I take it that its value is the amount that it will yield interest upon, and that may be either less or more than £100,000. From the company's point of view the commercial value depends largely on the guarantee of interest for fifteen years at 7 per cent.; while from the Government point of view the commercial value arising out of the net revenue would be considerably enhanced by the collateral advantages to be attained by working the whole of the railways under one system, and the consequent economy in working expenses, which may admit of relief being given to the ratepayers without cost to the colony. The Committee will no doubt have before it the returns of present traffic and working expenses, and also the probable traffic and working expenses, which Mr. Maxwell will be able to give you. All I have been dealing with so far is as to whether the sums offered for these lines represent pretty fairly the value of so much sleepers, rails, and earthwork, &c., from an engineering point of view.

165. I thought it might be advisable to place your opinion, as an expert, on record. Even should this line turn out to be an exceedingly profitable line to those who have constructed it, under the Act there would be no loss to the Government arising from waiting for seven or more years, because the Government would actually have to pay a premium over cost price of only 5 per cent. altogether after the end of seven years, or 10 per cent. after the end of fourteen years?—You could no doubt buy the lines, as you say, at the end of a period of years for a certain percentage added to their actual cost; but it is not quite clear in the Act as to whether or not the actual cost to be so determined by arbitration shall include the interest on cost during construction, and the result of such an arbitration might not be satisfactory to the Government. The time at which district railways can be purchased is altered from seven years to ten years by clause 6 of the Act of 1878.

Mr. J. P. MAXWELL examined.

Rakaia to Ashburton Forks Railway.

166. *The Chairman.*] The Committee has met to inquire into the District Railways Purchasing Bill; to consider whether the lines which it is proposed to buy under that Bill are worth the prices it is proposed to pay for them. Will you tell the Committee what is your official designation?—General Manager of Railways.

167. The Committee will be glad to get any information you can give them. The railway now under consideration is the Rakaia and Ashburton Forks line. Are you conversant with the character and condition of that line?—Yes; I have been over the line once or twice at different times, and from year to year I have made agreements with the company for working it. (The Government, as you are probably aware, is working the line for the benefit of the company, and has been since the opening.)

168. What is the present condition of the line?—It is in fair order.

169. Well constructed?—Yes; up to the average.

170. Can you give any information as to the nature of the country opened up by it?—I do not know much about the country as far as the land value is concerned; but it is an agricultural country—mostly wheat-bearing—and I have seen many thousands of acres of good crops upon it, as it appeared to me. There is pastoral country at the back.

171. Is the line capable of extension? Do you know anything of the character of the country which such an extension would open up?—No; I could not offer any opinion on that.

172. Is the country through which it might be extended easily engineered?—There is no doubt it could easily be extended a few miles farther.

173. That is, as far as the character of the country is concerned?—Yes.

174. Is this the most suitable line, in your opinion: does it take the most suitable direction for opening up the country through which it runs?—Yes; I should say it does, in my opinion.

175. ~~Such~~ In a direction as the Government would have been likely to take if it were creating a public line there?—I should fancy so. It is a point on which many opinions may be held.

176. Do you consider it an expensive line to work—No; on the contrary, it is one of the cheapest lines to work.

177. Can you give any information as to the prospects of the line, commercially: as to its being a paying or a non-paying line?—I can tell you what we have realized in working it for the company for the last year, and the conditions under which that profit was realized. The net profit paid to the company, after deducting all working expenses as far as the Railway Department is concerned, excluding any costs of the company's directors and their staff, was £2,204 for the year ending the 31st March, 1885.

178. That is, the sum over and above the working expenses?—Yes; you must understand that the question of what profits are realized depends largely on what rates are charged, and in what way working expenses are computed. The rates charged to the public, and the method in which we have computed the cost of working the line, are set forth in the agreements with the company dated the 20th March last.

179. Are the rates charged by the company higher than those charged on Government lines?—Yes, much higher than the Government rates. The goods rates are much higher; the passenger fares are practically the same.

180. What effect do you think a reduction of rates to the Government tariff would have upon the traffic of the line?—That the line would not make so much profit.

181. You do not think it would be likely to enlarge the traffic?—It might increase it a little, but I do not think the revenue derived from it would increase.

182. You say that £2,204 is the excess of receipts over working expenses. Supposing it were a public line, do you think there would be any further expenses to be deducted from that amount?—No; I think the charges which were placed against the line were reasonable and fair, and there should be no further charges.

183. If the Government owned the line, £2,204 would practically represent the return in excess of working expenses: it would have represented it last year?—Yes.

184. The sum at which it is proposed to purchase the line: do you know it?—I have read the parliamentary papers.

185. £72,000?—Yes.

186. Do you know anything of the estimate on which these figures are based?—No.

187. It is not in your department?—No. I have nothing to do with the railway, except the working.

188. *Mr. Dargaville.*] Who would be the proper officer of the department to give information as to the estimate?—I should say the Engineer-in-Chief or the Under-Secretary.

190. Is the Engineer-in-Chief of the South Island, Mr. Blair?—Possibly he would give it.

191. You are not aware what officer made the valuation?—Not officially aware.

192. *Dr. Newman.*] I see it is said that last year the rate of profit was $3\frac{1}{2}$ per cent.; was that higher than in previous years?—I do not know anything about the rate of interest made, as I do not know what the capital expenditure has been, or what other expenditure there has been: that has not passed through my department.

193. The line was open for traffic in February, 1880. Has there been any marked increase since?—There has been an improvement in revenue, I think, since, for this reason: that the company began to work at the Government rates and fares, and, when they found the result of that, they put up the rates and fares. Before raising the rates they did not make so much profit as after.

194. When you say that £2,204 was paid over to them, have you any evidence as to whether the road was kept in proper condition—sleepers, buildings, fences, &c.?—The whole of the maintenance charges are included in the working expenses. The work is done by the Railway Department, and all items are included. In the agreement which is laid on the table of the House at the beginning of each session—see memorandum of arrangement for working the private lines—particulars of charges are given.

195. Could you tell us whether the sleepers and other things on this line are kept up to the standard of the Government railways at the present moment?—Yes; at the company's expense.

196. But are they in as good condition as on the Government line into which this runs?—It is intended that they should be so, but I cannot speak precisely now as to that particular piece of line. I should say it is kept up on the same system as the Government lines, but heavier renewals will be arising from the increased age of the line.

197. Then, you are satisfied that if the fares were brought down the rate of profit would go down?—If the rates and fares were lowered I should think so.

198. *Mr. Barron.*] Do I understand you to say that you have been over the line recently?—Not recently. I have been over two or three times in the course of the last five years.

200. It is, in general equipment, in every way suitable for the traffic of the district?—As far as the railway is concerned it is a very good line—very well constructed and as good as the average Government lines. It has no equipment in rolling-stock or engines.

201. And if the line had to be made again it is in a direction which would get the most traffic from the district, speaking from your knowledge?—My knowledge of the district is very small, but I should think so.

202. What percentage would be realized by the Government over and above the expenses of working, maintenance, renewals, &c., should the Government purchase the line at the price stated?—If you take the last year's working with the present manner of charging for working, and at the present rates and fares, the Government would have realized £2,204. I should say that would all have been profit.

203. And the average annual charge for maintenance is likely to be similar to the annual charge for a Government line?—Yes.

204. *Mr. Cowan.*] What proportion does the revenue from goods traffic bear to the revenue from passenger traffic?—The following is a statement of revenue and expenditure for the year ended the 31st March, 1885: *Revenue*: Passengers, £1,245 0s. 9d.; parcels, £134 4s. 10d.; goods, £4,976 3s. 1d.; miscellaneous, £36 14s. 3d.: total, £6,392 2s. 11d. *Expenditure*: Hire of stock, £1,828 17s. 7d.; traffic expenses, £544 17s. 4d.; maintenance, £1,779 0s. 9d.; miscellaneous, £34 9s. 3d.: total £4,187 4s. 11d. Net, £2,204 18s.

205. Yes. How much higher are the goods rates on this line than on the Government lines?—Every rate may, perhaps, vary in that respect; but generally they are a good deal higher. Take the rate for grain for instance. The scale on this line is put at 4d. a mile, and the Government scale for a similar distance is under 2d. The rate for wool for twenty miles is 2s. 6d. per bale, and the Government rate is 1s. 11d.

206. Is there any coal from that line?—None. The rate for merchandise here is 15s. for twenty miles, and the Government rates vary from 9s. 2d. to 13s.

207. Has this line all the necessary station-buildings for its proper working?—There are no station-buildings between the two terminal stations to speak of; but people seem to be able to get on without them there, as they would get on in a great many other places if the lines belonged to companies. It is a question of convenience to the public. They can get on without them; it is not impossible.

208. In your opinion, would expenditure be necessary in that direction?—I have no doubt expenditure would be demanded, because it has been demanded already.

209. Have you any idea to what extent that expenditure would be?—No; I could not say. It should not be very large. There are no goods-sheds there, for instance; they have loading-banks. There are no passenger station-buildings except little sheds, about 10ft. by 12ft. If people were satisfied with these things they could do with them; but, as a rule, they are not satisfied.

210. Could you give any idea what rate of profit this railway would pay if bought by the Government for £70,000: would it pay 2½ per cent. or 2 per cent.?—I can only say what I said before, that what is realized depends on what is charged for traffic, and how the expenses are computed. Both these things are mainly arbitrary.

211. *The Chairman.*] Could you give any idea of the probable result of reducing to Government rates?—No.

212. Or what reduction would have to be made?—No. The loss might be very considerable. I could not state what.

213. A considerable reduction in the return?—Yes. I am not speaking only from opinion, because the railway was at one time working at Government rates.

214. When was that—in what year?—I think it must have been in 1883.

215. The company, then, lowered the rates, and found there was not sufficient increase of traffic to continue?—No; they adopted the Government rates to begin with, and found themselves obliged to raise them.

216. Could you say whether the increasing of the rates has caused any falling-off in the traffic?—I am not aware that it has. I do not think so.

217. What is the description of goods traffic?—Principally grain and wool.

218. Could you say whether the rates now charged by the company are less than those formerly paid for carriage by road?—I could not say. Before the railway was constructed south of Rakaia practically no grain was carried. It was not grown.

219. Could you say whether there has been any attempt to compete with the railway?—There is sure to be that over short distances.

220. Then, it depends on the distances of the place from which the grain comes to the adjacent station?—Yes.

221. *Mr. Montgomery.*] What are the gross receipts and gross traffic for each year?—It would take some few days to get that out. We can get it. I could give you last year's. For the earlier years I do not think it was inserted in the reports. Last year the gross receipts to the company were £6,392 2s. 11d., and the expenditure £4,187 4s. 11d. These lines, I may tell you, are in a different position to the Government lines, because they have no rolling-stock of their own. The Government finds the rolling-stock. That is to say, it is a capital invested on account of the company, possibly £15,000; and, as our agreements provide for working at the risk and expense of the company, in making out the charges for the stock I included a sum for interest. I furnish the following return showing the revenue and expenditure from the 9th February, 1880, to the 31st March, 1885:—

Periods.	Revenue.			Expenditure.		
	£	s.	d.	£	s.	d.
9th February to 31st March, 1880	635	4	2	279	12	10
1st April, 1880, to 31st March, 1881	5,237	6	0	3,933	7	2
1st April, 1881, to 31st March, 1882	5,611	1	5	3,981	15	1
1st April, 1882, to 31st March, 1883	4,888	10	2	3,484	7	4
1st April, 1883, to 31st March, 1884	7,477	12	5	4,135	0	5
1st April, 1884, to 31st March, 1885	6,392	2	11	4,187	4	11

222. Interest on stock?—Yes; so that a part of what we call working expenses includes interest on stock. On the Government lines we do not deal with the rolling-stock accounts in that

way. But seeing that we have to find capital to work the lines, of course it is only reasonable that a proper sum should be included in this case.

223. Does the stock have to be kept in repair at the expense of the Government, as on the Government lines?—The Government stock is maintained at the expense of the Government, and a charge is made to the company.

224. As a charge made for interest?—Yes; all included in the agreements for working.

225. Could you state what the details of the charges last year were?—You will not find the details of how much is charged for interest and how much for repairs separately. You will only find the charges for rental of stock at a rate per mile.

MONDAY, 31ST AUGUST, 1885.

Mr. MAXWELL'S examination continued.

Rakaia to Ashburton Forks Railway—continued.

226. *The Chairman.*] I think, Mr. Maxwell, you have been asked whether you anticipate any considerable increase in the traffic on this line, say, during the next seven years?—That depends so much on outside causes that it would be very difficult to give an opinion. As to the price of grain, for instance, that would affect the question very largely indeed. If the price of grain goes up you would get a good traffic, but if it remains down then, I presume, the traffic would be very slack. There is a large country there which is, I suppose, capable of carrying more people than it does now, and I should anticipate that, unless something extraordinary happens, there would be a considerable increase.

227. To what extent do you think it would increase, taking the probabilities into consideration?—I could not venture an opinion.

228. You have been over the whole district: does the land appear now to be generally all under cultivation?—I have not been over the whole district. I know the country generally. I have been over different parts of it during the last ten years, but I could not tell you what portion remains uncultivated.

229. From your knowledge of the country, do you think there is much cultivation going on, and that there is as much inducement to cultivate as there will be for the next seven years?—I could not answer that; I have not sufficient knowledge of agriculture.

230. *Dr. Newman.*] Do you think that there is likely to be any increase of traffic from the fact that the Government owns the feeding and main line?—I do not think so.

231. *Mr. Montgomery.*] Do you know the quality of the land about there?—No; I do not profess to be a judge of the quality of land. I have seen very good crops growing about there. From what one sees of other portions of Canterbury it appears to be average land.

232. Do you know whether the land is all settled?—No.

233. Whether an increasing or large agriculture is going on?—No.

234. You do not know the average amount of wheat—bushels to the acre?—No; I do not know.

235. You do not know whether the land is very light land?—No.

Waimate Railway.

236. *The Chairman.*] Could you tell us the present condition of this line?—It is in good order as far as the state of the line is concerned. It is doing very little business as far as the traffic is concerned. I think we run two trains a week.

237. On the Waimate line?—Yes. The company has the discretion as to how many trains shall be run. They were consulted; we took their opinion on that.

238. Two each way?—Yes.

239. And what is the character of the traffic on the line?—I believe there is some wool goes over in the season.

240. Principally wool?—Yes.

241. Not much grain?—No; I do not think there is much.

242. Can you give us the returns of revenue and expenditure?—I am rather in a difficulty about giving you any fair statement of what the revenue and expenditure has been, because the line last year had a mishap. It was insufficiently constructed in some respects, and suffered very much from floods; and large sums of money expended in reconstructing it were charged in the working expenses. So that our statements of what was spent on the line are not fair samples of what the working expenses should be.

243. That is, last year's?—Yes.

244. But the previous year's?—I think traffic was suspended for some time during the previous year. I can tell you what was done in the first four months of this year in revenue and expenditure. We are doing very little traffic on it. The receipts were £110 for the first four periods ending the 18th July, 1885.

245. For sixteen weeks?—Yes; and the expenditure was £126.

246. That includes repairs to the line?—Yes; leaving a debit balance of £16 against the line. During the coming four months we shall get something better than that, because the wool will give more traffic.

247. Could you give any idea as to the probable traffic?—I think it must depend very much upon whether or not settlement is going on in the country round and beyond the line. Whether that settlement will take place or not, it is impossible for me to say. But I believe it is a very good agricultural country from what I am told.

248. Could you not say whether there is any prospect of immediate increase in the traffic?—The company should be in a better position to judge of that than we are; and if the company con-

sidered it necessary to run more trains we should run more. But the trains as they are run now are run by arrangement with the company.

249. Has this arrangement lasted for a long time?—Two trains have been run per week for more than a year now.

250. I should like to ask you whether in your opinion this is the most suitable line to open up the district through which it runs. If the Government were going to construct a line there, would the direction now taken be the best to open up the district?—I believe it takes the only possible route to go into the country. It goes on from the Waimate Government branch, and extends through a gorge about four or five miles. Then it gets into an open and undulating country beyond. It is the only convenient route.

251. Is it likely to be an expensive line to keep in order?—Not now, I think. The line has been put into a suitable condition.

