

to justify the completion of the line to Taupo. For some years past the company has been taking steps with a view to obtaining all possible information as to the use and development of the pumice soils, of which this Taupo country mainly consists, and our conclusion as to the suitability of the country for agricultural and pastoral purposes is such as to justify in our opinion the construction of the railway in the hope that it will develop the district and give permanent value to the line independent of the company's bushes. In stating to you that the company would be able to repay its debentures and "A" share capital, I had in view that it will probably get back the value of this line; without it, there is no prospect that the "A" share capital at any rate can be returned to the shareholders, so it is necessary for us to show that, independent of our bushes, this line is of some permanent value to the community. Now, I want to emphasize this fact at this stage: that there can be no reason at all for the State or any one else shouldering the Taupo Totara Timber company's loss. The company has to bear that loss itself. Our object to-day is to make this railway have a permanent value. Inquiries into the matter have shown that there is a growing belief that this country can be brought into profitable use, and that the great bulk of it can be cultivated and subdivided into farms. For many years to come, however, there cannot be sufficient traffic—apart from the company's timber traffic—to pay the running expenses and interest on the line. We have, therefore, after the fullest consideration, come to the conclusion that the line should be completed at once, because without its completion the district cannot be developed; whereas, if the line is completed and the lands in the district improved by means of fertilizers, there is a reasonable prospect of the country being successfully developed. It will also result in considerable profit accruing to the district through the tourist and other traffic that would be induced through the construction of this line. It is therefore important on these grounds that this work should be done as soon as possible. It is important, first, because it is desirable that the district shall be developed; and, secondly, in order that produce from the land should take the place of the timber, which is the only traffic the company has at present to maintain its service. Having come to this conclusion, we thought the capital might be raised on debentures at 4 per cent. instead of 6 per cent., the rate we are at present paying to our debenture-holders. Our idea was this: that we should borrow money charged, in the first place, on the whole of the company's assets; in the second place, on a special rate levied on the whole of the district; and in the third place, a charge upon the Consolidated Fund. In that way, the company, of course, would have borne the loss, and the special rate and charge on the Consolidated Fund would have been in the nature of a guarantee. On the fullest consideration, however, of the matter, and after discussion with the various people interested, we came to the conclusion that any proposals which involved the financing of the line by the Government was not likely to be acceptable in the near future. It was made plain to us that the Auckland members of the House were committed to the construction of other railways which served areas of country known to be capable of profitable development, and until those lines were completed it was felt that the Government would do nothing in the way of financing the railway to Taupo. We have found that the railway proposition alone is not sufficient to tempt capitalists to provide the money, but we believe there is a prospect of obtaining the necessary capital if the railway scheme can be associated with the substantial development of the lands to be served by the line. The people we have approached have come to the same conclusion as ourselves—namely, that the completion of the railway to Taupo will not in itself be able to draw sufficient traffic to maintain the line and pay interest on its cost; and the proposal will only be possible if the lands are developed and the tourist resorts opened up at the same time with the completion of the line. Then, if the company can secure over 250,000 acres of land served by the railway at the cost of members of the company, the capital will be found both for the completion of the line and the development of the country. The company has itself an area of nearly 50,000 acres of freehold land which it is prepared to offer in this way, and it is further suggested that 200,000 acres should be acquired by purchase of Native lands within the district, of which there is an area of 800,000 acres. The company has resolved to obtain, if possible, the Order in Council necessary to extend its railway and to acquire an area of 200,000 acres of Native land. I would urge these reasons in support of this proposal: First, the district to be served by the railway has an area of from 1½ million to 2 million acres of land. Of this area about 800,000 acres are Native lands, 350,000 are Crown lands, and the balance are private lands or reserves. That is the area that will be served by the railway as shown on the map before you. The part marked yellow is Native land, the part marked red is Crown land, and the part marked white is private land or reserves. The whole of the lands in the three shades will be served by this railway. Secondly, practically none of this land has been cultivated, and nearly the whole of it is unoccupied; whereas it is nearly all capable of cultivation, and probably, as most of you are aware, it is land which adapts itself excellently to cultivation. Our inquiries show that there is a belief among agriculturists that the land might be profitably used for farming purposes. Thirdly, if the company's proposal is adopted, a railway serving this area will be provided and an area of 250,000 acres developed without any risk to the State, but solely at the risk of the proposed syndicate. Fourthly, if the operations of this syndicate are successful, the whole of this enormous area of country will be immediately made available for profitable cultivation, and the climatic and other conditions are such that it will inevitably be occupied by a large population. Fifthly, on the completion of this line Taupo will be within nine hours' journey by railway from Auckland and twenty-two hours' journey by rail from Wellington. There would then be brought within easy access what is probably one of the most attractive tourist resorts in the world, which would serve as an alternative to Rotorua, and tend further to popularize the tourist traffic to New Zealand. Sixthly, the State would obtain a great amount of revenue from the development of this area, in addition to which it would also have an increased value given to the area of 350,000 acres of Crown lands in the district which are now lying absolutely idle. As an illustration of that I would refer to the fact that some time since there was a run of 20,000 acres