

Debenture-holders will be satisfied to lend money if they can get their debenture capital back, should the line not pay after ten years from opening. The proposal is a concession. We fix two prices. If the Government are anxious to purchase the line, and it is paying well—which, I believe, it will be—we say we will take, in round figures, £30,000 more than the actual cost. But, if we want to sell, we are prepared to make a large sacrifice, and lose our share capital by the sale. You will see that the company require this clause, as an answer to any criticism about the evidence of last session that the railway will not pay. That is the reason I have put the clause in. It is a complete answer to that evidence, which has done so much harm.

135. In other words, it means that the colony takes the land-grant, the profits the company make on the land-grant, the interest now due; and the colony pays half the cost of the construction of the line, and in ten years, in addition to that, rebuys back in cash the amount it has given in land now?—No; you must not take that wrong view of the question.

136. Practically the colony has made a loan?—No.

137. Less loss of interest for the time being?—No; I differ from you.

138. In regard to land-grants, the profits, if they do not go to the company, would go to the colony. The colony has, at all events, paid £1,000,000. It has given away £1,000,000 in value towards the construction of the line. Then, in ten years they have to give £1,000,000 upon that. In the buying-over they have to take the line by arbitration, cost-value being the basis of arbitration. The company offers to sell for the £2,000,000 which it has cost to construct the line. The land-grants and profits amount to half, or £1,000,000 of the £2,000,000. The colony, then, has to pay £1,000,000 in cash or debentures in ten years, so that it has paid at the end £2,000,000 in cash and land?—Let me put this point clearly. The original contract was sent to London with certain statements attached, that here was a line the colony required to be built; that the colony had decided to build it on the land-grant system. The line was to open up new undeveloped country, and would, it was calculated, on opening pay only 2 per cent. on the capital invested. The colony knew perfectly well no financier in London would lend his money for 2 per cent., consequently they said for every £1 that the company spend on that line the colony is prepared to give it 10s. of land-grant, so that nominally the line should only cost the company half its capital value, because it will get one-half back, and more, by the land-grant value and its increase. The conditions have not changed since the contract was signed; but what are you doing?

139. Oh yes; there were alternate blocks at that time?—That is a detail which does not affect the principle at all. The principle is this: For every £1 the company spend, the Government give 10s. Look at it whichever way you like; let the payment be in either meal or malt, the principle is intact. You cannot get away from that. The Government, to cover the company from any risk that this land should not bring its £1 for £1, guaranteed that if it did not so bring half the cost of the line they would give more land until that sum was reached. The position to-day is exactly the same; we are asking for a continuation of that condition, and, what is more, we have to show the financiers that this money will be safely covered; this, unfortunately, because we have to meet the evidence of last session, which said that not only will the line not pay 2 per cent.—as originally stated by the Government, which made this 4 per cent. on the basis of half the cost, or half the capital, with reduction by land-grant received—but that it will not even pay 2 per cent., or even working expenses. There is our whole difficulty. The colony should not look at the question from a narrow, but from a broad point of view. By our giving back the whole of this land, and letting the Government deal with it, there is placed in their hands the means of making large profits, and dealing with the land as they choose for pastoral, agricultural, timber, and mining purposes. We give back the whole of the prospective profits. On the timber land there are probably enormous profits in the future. Therefore I think it is not fair to say the colony is paying over half the cost. In addition to that, you had arranged under the first contract to give the company £400,000 for interest during construction, to assist it. So the conditions to-day are no worse for the colony than the original contract. In fact, with the present and anticipated profits on the land, the position of the colony to-day, as compared with the original contract, is better by the difference of what the waste land is worth, and what it will sell for as land improved by the railway being constructed through it.

140. Let us keep to this point of buying back. According to the original contract, if in five years it was to the colony's advantage to purchase, there was the right so to do, was there not?—The colony had the right of purchasing it at its capital value, with some percentage added.

141. But the colony fixed when it would purchase?—Yes. The colony would fix when it would purchase at its capital value.

142. That might be in five, ten, fifteen, or twenty years?—Exactly; whenever it suited the colony to purchase. I have that same condition in to-day, that the colony can purchase the line back at its capital value whenever it chooses, ten years after opening, at £2,500,000.

143. Assume the line is paying a fair dividend, say, 3 per cent. or 5 per cent.?—I have my own views upon that, and, perhaps, they differ from the views of some of last year's witnesses. Mr. Maxwell gives £20,000 as the gross per annum; I differ in that. The Government would have the power, at any time after ten years from the day the line is opened, to buy it for its capital value. As a provision against the evidence given in this room last session, we say that, after ten years from opening the line—we must have that time to work and develop its traffic and prove its efficiency—we may come to the Government and say, "Buy this line." When we do that, however, we must sell at £500,000 below its capital cost. If such a contingency did arise, the company would lose all its share capital and all of the land it had retained. Is such a sacrifice likely? It is merely, as I have said, a means to effectually contradict the evidence brought last session, stating the line would not pay, and to enable us to raise the money at a reasonable cost. If there is any traffic development—of which I have no doubt—we have seven years in which to accumulate our traffic receipts to meet our interest. With that prospect we shall give, say, twelve or fourteen years for the traffic to develop; so that it will by that time pay interest on the capital cost of the railway.

144. Yes; but that £2,000,000 is a quarter of a million over the amount shown as the cost