

two railways between two centres, distant ten miles. The cost of one is, say, £3,000 a mile. That would be £30,000, and it might yield a revenue of £100,000. On the other hand, you have a line over rough country which cost, say, £30,000 per mile, and which might only yield £10,000. Yet you tax that which yields the lower return ten times as much as the other yielding ten times the income. Money spent on the railway, beyond ballast, rolling-stock, &c., is expended to overcome difficulties of nature, and not for the benefit of the railway company itself. I think, with regard to local taxation, that the company might ask the Committee to consider whether it is not unfair to tax on a basis like that. Moreover, the contract has a clause under which the Government may purchase the line, and it is not right that a local body should levy a rate on such a property, the value of which is ephemeral.

Mr. Hilton and myself discussed the modifications in the contract with the Government, and No. 1 was the first proposal we made with a view of getting over the present difficulties; and, in fact, it amounts to the company handing back the land-grant to the Government, subject to certain guarantees. Possibly you have read these proposals, and, if so, I will pass from the first one, which was not accepted. I will pass to No. 5, which is really a modification of the first one. [Mr. Wilson here read the several clauses of his letter to the Government of the 6th June, 1892.*] The statement shows the working out of the trust-funds. The company has £300,000 in trust. If you run your eye along the line you will find the interest on the first year is £12,000. The traffic-receipts we do not get for three years, because they are pledged to meet interest we have to pay. The fourth year the traffic-receipts come in. When you get to the fifth year it is proposed that the Government should pay half of the debentures out of the land-grant given back. It works out and shows that, at the end of the twelfth year, the line is earning interest on capital, and the trust-fund increases again and leaves a balance. The next statement is B. It is in enclosure 2. It is taking the traffic-receipts at an abnormally low figure. I am only assuming that they are £30,000, which includes £10,000 from the Reefton line. That also shows that practically this fund will work out at the end of seventeen years, and you get a surplus of the fund again available for debentures. This shows, on these assumptions, that the Government will not be liable for any payment of interest guaranteed, and, moreover, would have part of the land-grant, which we give back.

Of course you all know how important it is for a company raising money in the London market to have the benefit of a Government guarantee. The guarantee simply reduces the cost of raising the money from something like 30 per cent. without, and with the Government guarantee the cost would be 12 or 12½ per cent.

The arguments I use are that the reading of the contract with regard to the mining reserves, with regard to taxation, and with regard to other changes, have made it so impossible for the company to proceed that it must wait simply until the money-market improves; to go for an extension of time, and let the work rest until the money-market improves, and the credit of New Zealand is better than it is to-day. I take it that in asking the Government for these concessions we are asking for an arrangement on a business-like basis, an arrangement which will benefit both the colony and the company, and enable the company to complete its work.

After making these proposals, the question was raised of a difficulty that might arise owing to the Government having to redeem the debentures at a given date, and a modification of the proposal was made. [Enclosure No. 7, letter from Mr. Wilson to the Premier, dated 8th July, read.*] This last proposal practically means this: the company say, We will give you back the whole of the land-grant for a guaranteed 3 per cent. on £1,600,000. I could bring evidence to show that this land-grant is valued at figures 50 and 60 per cent. over the waste-value as given to us. We have the figures to show the very great increase in value. We are offering the whole of the proceeds of the land-grant as well as the land-grant itself in exchange for a guarantee which I think will be found merely nominal, without increasing the liability of the colony beyond the mere name of the guarantee. I am sorry to have detained the Committee, but it is important for the company to have something done at once. There is a very good opportunity to go on the market now that the general elections are over. There is plenty of money uninvested, but the thing is to offer proper inducement to the financiers, such as would insure the subscription we want.

I ask you to consider the proposals not as coming from a company asking for a concession, but purely as a commercial and business-like offer made on behalf of the company to the Government.

3. *The Chairman.* Are we to assume, Mr. Wilson, that the meaning of the new arrangement you propose in this letter of yours, No. 7, is that the connection between Reefton and Belgrove is not to be completed?—Not to be gone on with at present. Subject to further negotiation, it is to be completed.

4. Do you mean to say that the company is still prepared to bind itself to complete it at some future date to be agreed upon?—It must be under the conditions offered in the first letter, in which you see the company offer to do that: but the guarantee would have to be increased to 3½ per cent., and the amount of the guarantee would have to be increased to £2,900,000.

5. Does that not mean, practically, that it would be better for all parties to abandon that?—I think the colony knows my view with regard to that section of the line. I have always stated that I thought it would not be wise to complete such a line at present, as it was a big undertaking, and the prospects of traffic were not such as would show that there would be a return for some years at any rate of interest on the capital expended. It is a costly line, and the country is, after all, limited. I think if we opened the line into the Motueka Valley, so that Nelson might benefit by being close to its back country, that would show as time went on whether it would be advisable to extend the line to the Buller, and so on; especially as mining reserves are proposed to be made on both sides of the Buller, which has a narrow valley; and I think rightly so, as there are many small patches there. But I do not think it would be wise to construct the line for many years. It would mean an increased cost to the colony, and probably call upon it to meet the guaranteed interest.

* As set out in parliamentary paper D.-4, 1892.