400. What was the estimated cost from Teremakau to the point where the line is completed, to Springfield?—I think £1,500,000 odd.

401. That was the total amount?—Down to Jackson's from Springfield. You must add on to that very nearly £200,000 to bring it to the same basis as my estimate.

402. I see it was agreed to by estimate at £2,500,000 for total length?—That was the land-grant estimate. If you examine the Government estimate you will find it exceeds that.

403. It was signed by Mr. Bell and Mr. Blair as the estimated cost. The statutory cost is entirely different. By your own engineer it is set down at £1,692,000?—I deny distinctly that the land-grant estimate was the estimated cost of the line. It was merely assumed for land-grant purposes.

[Statement dated the 5th November, 1888, referred to. Appendix, page 33.]

404. Do I understand you to say there was no survey made from Springfield?—Only a flying-survey. The working-survey of the line was not commenced until I came out to the colony.

405. You fixed the land-grant at £618,000?—That is fixed on this assumed estimate of cost for land-grant purposes.

406. Including £400,000 extra?—Yes.

407. With regard to the new proposals you have asked for a guarantee of 3 per cent. on £1,600,000?—Yes.

408. How long is that for?—In perpetuity, that is to say, unless the Government buy the line.

409. Are we to understand that the Government also guarantee the repayment of the principal?—No; no part of the principal. They become liable only for the interest.

410. Is there to be a proportionate reduction after the company has received the £618,000 land-grant?—That arrangement in the contract will cease to exist on the Government guaranteeing the 3 per cent. interest, which will require a new deed. The Government guarantee practically amounts to this: Supposing that the company when it finishes the line is earning sufficient to pay 3 per cent. interest, the Government will not be called upon to pay anything at all, because the company would be earning and paying the 3 per cent. interest. But, supposing the traffic-receipts paid only 2½ per cent., the Government would have to make good the half per cent. The Government pay nothing whatever so long as the company is able by its earnings to pay interest. It is only in the event of the railway failing to earn this that the Government would be called upon to meet any deficiency there might be. The proposals secure the Government against being likely to be called upon to pay interest. The system of a trust fund is proposed. That is to say, the company raise £300,000 more than is required for works, and the interest on this trust fund and part of the principal will be used to meet any deficiency of interest on the line during the time of construction, when otherwise the Government might be called upon to meet the interest-charge. It is a safeguard during the intermediate period until such time as the line is open for traffic. When once open for traffic we anticipate the line will earn quite sufficient to meet the interest. With regard to the £618,000, we propose that the Government should pay over this money resulting from the sales of land-grant given up by the company for the purpose of redeeming the £745,000 debentures. This would annually reduce the interest-liability on debentures, and this repayment would thus reduce the Government's liability of a possible payment of interest under the guarantee.

411. You mean that the working-cost would pay interest on the £745,000 debentures?—Yes.

412. And it would include interest on shares?—Yes. It is proposed to use the whole of the £618,000 to redeem the debentures, so that they would ultimately disappear as a working-cost.

413. But, supposing it did not pay working-expenses, we should have to pay interest plus interest on the shares and debentures?—The Government would have to pay 3 per cent. on £1,600,000, new capital, that is, £48,000 a year. Supposing there was no revenue at all, then the Government would have to pay interest on £1,600,000 and would have to satisfy the debenture-holders, else they would forcelose as the mortgagees.

414. That includes the £250,000 share-interest as well, and would commit the colony to the whole £2,600,000?—You could stop working the line on sections that would not pay—a very improbable contingency.

415. What is the good of that if the mortgagees were going to foreclose?—They might in an extremely unlikely instance forcelose. But this could not be if the debentures were redeemed by the sales of land, and the interest on the £1,600,000 would be reduced by the trust fund set apart for the purpose.

416. This arrangement boiled down means a guarantee on £1,600,000, unless the £618,000 was received from the sale of lands. What about the £745,000 debenture-capital?—The debenture-holders existing to-day would have no claim or right whatever to any new part of the line we construct. The only claim they would have would be on the Stillwater, Reefton, and Lake Brunner sections. All the new expenditure would be free from any claim whatever. They could only seize the lines at Stillwater, Reefton, and Lake Brunner.

417. If they did seize that, what would be the use of the rest?—Supposing that the very worst were to happen, and the debenture-holders had those sections of the line, they would require to work them in conjunction with the Government line, or they would, of course, get no interest. Consequently, the country would get just the same benefit with the existing railway as it would with the Government railways.

418. You say the land-grant is to go in reduction of the £745,000. What is to become of the balance—are the debenture-holders to lose it?—The trust fund does not exhaust until the end of about fifteen years. You will find that before this the trust fund increases, and there will be a surplus of earnings which can be used for redeeming the balance of these debentures.

419. In the proposals the company insist upon receiving this £618,000 of land-grant?—Only in the manner I say. It is a means to an end. By using that money during fifteen years it enables you to pay for part of the line. It is not a payment given to the company, but a payment on