252. Are the rates charged by the company on this line higher than on the Government lines?—Yes.

253. Materially higher?—Yes, a great deal higher.

254. Could you give us any idea what effect the lowering of the rates would have on the lines?—I should say that you would get less revenue.

255. Would it be likely to increase the traffic?—It might do so.

256. You think that if so the present directors would have taken that course?—I should think so: they are local men and would know all about the country.

257. *Dr. Newman.*] Did they start at these rates?—Yes.

258. Do you think there would be any saving effected in working expenses if the line was taken over by the Government—of directors' fees, for instance, and for supervision; and to what extent?—There would be no directors' fees, of course, and no expenses on account of the company's staff (of which I know nothing); but I do not think there would be any diminution in the other expenses. I think the only chance of doing anything more on that line at present is to run a more frequent service and try the effect. We cannot do much traffic as long as there are only two trains a week. The natural result of that is that people do not use the line. It is only nine miles for them to go to Waimate.

259. Are there as many stations now on the line as would be required if the line was owned by the Government?—I think so.

260. Any additions required?—I do not think there would be anything necessary.

261. *Mr. Dargaville.*] The line is 9 miles 10 chains 30 links in length. It is proposed to pay £33,900 for it. Should you think that was a fair value for the work?—It cannot be an exorbitant price. I cannot say more than that, or offer an opinion as to the price, without the whole details. If the line is about nine miles in length, and the price £33,900, that is about £3,700 a mile. It must be cheap at that—certainly it cannot be extravagant.

262. At the date of these agreements—I suppose a few months ago—was the line in fairly good working order?—Yes.

263. What kind of rails, for instance, have they?—Iron.

264. What weight?—52lb. iron rails. They are the heaviest class of rails we use.

265. Is the line run in such a direction and into such kind of country as to be capable of extension with advantage?—I do not know the country beyond following up the line. I know the country up the Waitaki Valley and Duntroon to Hakateramea. It goes in that direction.

266. Is that good country generally?—There is limestone country in that direction.

267. Only two trains are run weekly, by arrangement with the company. Do you not think that if trains were run more frequently there would be a corresponding increase in the receipts?—There might be more. It would be worth trying. But there is a very small population surrounding the line.

268. Do you not think that the company, in imposing such a high tariff, have in view merely their own interests as a company of shareholders, rather than the convenience of settlers in the district?—I could not say what their object is.

269. But do you not think it stands to reason that they would be less disposed to consult the interests of settlers than the Government would be?—I should think so. No doubt the company would consult its own interests first.

270. And that therefore the transfer of this and other lines from the companies to the Government might be fairly expected to have one good result: that the interests of the community at large would be studied to a greater extent, in preference to the interests of a few shareholders?—Yes; I think that might be so.

271. *Mr. Montgomery.*] Is the district settled by farmers?—I do not know anything about the district surrounding the line.

272. And the land through which the railway runs, is it generally owned by private individuals, or is it Government land?—I do not know. For the first four miles there is no country settled to speak of. The latter part of the line runs into open lands, on which, I believe, there are some farmers settled. But I do not know anything of the position of the lands, or their ownership generally.

273. You do not know the prospects at all of that land?—No, I do not.

274. *Mr. Barron.*] You say that the Waimate line was insufficiently constructed, and that in consequence there was some expense in making it good?—Yes.

275. Do you think it was generally insufficiently constructed, or that there were only one or two weak places in it discovered after construction, and which might have been discovered in any work?—It is generally well constructed now. The floods just after its construction found the weak places out. They have been put right, and the line is fairly well constructed.

276. You say that the directors, being local men, would be more likely to know the local requirements; and I suppose you think that, if it were possible to work the line with profit, they would be more likely to do it than the Government?—I think they are the most likely to know if it was advisable to run more trains.

277. I suppose your experience of Government ownership leads you to believe that, irrespective of the amount of profit made on a line, pressure would be likely to be brought to bear for more accommodation than is really required?—I should not like to say that. I have never had any pressure from that quarter (Waimate).

278. I speak of the question generally as in connection with railways. Of course you must have had it brought under your notice that frequently the public ask for accommodation with the railways which you, as an expert, do not think necessary, and which certainly would not increase the profit on traffic?—Yes.

279. And so, if the Government owned this line, you would be likely to have such pressure brought to bear on you, which might lead to greater loss than if the line was worked by the directors?—It might be so; but there is not much scope for anything of that kind.

280. You have said that the line would be cheap at the price offered; but it is quite possible that the line might be dear at any price if it could not be profitably worked?—Just so.

281. Your experience of this line up to now is that it would be dear at any money as far as the traffic has gone?—So far, there have been no profits.

282. *Mr. Cowan.*] Do you know whether the two trains a week are sufficient to overtake the freight?—I really do not know. As I have said, the directors in Waimate would be the most likely men to know the district and to know the wants of it. If they thought the trains were insufficient I presume they would wish to run more. But we are doing as they wish.

283. Has it been brought under your notice that the road is competing with the line in carrying?—No.

284. Do you not consider that if a daily train were run, with the present prospect of freight, the annual percentage of loss would be increased?—I am not prepared to say that. I think I should try it if I were working the line on my own responsibility.

285. What is your estimate of the cost of running trains for eighteen weeks?—That depends on a great number of conditions. In this case we merely run the engine that works the Government branch up the line and back again with such wagons as are necessary. That can be very cheaply done.

286. But looking at this line, which, as you have stated, produces a loss of £16 a week?—No; has made a loss of £16 for sixteen weeks.

287. Yes, £16 for sixteen weeks. If you ran a train every day, and there was no prospect of an increase in the traffic, would you compute the additional loss for sixteen weeks?—Yes; I can make out £180; but this answer must be qualified. We should not run a daily train unless it were found that more traffic resulted.

288. *Dr. Newman.*] Do you know why this railway, which was to have been sixteen miles, was only done to nine and a quarter?—I do not know.

289. How long has the line been open?—Since the 24th April, 1883.

290. Could you tell us the loss in the first year?—No, I do not think I could give you that.

291. It was a loss, though?—I do not see how it could be otherwise, because it cost a great deal to reconstruct the line.

292. Did the company originally run more than two trains a week?—No.

293. Is there any rolling-stock attached to this line?—No.

294. Does that loss for sixteen weeks include the charge for rolling-stock?—Yes.

295. It includes all cost to the Government?—Yes; the line is worked at the risk and expense of the company solely.

296. Could you give us any idea whether there has been an increase of traffic during the two years it has been running?—There has been no increase.

297. *Mr. Wilson.*] You say the line is worked at the risk and expense of the company solely. Do you take into consideration the amount which the railways cost?—No; I am merely speaking of the working. As far as the working is concerned, the whole of the cost is at the risk and expense of the company.

298. About the collection of rates: have you any local knowledge on that subject?—No. I understand the rates on land are meant.

299. So that you cannot inform the Committee whether there would be any difficulty in collecting the rates if the Government took the line over?—No.

The following statement shows the revenue and expenditure yearly, from the 4th February, 1883, to the 31st March, 1885, inclusive:—

Periods.	Revenue.			Expenditure.		
	£.	s.	d.	£.	s.	d.
4th February, 1883, to 31st March, 1883	70	10	3	229	1	7
1st April, 1883, to 31st March, 1884	429	11	4	1,419	14	6*
1st April, 1884, to 31st March, 1885	434	6	11	761	12	10*

Duntroon-Hakateramea Line.

300. *The Chairman.*] Will you tell us, Mr. Maxwell, what is the character and condition of this line, the nature of the country it opens up, and the nature of the traffic connected with it?—

* The expenditure in these years was exceptional.

The line is an extension of the Government branch line, and goes up the Waitaki Valley. It crosses the Waitaki, just at the terminus, by a bridge, which is incomplete. The crossing is liable to damage. I cannot offer much opinion about the country. I have been beyond the terminus of the line and looked at the country from the tops of the hills. I am told it is very fine land.

301. And the condition of the line and its traffic?—The condition of the line is good. It is a fairly constructed line, with the exception of the bridge I have mentioned at the terminus, which is liable to damage from floods, and access across the Waitaki might thus be cut off at any time if there was a flood.

302. This bridge cost £22,000 I think?—The bridge as far as it is constructed is all right, but it is not complete. A portion of the river-bed remains to be bridged, which is crossed by an embankment. The Waitaki is a shingle river, and a severe flood might happen which would wash the embankment away, and trains would not be able to get across the river.

303. And do you think the line is capable of extension at a fair additional cost?—I think the first step would be to secure the bridge.

304. Would that be a very extensive work?—I think I have heard it estimated from £10,000 to £20,000, but I do not know that any detailed estimates have ever been got out.

305. And you cannot say anything of the nature and capabilities of the country through which the railway would run?—Not from personal knowledge.

306. And is the direction which the line takes one which would have to be taken if the line had been originally constructed by the Government?—I think it is the only convenient route for getting into the country.

307. Could you give any information as to the present traffic?—I have not got the data with me. The things generally carried are wool and grain, so far. The company had a net balance last year of £980.

308. Over and above working expenses?—Yes. The Government works the line under an agreement similar in character to that with the Rakaia-Ashburton Forks Company. It is worked at the risk and expense of the company, while the company makes its rates, or states what rates it wants charged, and we charge them.

309. And how many trains are there running during the week?—There is one daily service on that line, and a second train on Mondays and Saturdays.

310. Is there very much passenger traffic?—No; it is very light, as it is on almost all the branch lines.

311. Could you give the Committee any information as to the prospects of the line commercially?—The question whether the traffic will improve or not depends upon whether the country surrounding it is settled. As far as I can judge, there is a large country available for settlement there, but in whose hands it is I do not know. The country must be capable of settlement to a great extent, and if settled the traffic would increase with the settlement.

312. Are the rates on this line higher than the Government rates?—Yes; a good deal. Similar in character to those on the Rakaia-Ashburton Forks line. They have adopted very much the same rates.

313. It is hardly necessary, I suppose, for me to ask you whether you anticipate any increase of traffic if the rates are reduced?—I do not think it would increase much. All the traffic there is in the country comes to the line now, I think.

314. Are there likely to be more stations on the line if it is held by the Government?—There might be demands for more accommodation. I think it is quite possible.

315. Do you know the rate at which it is proposed to purchase this line?—I have read it in the papers?—It is £61,000.

316. Do you consider that sum would be reasonable for the construction of the line at the present time?—I could not offer an opinion without seeing the details. But the line is fairly well constructed, with the exception of the river-crossing in question, which I mentioned. It is better constructed on the average than most of the Government branch lines. It is so with this line, and the Waimate, and Rakaia-Ashburton Forks lines. They may in some particulars be inferior, but on the average they are better than the Government branch lines.

317. The traffic since the line was opened—have you got it?—I can give you the revenue and expenditure for each year.

The following statement shows the revenue and expenditure yearly from the 2nd July, 1881, to the 31st March, 1885, inclusive:—

Periods.	Revenue.			Expenditure.		
	£	s.	d.	£	s.	d.
2nd July, 1881, to 31st March, 1882	1,292	6	0	1,551	14	6
1st April, 1882, to 31st March, 1883	2,146	3	5	3,174	7	9*
1st April, 1883, to 31st March, 1884	3,102	3	11	2,467	12	11
1st April, 1884, to 31st March, 1885	3,442	16	3	2,462	9	7

318. And the year in which the rate was raised?—Yes; the date was the 1st January, 1883.

319. *Mr. Dargaville.*] I understand you to say that the company's business showed a net profit of £980 last year?—Yes.

320. ~~That~~ would represent rather more than 1½ per cent. net profit on the estimated value of

* The expenditure in this year was exceptional.

the line as per the agreement. Is that exclusive of any rates or subsidies from any other quarter that the company may hope to obtain?—Yes.

321. It is really a net profit on the working last year as it stands?—Yes.

322. *Mr. Wilson.*] What was the return for the first four months of the year?—For sixteen weeks—a credit balance of £31.

323. And how will that run out with the £900 profit during the year?—The wool season will bring a larger profit during the year, and the summer will be a better time for the line.

324. On that basis it will be about equal to last year's profits?—Yes, I think so.

325. *Mr. Barron.*] Is this line equal to a larger traffic than it has at present?—Yes; very much.

326. And will it require renewals?—Certainly.

327. Are they extensive?—The same classes of renewals as on all the lines. They will require rails, sleepers, bridges, and earthworks. All these are part of the working expenses.

328. But from the present condition of the line you do not expect any additional requirements on that account?—The line has reached an age when the renewals of sleepers will become heavy.

329. And do you think the purchase of the line by the Government would be likely to increase the traffic?—It depends if the rates are lowered or not. If they are much lowered I do not think so much profit will be made.

330. Of course you are able to form an opinion as to what would be the result of the Government taking over this line from your past experience of the working of Government lines, and able to form a judgment as to whether, in the hands of the Government, this line would be likely to pay, over working expenses, a sum towards interest on cost of purchase?—If the rates and fares are not lowered it would undoubtedly.

331. I understand you to say that on the basis of the present rates and fares it would pay, and that if the railway rates and fares charged on the Government lines were made applicable to this line it would not be so likely to pay?—You would not get so much profit I think.

332. *Mr. Cowan.*] You say that to put the bridge into a safe condition would require from £10,000 to £20,000?—I have seen it estimated at that, but I have never gone into the matter myself.

333. Is it not your opinion that in the purchase of this line by the Government the purchase price should be reduced so as to provide for a contingency of this nature?—I do not think that would be fair at all. The bridge has been constructed to a certain extent, and no further. But it would not be fair to take off the value of this line anything for making the bridge further.

334. The trains at present run across this bridge?—Yes; and have been regularly crossing it for a long time. The line is liable to be washed away at any time where there is only a temporary embankment across the river.

335. You do not think it is right to make an allowance for this probable expenditure?—I think not. It is not a fair reduction at all. No more than to deduct the cost of extending the line.

336. *Dr. Newman.*] You say that last year the company made a profit of £980 over and above working expenses. By working expenses do you merely mean the cost of the Government rolling-stock?—Everything.

337. The £980 does not include the cost of renewal of sleepers, fences, &c.?—The £980 is the profit after taking into consideration everything that is included in the expenses of maintenance, traffic, rental of rolling-stock, and other charges.

338. There was a time when the tariffs were the same as the Government tariffs?—Yes. When they began they divided rates with the Government—that is to say, we booked from our stations on to their line at Government rates and fares, and divided the proceeds *pro rata*, according to the mileage, after making certain reductions. That was, practically, working the line as a part of the Government system. It was not found that the company realized such profits as they had expected to realize, and I suggested that they should make their own rates, which would relieve the department of a great deal of trouble, and they adopted that course.

339. How long ago?—In January, 1883.

340. Does the line pay better? Has the profit to the company been larger?—It has.

341. This company, like the Waimate Company, has suffered somewhat because of floods washing away the bank at Waitaki.

342. *Mr. Montgomery.*] Are the expenses for maintenance for the next three or four years likely be at the same proportion as last year?—No; I think we must look on this line for an increase in the cost of maintenance. It may not be a large increase.

343. But you, as Traffic Manager, look for an increase?—There must be an increase, especially in regard to the sleepers on this and the Rakaia line.

344. Was there any cost last year for maintenance?—Yes.

345. What time does the heavy expense renewals begin?—It depends very much on what timbers and materials have been used. Some of our sleepers have been renewed in three or four years; others from ten to fifteen years.

346. But in three or four years from the opening you expect an increase?—Yes.

347. *The Chairman.*] Do you consider that it would be possible to work these lines at different rates to those of other lines, supposing the Government owned the whole?—That is entirely a matter in the discretion of the Government of the day. As a matter of fact, we are working lines in different parts of the colony at different rates, and always have been. I do not see why we should not work these at different rates if the Government choose to do so.

348. Are the Government branch lines worked at different rates to the main lines?—They are subject to different charges.

349. Are the differences in the rates heavy?—In some cases.

350. Then, it would be quite in keeping with what has been done already, if the Government acquire these lines, to maintain the present tariff?—I could not say what any Government might do. I can only say that at present we are working different rates—widely different rates—and always have been ever since the provinces gave up control of the railways. There has never been uniformity of rates in New Zealand, and there is never likely to be, as far as I can see.

