

146. That is taking for granted that it is purchased under the conditions of the Act of last year?—As a matter of fact, the commercial value is taken on the assumption that it is not purchased.

147. Then why say twenty years?—The reason we took twenty years was that in cases where the purchase is made the ratepayers have to pay for twenty years, and we therefore carried all the estimates on for twenty years in order to have them uniform; but where the calculation assumed that the Government would not buy, then, of course, we only included rates due under existing Acts. If the Government does not buy, the liability of ratepayers ceases at the end of fifteen years from date that railway was opened for traffic.

148. I want to know how long the ratepayers are liable for from this date?—Up to 1897—that is, eleven years from this date.

149. And the Government guarantee?—That is for same period.

150. Respecting the 30-per-cent. clause: will you state the operation of that clause?—The effect of it is that, from and after the end of five years from the time the railway is opened for traffic, 30 per cent. of the gross earnings has to be reckoned as profit, whether or not there is any such profit. Putting it to practical application, we ascertain what the actual profit is, and if it exceeds 30 per cent. of the gross earnings, we deduct the actual profit from the amount of the guarantee. If, on the other hand, the actual profit is less than 30 per cent. of the gross earnings, then we take 30 per cent. of the gross earnings from the amount of the guarantee.

151. So that this 30 per cent. of the gross earnings very materially affects the amount the Government and the ratepayers will have to pay in the shape of guaranteed interest?—Yes. For several years the company made hardly any actual profit. The average profit made for the first five years of its existence was only a small percentage of the gross receipts. It did not amount to anything like 30 per cent. If the 30-per-cent. clause had operated during that period the ratepayers and the Government would have had to pay very much less than they were actually rated for.

152. During that five years they had to pay rates irrespective of the 30-per-cent. clause. They had, then, to pay the actual deficit?—Yes; that is so. During five years the company got in actual receipts about £26,000 altogether.

153. *Mr. Cowan.*] That is irrespective of rates?—Yes; that is actual receipts—gross earnings. That averaged, say, £5,000 a year. The actual profit during the same period was £3,200: that, for each of the five years, would be, say, £600 a year. Thus you have—gross earnings, £5,000 a year; and actual profit, £600 a year. But 30 per cent. of £5,000 would be £1,500; so that if the 30-per-cent. clause had been in operation during those years the ratepayers and the Government would have escaped payment of £900 a year, which they are debited with.

154. *Mr. Montgomery.*] The 30-per-cent. clause came into operation at the end of the first five years?—Yes; and the case is still more noticeable in the last year of the five years. In that year the company got in actual receipts £6,000, and they only made a profit of £40. If the ratepayers and the Government had got credit for 30 per cent. that year they would have got credit for £1,800, whereas, as a matter of fact, they only got credit for £40.

155. You stated that it was two years from the time the line was authorized until it was opened. Did you mention this in connection with charging interest on capital?—Yes, that is so.

156. Can you say what was the time the works commenced and capital began to be expended?—No; I will get the information and put it in evidence. [Works commenced in January, 1879, and completed in August, 1880.]

157. Will you say also, if you please, how many months' interest might be charged on the whole capital, considering the rate at which it was expended?—That is, what would be the interest on capital? At what rate shall I calculate the interest?

158. *Mr. Wilson.*] They had a right to look for 7 per cent. Say what would be the interest on the capital at 7 per cent.? If they found their own money they were entitled to 7 per cent.?—On this basis I reckon that interest on outlay during construction would amount to about £6,000.

159. *Mr. Montgomery.*] Was your calculation as to what it would cost the Government to make the line in view of providing the money for it at 4 per cent?—I was not calculating any interest whatever. The estimate I gave was the probable cash cost.

*Telegram from Mr. R. H. Leary, Dunedin, to Mr. Cowan, M.H.R.*

Dunedin, 26th July, 1886.—Cuthbert Cowan, M.H.R., Wellington.—Following are the shareholders, Waimea Plains Railway Company: John Butement, F. C. Borges, Basil Sievwright, J. T. Mackerras, N. Y. A. Wales, J. H. Scott, John Macaffer, Robert Reid, James Gray, Robert Wilson, James Mills, R. A. Lawson, Thomas Green, Darcy Haggitt, Bendina Hallenstein, L. E. Reade, Albert Beaver, James Wilkie, R. A. Low, William Ames, Alexander Matheson, F. E. Mullarly, Keith Ramsay, James Robin, William Farnie, Edward Bence, Alexander Burt, John Wilkins, George Beattie, Robert Lorimer, Donald Stalker, John Major, John Roberts, John Hislop, Renshaw, Denniston, and Co., John Frankeiss, Esmond Roberts, E. E. C. Quick, Joseph Clarke, R. H. Leary, G. M. Bell, Donald Boyd, Henry Driver, W. J. M. Larnach, Flora M. Nickolson, John Robertson, Matthew Holmes, G. W. Elliott, George Turnbull, D. A. McLachlan, B. C. Calverley, Julius Wenkeim, Michael Welsh, H. G. Cameron, G. F. Henry, James Turnbull, James Hockworth, Horace Bastings, A. E. Richardson, Peter Pirie, Alexander Michie, William Rice, W. J. M. Purdie, James Douglas, Mary Walls, Proudfoot and McKay, John Mitchell, James Williamson, John Murray, Jane M. McLean, T. S. Graham.—R. H. LEARY, Secretary.