

88. I do not understand it at all. In the season preceding 1895, were there any heavy construction-works of the company going on at the end of its line?—Yes; I think there were.

89. And would not the loss of the freight on the company's own materials, which, of course, ceased to be sent up when construction stopped, account for the difference?—Yes; that would partly account for it, I think.

90. Was any portion of the head office expenses debited to the working expenses of this line?—No; none of the head office's expenses were debited against the working railways.

91. Any portion of the general manager's salary—Mr. Wilson's?—Yes; but of course that is apart from the head office. All the charges that are dealt with by London are quite apart from ours.

92. I mean the head office in Christchurch?—Yes; a portion of Mr. Wilson's salary was debited against the working railways, I think, up to the time the arbitration proceedings commenced, and then his salary was charged against arbitration expenses.

93. And a proportion of all the other expenses in the Christchurch head office would be debited against the working expenses?—Mr. Scott's was always apart from the working railways. None of his salary was charged against the working railways, but part of the other salaries of the clerical staff were charged against working railways.

94. *Mr. Button.*] Mr. Blow, you asked witness whether certain of the company's own material had not been charged as freight and regarded as receipts. (To witness): Was that their custom?—Not the material; the freight on the material.

95. I presume you charged freight on your own material going up and credited it to receipts?—Yes; that is so. Freight on the material coming up for construction-works was charged against construction, and credited to traffic receipts (construction material).

96. I see your point. You bring it out that it is special.

97. *The Chairman.*] You are in the service of the debenture-holders?—Yes, I am in the service of the Receiver for the debenture-holders now.

98. Were you formerly in the service of the company?—For five years I was assistant accountant to the Midland Railway Company.

99. Did you come from England for the purpose?—No, I received the appointment in Christchurch.

100. And you continued in the service ever since?—Yes, until last March.

101. So you are pretty well *au fait* with the company's system of book-keeping?—Yes; I did the writing-up of the company's books.

102. In respect to the great difference in the profits for the ten months prior to the seizure of the line by the Government, as compared with the year preceding, you said that the difference was due to the postal rates being charged up, amounting to some £300, and some other heavy charges. Were these heavy charges an afterthought on the part of the company because the Government had taken possession: in other words, did not some of these charges that were made against the receipts of the company fairly belong to other previous years? If they were properly chargeable at all to the receipts account of the railway, were they not properly chargeable in previous years, and had been held back without having been charged?—So far as I understand your question, all the charges that would have been made on the 30th June, 1895—that is, for the completion of twelve months' traffic—would have been made in order. There would be nothing out of order in bringing amounts to charge, such as postal charges.

103. Then, why is there such an enormous difference of rather more than half the receipts of that year from the previous year?—That is mainly due, as Mr. Blow has reminded me, to the stoppage of construction-works. While the construction-works were going on at Jackson's section there was considerable haulage of contractors' materials, and that haulage was debited against construction, and credited to traffic receipts. From the 30th June, 1894, the construction-works had practically stopped, and there was very little revenue from that source. I might explain one of my answers to Mr. Blow in reference to the Blackball royalties. I think on the 30th June, 1894, we did include the Blackball royalties in the working railways revenue. The land is closely connected with the line, and we could not decide at the time whether it should go to the land department or to working railways; it was included in the revenue account, which was signed by the Auditor. The Head Office in London subsequently advised us to credit the Blackball coal royalties to the land department.

104. Does the Blackball Coal Company belong to the Midland Railway Company?—The Midland Railway Company selected the block on which the mine is, and the Blackball Mine is leased by the Midland Railway Company to the Blackball Coal Company.

105. It is, in a manner, a subsidiary company to the company?—It has no connection with the Midland Company, so far as I know. The Midland Railway Company leased the land to the Blackball Coal Company. The latter pay the Midland Railway Company a certain amount for it as dead-rent every year, and also a royalty of 6d. per ton on the output.

106. *Mr. Button.*] What did the dead-rental and the royalties amount to? How much each respectively?—The dead-rent amounts to £160 per annum. The royalties vary. I may say that for the twelve months ending the 31st December, 1895, the royalties amounted to £847. But the dead-rent merges into the royalties so soon as the royalties exceed the dead-rent. So you may take the royalty figure as the proceeds.

107. When the royalties equal the dead-rent, then the dead-rent ceases?—Yes.

This concluded the evidence on the part of the petitioners.

*Mr. Blow*, addressing the Committee, said: Mr. Chapman began by referring to the formation of the company, and, from parliamentary papers which he produced, he sought to show that the Government took a very keen interest in this matter. I do not know that the Government took any very special interest in it; but, I think the correspondence shows particularly that the Govern-