351. Do you speak of different rates levied on different lines in the same provincial districts, or of different rates in different provincial districts?—We do not take cognizance of different provinces; we only, as far as possible, take cognizance of conditions.

352. I asked the question, because you stated since the Provincial Districts of Canterbury, Otago, and other parts of the colony gave up the lines?—They always have been different. There was no uniformity then, because the railways were in different hands.

353. And there is no uniformity now?—No.

354. *Dr. Newman.*] Have the Waimea Plains Railway raised their rates?—Yes; all four lines, which were worked in the way I have described.

355. And all four raised their rates?—I do not think the Waimate rates were raised, because it was not working so soon as the others.

356. *The Chairman.*] Could you give the Committee any information or the names of any of the lines on which the larger rates are charged, either in Canterbury or Otago?—The Lyttelton and Christchurch line. The rates differ entirely there—more than in any other part, except on the Port Chalmers and Bluff line.

357. But I mean the branch lines—the country lines?—Here are the principal branch lines on which higher rates are charged—Oxford, Springfield, Little River, Mount Somers, Waimate, Duntroun, Ngapara, Tapanui, Wyndham, Kingston, Riverton, Outram.

358. And is the extra charge on these lines as great as on the district lines?—No.

359. Nearly as great?—No, not nearly as great. No railways in the hands of the Government have such heavy mileage charges as on these district railway lines.

360. *Mr. Cowan.*] Does not the discrepancy on the Government line resolve itself into a question of haulage?—To some extent.

361. You say that in Canterbury the rates are lower than in other districts?—No; on branches, higher.

362. *Mr. Dargaville.*] With reference to the remark in D.-5, “Notwithstanding the fact that the rates have been raised, the public still continue to largely use the line.” You have seen that, I presume?—Yes.

363. Does the fact of the company having raised its rates in that way induce competition by way of road traffic?—No.

364. Then, notwithstanding the raising of the rates, the line affords a great convenience to the public?—Yes.

365. It is largely used?—Yes.

366. *Mr. Wilson.*] Is it your opinion that the prices offered are fair prices?—I could not give any opinion on that.

367. What I mean is, if you were acting for a private company, would you, as an expert, advise that company to buy those lines at these prices?—I could not give an opinion on such an abstract question as that.

368. *Mr. Barron.*] Mr. Maxwell is really the only expert we have examined, or are likely to examine, in regard to the profit of working the railways. I think one question is very important, if he will only answer it, and that is this: Whether, looking at the question from an economical point of view, and apart altogether from the Government relations with the company, he would consider these prices to be advantageous. That is, whether he would advise a private company or individual to buy these railways?—I think, on a mere profitable or economical view, No; but it would not be prudent for the Government to take that point of view. It is assuming a state of things which does not exist. It is not reasonable for the Government to take a view of that kind. Of course it is competent for the Government to take any view they please.

369. You say it is not reasonable. Why do you not think so?—I do not think it is reasonable that the Government should put itself in the position of a private speculator, considering that the colony is the owner of the main system of railways with which these are connected, and that the districts served are a part of the colony.

370. *Mr. Dargaville.*] But, if the Government wished to purchase these lines with the sole object of making them a profitable speculation, they could effect that by raising the rates to an extortionate amount?—If you raise the rates in certain directions; but I doubt very much whether it would be advisable to raise them beyond what they are at present. They are already very high.

371. The monopoly the Government would have, if it choose to avail itself of that monopoly, would place the people of the district very much at its mercy for the transit of goods?—Yes, to a certain extent.

372. The position of the Government, however, in that respect is different to the position of a private company, whose only object would be to make the highest profit on the traffic?—Yes; certainly.

373. *Mr. Montgomery.*] Have we got the rates and fares as compared with the Government lines?—You have it in the memorandum of agreements for working the line.

374. *The Chairman.*] As contrasted with the Government lines?—No.

375. *Dr. Newman.*] Where would we find the Government rates?—They are in the *Gazette*.

376. *Mr. Montgomery.*] Will Mr. Maxwell supply the rates—mileage rates—upon these lines

for passengers, wool, grain, &c., and also the rates for the same class of goods and passengers on Government lines?—The following is a comparison of rates and fares for sixteen miles:—

				Company.		Government.						
				s.	d.	s.	d.	s.	d.			
Merchandise, per ton	12	0	...	7	10	to	10	8	
Grain, per ton	5	4	...				4	0	
Minerals, per ton	4	0	...	3	2	to	4	2	
Wool, per bale	1	8	...				1	7	
Timber, per 100ft.	1	4	...				1	2	
Straw and hay, per ton	12	0	...				11	6	
				Ordinary (Single).			Saturdays (Return).					
				First.	Second.		First.	Second.				
				s. d.	s. d.		s. d.	s. d.				
Company	4	0	2	8	...	4	0	2	8
Government	3	4	2	3	...	4	4	2	11

Thames-Rotorua Valley Line.

377. *The Chairman.*] Do you know anything of this line?—Very little. I know, unofficially, that it is in course of construction.

378. Do you know anything of the country?—I have been through some of it. I could not give you any information on the subject; I have no official knowledge.

379. You could only speak of the traffic up to Morrinsville?—Only generally as to the traffic on the Auckland lines.

380. What is the name of the officer of the Government who has had to deal with this line?—The Engineer-in-Chief, Mr. Blackett, and Mr. O'Connor, the Under-Secretary for Public Works.

381. *The Chairman.*] Are you aware in what way Mr. Blackett was connected with it?—I presume the plans have to be approved by the Governor in Council, and they would, in the ordinary course, go to him for approval.

382. You know the direction the line is taking?—Yes.

383. Could you give any information as to whether that is the most suitable direction?—There is only the one direction which, I understand, it would reasonably take. There is a saddle to traverse from the low country into Rotorua. There is no other way you could get into it conveniently, I am told.

384. And the junction with Morrinsville a suitable junction?—It is the best available now. At some future date it is proposed to carry on the line down to Taupiri. But it is the best junction now. I was asked whether it was advisable for the Government to purchase these lines—whether they could not be better worked—and there was one point I did not touch on. I think it is very desirable that the Government should have the complete control. It would save an immense amount of difficult negotiations, and do away with troublesome details and questions as to how the expenses shall be charged and the rates and fares divided. It would be very undesirable to have these lines, with rolling-stock in the company's hands, running on to the Government lines. The cost of carrying on the work would be very much increased by the system of accounting which would be necessary owing to the interchange of rolling-stock, which must take place if companies retain their own lines and work them. It would be to the public advantage generally that these lines should be absolutely under the control of the Government. I have no doubt about that.

385. *Mr. Montgomery.*] But you think it would be advantageous that the lines should form part of the general system of the country, and be under one control?—Yes; very much better and simpler.

386. From that point of view only?—Yes.

387. *Sir J. Vogel.*] Have you formed any estimate of what is likely to be the traffic on this line?—No. I have not had anything to do with it. It has never been brought under my notice.

388. Have you any idea of the probable traffic?—None whatever, beyond what general opinions I have formed on the subject, knowing something about the country. From general observation I should say that the line has as fair a prospect of doing as well as most of the Auckland lines.

389. Have you formed any opinion of its value to the existing lines?—It would be a great advantage; it would bring a large increase of revenue to the existing lines, no doubt.

390. Does that remark apply to all these lines?—To a certain extent. The Rakaia-Ashburton Forks line, for instance, has brought an additional traffic to the Government lines which they would not otherwise have got. On the Waimate line there is so little revenue that the remark would hardly apply; but it would apply to the Duntroon-Hakateramea and Waimea lines.

391. *Mr. Montgomery.*] You have said that these branch railways brought traffic to the lines. Do I understand you to say that that traffic would not otherwise have been brought to the Government lines?—I think so; undoubtedly.

392. What kind of traffic is that?—I think business has increased very largely since the line was opened. Such a line of railway as this, which is twenty-three miles in length, must increase the traffic.

393. Is it not a fact that land which was hitherto lying in tussock is now under cultivation?—I am not in a position to say; but I should say that if you cut off the Rakaia-Ashburton Forks Railway from the Government line there would not be so much traffic on the latter.

394. Does not the grain and wool come to the seaports of Canterbury?—Yes; but I doubt

whether you would get the same grain traffic if they had to carry it twenty or thirty miles, and by dray.

395. For more than half the distance of that plain the railway does not reach farther than the main line of railway—that is, to the eastern part of the seaboard?—Undoubtedly a great portion of the traffic would come without the railway, but a large porportion would not come.

396. You mean from a large population?—Yes; the people now living there.

397. Did they not buy their land before the railway was made?—Very likely; but they did not cultivate so much.

398. *Sir J. Vogel.*] Would the lines be worked cheaper for the district if taken over by the Government?—I think the lines would be worked to greater advantage to the public in some respects, but not cheaper than now. I think we are doing the best we can do at present.

399. Are the rates charged what you would recommend?—Yes; if the object was to get as much revenue as possible.

400. And are the rates in accordance with the rates on Government lines?—Very much higher.

401. Would a reduction mean a larger revenue?—I think it would lead to a diminished revenue.

402. Would that apply to the Waimate, Rotorua, and Duntroon lines also?—Yes, to all these lines.

403. In all cases the rates are higher?—Yes, except Rotorua, which is unopened.

404. Do you adopt the plan of terminal charges, as in England?—At first we counted the companies' lines as Government lines, charging the same rates. That was by arrangement with the company, deducting certain proportions for terminal charges, and dividing the rest *pro rata*, according to mileage. But the companies were not satisfied with that, and I suggested they should make their rates and we would collect them; and they have done that since 1883.

405. But in England, as you know, railways, if only half a mile long, have a terminal rate?—Our terminal charges are included in the *Gazette* tables as a rule.

406. *Mr. Barron.*] The Thames-Rotorua line was never brought under your notice officially?—No.

407. *Sir Julius Vogel.*] Looking at the question as a broad point of economy—having regard to the fact, on the one hand, that the companies have only a maximum amount of guarantee, which cannot be increased, it is therefore almost a contingency that, even if the traffic should increase, it is not the interest of the company to increase the line, because the guarantee would not be increased. The company is not forced to improve the line on the one hand, and on the other the Government are guarantors to a large amount, while they have an interest in the railways, of which these are branches,—looking at all these circumstances, do you not think, in the interests of the country, that the Government should buy these lines if they could buy them at reasonable rates?—I think it would simplify matters if the Government were to acquire these lines. It might be to the interest of the Government, and certainly to the interest of the public at large.

408. Is the effect likely to be to reduce the amount which the Government have to pay in guarantee?—I do not know. But I think that if the Government desires to prevent the increase of payments under guarantee it can do it by keeping the goods, rates, and passenger fares at a sufficiently high figure, but it should not be absolutely bound to keep the rates and fares precisely as they are at present for many years; and you may reasonably suppose you will not incur any more liability in taking them over than you have now—at least, I think not.

409. Do you think it is a fair thing that the Government and the ratepayers would be liable as they are now for a guarantee where the companies do not have their own rolling-stock? Do not the ratepayers, as it were, pay twice over?—The guarantee, of course, was considered to cover the cost of the rolling-stock. It does not cover it, but a charge is made for it. That should have been included in the prices. It is as broad as it is long. If the company found the capital, they would have to pay interest upon it.

410. That is proper if the cost of the rolling-stock could be added to the cost of the railway?—In framing the agreements for working the railways, the work was to be done at the risk and expense of the company; and in computing what charges should be made for rolling-stock I included sufficient for interest and repairs. So that the Government gets interest on capital invested.

411. It does not unfairly affect the ratepayers—the guarantors having to pay twice over?—If the estimated sums for construction are supposed to cover the entire cost of rolling-stock. No doubt the ratepayers, in effect, pay more in that way than it was anticipated they would do.

Thames Valley Line.

JAMES STEWART, Civil Engineer, and Engineer of the Thames Valley and Rotorua Railway, examined.

413. *The Chairman.*] Can you tell us the nature of the country through which the railway passes?—The nature of the country I know very well. Would you like me just to make a general statement?

414. Can you say, in the first instance, what is the condition of the works so far as they have gone?—The first section, under the District Railways Act, forty-one and three-quarter miles in length, has been completed in formation, and the finishing contract has been let, and is well on towards completion for the platelaying and buildings. The whole of the railway stock necessary has been imported, and a few of the last wagons are now being erected. All the carriages, engines, and ballast-wagons are on the line, or, at all events, they are erected. The contract is let for the opening of the line as far as Oxford for passengers in December next. That would enable the

summer traffic to the Lakes to be carried there, and thence by coach to Rotorua, a distance of thirty-three miles. The whole of the first section is under contract to be finished, ready for opening in March next as far as Lichfield—that is, eleven miles from Oxford. When that is opened the whole of the goods traffic to the Lakes, that now goes by way of Tauranga, will then go over the Government railway, Auckland to Morrinsville, and thence over the district railway as far as Oxford; and then by wagon over the coach-road to Rotorua. The whole of the Taupo traffic, that at present goes by way of Tauranga and Ohinemutu, will, after March next, go *via* Lichfield, which is about six or seven miles nearer Taupo than Ohinemutu is, and a good road all the way.

415. Can you give the Committee some information as to the nature of the country to be opened up?—By the first section?

416. No, by the whole line?—The first section from Morrinsville to Lichfield passes first up the valley of the Piako, that is at present in pastoral occupation; then it crosses over to the valley of the Waitoa and the Thames, which is one valley; enters into the Matamata Blocks, passing first through the Richmond Block, the sections of which are being rapidly settled—in fact, they are nearly all taken up; passes through Matamata leasehold and freehold sections, thence into the property of the Auckland Agricultural Company, and keeps generally up the Thames Valley into the Patetere country. All that country is opened. The whole of the agricultural company's property is open for purchase in small sections; it is divided off into sections of from two to five hundred acres, I think. I am not quite certain. It is all ready for taking up as soon as the line is opened. I have no doubt, from the readiness with which seven to ten thousand acres of the Richmond Block have been taken up, on the completion of the railway settlers of the same class will be found there also. I believe Mr. Firth intends to dispose of Matamata in the same way; but nothing can be done with it till the line is opened. I have no positive knowledge of this matter, however.

417. Can you give the Committee information as to the character of the traffic—the nature of the trade likely to be opened?—Very much the same as the Waikato line—a mixed pastoral and agricultural traffic, in addition to tourists.

418. Will there be no timber trade?—There is no timber on the first section; but it goes so near the Waotu bush as will enable it to draw that traffic. The Waotu is a totara bush. They are at present floating the logs down the river; but they cannot fall green trees into the water with any certainty of their turning up at Cambridge. They will not float, being green and heavy, and in that way they have lost much of the best timber; but all dry timber that will float they send down that way. But I believe the owners have come to the conclusion that the only way to dispose of that bush is through the railway when it is opened to Mangakaretu or Lichfield.

419. *Mr. Dargaville.*] You know something of the Hot Lakes District and settlement there?—I do.

420. Will not that line attract, to a large extent, the tourist traffic, in addition to the ordinary pastoral and agricultural traffic you are speaking of?—That is the second section that will so largely aid that. I have been hitherto speaking of the first section. The second section passes through bush, and, in addition to goods and timber traffic, will have this traffic you speak of—the tourist traffic. The whole of the present tourist traffic, or next to the whole of it, will go over the line as soon as open to Oxford.

421. Does that traffic not, for the most part, go by sea to Tauranga?—I think the most part last year went by way of Cambridge, and then from Cambridge by coach.

422. A considerable portion went by sea?—A considerable portion.

423. That traffic would be diverted to the overland route?—Yes; especially if they could be run through in one day. The advantage of the Tauranga route for those who do not fear the sea is that they leave on one evening and at the same hour next evening they are at Ohinemutu, travelling by sea all night.

424. Do you know any country between Lichfield and the Hot Lakes which the Government is negotiating for the purchase of from the Natives?—Yes.

425. There was a block of ten thousand acres, and a piece of country estimated at one hundred thousand acres?—I know the smaller block. I am not quite sure if that is the area. The Government have bought two blocks since our railway company was formed, which if we had carried through under the memorandum of association would have formed part of the endowment under the Railways Construction Act, and which, if the present arrangement is carried through, will remain with the Government.

426. What effect will the construction of the line have on those blocks?—It will add to the value in every way. What we thought, if they had been our own endowments, was that it would treble the value. They are most suitable for small settlement. The second section opens up a plateau of bush land, the area of which I estimate at two hundred square miles—twenty miles long by ten miles wide—over which roads can be easily made.

