

198. Does that include engineers' fees?—Yes; but there would be some administration expenditure apart from these.

199. Would the last heading include that?—Yes.

200. But in addition to that there would be some general administration?—Yes.

201. Fifth?—Then there would be the equipment of the railway with rolling-stock, &c.

202. Sixth, incidental expenses: what do you include under that head?—There are always a number of expenses that cannot be classified.

203. Seventh. Now, as to the question of interest upon money sunk during the period of construction, should anything be allowed for the capital sunk in a large undertaking like this during the time it is under construction and before it begins to run?—I cannot say from any case within my own knowledge, but I happened to have conversations with Mr. Wilson about it, and he said it was usual in undertakings he had been connected with, because if interest was not added, especially during a long course of construction, there must be a sum of money to be found for it—the interest is either being paid or being lost. The interest must be provided for somewhere.

204. Eighth. Then, under a general head there would be law-costs and different legal expenses necessary for acquiring land for the railway?—Yes.

205. You say that would be reasonably added—all law-costs in connection with the acquisition of land for the railway?—Yes; such charges would come under the administrative or incidental expenses I mentioned before.

206. Then, there would be the necessary office expenses, insurance, advertising, stores, &c.?—Yes.

207. At the time of the seizure—May, 1895—a large portion of the railway was practically new, was it not?—A considerable portion of it was so.

208. What proportion of it?—I forget the dates, but I think both Jackson's and Reefton lines were opened within a year or two years. All the work, excepting that of the English contractors, had been done practically between 1890 and 1894, while the seizure was in 1895.

209. Then, the oldest piece of the line at the time of the seizure would be some six or seven years old only?—Yes.

210. Comparing the standard of the work generally with the Government lines of the same day, would you say in what points the Midland Railway line was superior to the Government line?—The general standard of embankments, cuttings, and so forth, was the same as that in use by the Government at the time, and the same as that shown in the plans of the line received from the Government—that is, as far as the earthwork was concerned. The culverts, instead of being of timber, or partly of timber, were practically all of concrete—with some small exceptions. The bridge superstructure of all spans above 20 ft. consisted of iron girders.

211. What was the Government?—All bridges were shown as wooden structures in the plans supplied by the Government.

212. As to the sleepers?—The sleepers were of timbers approved in the public-works specifications of the time. I may mention, in respect of all contracts let in this country, that all the piles were of ironbark, with superstructures of iron.

213. Do you mention that because it was a superior class of material to what the Government was using?—It was superior to what the contract would have compelled the company to use. The Government were beginning to exclusively use more permanent material at the time the company's works were in hand.

214. So you say in all respects the railway was equal to the Government line, and in the respects you have mentioned it was superior?—It was superior to the construction generally adopted by the Government at the time of the Midland Railway contract, and to the construction contemplated at the time the Midland Railway Company's contract was entered into.

215. I understood you to say that at the time the work was being done it was, in the respects you have mentioned, superior to the work being done on the Government line?—They had timber bridges on the Hokitika line, for instance, without iron girders.

216. *The Chairman.*] Where?—At this end of the Hokitika line.

217. They were replacing old bridges?—Yes.

218. *Dr. Findlay.*] The Commission is asked to have regard to two considerations in arriving at the value of the line—one is its earnings up to date, and the other is the prospective increase in traffic under certain limitations: can you say, from your experience, whether the income of the railway up to date affords, in your opinion, any guide to its present value as a going concern?—I have not seen the returns of income, but for some years past the prosperity of the coast has been increasing—it has been increasing considerably during the last two years.

219. Can you say whether, for the purpose of valuing this line as a going concern, you find any reliable guide in the past earnings of the railway?—No, I do not think they are reliable, because for some years past there has been a rather dull time. It is only lately that the timber trade has developed, and is developing, into a large volume. The beginning of the timber trade was really due to the railway. During 1897 there was an exceptional flood which involved exceptional maintenance or renewal. It was the largest recorded flood in the history of the Grey Valley, and naturally led to increased maintenance expenditure for that year. This must have affected the net revenue unless the cost is paid out of capital. Within the last year there has been considerable mining development, and this will probably increase to much greater dimensions. Then, again, there is the possible increase of settlement. Owing to the land being so much locked up, settlement has been almost in abeyance for many years.

220. In addition to these reasons, do you think the first few years' earnings of a railway like this is any fair guide to its capitalised value?—No; the first few years were largely expended in creating the traffic. I will give an instance: In the first year we ran a double-train service to Reefton, and it was absolutely unpayable. Now the department is running a double service four times a week, with frequent special or excursion services, and from the appearance of the trains it must be profitable to do so.