

not regularly continued from time to time by adjournment. And I do hereby require you, with as little delay as possible, and not later than the thirty-first day of March next ensuing, to report to me under your hands and seals your opinion, resulting from the said inquiry, in respect of the several matters and things inquired into by you under or by virtue of these presents; and that you state and recommend what steps, in the interests of the colony, it may be expedient to adopt, having regard to the several transactions between the said company and the Government of the colony, and in what manner effect should, in your opinion, be given to such recommendation. And, lastly, I do hereby declare that this Commission is, and is intended to be, issued subject to the provisions of "The Commissioners' Powers Act, 1867," and "The Commissioners' Powers Act 1867 Amendment Act, 1872."

Given under my hand, and issued under the Seal of the Colony of New Zealand, at Dunedin, this twenty-fourth day of December, one thousand eight hundred and eighty-nine.

Issued in Executive Council.

(L.S.) ONSLOW, Governor.

RIVERSDALE WALBROND, Acting Clerk, Executive Council.

REPORT.

TO HIS EXCELLENCY THE GOVERNOR,—

We, the Commissioners appointed by your Excellency on the 24th day of December, 1889, to "inquire into the facts and matters relating to the several dealings and transactions between the Government and the Kaihu Valley Railway Company," and "to state and recommend what steps in the interests of the colony it may be expedient to adopt," have the honour to report as follows:—

The company was promoted to construct a railway of nineteen and a half miles, from Dargaville to the kauri forests at the head of the Kaihu Valley.

We find on inspection of the ground, and from the evidence appended, that the estimates of the quantities of kauri timber relied on when the project was introduced are greatly in excess of what actually existed in the forests, and that even this amount has been seriously diminished by recent bush-fires.

As the timber traffic was the main purpose for which the railway was projected, the prospect of its paying is greatly lessened on the reduced estimated quantity of kauri timber. The traffic from other sources is comparatively insignificant, and, as the area of the country suitable for settlement, lying into the railway, and to be served by it, is of limited extent, no great accession of traffic can be expected even when the timber is all removed and the bush occupied by settlers.

Sixteen and a half miles of railway have been completed, and open for traffic, for about a year.

The returns of revenue and expenditure from March, 1889, to 1st February, 1890, a period of forty-eight weeks, are respectively £1,071 14s. 3d. and £1,121 11s. 7d., or a loss of £50 in working-expenses for that period. The cost in maintenance and repairs has been much less than it will be in future, and there is no immediate prospect of an increase in miscellaneous traffic. Therefore, unless the timber traffic is developed, it is certain that the line would be worked at such a loss as to justify it being closed as a railway. As, then, the timber available, even if it should not be further destroyed by fire, can only supply a traffic for a few years at most, it would not be in the public interest to take over the debts and liabilities of the company, amounting to fully £35,000, inclusive of the cost of finishing the three miles of line in Fallon's and Mitchelson's contracts, in addition to the guarantee of the colony of £47,000 debentures, bearing interest at 5 per cent. per annum, which is now being paid by the Treasury.

As the above guarantee is a colonial liability from which there is no escape, we recommend that the Government should, in terms of the mortgage deed held by the Government as security for the debentures, take steps to realise the railway property by offering it for sale. Should the property fall to the Government, the line should only continue to be worked on the condition that the owners of the kauri forests agree to an early conversion of their timber, and so create traffic. Failing this latter arrangement, or a sale, the rails and rolling-stock should be removed. In such a case, an estimate by Mr. Hales, the Government District Engineer, shows that value for £10,000 would be recovered of the £47,000. We are of opinion, moreover, that, whatever arrangement, if any, may be entered into for the completion of the line to the nineteen and a half miles terminus or further, under no circumstances should it be at the expense of the colony.

Under any of these recommendations the position of the company will be that the endowment of 14,501 acres, and the uncalled capital, will be available to meet its debts and liabilities.

(L.S.) JAMES MCKERROW.

(L.S.) D. H. MACARTHUR.

(L.S.) RICHARD MONK.

March, 1890.

The CHAIRMAN, Kaihu Valley Railway Commission, to the Hon. the MINISTER for PUBLIC WORKS.
SIR,—

Wellington, 18th March, 1890.

I have the honour to hand you herewith, for transmission to His Excellency the Governor, the report of the Commissioners appointed to inquire into matters concerning the Kaihu Valley Railway.

The following is a list of documents also enclosed, being the records of the Commission:
1. Evidence of Mr. J. A. Raymond. 2. Evidence of Mr. J. M. Dargaville. 3. Evidence of Mr. F. W. Matthews. 4. Evidence of Mr. E. H. Hardy. 5. Evidence of Mr. T. H. Barstow. 6. Evidence of Mr. A. B. Wright. 7. Evidence of Mr. G. Holdship. 8. Evidence of Mr. W. H. Hales.