427. You have been cognizant of the negotiations carried on by the Government and the company for the purchase of the line?—I have.

428. The price offered for the first section of the line on completion is £115,534?—Yes; that is for the first section.

429. That is the price agreed on so far by the parties?—Yes; for the portion of works then completed.

430. Forty-one miles sixty chains?—Yes.

431. Were these works entirely constructed under your supervision?—Yes.

432. That is the net cost of them?—That is, I believe, the net cost of them, so far, to the company.

433. Then, the company will lose nothing on what they have paid out? They will lose their interest?—They will lose in their financial operation with the bank, they will lose interest on overdraft, and interest on the calls.

434. That does not complete the 41 miles 60 chains?—No; another contract has been entered into which we estimated at £28,000, and taken at £27,000, and includes the platelaying and build-ings.

435. That is, equipping the line?—Yes.

436. With rolling-stock?—No; the whole amount is £41,000 to be paid extra to the £115,000; that includes the above new contract, rolling-stock, engineering, and all expenses.

437. The company for equipping the line have to receive £41,800 in addition?—Yes; and there is a sum for land, £1,100, which you will find also in the agreement.

438. How will the cost of the construction of this line compare with the average cost of similar lines constructed by the Government?—The contracts were taken exceedingly low, and on that account, though the Government has also let exceeding low contracts, our line will compare favourably. I have never known such low contracts taken in the platelaying and formation.

439. *Mr. Montgomery.*] You are the engineer, Mr. Stewart, employed by the company?—I am.

440. What is the distance from Morrinsville by the railway to the place where it enters on the agricultural company's land?—Twenty-five and a half miles, or between that and twenty-six miles.

441. What distance does it run through the agricultural company's land?—It passes through in two portions; it enters and leaves another estate near Oxford; it will extend about eight miles, speaking from memory.

442. And Mr. Firth's?—About ten. It depends where his line is fixed. He has acquired some of the leasehold lands, the exact boundary of which has not been, so far as I am aware, finally settled.

443. The Patetere company?—It passes through about eight miles.

444. The agricultural company, Mr. Firth's property, and the Patetere company are all ratepayers?—All ratepayers; the Patetere company to a very large extent.

445. I should like to hear of the quality of the land on the second section, as you confined your remarks to the first section—from Lichfield to Rotorua?—I spoke of the first section only. I should have continued to have mentioned the second, which is by far the most important in every way. The junction is placed in the Mangakaretu Block, which is considered one of the good blocks belonging to the Patetere company, but the line immediately from its departure from the first section enters upon better land, and the land increases in quality all the way up to the bush. The valley leading up to the bush is a most excellent valley. Although it is narrow, the bush land I consider a specimen of the best bush country in Auckland. It is most eminently suitable for small settle-ments, which have been so successful in the Pukekohe and other districts in Auckland. On emerging from the bush the land is of first-class quality until it reaches about the level of 120ft. above the lake. There is a zone of poor land between that and Rotorua Lake. That is a description of the whole of the basin of Rotorua, with the exception of a few promontories of rich land running into the lake, and near which the Maori settlements are situated. The land is poor for a height of about 120ft. above the lake. Thence to the summits of the hills it is very rich, either fern or bush.

446. *Major Atkinson.*] Have you given any information as to the probable traffic of tourists?—I have not been able to make up my mind as to anything definite, but I have held a long time strong opinions as to the magnitude of the sanatorium which would eventually grow there, and in a short time, after railway communication has brought it within eight or nine ours of Auckland, I have come to the conclusion that, within two or three years of a proper establishment being built, there would be at least five hundred visitors residing on the average. This is from examination of visitors' books, and judging from their coming from all parts of the world, the rush that goes through in the summer time now, with no inducement in the way of residence, which is confined to second-class hotels. I have held strong opinions on those grounds, but it is hard to make definite statements.

447. Within three years of its opening up, there will be at least five hundred permanent resident visitors?—Yes; with a proper sanatorium. I should like to add that I wish to bring under the notice of the Government the advisability of creosoting tawa timber, for sleepers; the tawa is quite as strong as white pine, and will take creosote better, while in the colony there are about five tawa trees for every one of any other kind. They can be used for sleepers and telegraph-poles, and the industry would be a permanent one, because the more lasting portions of ordinary buildings would be used in the same way. House blocks and lower plates and floor-joists of houses would be constructed of this. It would form an industry for the small settlers, and they would thus always find employment.

448. *Mr. Barron.*] Do you think creosoted tawa sleepers could be laid on this line if constructed now at a less cost than the sleepers you have used?—Yes, quite sure, now that the Waotu bush is opened. I should be inclined to go there for totara sleepers in the absence of creosoting. Totara sleepers would cost us 4s., and we are paying 3s. 5d. for kauri sleepers. Tawa sleepers creosoted on the spot, I believe, from conversations with those formerly in the creosoting trade at Home, and with others in Wellington, would cost 3s. 6d. a piece for 8 by 5 size.

449. *Sir J. Vogel.*] And last as long as the sleepers will last with which the line is constructed?—Quite as long as totara. Kauri does not last in sand, but it lasts well in scoria ballast. It goes bad in the Waikato ballast in a very short time.

450. Has your attention been directed to the possibilities or probabilities of the district becoming the centre of a considerable population, partly of visitors, and partly of residents to supply the wants of the visitors?—I have studied that question for years.

451. Do you think a large population will be brought into the district?—I am perfectly certain of that.

452. Can you form a computation of the requirements?—Five hundred residents a day would likely be the average during the first few years, and would require a large population to supply their necessities.

453. Have you thought over the question, whether the products of those springs, like the German springs, could be bottled and condensed like the Vichy waters and Carlsbad waters?—I have not been able to satisfy myself by personal knowledge of the matter; but since the matter has been mentioned to me, and seeing the number of preparations of the kind advertised, that also would become an important industry.

454. Is there any reason to suppose there are sulphur deposits?—I do not think the deposits of sulphur would be of commercial value.

455. Has your attention been directed to what I saw in the paper of a valuable earth discovery?—I saw that statement, but could not say whether it was likely to be silica or infusorial earth; if it is the latter, it is what we want for the manufacture of dynamite. If it is infusorial earth, it is valuable; but if it is silica, it is not valuable.

456. How long would it take passengers to reach the springs?—The distance could be run with great ease from Rotorua to Auckland in nine hours. Our permanent-way is of the heaviest description; it is being laid and fitted for the greatest speeds that are being used on the best Government lines.

457. You are aware of the cost?—Yes.

458. Have you formed any estimate of what the line would be likely to yield after being opened a year or two for traffic?—I have formed no estimate of that kind. I am quite sure the passenger traffic would be above the average of the Waikato.

459. Do you think we may be sure it would yield over working expenses?—I am perfectly certain of that, but as to any amount of percentage I never could form any idea.

460. You are quite sure we may calculate on more than working expenses, and a constantly improving line?—Quite sure, and constantly improving.

461. Have you formed any estimate of the practicability of connecting with Tauranga?—I have only gone once over that land. There can be no doubt of the practicability; as to the quality of the land, and the advisability, I have formed no idea.

462. That it would be an access to Auckland?—It is quite practicable.

463. Have you any idea of what the increase to the Government line already constructed to Morrinsville would be if this line were made?—It would mean that every ton of the through traffic created by our line would go over 103 miles of Government line.

464. If we were only making working expenses on the line it would pay?—Certainly. The traffic by the ballast train even now is considerable, and we are glad to see the contractor accommodate the settlers. Mr. Firth is very anxious to send over all his cattle, if he could only get them down without transhipment at Morrinsville into Government trucks.

465. The return of working expenses to the line would mean a considerable increase of traffic to the Government lines?—There can be no doubt of that. Every ton of through traffic would pass over 103 miles of the Government mileage.

466. *Mr. Montgomery.*] Of the five hundred people at the Lakes, do you mean that number would travel by the railway every day?—Five hundred of resident tourists, and those connected with tourists residing there, supposing the average length of stay would be ten days, that would mean fifty a day each way. There are often more than fifty go up in a day now. I have heard that four coaches have gone up in the season in one day from Cambridge.

467. How long does the season last?—It is beginning now and lasts to May. There are some who stay all winter, but they are very few, as the sanatorium arrangements of the hotels are very primitive.

468. *Dr. Newman.*] When the North Island Main Trunk line is through to the Ruapehu that will take away a number of passengers, who will go through that way?—It is very unlikely, unless there are good means of communication existing through there. If tourists from the South had made up their minds to see that portion of the country they would take it first, and then go on to Auckland by the line. Similarly, the tourists arriving at Auckland would go by rail to Rotorua, and then by road to Taupo and Ruapehu.

469. In your opinion, would the opening of the Main Trunk Line diminish the traffic from Auckland to Morrinsville?—I think not.

470. *The Chairman.*] The first section of the line was from Morrinsville to Lichfield: at which part of that line would the junction be for the line to Rotorua?—At Putaruru. The branch would be from Putaruru to Lichfield; the main line is from Morrinsville to Rotorua, with a branch as above.

471. What would be the length of that branch?—Five miles. I may add that the Patetere Company are investigating to see if a route could not be got from Lichfield, to avoid having a branch. I am a little doubtful whether they will succeed; but, if they do succeed, that will be adopted, if equally good with the other, which is a very easy portion.

472. *Mr. Barron.*] You say that the length from Morrinsville to Lichfield is being constructed by the company, and is nearly completed, and the beginning of next year trains will be running?—Passenger trains to Oxford will be running in December, and the section will be completed altogether in March.

473. Under the District Railways Act?—Yes.

474. From Putaruru to Rotorua is also to be completed by the company?—Under the terms of contract entered into with the Government, but the company have done nothing to the formation of that line as yet.

475. Do they intend to go on with that line?—If the contract receives the approval of Parliament, they intend to finish the line; that is the only contingency now. They have entered into a contract with the Government to do certain things, and it will no doubt be carried out.

476. How long will it take?—Two and a half years; that is, from now. The contract specifies three years from the 1st April last, and, allowing six months as the shortest time to get the approval of Parliament, it will be about two and a half years.

477. And the company will be able to open through traffic to Rotorua within the next two and a half years?—Yes.

478. The first line is under the District Railways Act; the second under the Railways Construction Act?—Yes.

479. *Mr. Dargaville.*] Arising out of that question, with the appliances the company have now, and being in possession of the line from Morrinsville to Lichfield, they would be in a better position to construct the line than the Government?—Seeing every foot of the line is known, and with the machinery at present in operation, they could enter into it at once, and save all preliminary work.

480. And more advantageously than the Government or any one else?—I do not think we could let contracts cheaper than the Government.

481. With the knowledge you have in your possession, and the fact of being owners of the first section of the line, which will be opened for traffic presently, that would give you an advantage?—Certainly; that is the presumed advantage which the company have in the agreement to complete the section.

482. *Mr. Barron.*] You spoke of a contract being entered into to make the second section, and spoke of its being under the Railways Construction Act: it is understood, if the company had been able to carry on its operations, it would have made the second section under the Railways Construction Act, and if the endowments had been coming forward; but there is no intention of proceeding under the Railways Construction Act, but by the contract with the Government which, is now under consideration?—The powers of the company would be exercised in taking the lands and the construction of the line under the Railways Construction and Land Act.

483. *Dr. Newman.*] I should like to ask the cost of finishing the line from Putaruru to Rotorua?—£160,000 more; that is the cost of finishing the thirty-two miles of that line.

484. Is there anything in the agreement to sell, that it is to be finished within a given time?—Within three years from the 1st April last.

485. Right to Ohinemutu?—To Ohinemutu.

486. *Mr. Montgomery.*] What is the estimate of the whole cost from Morrinsville to Rotorua?—The whole thing?

487. Yes, land and everything?—£317,200.

488. Stations and all?—Rolling-stock and everything, that embraces a length of seventy-four miles.

489. Sidings?—Eighty miles altogether; we have three and a half miles of sidings in the first section.

Rakaia and Ashburton Railway.

Mr. MCKERROW, Surveyor-General, examined.

490. *The Chairman.*] Do you know the country through which the Rakaia and Ashburton Railway runs?—Yes.

491. Can you give any information to the Committee as to the character of the country and of its advantages for settlement and production?—It is a level country, very fair land, suitable for agriculture. I have seen large crops of wheat and cereals grown, and it is well adapted for agricultural settlement; indeed, it is settled on that basis, and the land at the terminus of the railway—Methven—is very good indeed. There is a stretch of country, of seven or eight miles, all very good around Methven, and beyond that the mountains, suitable for pastoral occupation; and there is an important bush, known as the Alford Forest, at the base of the mountains. I may say, in a word, that I think the railway, in respect of the country it opens up, is likely to prove one of the best-paying district lines in the colony.

492. *Mr. Montgomery.*] The land around has been settled by farmers?—Yes; for several years.

493. All sold before the railway was made?—Yes; all sold before the railway was made.

494. Do you know if the cultivation is increasing or decreasing?—It has been decreasing for the last two years, owing to the low price of grain.

495. The land along the plain: do you consider it first-, second-, or third-class land?—Along the railway there is good land; but at places it is very thin, and would not crop very long; it would require resting and manuring.

496. Does it pass through many miles of that shingle land?—One-half of the land is gravelly soil.

497. And the land to the right and left of the railway is of that class?—In the middle part of the district, half way along the line—I forget the name of the station—near Mr. Passmore's place, is thin land.

498. Thin land and gravelly, and pretty stony?—I think "gravelly" a good description of it.

499. *Mr. Wilson.*] There is a Commission sitting on the extension of some railway?—That is a different line.

500. *Mr. Barron.*] Is very much of the land affected by the Rakaia and Ashburton line belonging to the Government?—None at all. The Crown land is only entered on seven miles beyond Methven.

501. And all passed to the hands of small farmers?—Several large holders and several small. I mean, on an average, farms of seven or eight hundred acres.

502. All taken up for several years, cultivated, and made the most of?—A settled country: live fences, all cultivated, nice homesteads, and water brought on it.

503. Since the line has been constructed the settlers have had every inducement to improve their holdings and increase the output to the utmost—to the utmost it would pay to cultivate?—

They did so when the price of wheat was high in London; but since then they have had two disastrous harvests: splendid crops, but the rain ruined them in the stock, and put the district back at present; but it is only temporary.

504. Over a period of seven years from now there is not a likelihood of a greater amount of traffic than in the past years?—I think not, because, even with a rise in the price of grain, it might be a year or two before the farmers would go in for increased cropping, and the grain traffic will be much less than for the past two years. The line opens out the plain that lies between the Rakaia and Ashburton Rivers.

505. All in small holdings?—Mixed. When I say large holdings, understand me to mean farms of two to three thousand acres; and small holdings, farms of three to five hundred acres.

506. *Dr. Newman.*] Was all this land through which it runs held in large hands and cut up for the railway?—No big estates were cut up, so far as I know.

507. Would this line pay for extension before long?—Yes; it would pay to extend to Alford Forest, a bush about seven miles farther on.

508. And a large pastoral country beyond?—Yes; and it could be easily made. On the whole, is a satisfactory line.

Waimate Railway.

Mr. McKERROW examined.

509. *The Chairman.*] Give us information of the same description as that you have given us in reference to the Rakaia and Ashburton Railway?—The Waimate Railway for the first four or five miles runs through a gorge, it opens then into a nice level country of a very superior quality, and at present, so far as constructed, terminates at the Waihao Forks. Beyond that point there are about fifty thousand acres of very good pastoral agricultural land held mostly in two or three large estates. About twelve miles from the present terminus there are about thirty thousand acres of Crown lands on the tops of the hills, before you reach into the Hakateramea Valley. As regards the paying prospects of this railway, at present they are not very encouraging, for the reason that there are comparatively few settlers. The railway through its entire length so far as constructed running through Mr. Studholme's estate, although a considerable portion of the land is suitable for cultivation. It is all held principally for pastoral purposes.

510. Could you tell the Committee why this line is only eight miles instead of sixteen?—They stopped at the place called the Waihau Forks, up to which point the formation was easy, and did not go farther on for financial reasons.

