for ; they were credited with it as a part payment for the line when they purchase from the company ; and, moreover, this money is to be annually used by the company for the specific purpose of reducing the £745,000 existing debentures, and by this means reducing still the liability of the Government to meet any guaranteed interest. Now, is not that a more profitable way for the colony than by giving the company the value of land which they will naturally expect to receive with the increase of value due to the construction of the railway, which was always held out to them as a temptation to construct the line ?—No ; after giving the matter the fullest consideration my answer is, No. First of all as to the £300,000 you set apart ; if you had had the cash you could have put down the £300,000, so that the interest on that money would be saved, and would meet the interest upon the cost of construction. The £300,000 could be set apart for the purpose, but you ask us to pay the guarantee upon that. It is included in the £1,600,000, as you have said three or four times.

139. I showed you in my proposal that the Government, by merely giving the nominal guarantee, enabled the company to raise this money. In this way the Government are liable, but will not in all probability be called upon to pay one single penny ?—Well, it may or it may not ; the chances are that it will.

140. On what grounds do you say that ?—Because I have never known a case that the Government have not had to pay. It seems to be a fatality that the Government have always to pay.

141. Did you not tell me that you were not a financier, and knew very little about it ?—I have told you, as I tell the Committee now, that I am not a financier, but I have a plain matter-of-fact way of putting things in my own way, and I come to a certain resolution, and generally I am not very far wrong. You say that of course we shall get this £618,000 back when the Government purchase the railway ; that you will allow that as part payment ?

Mr. Wilson : Yes.

Witness : But if we, on the other hand, simply issue debentures as we sell our land, we shall meet those debentures by the sale of our lands. I do not say that the value of the land should be fixed at £618,000, because you have sold all the best of your lands, and I do not think myself that that would be the amount. It would be a very long time, in all probability, before the colony would see its way to raise a loan to buy out and pay off the cost of the construction of this line, and in the meantime there is no limit ; you are paying your 3 per cent. without any limit at all. You have that contingency to meet.

142. *Mr. Wilson.*] You admit that the £300,000 is raised on the strength of the Government guaranteeing the 3-per-cent. interest ?—Yes.

143. Three hundred thousand pounds of the loan is placed in trust, and is only operated upon for the purpose of paying the interest of 3 per cent. during the construction of the work. It works out and shows that for the period required for construction and for a period afterwards that fund is never exhausted ; but after a period of about eleven years it begins gradually to increase from the interest which arises on the balance, and from the surplus of traffic. Therefore it seems to prove emphatically that the Government are practically freed from all chance of payment in the event of the traffic and the cost of working approaching anything like the estimates which I have framed. Admitting that the traffic and the costs of working reach the estimates the Government simply stand in this position : that they are nominally guaranteeing interest which they are never called upon to pay, and they have received back the whole value of their land-grant in exchange for the guarantee which costs the colony absolutely nothing. The £618,000 I calculate is paid back over a period of years ; certainly it will be paid back over fifteen years, in annual payments or otherwise, as the Government deals with the land. In exchange for the 3 per cent., which from the estimates the Government is very unlikely to be called upon to pay, the company offer the whole of its land-grant, which is estimated at the increased value of the land over that section of the line to be at least one million and a quarter in value. They practically offer the Government the value of one and a quarter million of land in exchange for the nominal guarantee of 3-per-cent. interest. Now, let us take the worst phase, and suppose that the company earned half the estimated traffic, and cost one-half as much again, and took your land-grant as being valued at one and a quarter million, and afterwards had to meet one-half of the amount guaranteed, that would be £24,000 a year, you would have against that nearly £40,000 a year as the value of the land-grant handed back to you in interest. So that this scheme actually covers the Government from loss, and offers the Government a profit over their original offer to the company. I wish, therefore, with all due respect——.

The Chairman : You are making more of a statement than asking a question.

144. *Mr. Wilson* (to witness).] In considering the view of the question as I have put it, are you still of opinion that the issuing of debentures on the land is a cheaper and better system for the colony ?—Yes ; I say still, keep clear of the guarantee, and know what you are doing.

Tuesday, 20th September, 1892.

Hon. R. J. Seddon attended and was cross-examined.

1. *Mr. Wilson.*] You stated that you have no proof that the company could not raise the money to finish the line ?—No.

2. Do you know that the company's debentures are quoted to-day at £77 per £100 stock ?—That is very low, certainly ; but it is only 3 per cent. less than when you floated the last money, according to your own showing.

3. I am speaking of the debentures ?—Oh, not the discounts ?

4. You will accept my statement that £77 is the quotation ?—I will take your assertion.

5. Are you aware that no new issue could be made above the price quoted for the same class of