FRIDAY, 23RD JULY, 1886.

Mr. C. Y. O'CONNOR, Under-Secretary, Public Works Department, examined.

53. *The Chairman.*] The Committee is inquiring into the purchase of this railway, as proposed by the Government in accordance with the agreement in Parliamentary Paper D.-6A. Have you seen the agreement?—Yes.

54. Will you give the Committee any information you may possess respecting this railway, as to its condition, its value, its likelihood of being useful to the general system of railways if purchased by the Government?—The value of the railway is an intricate question. It has—as I stated in connection with the other district railways last year—to be looked at from three points of view, each of which is entirely distinct from the others—first, what it would cost to construct a work of equal magnitude; second, what it is worth to the company from a commercial point of view; and, third, what it might be worth to the Government. It is not necessarily worth the same amount to the company that it would be to the Government. As regards the first of these values, I have made a careful examination of the company's statements, and have also made an estimate of the work done, and I think the value of the railway, as an engineering and construction work, is between £90,000 and £95,000.

55. Is that the intrinsic value?—Yes, the intrinsic value. That is what it would have cost to construct it at ordinary contract-rates.

56. *Mr. Cowan.*] What is that a mile?—About £2,500.

57. You have evidence of what it did cost?—Yes; but in the amount I have just stated I have not included anything for interest or financing in any shape. This estimate is on the basis of what it would cost in actual cash to construct a work of equal magnitude.

58. *Mr. Wilson.*] What length of time did it take to construct?—From the time it was first authorized to the time it was opened for traffic was a little under two years. It was authorized in December, 1878, and completed in August, 1880.

Mr. Montgomery: Perhaps Mr. O'Connor might state it from the time the railway was commenced until it was finished: I may have to ask him some questions about that by-and-by.

Witness: I stated two years.

59. *Mr. Montgomery.*] Yes, that was from the time it was authorized; but I want you to tell us how long it was from the time the work was commenced. I ask the question in order that we might be able to calculate the interest?—I have not that information with me, but I can supply it later on. (Have since ascertained that work was commenced in January, 1879.)

60. *The Chairman.*] From £90,000 to £95,000 is your estimate of the value of the line upon the basis of engineering and construction?—Yes, and I am now coming to its value to the company as a commercial enterprise, on the basis of the receipts the company would get from the railway, including all rates and revenue of whatever kind which they would be entitled to.

61. *Mr. Wilson.*] That is, without any question of foregoing any rates?—I mean if they sold under the provisions of the present Act as it stands. On that basis it would be worth to the company, according to my reckoning, about £97,000 in round numbers.

62. That is, taking everything into consideration—interest and all?—Yes, everything.

63. *Mr. Cowan.*] Interest during construction?—No, I have not included that. What I have given now is what would be the selling-value of the railway in the open market, calculated on the basis of all the probable receipts.

64. *Mr. Peacock.*] That £97,000 includes claims for interest?—It is what I reckon to be the commercial value of the railway—its value as a commercial enterprise, taking into account everything the company is entitled to get from the ratepayers and everybody else.

65. *Mr. Wilson.*] You have another value to place on it?—Yes—its actual value to the Government; and that is the most difficult value to define. The way I have endeavoured to get at it is by finding out how the Government would stand if they bought the railway at a certain price, and, next, how the Government would stand if they did not buy; taking account of what rates, &c., the Government would be liable for in each instance. That is the only way that I know of getting at it. On that basis it comes out that the amount which the Government could afford to give for it, and be just where they are at present, would be in or about £102,000.

66. *Mr. Montgomery.*] Does that estimate take into account the interest the Government is liable for?—The estimate I have given in this case is more a comparative than an actual estimate. An actual estimate of what the railway would be worth to the Government from a commercial point of view would be a very difficult thing to arrive at. I am merely estimating at present how the Government would stand if they purchased the railway for a given sum, and then how they would stand if they allowed it to continue under the present *régime*. On that basis I reckon that the Government could afford to give £102,000 for it, irrespective of the overdue rates.

67. *Mr. Peacock.*] What amount of overdue rates are in question?—About £16,000. According to my calculation the Government could afford to give £102,000 if the company gets the overdue rates, or £118,000 if the Government gets the overdue rates.

68. *Mr. Wilson.*] That is, the total rates?—Yes, the total rates up to the 31st March, 1886.

69. *Mr. Peacock.*] Will you state what the amount of rates due were up to March, 1886?—£15,600. That, deducted from £118,000, would leave something about £102,000 in round numbers.

70. May I ask you the nature of the distinction you make between the £97,000 estimated as the commercial value, including rates in arrear, and the other estimate of £102,000 which you say it would be worth to the Government without rates?—There is no necessary relationship between the two valuations. The £97,000 is, I think, about the value of the concern as a commercial enterprise, in view of the law as it stands at present; whereas the £102,000 is what I reckon the Government could afford to give for it, exclusive of the overdue rates, in view of how the Government will stand if they buy it as compared with how they will stand if they do not buy it. In considering the value of the railway to the colony as compared with its value to the company it has also been assumed that the Government could work it cheaper than the company could.