511. It is not from anything in the nature of the country?—No; it is very easy up to that point, but the difficulties beyond Waihau Forks would not be more than what is usual in railway construction. The gorge near Waimate is to a considerable extent a valley, and the line was one of the easiest to make. I was along it three months ago.

512. And if extended beyond, would it run into good country?—Yes; it runs into good country. It is an agricultural and pastoral country, a series of flats with hills in between—a limestone country, of admirable quality; but I question if the extension of the railway would have much effect on its further settlement. It is nearly all held in large estates. The line is made up to Mr. Douglas's estate, one of the best estates in New Zealand, and beyond that you come to the Waihaorunga estate, which is now held by the mortgagees.

513. Can you give the Committee any idea of the number of settlers in the district?—I do not think there are more than twelve homesteads.

514. *Mr. Dargaville.*] Has the Crown any land farther on if the line was extended?—It has the tops of the hills, of an elevation varying from 1,800ft to 3,000ft.; very good sheep country; but would not in any way, or, at all events, in only a small degree, be improved in value by a railway up to it. The only products would be sheep and wool, and they would be driven to market.

515. Did you say there were fifty thousand acres of good soil already alienated from the Crown?—Fifty thousand acres of very fair pastoral and agricultural land.

516. And in the hands of how many settlers?—Twelve at the most, I think.

517. Did you speak of a forest?—No; there is not a single tree, I think, in all that district, except what has been grown by the settlers.

518. This is not a district in which settlement is likely to progress at any extent?—Not unless the large estates get cut up. The country is suitable for it. The Waihaorunga estate, of twenty thousand acres, about seven miles beyond the terminus of the line, was, in 1879, cut up into sixty-eight farms, varying in size from a hundred to a thousand acres, and offered on lease, with purchasing clause, in Dunedin, but there was not a single offer for a farm. The tide in land speculation was ebbing before this estate was brought into the market. Land speculation was rampant in Canterbury some little time before, but the reaction had set in.

519. Those thirty thousand acres in the hands of the Crown, would they be increased in value, and to what extent, by an extension?—They would be increased in value so little that I would not make a definite statement or estimate. Pastoral country does not get much advantage from a railway to it. You cannot increase the product of the country much, and the railway freight on it is but a small matter; and in this case the Crown lands have good roads to them.

520. And beyond the thirty thousand acres, what sort of country is it?—The Hakateramea country is beyond.

521. ~~That valley would be served by the Hakateramea and Dunedin Railway?—It is at present served by it.~~

522. *Mr. Montgomery.*] You said that land was offered for sale and a price per acre put on it: what was that price?—I could not say. I believe for the Waihaorunga they now want about £5 or £6 per acre.

523. The railway passes altogether through private estates?—Altogether.

524. And the Crown land is only fit for grazing, is at an elevation of from 1,800ft. to 3,000ft., and would not carry a large population?—No; only fit for grazing.

525. *Mr. Wilson.*] What kind of pastoral country is it?—Very good on the tops of the hills.

526. How many acres to the sheep?—I think it would carry a sheep to the acre, if fenced and subdivided.

527. That is very good?—Very good; with that qualification, that it would require to be fenced off. It would be merino sheep. Its value would be from £1 to £1 10s. per acre, carrying one merino sheep to the acre.

528. It is not doing that now?—It could do that if fenced off.

529. A lot of money would have to be spent on it before it was in that position?—Yes.

530. *Mr. Barron.*] You have been over that land three months ago?—Yes.

531. You noticed the whole traffic was met by three trains a week?—I ascertained that by inquiry; the train only runs on Saturday and one other day in the week.

532. And much likelihood of an increase of traffic soon?—I think not.

533. If the traffic were doubled, to run six trains a week, that could not be looked upon as a profitable line for the country?—No.

534. *Mr. Cowan.*] Is the pastoral country held by those who have also the lower country?—Yes; a considerable portion is held by Mr. Campbell, by the New Zealand Land Company, and a small portion of it is held by the Waihorangi Company; and also, I believe, by Mr. Studholme. In other words, all the land has been bought up to the base of the hills, and the tops are the fragments of the old runs.

535. And the tops are depreciated on that account?—Yes; but there are sheltered areas among the hills, and if the country was carefully cut up it would be suitable for sheep-farmers in fifteen-hundred-acre farms.

536. Are you aware what time the cutting-up would be possible?—If the Land Bill passed it would be possible at once, but if not, then not till 1890. The clause providing for the partial resuscitation of the pastoral deferred-payment system is to provide for this sort of country. The Waimate people are urging the matter very much.

537. *Dr. Newman.*] From the character of the country, would it cost much to extend this line ten or fifteen miles?—Yes; it would cost £5,000 or £6,000 a mile.

538. Supposing it were extended twenty miles, is there country beyond that?—No; you come to the base of the hills.

539. Then, there is nothing to justify its extension?—Not much.

The Duntroon and Hakateramea Railway.

Mr. McKERROW examined.

Mr. McKerrow: The Duntroon and Hakateramea Railway, so far constructed to Kurow, runs up a flat of the Waitaki. This flat is gravelly soil, but the ridges running down to it from the Otago side are partly limestone, of a very good quality of soil, and the country is capable of carrying a large number of settlers. At present, however, a very considerable portion of it is held in one large estate—the Hon. Robert Campbell's land. The line runs almost entirely through private lands. At Kurow there is a large extent of pastoral Crown lands, of a very good quality, of which about six thousand acres is to be cut up next season for the purpose of settlement. Beyond Kurow and up the Waitaki Valley there is a very large extent of purely pastoral country, held in large runs. In the Hakateramea Valley, on the Canterbury side of the Waitaki, and connected to the railway by a bridge over that river, there is a very large extent of good agricultural land, capable of growing wheat to great perfection, but the land is mostly held in large estates.

540. *The Chairman.*] The original intention was to make the line forty-one miles in length?—Up Hakateramea Valley.

541. Only sixteen miles have been made?—It has been carried to Kurow.

542. Would its extension be likely to increase production and settlement?—It might be likely to do so if wheat were at a paying price.

543. To any extent?—That depends on whether the large estates—Mr. Campbell's and the Australian and New Zealand Land Company's—whether they were cut up. If wheat were at such a price as to pay for cultivation, it might be better to cultivate the land than keep it for sheep; but that is all problematical.

544. Has there been any effort to subdivide it and sell it?—Not that I am aware of. I am aware of this, that several people who bought land during the Canterbury land mania are now unable to sell.

545. Do you think the land would be saleable if the railway were extended?—Not at the present prices of grain. The price of grain would have more to do with the settlement of the country than the extension of the railway. The wheat land is now within carrying distance of Kurow.

546. *Mr. Dargaville.*] Is this a district that we might describe as a progressive one?—Not very; it was checked by the fall in the price of wheat. It was just beginning to progress very well; they were growing wheat, and had great yields, but the price fell, and nipped the progress in the bud, I may say.

547. I will put it in your own language: if the colony is likely to progress at all, is that a district that is likely to progress?—I should say so. It has the elements in it of progress.

548. ~~You stated~~ the line ran through private land—large estates?—Yes.

549. *Mr. Montgomery.*] Would Mr. McKerrow show us on the map?—It would be more accurate to say it ran alongside large estates.

550. *Mr. Hislop.*] Is there a large quantity of land in the Hakateramea growing turnips and grass?—Yes, and wheat also.

551. There are a number of holders in the large area of the valley?—I would not say a large number—probably twenty, but not more.

552. And the good wheat country extends twenty miles?—Not so far as that—about half.

553. Do you know Miller's place, where Dalziel used to live? That would be about fifteen miles, as far up as it would be profitable to grow wheat?—That is where the valley narrows in, and goes into the spurs.

554. Does not it open up into an extended valley there? Do you know the nature of the soil there?—I have never been up as far as Miller's myself. I have simply overlooked the country.

555. You have not got the exact acreage of the blocks in the Kurow District?—No; but I can supply it to the Committee. The area of the surveyed land occupied by small settlers between Otaio and Kurow is 7,500 acres. The area similarly subdivided north of Awakino, and about four miles up the Waitaki Valley, beyond Kurow, is 4,300 acres.

556. *Dr. Newman.*] Would this line be capable of extension beyond the forty miles?—No.

557. That is the extreme limit?—It runs up in the valley.

558. *Mr. Hislop.*] Could it not be taken over the Mackenzie country?—No.

559. Do you not know that a line has been surveyed along the right bank of the Hakateramea, so that it would be capable of being taken in the Mackenzie country?—It would be capable as far as the engineering was concerned, but I believe the proper line is by Burke's Pass.

560. Have you ever been through the survey of it?—No.

561. Have you ever been up as far as the Hakateramea Valley?—No; but I have read the reports of the surveyors.

562. Has Mr. Blair made a report at all?—I am not aware.

The Thames Valley and Rotorua Railway.

Mr. MCKERROW examined.

563. *The Chairman.*] Can you give the Committee any information as to the character and capabilities of the country through which this line runs, and which it is likely to open up if continued to Rotorua?—The railway from Morrinsville to Lichfield runs through an open level country, mostly held in large freehold estates, on which a considerable amount of improvements have been effected in the shape of bringing the land into grass, and with a considerable amount of success. It is a country capable of an extensive settlement, I think. The line from Lichfield to Rotorua passes through a comparatively level country, a large portion of which is under forest. That is also capable of settlement. Within the Thermal-Springs District the railway runs through about forty-four thousand acres of Crown lands, and there are over ten thousand acres under negotiations, which are sure to be completed by purchase. There are other blocks that can be purchased, it is believed, if the Government only choose to buy, to the extent of a hundred thousand acres in the Rotorua District. The price of the land already purchased averages 5s. per acre.

564. Purchased from the Natives?—Purchased from the Natives. The future purchases, if any are effected, will probably be 10s. per acre. This is a railway I should say it is very desirable to construct, apart from the settlement of the country altogether, but with a special view to the rendering access to the Springs easy. There would be certainly a very considerable traffic during the summer months if the railway were made.

565. *Mr. Dargaville.*] Forty thousand acres, you say, are owned by the Crown?—Forty-four thousand.

566. And ten thousand under negotiation?—Which will be completed.

567. To what extent would the construction of this line increase the value of that property?—I should say it would double the value of it.

568. Does that refer to the hundred thousand acres capable of being acquired as well?—To a certain extent. It might not double it all, because a hundred thousand acres is a large area, and some of it would be far from the railway.

570. As a rule, the greater the value of the land the greater the improvement the construction of the line would affect?—Decidedly.

571. *Mr. Montgomery.*] This land through which the railway runs from Morrinsville to Lichfield, is it through private land?—Private land.

572. All through private land?—All through private land, the principal landowners being Mr. Firth, the Auckland Agricultural Company, and the Patetere Company. Lichfield is the town of the Patetere Company. The line runs for about fifteen miles through the Patetere Company's estate after passing Lichfield. It then continues for another fifteen miles through the Crown lands to Rotorua. I am not certain whether the line intersects any Native lands; but, if so, the area is insignificant. About nine miles from Rotorua there is a very good forest, with plenty of excellent rimu.

573. There is no settlement along the line yet?—None.

574. Will there be till the land is sold in smaller blocks?—No; there will be none. Till the railway is through there is no inducement to settle there. There is but a small population at Rotorua; and the land would only be suitable for dairymen, and they must be near the town. We thought after selling the Rotorua Township there would be a demand for timber. Some bush land was accordingly offered for lease, in the hope that saw-millers would take it up, but there was not a single offer.

575. But, without the parties sold the land in moderate-sized blocks, there could not be a large population?—That is so.

576. What is the nature of the soil?—It is a free sort of sandy soil with some pumice in it, and there is some swamp land.

577. Fern?—Fern or bush. Where the fern has been burnt off, and is stunted, the country has an arid appearance till sown in grass. I took particular notice, in the Patetere estate, of fifteen miles of road, the top of which had been simply ploughed and grass-seed thrown athwart it. The grass was coming up very well. I judge from that the country would be capable of carrying a good deal of stock if it were all treated in the same manner.

578. The railway benefits these large estates?—That is all.

579. And if the lands sold, that would increase the benefit to the large proprietors?—No doubt of that.

580. The traffic upon that line, where it has gone, would be very little unless the line is extended to Rotorua?—If the line were made as far as Oxford all travellers from Auckland would take the train, and the coaches would join there.

581. Then the line to Rotorua or Oxford from Morrinsville, its paying would depend a great deal on the lake tourists?—That would be the main resource.

582. But the land through which it passes?—If held as it is at present, it would afford very little traffic; but it is reasonable to suppose, if cut up, it would be occupied by sheep-farmers. The Auckland company are willing to cut up their estates.

583. Would it do for wheat or cereals?—No; not very well. The whole of the Waikato country has too much heat and moisture for cereals. Wheat and oats run too much to straw.

584. Then it would be for stock?—Yes; and fruit grows well; and it would also do for dairying.

585. *Mr. Dargaville.*] The Crown had acquired 40,000 acres at a value of 5s. an acre?—Scarcely so much; but, adding the departmental expenses, that was about it. The actual cost was £9,242, but that is merely the bare price, allowing nothing for the negotiations.

586. That is not your estimate of the present value of the land?—No.

587. What is your estimate of the present value of the land?—I think perhaps 8s. per acre would be got for it.

588. And when you state the land would be doubled by the construction of the line, it is the present actual value, you mean, would be doubled?—Yes; 16s.

589. Is it not in Mr. McKerrow's knowledge that the owners of large estates traversed by this line are occupied in preparing them for subdivision and sale?—I am aware of that. I spent an evening at each of the large estates, and the gentlemen in charge told me that they were preparing them for that purpose, and that the intention is to cut them up.

590. *Mr. Wilson.*] You say the present value is only 8s. an acre?—Putting a value on is very difficult; at present it is difficult to put on a conclusive value. If it were your property, and you wanted to sell it, you could only do so in large areas, and you would have to look for a customer, and if he saw his way to develop the timber interest he might give you more than that for it; but, for ordinary settlers, it would be difficult to induce them to go there at present, because they would have no outlet for their produce. The country requires considerable capital before you can get anything off it at all, and it would be two or three years before you would get rid of the fern.

591. Do you recollect the price the Patetere Company paid for their land?—They paid a considerable price for it; but I was speaking of the Crown lands. I think the Rotorua lands are better than the Patetere.

592. The Crown lands are better than the Patetere: can you give the actual cost of the latter?—I believe I can supply the actual cost. For 239,958 acres it was £56,474, or 4s. 8½d. per acre. (See G.-6, Journals of the House of Representatives, 1883.)

593. *Dr. Newman.*] Have you any knowledge whether Mr. Firth's estate is being tried to be sold in London?—I am not aware; but, when I was up there about four months ago, Mr. Firth's son told me it was their intention to cut it up.

594. That was a year ago?—About four months ago; the reason was that it was too vast to work from one spot; it is 60,000 acres.

595. What amount of Native land would be opened up from Lichfield to Rotorua?—Very little Native land, at the most only a few small reserves.

596. You said in your evidence you had bought land at 5s. an acre?—The actual price was 4s. and some pence, but it cost the Government 5s., including the cost of the negotiations.

597. The next point is, having cost 5s. an acre, any future land to be bought would be 10s. an acre from the Natives. Because we make a railway, the Maoris will stick out for double of the price for their land?—The land that can be purchased now—I am speaking from Mr. Gill's information—is part of the bush between Tauranga and Rotorua. The Natives are in the humour at present to sell, and he told me that, if the Government negotiated now, they would be able to complete the purchase of one hundred thousand acres at 10s. an acre.

598. *Sir J. Vogel.*] Will you tell me, have you ever thought on what would be the effect of bringing a railway to the Springs, as regards visitors from the other colonies and England; the effect of building up a large town, and a place of resort?—I think the reputation of the Springs would bring the people from where you mention without the railway, but if they found, when they did come here, a railway to the place, and great conveniences of all sorts, that would induce others in greater numbers to come, from their reports.

599. Are you familiar with those places of resort in Europe?—By reading I am.

600. Do you think, putting the railway on one side altogether, this will become a place of great resort, and a large town be built up there?—I think it is quite certain in the future.

601. Then, you will have all the elements of civilization, such as cultivation, tradespeople, and so on, there?—I am considering at the present moment, for the Government, a water-supply for Rotorua, and we are providing for a town of ten thousand inhabitants, and the department think there will be ten thousand inhabitants there in ten years.

