118. Taking it for granted that Mr. Maxwell's estimate of £1,000 a year as the saving in working this as an adjunct to other lines is not far out, what additional capital does that represent?—Assuming that we can get money at 4 per cent., £1,000 a year to the Government is worth £25,000.

119. That is, £25,000 of capital?—Yes; but as against that you have to consider how you will stand as regards the revenue on the Waimea line itself—that is to say, whether the Government would keep up a scale of rates and charges that is altogether exceptional.

120. Have you any knowledge of what the district is capable of supplying? Is the traffic an increasing or a decreasing one?—An increasing one, I should say, certainly.

121. You say the prospect of the traffic being kept up is good?—I should say so.

122. You say that the gross value will be £117,634 in the event of the company foregoing the whole of the rates due to them?—Yes, that is so; but I should have stated that that was the value on the 31st March, 1885. It is a little different now.

123. This agreement is to come into operation on the 31st March, 1886?—Yes: that makes the difference.

124. That would not be very great, I presume?—It will increase the value to the Government by £3,000, nearly—that is, presuming that the Government gets the right to collect the back-rates.

125. Your calculation previously was computed from the 31st March, 1885?—Yes; but the agreement is proposed to take effect from the 31st March, 1886. That would make the railway worth £3,000 more to the colony, on the assumption that the Government gets the whole of the back-rates. If they do not get the rates it may be less rather than more value.

126. With the knowledge that the company is to forego half the rates, would that increase of value be reduced by a half?—Our valuation was made on the assumption that the Government took over the whole of the rates.

127. Amounting to how much—£15,600?—Yes, about that.

128. Deducting the rates from that gross total brings the amount to what you think would be the value of the line?—Yes—to £102,000.

129. Under the District Railways Act the Government have called upon the company to forego half the rates?—Yes.

130. Is that the reason the Government value has risen from £102,000 to £110,000?—No. The valuation was about £118,000 in all, including all back-rates; and the Government gives £110,000 in money, and leaves the company with the right to collect about £8,000 of the back-rates, which comes in all to about £118,000.

131. You have stated that there is an amount of Government-guaranteed interest which has not been paid?—Yes: it comes to about £2,700.

132. Is that, in your opinion, an equitable or a legal debt from the Government?—It is not a legal debt: I think it is an equitable debt.

133. It is unsatisfied?—Yes, it is unsatisfied; and a large amount of rates is in a similar condition. But this is all included in the £118,000—I mean, that full credit for all these things is given to the company in the estimate of £118,000.

134. Looking to the question of general policy, have you considered the propriety or otherwise of relieving that district of the immense burden of rates that has accumulated?—Yes. I certainly think, if it can be done without entailing a large loss upon the colony, it ought to be done: and on the first blush of the matter it seemed that it ought to be easy to do, as the company is guaranteed 7 per cent., whereas the Government can get money for 4 per cent; but the matter is made much more difficult by these debentures that the company has issued at a high rate of interest.

135. Then you think that consideration for the ratepayers should come into the calculation?—Certainly I think so.

136. You are aware that a certain sum of money has been expended on the branch line from Riversdale to Switzers?—Yes, that is so, and there is further provision for it in the Loan Act of this year.

137. Is that fact another element in the question whether the Government should possess this Waimea Plains Railway?—Yes. We have stated that in the notes accompanying our estimate.

138. You have not put a value upon it?—No; we have not attempted to turn it into figures.

139. Are you aware that this Switzers branch will open up a large agricultural district?—So I have heard; but I do not know the district.

140. Will the fact of the Insurance Association reverting back to the Government control affect the position you take up?—I should think not. I do not presume that the Government would agree to sell at a less price than the insurers were willing to accept.

141. Then the actuarial value would come into the calculation of the price of this railway?—I think it is bound to. If you pay a given amount of interest it means to the Government a given amount of capital, although it may not express that amount.

142. Can the cost of premium payable for redeeming this loan be fairly charged as against the working of the railway?—Yes, I think so. It is almost as broad as it is long. The ratepayers will merely pay a higher rate of interest, instead of paying a lesser rate of interest on a larger sum—I mean on the sum we should have to pay for the equity of redemption.

143. You see no difficulty in arranging the question of interest?—There is no difficulty, provided the excess of interest is shared, share and share alike, between the Government and the ratepayers.

144. *Mr. Montgomery.*] Has Mr. O'Connor stated the reason why the present value to the company is stated at £97,000?—That was a calculation based on the probable receipts of the company from all sources, and the capital which that amount of receipts would express. We set down as nearly as we could the probable receipts from the railway year by year for twenty years, and calculated from that.

145. Why twenty years?—Because the whole thing is based on twenty years. Under the District Railways Purchasing Act the ratepayers continue to pay for that period.