

Springfield to Patterson's Creek. (Length, 6 m. 2 ch.)

	£	s.	d.
For actual construction, railway material, and labour ...	58,027	4	0
For supervision, commissions, salaries, and other incidental expenses ...	34,480	3	6
Total ...	92,507	7	6
Grand total ...	£1,108,628	8	9

of which £454,217 1s. 10d. has been expended in supervision, commissions, salaries, cost of raising capital, interest charged to capital account, and other incidental expenses.

2. "Whether the sums so actually expended exceeded the amount which, with proper economy and supervision, would have been necessary for the due construction and equipment of the said lines of railway."

Stillwater to Reefton and Brunnerton to Jackson's.

In the course of their inquiries the Commissioners had abundant evidence that the English contracts (Nos. 1, 2, and 3) had been let at rates far in advance of the colonial contracts executed at or about the same time, amounting in the case of formation-works to fully 25 per cent. The Commissioners have deducted a sum of £44,172 4s. 3d. from these contracts as representing the sum in excess of colonial rates at the time. The Commissioners have deducted a further sum of £678 in respect to rolling-stock included in Exhibits Nos. 74, 75, and 105. The basis upon which the rolling-stock has been valued is fully set forth in Exhibit No. 140. The land purchased for the railway (Exhibit No. 110) must be reduced by £1,036 17s., land representing this amount having been retained by the Receiver. With these exceptions, the Commissioners have every reason to believe that the sums paid for actual construction, railway material, and labour on this section were economical and according to ruling rates, and, after deducting the sum of £45,887 1s. 3d., the Commissioners consider that the balance may be passed as the reasonable cost of actual construction.

Turning to the cost of supervision, administration, commissions, salaries, interest, cost of finance, and other incidental expenses, the Commissioners find the enormous sum of £385,739 9s. 10d. chargeable to this section. The Commissioners are of opinion that 5 per cent. (£24,720 15s. 11d.) on the reasonable cost of construction was fully adequate to cover supervision, administration, salaries, and all necessary incidental expenses.

With regard to interest on capital during progress of construction, the Commissioners, having in view the fact that at least a moiety of the funds provided might prudently have been invested on fixed deposit, have computed interest for the full amount of each contract at 3 per cent. per annum, counting from a date three months prior to entering on each contract until the issue of the final certificate, and have allowed twelve months' interest at the same rate on importations of railway material and for minor works. This represents in respect to this line a sum of £30,700.

The reasonable cost of this railway the Commissioners therefore fix at £549,836 14s. 7d.

Belgrove to Norris's Gully.

The company carried out the grading and formation, also the tunnel, and erected a few small buildings in connection with this line, and then abandoned the works. The platelaying and completion of this line was subsequently carried out by the Government, as well as the extension of the line to Motupiko. The work done by the company was let by public tender, and, in the opinion of the Commissioners, was economically done. So far as the charges allocated against this section for supervision, interest, and finance are concerned, the Commissioners are of opinion that they are out of all proportion to the value of the work done, and consider that 5 per cent. (£2,804 1s. 2d.) on the £56,081 3s. expended for actual construction sufficient to cover all charges for supervision and administration; while the amount which might reasonably be considered fair and equitable as a charge for interest during construction would be £2,700, computed as in the case of the Stillwater to Reefton and Brunnerton to Jackson's line. The reasonable cost of this line the Commissioners therefore fix at £61,585 4s. 2d.

Springfield to Patterson's Creek.

This work was also let by public tender, and the Commissioners consider it was carried out with proper economy, and have therefore no deductions to make in respect to actual construction, railway material, and labour. In respect to the charges for supervision and salaries, the Commissioners consider in this case also that 5 per cent. (£2,901 7s. 2d.) on the £58,027 4s. expended in actual construction, railway material, and labour sufficient to cover all such charges; whilst the sum of £2,250 to cover interest during construction is, in the opinion of the Commissioners, all that can be allowed under this head, interest being computed as in the case of the Stillwater to Reefton and Brunnerton to Jackson's line.

The reasonable cost of the railway the Commissioners therefore fix at £63,178 11s. 2d.

Summarising these sums, the Commissioners arrive at the reasonable cost of construction, equipment, supervision, administration, and interest on capital during construction as follows:—

	£	s.	d.
Stillwater to Reefton and Brunnerton to Jackson's ...	549,836	14	7
Belgrove to Norris's Gully ...	61,585	4	2
Springfield to Patterson's Creek ...	63,178	11	2
Total ...	£674,600	9	11