602. And what about the other springs?—Rotorua will be the central place.

603. What amount of land within, say, a radius of fifteen miles of Rotorua will be available for settlement?—I should say it will all be available in different-sized farms; there would be a considerable portion held as grazing land.

604. Is there much pumice land about?—Pumice is in all the land there.

605. Have you considered the question whether pumice would be made available land?—I think it is doubtful.

606. Have you heard of how they have made an oasis in the Lake Taupo District?—I was at Taupo a few months ago, and saw they grew trees very well, and they were also growing garden produce and fruit very well. In growing fruit it is not so much a matter of soil as sun, and they have that to perfection at Taupo.

607. Have you heard of experiments of treating the pumice by breaking, and making it singularly productive?—No, I have not heard of that.

608. Has your attention been called to the discovery of a disinfecting earth at Rotorua?—No.

609. Made either by the surveyor or doctor at Rotorua. He found a peculiar earth, with disinfecting qualities?—No, I have not heard.

610. Have you heard of sulphur deposits?—There is sulphur all over.

611. Will it pay to collect?—I am a little doubtful, but it is quite possible at Rotorua, by search, they may find deposits on the commercial scale.

612. Have you ever considered the question of the manufactures that may spring up at Rotorua? In Carlsbad, Wiesbaden, and most of the German springs the manufactories are very large: they have three or four waters, and they crystallize the water at Carlsbad. So it is at Wiesbaden. Have you thought of the manufacturing capabilities?—I think that is a good long way in the future. Some seven or eight miles up the Thames Valley from Grahamstown, at Porere, they started bottling the waters, but I do not think it paid very well. There is a real soda-water; I could not detect it from the manufactured article.

613. Are the waters the same at Rotorua?—Yes; and there is one running stream there quite sour. I do not know its composition.

614. Aerated?—No, I think not.

615. It did not succeed at Pourere because it was not properly advertised?—Quite likely. I did not know of it until I was in the district.

616. Supposing there to be a large population, with multifarious pursuits at Rotorua, and Auckland on the other end, do you not think it would be a prosperous railway?—I do not think Rotorua would become a manufacturing centre. I think it would become a place of resort.

617. Are there sulphurous oxide springs?—I am not aware. If sulphur was found in large quantities it would be taken to the vicinity of Auckland and manufactured there.

618. Is there gypsum there?—I cannot say. There are alum caves at Orakeikorako, on the Waikato River, twenty-five miles south of Rotorua.

619. When you say a town of ten thousand inhabitants, do you mean a located town, or including visitors?—Bakers, butchers, grocers, and those who would supply the visitors. I mean a located town. Last year there were fifteen hundred visitors at Rotorua. I have no doubt the number will grow to fifteen thousand, and that before many years. A friend, writing to me from Carlsbad a few months ago, reported there were twenty-seven thousand visitors there last season.

620. Considering how many of these resorts there are in Europe, and only one or two in New Zealand, they would be likely to attract a large stream of visitors from India and Europe?—Yes; and a large proportion from Australia.

621. *The Chairman.*] You stopped at Oxford. You said if the line was extended to Oxford passengers could go by coach to the lakes. Do you not think it would be advisable to extend the line to Ohinemutu?—Most decidedly it should be extended to Ohinemutu.

622. Is it not a very rough road from Oxford?—It is a capital summer road, but in winter the road is very soft.

623. It goes through the bush, does it not?—Yes.

624. If the railway was not extended beyond Oxford, it would still assist the passenger traffic to the lakes?—It would assist it to a certain extent, because the coaching would be reduced by seventeen or eighteen miles.

625. *Dr. Newman.*] If this line were extended beyond Lichfield, do you think it would bring a great deal more traffic to Auckland and Cambridge?—I think it would annihilate the traffic on the Cambridge and Tauranga routes, and add greatly to the receipts of the main line, Auckland to Hamilton.

The Thames Valley Line.

Mr. MAXWELL re-examined.

626. *Sir J. Vogel.*] We wish to know whether you could prepare for us an approximate estimate of what would be the gain to the Government lines by this railway when completed, taking the hypothesis, first, of the line paying its working expenses; secondly, of its yielding 1 per cent.; thirdly, of its yielding 2 per cent.; and, fourthly, of its yielding 3 per cent. You would just form your own estimate of how far it would affect the traffic of the line with which it would be connected?—Such an estimate must be of a very general character, and I could only frame it estimating as a basis the present results of working the Auckland lines. I could make some approximate on that basis of the nature you speak of.

627. Supposing there is a certain amount of traffic on the line, and estimating that it would average so much for the Government lines, what amount would it make? I should like a statement to the same effect for the Rakaia and the Ashburton; and, as regards the Duntroon line, taking

into consideration not only the hypothetical returns, but the returns as they exist; and telling us what you would estimate to be the gain to the Government lines, as the lines do at present?—I could take that on the basis of past work, and give a fair—an accurate—estimate.

628. With an addition up to 3 per cent?—That would be rather difficult.

629. *Mr. Montgomery.*] Will the rates of carriage on the lines be an element in the calculation?—Certainly.

630. Will Mr. Maxwell take the rates as they are now on those lines, or on the Government lines, because the rate of carriage on those lines are very much above those on the Government lines?—In dealing with the three branch lines I should of course take the facts that I have—the present rates and traffic—to base it on. In dealing with the Rotorua I must consider what I have to take there. I would not at present express any opinion as to what is the best way to do it.

631. Perhaps Mr. Maxwell would make a note of the manner in which he bases his estimates?—Yes.

Mr. Maxwell: Sir Julius Vogel asked for an estimate of the advantage in revenue which will probably be gained by the Government railways if the traffic on the district railways produced interest on the cost of construction at 1 per cent., 2 per cent., or 3 per cent. respectively.

In giving these estimates it is assumed that the rates, fares, and charges on the Government and district railways, and the respective distances travelled by passengers and goods, and relative quantities, remain unchanged in those cases where traffic is already worked, and that the rates of wages, materials, and stores do not increase beyond those now current in the colony.

Rakaia and Ashburton Forks Line.—For the year ending the 31st March, 1885, a net sum was realized on this line of £2,204 out of a gross revenue of £6,392. This would be equal to about 3 per cent. on the purchasing price of £72,000. The revenue from the interchanged traffic on the Government railways was, for the same year, £7,352 gross, of which approximately £2,500 would be net revenue, derived from the district served by the district railway. If we assume a condition of things without the district railway the net returns to the Government lines from the district should also be assumed to be less by probably one-half, so that it might be held that the indirect advantage to the Government railways from the construction of the district railway probably equalled £1,250 net revenue for the year.

Waimate Line.—There has practically been so little traffic of any kind on this line that no perceptible advantage has accrued from its construction. I doubt the possibility of so short an extension as this is being made to pay more than working expenses, and I do not see any ready way of estimating the indirect advantages to the Government lines, although there must be such arising in consequence of this line going into a fairly good country, susceptible of cultivation and settlement.

Dunroon Line.—For the year ending the 31st March, 1884, a net sum was realized on this line of £980, out of a gross revenue of £3,442. This would be equal to about $1\frac{1}{2}$ per cent. on the purchasing price of £61,100. The revenue from the interchanged traffic on the Government lines was, for the same year, £5,573 gross, of which approximately £1,850 would be net revenue derived from the district served by the district railway. If we assume a condition of things without the district railway the net returns to the Government lines from the district should also be assumed to be less by probably one-half, so that it might be held that the indirect advantage to the Government railways from the construction of the district railway probably equalled £900 for the year. If settlement progresses, and traffic grows so as to produce a rate of interest of 3 per cent., the net advantage to the Government railways might be stated at £1,800 per annum probably.

Rotorua Line.—I have assumed that this line costs £350,000; the amounts to be realized to make 1 per cent., 2 per cent., and 3 per cent. respectively will be £3,500, £7,000, and £10,500; the gross receipts being £20,000, £40,000, and £60,000; working expenses being in each case equal to about 82 per cent. of the revenue, which is looking at the subject in an unfavourable aspect. I have assumed the same traffic on the average as on the Wanganui line, which is of a very light character, and the expenses about the same rate as on the Auckland lines. They are unlikely to be heavier. I have also assumed that the Government will work the lines, thus saving expenses of directorate and separate management, and the troubles attending interchange of traffic and division of charges. Under such conditions I have assumed that the Government railways would gain an additional traffic equal to half the average traffic on the Rotorua line for a length of one hundred miles. I do not concur with Mr. Stewart that the Government would run all traffic for the Rotorua line over the 104 miles on the Government line. Computing the net revenue due to the Government on such interchanged traffic as is stated above, I estimate it to be £7,000, £15,000, and £20,000 per annum respectively, corresponding with the estimates of the different rates of interest referred to.

Kaihu Railway.

Mr. CHARLES B. KNORPP, Inspecting Engineer, examined.

632. *The Chairman.*] The Committee is making inquiries into the arrangements made between the Government and the Kaihu Railway Company, and they wish to get information respecting the railway, the nature of the country it opens up; and, in fact, the general character of the work it will have to do. Can you give the Committee information on those points?—There is a paper published on the Kaihu Railway Company, in which a report by me is printed on this railway; if you wish to ask anything about that, or desire further information, I shall be happy to give it. [Report D.—5c, 1885, Parliamentary paper, put in.]

633. This report contains all the information you can think of at the moment, till questioned on particular points?—I should say so.

634. *Mr. Dargaville.*] I am interested to some extent in this railway, Mr. Chairman, but I presume there is no reason why I should not bring out any evidence that Mr Knorpp can give? Have you been able to form, from your own opinion, or reference to the estimates of other professional

men, an idea of what the probable cost of that line would be when constructed?—I have been over the line with the engineer who constructed a part of it, and who made some of the surveys, as stated in my report; there were no plans nor levels taken of the upper part of it, and I could only judge of its cost by going over the ground.

635. Repeat what conclusion you arrived at?—Mr. Williams, the engineer of the company, made the following approximate estimate: his total is £87,655; this estimate will probably be sufficient, if the piece through the Gorge can be constructed at a cost of £7,000.

636. The estimated cost is £87,655?—Yes.

637. In your own opinion is that a reasonable estimate?—I think it is, unless the Gorge portion would come to more.

638. It is likely to cost more rather than less?—It may cost more, and it may cost less; it will depend on how the quantities work out.

639. It was on an estimated cost of £90,000. You estimated in your report that the line would pay 14 per cent.?—Yes; from the information I could get as to the quantity of timber and the land to be handed over to the company.

640. You estimate, then, from the prospects of the line, it will probably pay 14 per cent. on a sum of £90,000?—But that does not include receipts from passenger traffic, nothing but from the timber.

641. The settlement of the country would add to that return from the railway?—Would add to that return. My estimate is only from the timber, if the timber is cut out in ten years in the Kaihu Valley, to which this railway gives access. It is kauri timber.

642. What extent of land is owned by the Government at the terminus of this line, at and about it?—I could not say without the statement. The Public Works Statement shows the amount of Government land around that part of the country; all that part coloured faded-green and the cross red part is Government land. There is a large tract of country to the north of that, between the terminus of that line and the Hokianga basin, which is alone twelve miles long and four miles in width, the greater part of which would be saved by this railway if the road through it was continued.

643. Roads, in your opinion, may be made to radiate from the terminus of this line through the Government block?—Decidedly. It would be advantageous to continue the line a few miles further on—further north, but after that the country gets too steep for working a grade.

644. You mean advisable in the interests of the Crown?—In the interests of the railway.

645. Could you approximately estimate the amount of Government land comprised in that block round about the terminus?—This block is thirty thousand acres, but there is a lot of land to the east, which is table-land; that table-land going towards the Tatamoe Range would be tapped by the railway.

646. Would there be one or two hundred thousand acres?—From the look of it there would be sixty or seventy thousand acres served by the line.

647. Of Crown land?—Of Crown land.

648. What effect would the construction of the line have on the value of that land?—It would increase the value for settlement.

649. Is there any available access to that block of land at present?—There is a track through, but a hardly-known track, from the Hokianga to the Kaihu Valley through the bush, but is only practicable with difficulty for horses; but I have not been along there.

650. Is there a road that would facilitate settlement?—There is a road by the Maunganui Bluff that goes round by the beach. The road has only been made roughly. It has been from the Kaihu Valley to the beach by the east and north of the Maunganui Bluff.

651. By road, I mean dray-track. Do you know of any road of that description?—There is no road but the Maunganui Bluff one.

652. Where does that road lead from?—From the Maunganui Bluff down to the beginning of Kaihu Valley, there where the hotel is—Bluff Hotel, I think they call it—on the east side of the bluff.

653. Does that lead to any shipping port?—No; there is no port there.

654. There is no connection by port to that road at present?—No.

655. This railway will be the only connection to that block of land?—That is the only road.

656. There is a proposal by the Government to guarantee fifty thousand pounds' worth of debentures for this company on the Government being secured with a good security for the amount. You estimate this line would, if constructed and worked for the next ten years, pay 14 per cent. on £90,000?—If they go on with getting out the timber.

657. Exclusive of the traffic that will be created by that large block of land?—Exclusive.

658. That would be a little more than 25 per cent. on £50,000?—I suppose it would.

658A. In your opinion, when the line was completed for £90,000, would that be a fair security for the £50,000?—I should say so; quite.

659. Are you aware what money the company has spent on the construction of the line?—The total amount expended up to the 18th March, 1885, is £10,649.

660. Do you know anything of the circumstances which prevented the company from going on with the financing?—It is only from hearsay I can speak; they could not raise the debentures.

661. Are you aware of the reason why the debentures could not be floated?—It is said, when the more detailed estimate was made, that the cost was more than expected from the preliminary estimate made for them before they started the company.

662. The preliminary estimate, made in a hurry, was something like £60,000?—Yes; the report states that—£59,320; but that estimate was made, as far as I could see at the time, for a lighter railway, lighter engines, lighter rails, and less rolling-stock.

663. Not up to the standard of Government railways?—Up to the standard, but it would not be able to do so much traffic. The rails were 30lb. to 40lb., instead of 53lb., and the engines were,

in proportion, lighter too. That would make a considerable difference. There were no levels taken, and it was only made on looking at the general run of the country.

664. A flying survey?—It was not even that; it was going over part of the ground.

665. In your opinion that £59,320 estimate is considerably below what it ought to have been?—Below what is expected to be done now with the heavy rails and rolling-stock. After minute examination, the floods through part of it would necessitate the raising of the banks. A man going over the ground, not having fully known of those floods, would not be able to see that till the levels were taken. That made an increase in the earthworks necessary, and perhaps in the water-way.

666. The company, as I understand you, were to get 30 per cent. of endowments on £59,000, instead of what is ascertained to be the actual cost now, £87,655?—They were to get the proportionate endowment on the estimated cost then put forward.

667. Are you aware of any other reason that precludes the company from floating its debentures?—No; I am not aware of any other.

668. *Mr. Montgomery.*] What is the value of the land to be given to the railway company—the land the Government proposed to give to the company?—It is in the return. I made out that the estimated value of the land is £12,550, which would be handed over to the company—that is, after the timber was cut off. There is a large amount of kauri timber on the company's land.

669. Would the land be increased in value by the cutting of the timber?—The actual value of the timbered land would be decreased, while some of the other land, which is good for cultivating, would be increased.

670. If the line is constructed, would that land be much more valuable?—Some land would be more valuable—that is, the land fit for settlement; but the land from which the kauri timber is cut would be less valuable.

671. The land from which the timber is cut already?—No; when the timber is taken off. I have allowed £12,550 as the value of the land after the timber is cut out.

672. The estimated value would be £12,550?—Yes.

673. But that will not be 30 per cent. on £67,000?—No; because the land on which the kauri timber is growing, valued now at £2 per acre, will be worth only 5s. per acre.

674. The value of the land consists in the timber?—Yes; and it would not be taken off if the railway was not made.

675. How did it come that the estimate rose from £59,000 to £86,000?—The original estimate was made in two or three days by an engineer who just rode over part of the line, and had no level or anything. I do not know if he had aneroid levels, and the information as to floods was very small, and it was a lighter railway, less rolling-stock, and lighter engines.

