

these bushes—that is, they will yield a substantial sum above working-expenses. I do not mean that they will return a profit, or even capital, to the original shareholder; but leaving out of account interest upon capital locked up in the venture, it is clear there will always be a substantial profit to be earned until the timber is exhausted. This means that it is certain the timber traffic will be available for the line until the bushes are worked out—a period of from fifteen to twenty years. It means also that the goods and passenger traffic of the Mokai Settlement will also be available for that period. For some time after the line was opened the goods traffic of Taupo and Wairakei was taken partly by the line and partly by wagon on the Rotorua-Taupo Road; but the wagons have now gone off the Rotorua Road, and practically the whole of the traffic goes by rail to the Taupo Company's terminus, and thence by wagon to Taupo and Wairakei. Since the company was formed it has expended—in wages, £352,000; in freights on Government railway, £79,000; in machinery, interest, rates, taxes, &c., £223,000: a total of £654,000. It has not paid any dividends to its shareholders, and the timber available (amounting to from 150,000,000 ft. to 200,000,000 ft., mainly first-class totara and matai) will not yield a profit sufficient to repay the shareholders' capital. The company is naturally desirous of getting back the cost of the line. It is plain, however, that it cannot hope to do this unless it can show that the line is worth that sum as a permanent line without the company's timber traffic. Mr. Buchanan asked Mr. Graham whether the land from Putaruru to the company's present terminus would not alone be sufficient to justify the retention of the line. It is possible that when it is all closely settled it might be so, but looking at it as a practical proposition no one would touch it now, because the land is not yet known. It would be quite impossible, I think, within fifteen years to get that land so developed that it would support the line independently of the Taupo-Wairakei tourist traffic. It is improbable that the line will pay after the timber traffic is exhausted unless it can rely upon the passenger and goods traffic of the district surrounding Lake Taupo. With a view to obtaining the right to extend the line to Taupo, the company has had a detailed survey made of the route, and it is now certain that a good line can be obtained at small cost. The present line has cost the company about £120,000, and rolling-stock about £10,000; the extension and the proposed improvement of the existing line, with necessary rolling-stock, should not cost more than £50,000: a total of £180,000. The completed line will not be more than sixty-five miles in length. The traffic available for the completed line will be—(a) the company's timber, which at Government freight rates the company is prepared to guarantee will produce an annual revenue for not less than fifteen years of £11,606; (b) the goods traffic, which on the basis of the present traffic will at Government rates for the completed line produce £2,000; (c) the company's own goods traffic other than timber at Government rates, £875; (d) passenger traffic at Government rates on 4,000 passengers who at present go to Taupo annually, £3,000: a total of £17,481. The cost of running the line, based on the company's last two years' running, would be about £9,450, leaving a profit of £8,031, sufficient to pay $4\frac{1}{2}$ per cent. on £180,000, or 4 per cent. on £200,000. These figures are not estimates; they are calculations made on traffic now available, and no credit has been taken for the increase which is certain to arise on the completion of the line to Wairakei and Taupo. It is certain that with the company's line completed to Taupo the trip from Auckland to Taupo would take only ten hours instead of two days, as at present; and from Wellington to Taupo twenty-two hours, instead of three days as at present; and careful consideration of the effect of this saving of time, involving as it does much reduction in cost, will, I think, convince any one that it would mean a great increase in the passenger traffic to the Taupo district. It is also clear that as soon as the public become aware that a railway to Taupo is permanently established there will be a great development in the district served by the line. It is true that development along the company's line already constructed has been slow. There are several reasons for this. In the first place, the land has mainly been held in large areas by private individuals, who have held it idle for many years in the belief that it was valueless—as no doubt it was proved to be at the time they purchased. In the next place, the presence of the company's line as a permanent factor in the development of the district has not been made public; and, further, it is only the Putaruru dairying development, and recent experiments in other pumice areas, that have created the feeling of confidence which has undoubtedly arisen in regard to these lands. It is to be remembered that the completion of the line to Taupo will open up the whole Lake Taupo basin, because it will connect with the steamer service on the lake. A glance at the map will show that the whole of that country is served. As Mr. Crowther has told you, the land down from Tarawera can be much more served by the line from Taupo than from a line from Napier. The district thus served includes many thousands of acres of bush lands admittedly equal, if not superior, to the Putaruru lands for farming purposes. It also includes some thousands of acres of land at Tokaanu probably equal to any land in New Zealand. The line will also serve the Pohokura Block, recently purchased by the Government, and other lands in the same locality.

2. How far away is that?—Tarawera, I believe, is about forty miles. It is a coach stopping-place—not Tarawera Lake—just outside the borders of the coloured area on the map. That land has recently been purchased by the Crown, and must be most readily served by this line, and there are many thousand acres of it. It cannot be doubted that the Tokaanu lands—and this is the point I would like to stress—and the bush areas will be occupied as soon as permanent railway communication is established, and that other areas will be gradually brought into use. But no one in his senses would suggest that all this country would be settled in the immediate future. There is a good deal of it very poor pumice land indeed. What we believe is that the Tokaanu lands and these bush areas will be occupied as soon as railway access is given, and there are hundreds of thousands of acres which can be immediately occupied when railway access is given. The cultivation and occupation of that land will result, we believe, in the poorest land in the district being ultimately worked and settled, but it must be a gradual process. It