

why it should contribute to the development of a district except upon a reasonable basis. We have in connection with this matter also to remember this: that we have at the present time a timber traffic which largely maintains the line; but that timber traffic must in the course of time decrease and disappear, and the rates to be fixed must be such as to enable the produce of the district to pay a reasonable profit upon the capital invested. Some of the Taupo people have expressed the opinion that as soon as a railway is extended to Taupo the wagon service at present running from Rotorua to Taupo will be killed, and that the Taupo Company will then raise its rates possibly up to its maximum. In reply to that I would just like to say here that when this company first started its operations the rate from Rotorua to Taupo was £5.10s. per ton; to-day it is reduced, the Taupo people will tell you, to about £2 10s. per ton. Now, there is no possibility at all of the company charging rates in excess of that sum. The maximum rate fixed by the Order in Council would be something less than the rate that is charged from Rotorua to Taupo to-day; so that there cannot be any question of the Taupo Company taking advantage of or killing the wagon traffic in order to raise the rates beyond what they are to-day. Then we come to the question which is possibly the most important of all—viz., the price at which the Crown is to be entitled to take over the railway. In the case of the Manawatu Railway you will remember that the Crown had to pay a price which realized over £3 per share to the shareholders. This company, of course, does not seek anything of that kind. Its only desire is to get back the present value of the line. It is, however, again impossible without expert advice to fix the exact basis upon which the line should be taken over. As some indication as to the views of the company on the matter, I might say that it has been suggested that a fair condition would be that the Crown should be entitled to take the railway over on paying 10 per cent. above cost. I am not sure that that is a workable proposition, but something of that kind, I think, would probably be acceptable to the company.

2. That is to say, the Government could take over the Taupo line at 10 per cent. above the cost of construction?—Something like that. I am not sure that that is a workable proposition from the point of view of the State, but it is something of that kind we are seeking—something that would be a fair price. My own opinion is that it would ultimately be found that it will be best to fix a basis on which the goodwill of the concern should be purchased. That seems to me the best and simplest proposition for all concerned, but that, again, is a question for experts. But what I had suggested will give you some notion regarding the ideas of the company of the price at which the Government should take it over. Ten per cent. may be a little low. You have to remember this: that the Crown should not be entitled to take it over in such a way that the company will not have got the 10 per cent. as well as a profit over the whole period. It would not be fair that a company should run its line at a loss for some years and then the Government should step in and take the railway at 10 per cent. above cost, because the operations of the company may have resulted in providing traffic of which the Crown by that means is obtaining the whole benefit without paying for it; but this is a detail, I suggest, which only experts can determine. What I wish to say to the Committee is this: that as the company wants to get back only the cost of this line, it is willing to agree to any reasonable conditions on this point. There seems to be a tendency on the part of many people to think it is wrong for any private individual to make a profit out of any enterprise in which the Crown or the Natives are in any way concerned. But I do suggest that where a proposition is made which will be highly beneficial not only to the Natives and to the people resident in the district, but also to the State, that it should not be an objection to that proposal that the people carrying out the enterprise will make a profit from it. I think that is all I have to say. I shall be very glad indeed to answer any questions at all relating to any of the details in connection with the Taupo Totara Timber Company's affairs, or the proposition which we put before you.

3. You are appearing, of course, not only for the company, but also as a witness?—Yes.

4. *Mr. MacDonald.*] In the event of this proposal being agreed to, the Native lands will be cut up into reasonable areas; that is the intention, is it not?—Yes. Our proposal is that the purchasing syndicate should be compelled to dispose of this area in accordance with the limitation provisions of the Native Land Act within a reasonable period. I would suggest myself that it is not advisable, in view of the nature of the country and the fact that it will be necessary to experiment in connection with a great deal of it at first, that they should be compelled to make the subdivision in less than ten or fifteen years—say ten years—with power to increase that term if it be found necessary.

5. It is proposed, I understand, that the company shall at the commencement develop portions of the land, so as to show what the country will produce?—That is a necessary part of the scheme.

6. Then when the property is cut up for subdivision purposes, do I understand that the company would be prepared to assist the settlers to a certain extent, or would the settlers be placed on their own resources?—My own opinion is that the company would practically have to cultivate the whole of it and sell it as cultivated land. They would make more profit out of it in that way. I am prepared to undertake to agree to a term of ten years. I suggest it would be advisable to give them fifteen years, but ten years will be acceptable. This land, as you know, is not land that can be worked without capital; the syndicate would recognize that, and would only sell it to people with capital. While on that point I would like to add that it has been suggested that the company, if it gets its land, will sell it to the settlers at exorbitant prices. Now, the best answer you can get to that is that this area which it is proposed to get is about one-sixth of the whole district, and about two-thirds of the district consists of Crown lands and Native lands, all of which will necessarily be in competition with the company's area.

7. And if the other lands can be purchased cheaper than the company's lands they will be purchased first?—Yes.

8. With regard to the passenger traffic and goods traffic, would the company be prepared to appoint one expert, the Government to appoint another, and the two to appoint an arbitrator