676. And it was on that estimate the contract was framed with the Government?—Yes.

677. And since that there has been a more correct survey, and it is found it cannot be made under £86,000?—Yes.

678. And the land offered is not 30 per cent. on £86,000, but on £59,000?—Yes, that is it.

679. Has there been any application for an increased amount of land?—Of that I have no knowledge.

680. I see there is land marked here yellow, which will be increased very much in value if the railway is made; that is high land?—That land is about 1,300ft. above the level of the sea, but it is a plateau.

681. A great deal of that land has a fall to the eastward?—It has a fall to the eastward; there is a lot of kauri in the gullies to the westward.

682. The timber could not come over that land to the westward again, and a deal of that land would not be served by the railway?—Not by that railway. I have spent several days in examining the Government kauri forests to the north of the company's land, and find that on the seaward side of the table-land they extend for a length of ten miles, averaging from half a mile to a mile in width in the valleys of the Waipoua, Waimamuku, and Wairau streams. They are not so dense with kauri trees as in the Kaihu basin; but there are several patches from twenty to thirty acres where the kauri trees stand very close together. They may contain some two hundred million superficial feet of kauri timber. All the streams drain to the west coast, and the timber will have to be taken to the coast. It may be for the present advisable to preserve those forests by strict regulations and supervision until their increased value will pay for the cost of removal.

683. In going to the west coast that timber would not come to the railway at all?—I have not included that. The timber included in my estimate is from the Kaihu Valley, from the east and west and the valley itself, and the streams that drain into the Kaihu Valley.

684. It is said of this land marked by red, which I understand to be the land to be given by the Government to the company, will be taken out of, besides that land marked in red; would the line serve any land for bringing timber to it?—It would serve the plateau; but there is not much kauri there.

685. What is the benefit to be derived to the railway from the plateau?—It would do for settlement when they clear the forest, and make agricultural land of it.

686. It is only good for agricultural land, not for the timber itself?—Only for the agricultural land.

687. *Mr. Wilson.*] The reason Mr. Fulton had not the same knowledge as you have was, that he had only a flying survey?—He had only two days, may be three days, and in that country you cannot get about easily; you have to ride round swamps.

688. Has any proper survey of the line been made yet?—The line has been pegged out to 16 miles 15 chains, but the levels have not been checked, and therefore the longitudinal section has not been plotted. Thence to the upper terminus, to 19 miles 40 chains, a preliminary survey without levels has been made. Contract plans are ready up to 7 miles 65 chains, with the exception of an

easy piece, 2 miles 40 chains long, through Native property where levels were not allowed to be taken at the time, but of which surveys and levels have since been taken by the Government Survey Department, and which are available for use by the railway company.

689. Is Mr. Williams's estimate a fair one?—I think so from what I have seen, and I walked over the whole line; but I only go by his approximate quantities.

690. This is practically a line for timber traffic?—Yes.

691. An inferior line?—No, it will be according to the Government standard, something like an ordinary New Zealand railway.

692. A cheaper line would be equally good for the mere carriage of timber?—With a cheaper line made you would have cheaper rails and engines, and you could not do the same work.

693. Would it not be simply less speedy?—No, there would be less quantity; a small engine would not draw so much as a large engine.

694. You consider Mr. Fulton's rails are too light?—I would not say that; it depends on what the company meant to do. If they mean to work the line to its full extent, they are quite wise to put heavier rails on, because doing it afterwards would cost more, and the difference to be paid now would be recouped in a short time on account of the greater amount of traffic they could carry.

695. And the station-buildings are very much increased; what is the reason of that? Buildings in Mr. Williams's estimates are put down at £5,300, and buildings in Mr. Fulton's are only £15,00. Buildings on such a railway would not be of much consequence?—They had to build the station-master's house, and they have station reclamations. I do not know the exact items of this work.

696. Are you aware whether any portion of Mr. Williams's estimate was for the purpose of making a new wharf?—That amount is included; the wharf is made, all but finished.

697. Where is it mentioned in Mr. Williams's estimate?—It would probably be in the buildings; it is included in that. The wharf is built; they have not the rails on it yet, but the work is done.

698. You consider Mr. Fulton's estimate too small as regards rolling-stock?—With the altered conditions; I do not know what his instructions were. Probably his instructions were to make an estimate for a light railway. In that case it would have been enough; but they changed the rails from 40lb. to 53lb., and heavier engines, and in the rolling-stock the same. In their estimates that would of course alter the character of the line. You have to make your bridges, and everything thing stronger, if the engines are made heavier.

699. Is the estimate given in detail anywhere?—I do not think it is given in detail. I saw it all in detail.

700. *Dr. Newman.*] Is there deep water up to Dargaville?—Yes.

701. How big is the township?—How many people live there?—I could not tell; I should say about four hundred.

702. Could this railway be extended in after years with any advantage?—Not more than three or four miles up to the foot of the plateau.

703. And why not further?—Because the rise is too sudden. The upper terminus of the company's line will be about 200ft. above sea-level, and the ground beyond allows an additional rise of 250ft. in about three and a half miles; after this the ground rises rapidly 750ft. in three and a half miles to the table-land, which is about 1,300ft. above sea-level, and twelve miles long by four miles wide, without a break through it, and which is joined on the east by the Tatamoe Range, and on the west by the Maunganui Bluff. It is evident that the table-land cannot be reached by a practicable line from the company's upper terminus, and thus the Kaihu Valley Railway cannot be profitably extended to more than three and a half miles from it. By a judicious selection a good road can be obtained from the table-land to the terminus.

704. While the mills are in active work the line will pay 14 per cent.?—While they are getting the timber.

705. How long will that last?—Ten years, I estimate.

706. And what will the line pay afterwards? Will it pay working expenses?—I should think so, because there will be settlement there, as the table-land is very good land, and the climate is a splendid one.

707. And that would end at the 16 miles?—At the end of the 19 miles.

708. The whole of the country at the end of it is good for settlement?—Yes.

709. And may be expected to pay as well as the average New Zealand lines?—I should say so. It is all easy grades except the last mile or two. It will not be good for heavy traffic, if there should be any of it. It will, however, be all down-hill.

710. Do you know if the company are to give the Government any concession for guaranteeing those debentures?—I do not know that.

711. I notice that a deputation which waited on the Minister for Public Works said that the line would open up twenty-five thousand acres of Crown lands; that is a smaller estimate than I have gathered from your evidence?—It all depends how the roads are made. This is the only valley which gives access to the country, to the east and west and north of it, for all this piece of ground here, all within about 8 or 10 miles. By the dotted lines you see on that map all the land leads down to that valley, and beyond there all the traffic must go in the direction of that valley.

712. Taking it, as the deputation said, in effect that twenty-five thousand acres—[*Mr. Dargaville*: That is a mistake; two hundred and fifty thousand acres—that really is a misprint?—I should say so, decidedly. I know of one piece of thirty thousand acres, without taking the eastern portion at all into account, which is probably just as large an area again.]

713. You have referred to Mr. Fulton's estimate of the work; you have seen the schedule which sets out his estimate in detail at the foot of D.-5c. Have you been able to come to any

conclusion as to a mistake that would account for the difference of his estimate and your own?—I do not think you could say it is a mistake; it is a different kind of line, and the second estimate was made from accurate information, from accurate levels. He only looked at the ground, and went over part of it, and you could not expect a very accurate estimate on those conditions, while the greater part of the second estimate is from quantities.

714. Mr. Fulton is engaged by the company, therefore he was more likely to give an over- than an under-estimate, considering the assistance the Government was to give towards the line in the shape of an endowment of land for its construction?—I do not know what his instructions were; he was engaged by the company. One great difference is the making it a heavier line, which affects all the work except the earthwork, and the discrepancy there would be accounted for by the more accurate information.

715. You estimate the revenue to be got as 14 per cent.; in that you include an allowance for cutting down and working the timber there; and, if that be not done, if the kauri timber is not worked, would there be much other traffic on the line?—There would be little traffic unless they should start that.

716. That timber is partly on Government and partly on private land?—Partly on Government land and partly on private land.

717. There would be inducement if the line was made to work the timber?—It would depend on the demand for kauri, and I do not know of that.

718. And the kauri could be placed on the market on as favourable terms as any other?—There would be no loss in getting it out, and therefore it could be sold at a less price than where a large percentage is lost in getting it out.

719. It would only last ten years?—I have allowed for the quantity, and make the result that they would get it out in ten years. If got out in less time there would be a greater profit for the time being.

720. The company urge that it is owing to the arrangement made by the Government that they cannot get land from the Government till they have constructed the line; and the necessity of having to get the ballast from twelve and a half miles distant: they urge that why they should get assistance from Government, because they would have to spend the £60,000 before they got the assistance. Does that add seriously to the cost of the line—getting the ballast from a distance of twelve and a half miles?—Yes; there is no stone or gravel near; it is all rich alluvial land, and there is no gravel for the ballasting of the line.

721. And that is an exceptional case?—Yes; between Helensville and Riverhead the Government had no ballast, and we had to put ferns under the sleepers.

722. There is a reference to the Natives having interfered with the survey of the line; has that been set at rest?—That has been settled, because the Survey Department has taken a road along the line, and they have got the levels in the department.

723. And no likelihood of the Natives interfering again?—No.

724. Has application been made to have the land put through the Court—the land on which the difficulty was made?—I do not know.

725. Do you know what the original intention in building this railway was?—I do not know.

726. You do not know if it was for the purpose of utilising this kauri timber?—I could not say from my own knowledge, as I had nothing to do with it until I went up and reported on it; but the principal object, I believe, was to get at the timber.

727. It is said that 260,000,000ft. of timber is on a certain block of land; is that the property of the company?—No. That is private property; it belongs to other people. I think Dr. Campbell has got some large quantity there.

728. What proportion belongs to the Government?—I could not say exactly.

729. Does no part of it belong to the Government within your knowledge?—The company has no land yet; until they make the railway it all belongs to the Government. I think that about half would belong to the Government, nearly half; but I could not speak positively about it, only from hearsay.

730. *Mr. Dargaville.*] This elevated table-land: what do you say the character of that country is?—I have only seen part of it, but what I saw was good land, not very heavily timbered; taraire and other light timber, and a little totara on it too.

731. Are you aware if any of the land had been prepared for settlement prior to the proposed construction of the railway line?—I believe there was a block set apart at the Maunganui Bluff for sale; I do not know whether that has been sold.

732. Assuming that piece of country has been settled in the ordinary way after it has been made accessible, would the line act as a feeder to the Hellensville line?—A good deal of the timber would go from Hellensville to Auckland.

733. With reference to the proposed character of the line, you were asked, if it was for the haulage of timber only, whether a cheap line would not suit the purpose; would a cheaper line for hauling timber be a suitable line for the passenger traffic that would arise consequent on the settlement of this piece of land?—It would not be so good.

734. Would a cheaper line be a safe line for passengers?—It would not be so safe.

735. *Mr. Montgomery.*] I wish to ask if you know the land to the east of the Wairau River, to the east and south-east of the lower end of the railway?—I have only been along the river. Some of it is poor land. This land included by the stream: I have never been there. There is some very poor land from Wairau to Wangarei.

736. Is it not still heavily timbered land?—I cannot say. That is south of it.

737. Is there not a deal of timber taken from there by ships?—There is a deal of timber taken by ships. There are some sawmills there. All along the river there are sawmills.

738. And there are sea-going ships that go there for Australia?—Yes.

739. There is more timber than Auckland could take?—Yes ; a great deal of it goes to Sydney.

740. The increased timber coming down would not make increased traffic from Helensville to Auckland?—No.

741. They are shipping it now to foreign parts ; and the extra supply would decrease the price?—I cannot answer that question. It all depends on supply and demand.

742. What is your impression, of the timber available for cutting up for shipping in this harbour of Hokianga and Kaipara—that is, opened up, not required by this railway?—I cannot tell.

743. Is it getting scarce?—I do not know enough on that subject.

744. Is there enough to last for fifty years?—I cannot say from my own knowledge.

745. *The Chairman* : Supposing the railway is constructed, is it not the key to the whole of the country, and would not the owners of the railway have control of the traffic of that district?—I should say they would.

746. It would not be possible to compete with them?—The only way would be to start a line further south, and run so as to get to the table-land ; but there would not be sufficient inducement for that with the low-level line there.

747. Can you say whether that extent of bush land has been sufficiently explored to give an opinion as to whether it is possible to get on the east and west coast by it?—I think only a few people have been there at all—Mr. Palmer and some other people.

748. Not sufficient known of it to say whether it may be possible to continue this line through the Waimau or some adjacent valley?—It goes through the Waimau. There are no openings. That is the only opening there : the Tatamore Range on the east, and the Maunganui on the other side ; and the plateau, which is 1,300ft high. There are no breaks. The only breaks are the Waimau and those streams going into the plateau, but they go up very rapidly.

749. You think sufficient is known of it to say that there is no possibility of connection between the east and west coasts through that way?—There is not sufficient known ; but what is known is, there is no possibility of going through there.

750. Do you know Mr. Ware?—Yes.

751. He is an Auckland engineer?—Yes.

752. Are you aware whether he has been over that line?—He was speaking of going with me but did not ; I do not know if he has been since.

753. You do not know if he has been since?—Not from my own knowledge.

754. Are you aware that he has formed an estimate of the line?—I see it here.

755. Is he an engineer of standing?—Yes.

756. What is his estimate?—I see it is £90,000. Mr. Ware would have a good idea of the cost. He has been a contractor and engineer.

757. He was the contractor for the Lyttelton dock?—Yes ; and the Auckland dock. He would know the value of the work. He had contracts under Mr. Brogden.

The Chairman then read the following description of the land affected by the line from "The Crown Lands Guide, 1884." Hokianga County : 306,100 acres, Crown lands. Nearly all forest ; soil generally fair ; but the best lands are at present inaccessible for want of roads. The large extent of Crown lands lying to the south of Hokianga harbour is of excellent quality.

Waimate Railway.

Major STEWARD, M.H.R., examined.

758. *The Chairman.*] I think you know the object of the Committee is to inquire into the arrangements with respect to the district railway, to see whether they are arrangements of a suitable character, and the Committee understand you can give information as to the Waimate Company's Railway?—I presume the Committee has before it all the papers, including the correspondence which has taken place between the Government and the company, and therefore is posted up as to the cost of the line and the amount the Government have offered for it. The only matters I can give the Committee are matters of my own local knowledge, and particulars which, perhaps, the Committee would like to be made aware of, evidence that has already appeared in the papers referred to. The length of the line is about eight and a quarter miles, and the total cost has been about £46,000. I see by the papers that the Government, in their proposed agreement with the company, or temporary agreement I may call it, contemplate giving £33,900, that is roughly the amount offered to the company, and which the company are willing to accept : it is about two-thirds of the cost price. The line originally intended to be made was to have gone eight and a half miles farther than at present, and had the line been carried out to the full extent originally intended undoubtedly it would have become a much better paying line, because it would have conducted to the extension of settlement ; and, further, the Committee will see that quite naturally on a short line of eight and a quarter miles there is less traffic proportionately on the line than would otherwise be obtainable, for of course persons having properties within so short a distance of the main line will, in some cases, prefer to dray their stuff down to the main line, while if the line had been extended to the full extent originally intended it would have obtained a large amount of traffic that could only have come in that way. The Committee is aware of the difficulty that arose under the District Railways Act with regard to the financing of the companies. The companies were not able to float their debentures because the guarantee was limited to a fixed number of years, and then an amending Act was passed enabling the guaranteed interest to be paid and the companies to rate in respect of the portions of the line completed. That was so in this case, and a re-valuation of the district was made, and against that re-valuation there have been several complaints. Several of the ratepayers say, and with force, that all the circumstances were not taken into account ; and that some of the land is consequently unfairly classified. Petitions were presented to the House last year setting forth the hardship of their cases, and the Committee reported that, I believe, as the matter was before the House, they had no recommendation to make. I

may say that there are a number of ratepayers in the district at present liable; there are altogether thirty-four of those ratepayers. Of those ratepayers only five are shareholders in the company, so that there are twenty-nine persons liable for rates to this company who have no shares in it. The total amount of the rate struck (that is to provide 5 per cent. out of the 7 per cent. of the guarantee, the Government being responsible for the other 2 per cent.), is £1,856 3s. 4d.; of that amount the non-shareholding ratepayers were liable for £905 16s. 1d, the shareholding ratepayers being liable for £950 7s. 3d; so that the Committee will see that those twenty-nine ratepayers who have no share or interest whatsoever in the railway have to pay about one-half of the burden. Then, the Committee is no doubt also aware that, pending Parliament's consideration of the taking over of this line, instructions were sent to rate for only two-fifths of the guarantee, that is to say, it being proposed to pay in 4-per-cent. debentures, it was only necessary that 4 per cent. should be raised, of which the Government was liable for 2 and the ratepayers for 2; whereas the guarantee was 7 per cent., Government 2 and the ratepayers 5; therefore it was proposed that the ratepayers should be temporarily relieved to the extent of three-fifths. The amount of rate actually paid was two-fifths of the rate struck, namely, £742 9s. 10d. for the year.

