

out of the concern. In the second place, the Railway Department is not the sole Department in the Dominion in which the State has an interest. After all, the railways, though they may have done much for the Dominion, depend for their prosperity upon the development of the whole Dominion, and unless the whole Dominion develops—each part to its fullest extent and looking over a cycle of years the Railway Department will not flourish. Moreover, as we see on the Continent, water service is always recognized as cheaper for heavy traffic than the railways, and on the Continent of Europe, notably in Germany, the canal and river system has never been sacrificed to the convenience or prosperity of the railways; and even in England, where the great canal system built up in the latter end of the eighteenth century has suffered in consequence of the development of the private railway systems, even now regret is being expressed with regard to that sacrifice, and an effort is being made to revive that old canal system. As to the value, there are four bases on which this wharf can be valued. There is, first, its earning-power as suggested by the Railway Department; there is, second, its actual original cost of construction; third, its present value, allowing for deterioration; and, fourth, the book value at which it would appear in the books of the Railway Department, after allowing for cost of maintenance and repairs and interest on cost of construction, the surplus profits from that wharf being devoted to a reserve fund for the capital originally invested in it. Now, with regard to the earning basis, that I would submit relies solely upon the fact that under the Railways Act there is no limit placed upon the discretion of the Railway Department to impose what wharfages it likes. It could legally impose 5s. if it likes; but I submit, in view of the provisions of the Harbours Act, sections 165 and 166, all revenues derived from a harbour, whether from wharfages, harbour revenue, or harbour dues and pilotages, have all to go back and be employed in the improvement of the harbour for shipping purposes. As far as I know there is no provision to that effect in the English Acts. If we have regard to the principle laid down as governing Harbour Boards, then of course the basis of this enormous price asked by the Railway Department falls away at once. Now, with regard to the actual cost of construction, the only evidence we have before us points to the fact that that 500 ft. of wharves or quays really cost the Department about £3,000. We have Anderson's contract of about 160 ft. or 170 ft., which was let at £800, which works out at about £5 per foot. We have no evidence with regard to the original jetty put up. Then we have Saunders's contract; and, looking to the evidence of Mr. Hennessy and one's own knowledge of the price of timber in those days, and allowing for the fact that we have evidence that a better wharf could be built to-day of hardwood for £10 a foot, I consider that an estimate working out at a little less than £3,000 is a fair estimate of what that wharf must have cost. As pointed out by Mr. Williams, there is the question of reclamation. Of course, that railway-station was really built for railway purposes. At that time Foxton was the terminus of the railway system of the west coast of the North Island and required a big railway-station, and looking to the figures given us by Mr. McVilly and other officials of the Department with regard to station alterations at Levin, £15,000 does not seem too much to pay for a station which then, in the opinion of the Railway Department, was likely to be used for many years as a terminal station. So I submit that, if anything, little of the cost of the reclamation should be debited to the quays. Of course, we are asking for part of that reclamation—namely, for the site on which Levin and Co.'s warehouse is situated. We have some evidence as to the value put upon that part of the land. We have evidence to the effect that £50 is considered to give a fair return for the capital invested. Capitalizing that would give the value of that land as £1,500, so what we are asking for is land valued at £1,500 and a wharf estimated at £3,000. That is £4,500. Of course, we would require a proper right of access from the roadways of Foxton to that wharf and to the goods-shed, because it would be useless for us to have the wharf and Levin's site without some access from the road. Then, with regard to the present value of the wharves, there is no dispute about that. Our engineers estimated it, one at £3,500 and another at £3,700, and the Railway Department accepted that valuation. But I submit that is not the proper basis in a matter like this on which the value should be determined. It is no good establishing a Harbour Board burdened with debt. This Harbour Board has an important function to perform to the district, and if the port is to be developed it means that the district will have to put their hands into their own pockets to develop it. If you look at the extraordinary figures supplied by the Railway Department—figures which were never supplied to us until at Foxton—we arrive at an extraordinary position. I have worked out the Department's own figures to see what capital they have now accumulated out of excess over revenue and expenses which they have received from Foxton since 1901. When dealing with this question I would like to point out to the Commission that prior to 1901, for three years prior, the total income derived from wharfages was very little less than that derived in 1901, so that one can assume that the net profit made in 1901 was practically the same as that made in 1900, 1899, and 1898. We have no record of the profit made prior to 1901, but in answer to questions from the bench Mr. McVilly admitted that the Railway Department had landed a quantity of Government goods and they had derived benefits in that way. I have taken the difference between the receipts and expenditure in connection with the wharfages shown by the Railway Department on which they base their claim for the goodwill. Then I have allowed them interest at $3\frac{1}{2}$ per cent. on £8,000, which I give them in as being the capital cost of the wharves and of any reclamation required in connection with the wharf. I do not for one minute admit that represents anything like what this railway wharf cost, even including the reclamation, but I have taken that for the purpose of computing these figures. Taking it at $3\frac{1}{2}$ per cent., the percentage allowed by the Railway Department in their accounts, we have to add on in each year the amount of expenditure for that year, £280. After adding that £280 to the expenditure I have taken the difference and capitalized it at $3\frac{1}{2}$ per cent., and I find that after allowing for the loss made in three years when there was a big capital expenditure out of profits, and after allowing for compound interest for the loss, as I have allowed for profits, I find the Department has received up to the 31st March, 1916, the sum of £12,401 18s. 4d.