759. *Mr. Cowan.*] What year?—Last year, I apprehend, as the paper was furnished me by the secretary. It was only since last year the negotiations were entered upon, and the instructions to collect two-fifths issued. If the arrangement now proposed is carried out, that is to say, if the line were taken over at £33,900, call it £34,000, the saving to the Government would be about one-third of £742, which would be the Government share of the guarantee, or, in other words, Government would save about £250 a year. The saving to the ratepayers as against the present arrangement would be first the three-fifths which they would be relieved from owing to the guarantee being practically reduced to 4 per cent., that is to say, three-fifths of the 5 per cent. they are now liable for. Again, the sum on which the interest is calculated would be reduced from £46,000 to £34,000. There is here again a reduction of two-thirds on that account, so they would pay two-thirds of two-fifths of what they do at present, or four-fifteenths, or little more than one-fourth, of their present liability. I wish to point out how the present state of things presses on a number of *bonâ fide* farmers. They have to pay at present 5 per cent. upon £46,000; under the new arrangement this would be largely reduced. [List of ratepayers, showing value of holdings and amount of rates struck and paid, read.] As a matter of fact, I believe the railway is just about paying its working expenses, but that is all. I am informed that the figures stood thus for the last three months: that there was a loss upon one month of £2, upon another of £5, and again upon a third of £5; so, taking the three months together, it looks as if the working expenses were just about made.

760. *Mr. Cowan.*] Expenditure over income?—Yes; so that £5 gain is met by a loss of £7: it is very nearly an even thing. This may be worth pointing out to the Committee: that the sum earned for the carriage of goods brought down by the branch line does not represent the entire benefit to the railway system, as most of the stuff goes beyond Waimate and over the main line; and a calculation made by the secretary shows that for every £30 or £33 of freight for goods carried over the branch line the Government gains about £112 for carriage to the various stations to which the stuff is consigned. I may, perhaps, be allowed to say, as a matter of opinion on public policy, I think it is to be regretted that some way cannot be discovered to enable the Crown to acquire land for settlement. There is a block of 18,000 acres of land adjoining the terminus of this railway which could be opened to settlement, and the extension of the railway through it would make the line a paying one. The property is that of Mr. Clarke.

761. *The Chairman.*] Is it private land?—It is private land at present, but could be acquired by the Crown at a reasonable price.

762. *Mr. Peacock.*] What land is available in the future?—There is excellent land in the Upper Waihao, Hakateramea, and Mackenzie country, some in the hands of the Crown, but some of it private land; and eventually the line could be taken through by the pass leading into the Cattle Creek, which would get into the Hakateramea at, I think, about two-thirds of the distance up the valley from the terminus of the Duntroon line at Kurow. Then all the way through to the Mackenzie country it is quite easy to take a railway; and in the Mackenzie country there is an enormous area of land available for settlement—hundreds of thousands of acres.

763. *Mr. Cowan.*] Crown land?—Great part of it Crown land.

764. *The Chairman.*] Has any survey or estimate of carrying it there been made?—Not that I am aware of.

765. What is the distance from the present terminus?—From the present terminus to the Hakateramea, about twenty-five miles; and from the Hakateramea to the Mackenzie country, I think, would be about ten miles farther: so that thirty-five miles or so would take you into the Mackenzie country.

766. *Mr. Montgomery.*] Most of the goods carried on the branch line goes to increase the value of the main line?—Yes. I am informed by the secretary that for every £30 or £33 made by the carriage of goods the Government get £112.

767. What are those goods?—Wool and station produce.

768. Would those goods go to the main line if there was no branch station?—I presume of necessity they would.

769. So the line does not increase the traffic to the main line?—No; I cannot say it does.

770. If the line was extended there would be more through traffic, provided the land was settled?—Yes, much more, provided the land was settled, which it would be.

771. The line is not returning any profit at present?—No; on the last three months it is just an even thing.

772. How long has the line been running?—About two years, with intervals. After it was first opened it was stopped by floods, which have caused much of the expenditure.

773. *Mr. Peacock.*] There was land beyond the line which, if settled, would bring an increased traffic to the line?—Yes.

774. That was in private hands, I understood you to say?—The land next adjoining, called the Waihaorunga Estate, that is in private hands.

775. The paying of the line would depend on the private individual cutting up his land?—Yes.

776. You may be able to show where the expectations of those who made the line have fallen through in the traffic, and where the difference has come in?—The difference has come in in that they contemplated extending their line through the very block I speak of. The owners, who were shareholders, got into financial difficulties, and the company could not carry on the line—could not proceed to carry the line to where it was intended. It did not get the returns, which would have been got, because the company did not carry out its original scheme.

777. The anticipations included the settlement of the country, which has not been reached yet by the railway?—Which has not yet been reached by the railway.

778. Do you know that the rates charged on this line are higher by 50 per cent. than the Government rates—50 per cent., or so?—I am not aware of the relation between their rates and the Government rates.

779. They are higher?—Probably they are higher.

780. In the event of the line being purchased by the Government, would they require that the rates should be reduced to the Government rates?—No; I do not think so, because the settlers would be glad of the relief they would obtain under the terms proposed by the Government, and they would be willing to pay the same rates as they do at present.

781. And you do not expect there would be a clannour in that direction?—Not in the least; in point of fact I am sure there would not be.

782. *The Chairman.*] Can you tell the Committee the proportion which the working expenses bear to the receipts on this line?—At present they are about equal.

783. I mean what it has been on the average?—I cannot say, nor would it be fair to take the thing on the average. The last three months could not have been a particularly favourable time, because it is not the time of year for traffic.

784. *Mr. Cowan.*] Looking at it from a commercial point of view, would you recommend its purchase?—If I were asked to invest £33,000 as a private individual I would expect to get interest on my money; but if I were in the position of the Government, and had to contribute whether it paid or not, I would be willing to make this arrangement, because arrangements can be made which will make the line in the future a remunerative one.

785. *Mr. Montgomery.*] If the amount to be paid by the Government was only for a limited period, that would effect the question as to the advisability or not of purchasing the line?—Yes, it might to some extent.

House of Representatives, 7th September, 1885.

SIR,—I desire to be permitted to supplement my evidence of this morning by the following further statement.

The Chairman, Public Accounts Committee.

Yours obediently,

WM. J. STEWARD.

There are extensive deposits of valuable building stone, similar to the famous Oamaru stone, but superior to it, close to the Waihao Forks Station. The supply is indeed absolutely inexhaustible. There is also an extensive coalfield, extending for many miles. The coal is a good brown coal, and can be got close to the line at the Waihao Forks, within a few chains of it. This coal has been largely used for threshing-engines with very satisfactory results, and will, I believe, come into use for railway locomotives. As the timber of the district is fast disappearing, this coal must soon become the principal fuel for domestic purposes. As it can be placed on the trucks at about 5s. per ton, it must soon become a very large item of freight, in itself sufficient to yield good traffic returns. I should also mention that arrangements are now in progress for the construction by the County Council of a road leading from the Waihao Forks to the Upper Waihao, which will have the effect of opening up for settlement a block of 10,000 acres of Crown land, the produce of which will form so much additional freight for the railway.

Duntroon and Hakateramea Railway.

Mr. DUNCAN, M.H.R., examined.

786. *The Chairman.*] I believe you know the purpose of this Committee. It is to ascertain whether the contracts made with the railway companies are fair as to price and terms. The Committee has nothing to do with the policy of purchasing the railways. Do you know any of the railways; specially the Duntroon and Hakateramea Railway?—I am well acquainted with that railway. As far as I know, the price is not excessive, as I saw in the paper on the table of the House.

787. Can you give the Committee any information as to the prospect of the railway paying in the future?—I may state at the present time the lessees of two runs have notice. On one there is supposed to be about 7,000 acres opened up during this coming year for settlement; on the other about 2,500 acres, or something approaching that. The larger quantity is on the company's run at Kurow, and the other on the Hon. Robert Campbell's lease. This land of the Hon. Robert Campbell's is right opposite the railway, and within about a mile or a mile and a quarter of the line.

788. *Mr. Cowan.*] Upon the same side of the river?—Yes; and the other is just west from that, leading from opposite the line to about four miles farther west than what the line will reach to. It passes immediately through a settlement of 5,000 acres of deferred-payment and some sold sections, but principally deferred-payment, known as Oteaki, and they range from 80 acres up to 200 or 250

each holding. About four miles from the Kurow end, the terminus at the present time, there is another block of about 4,500 acres, also principally deferred-payment, that is now settled. Further up the river there are portions here and there that are fit for agricultural settlement. I may say with regard to two runs, Oamarama and Benmore, there are about 50,000 acres that will come in for settlement at no very late period. One of these portions is held for education purposes; some portion of the Benmore. Then, with regard to the north side, there are 100,000 acres of land sold in Hakateramea—that is, the Canterbury side—and by what I saw of the ground the bulk of this, or the greater proportion of it, is agricultural land. It has been sold at the price of £2 per acre before the line was extended to Kurow. Nearly all of it had been purchased before then, so that there is a large proportion of it fit for cultivation, and it would be cultivated payably if grain at the present time was remunerative.

789. *Mr. Peacock.*] Those blocks of land you speak of as either sold or likely to be sold are owned by private parties?—They are Government land.

790. You mentioned blocks belonging to the Hon. Robert Campbell?—They are only held on lease; it is Government land.

791. Are all these blocks Government lands, and how much do they come to?—Yes, with the exception of Benmore. I have not totted them up, but I can give you the numbers of them. There are 9,500 acres that are now settled, on deferred payments principally, with the exception of a few sections that have been sold.

792. What do the various blocks amount to that can be settled or are in process of settlement?—There are 9,500 acres that are in course of settlement, that the lessees have received notice that they will be wanted during this year for settlement, and the promise of the Commissioner of Lands, Dunedin, is that they will all be surveyed by March coming. About 9,500 acres of that is for actual sale now or presently.

793. You mentioned a block of 100,000 acres, but is that purchased?—Yes, it is purchased.

794. By whom?—By private individuals. I mentioned a further block of 50,000 acres coming towards Oamarama, where the line is going to.

795. The lands should increase the traffic on the line, the 9,500 and the 50,000 acres on Benmore?—That is the Government land. There are several portions of the runs ploughable and occupiable as soon as convenient.

796. As soon as these lands are sold there will be a considerable increase to the traffic of the railway?—Yes. I should say, further, that it would tend to these lands being sold at a higher price, and they would be taken up more readily if the Government owned this line, and if they were managed in conformity with other lines, as the terror of this rate to be levied to make up the deficiency will have a tendency to stop settlement on the 9,500 acres.

797. Did you refer to the character of the land beyond the existing line?—It is principally pastoral land for a distance of thirty miles, with the exception of a few thousand acres here and there, and then the open plain comes in again, the Upper Waitaki Plains, with their 50,000 acres of ploughable land still there.

798. Increase of the traffic is not to be looked for beyond the present line, but from the land to be surveyed?—Not at present.

799. *Mr. Cowan.*] Is the land available wheat-growing land?—It will all grow wheat and barley.

800. Are you aware the rates charged are higher than on the Government lines?—Yes, I know they are.

801. Should the line be purchased by the Government, will there be a clamour for a reduction to the Government rates?—I presume they would be reduced; at least, that is the feeling of the district. On the Hakataramea side those 100,000 acres would add largely to the traffic if the rates were reduced, and the price of wheat higher, for the land is well adapted for wheat-growing.

802. What do you think of this purchase on the part of the Government at £61,000?—If you take it on the average of other lines it is a good purchase. Taken as the average of other lines belonging to the Government it is cheap, as it is first-class material—steel rails, well found, bridges, &c., good.

APPENDIX.

The UNDER-SECRETARY for PUBLIC WORKS to the CHAIRMAN, Public Accounts Committee.

Re District Railways.

SIR,—

Public Works Department, Wellington, 8th September, 1885.

In reply to your letter of the 7th instant, I have the honour to enclose statements showing how results would have been affected by the 30-per-cent. clause, section 80, of "The District Railways Act, 1877," on the under-mentioned lines of railway, assuming that the clause had come into operation last year, viz., Rakaia-Ashburton Forks Railway, Waimate Railway, and Duntroon-Hakateramea Railway.

F. J. Moss, Esq., M.H.R.,
Chairman, Public Accounts Committee.

I have, &c.,
C.-Y. O'CONNOR,
Under-Secretary for Public Works.

Rakaia-Ashburton Forks Railway.

Statement showing how results will be affected by the 30-per-cent. clause, section 80, of "The District Railways Act, 1877." Assuming that the clause had come into operation last year, the result would have been as follows:—

	£	s.	d.
7 per cent. on certified cost, £74,000 ...	5,180	0	0
Less statutory profit, viz., 30 per cent. on £6,406 ...	1,921	16	0
Deficiency in guaranteed interest ...	3,258	4	0
Actual profit earned ...	1,399	0	0
Total revenue ...	£4,657	4	0
Percentage which would have been earned on the above basis } = $\frac{£4,657 \ 4 \ 0}{£74,000 \ 0 \ 0}$ of £100 = 6·3 per cent.			

NOTE.—The loss to the company during the year 1884–85, owing to the operation of the 30-per-cent. clause, would thus have been the difference between 7 per cent. on £74,000—£5,180—and the total revenue as above, £4,657 4s., namely, £522 16s.

The 30-per-cent. clause, however, did not commence to operate on this railway till the 1st April, 1885.

Waimate Railway.

Statement showing how results will be affected by the 30-per-cent. clause, section 80, of "The District Railways Act, 1877." Assuming that the clause had come into operation last year, the result would have been as follows:—

	£	s.	d.
7 per cent. on certified cost, £40,500 ...	2,835	0	0
Less statutory profit ...	130	10	0
Deficiency in guaranteed interest ...	2,704	10	0
Add actual profit earned		
Total revenue ...	£2,704	10	0
Percentage which would have been earned on the above basis } = $\frac{£2,704 \ 10 \ 0}{£40,500 \ 0 \ 0}$ of £100 = 6·67 per cent.			

NOTE.—The loss to the company during the year 1884–85, owing to the operation of the 30-per-cent. clause, would thus have been the difference between 7 per cent. on £40,500—£2,835—and the total revenue as above, £2,704 10s., namely, £130 10s.

The 30-per-cent. clause, however, will not commence to operate on this railway till the 24th April, 1888. By that time the receipts and working expenses may be very different to what they are now.

Duntroon-Hakateramea Railway.

Statement showing how results will be affected by the 30-per-cent clause, section 80, of "The District Railways Act, 1877." Assuming that the clause had come into operation last year, the result would have been as follows:—

	£	s.	d.
7 per cent. on certified cost, £62,100 ...	4,347	0	0
Less statutory profit ...	930	18	0
Deficiency in guaranteed interest ...	3,416	2	0
Actual profit earned ...	401	0	0
Total revenue ...	£3,817	2	0
Percentage which would have been earned on the above basis } = $\frac{£3,817 \ 2 \ 0}{£62,100 \ 0 \ 0}$ of £100 = £6 14s. per cent.			

NOTE.—The loss to the company during the year 1884–85, owing to the operation of the 30-per-cent. clause, would thus have been the difference between 7 per cent. on £62,100—£4,347—and the total revenue as above, £3,817 2s., namely, £529 18s.*

The 30-per-cent. clause, however, will not commence to operate on this railway till the 31st July, 1886. By that time the receipts and working expenses may be very different to what they are now.

* This is based on results for the year 1883–84, as the company has not yet submitted a statement of its accounts for the year 1884–85.