In 1913 the Order in Council authorizing the extension was duly issued, as already mentioned in the paragraph headed "History of the Undertaking," and in 1913 special legislation was passed empowering the company (on obtaining the consent of a majority of the landowners interested) to levy a contribution of 1s. per acre on all the land considered to be benefited by the proposed extension of the tramway to Taupo. This proposal failed by reason of the opposition of the Native landowners, as already explained in the "History" paragraph, and the company, after some interval, took the matter up again in October, 1918, when the chairman of directors (Mr. F. G. Dalziell) wrote to the Prime Minister making further proposals, which are referred to in the paragraph following.

Reasons for setting up this Commission.

As has already appeared, the company petitioned Parliament in 1911, and again in 1912, and in 1913 they secured the Order in Council authorizing the construction of the Taupo Extension, but they lacked the means to carry this latter enterprise into effect. At this time (1911–13) the company was not in at all a good position financially. In addressing the Parliamentary Committee in 1912 Sir John Findlay, on behalf of the company, said, "For twelve years we have not paid any dividends on any of the different classes of shares. There is no prospect—not the least prospect—of any ordinary shareholders receiving back their money or any dividends on their money."

The company was therefore wishful of turning its tramway to account if possible, as if it could in any way recoup itself its cost such an advantageous piece of business would very materially improve its position. Hence the "amended proposals" submitted to the Committee of 1912 suggesting a sale of the tramway to the Government. As, however, that Committee did not endorse that proposal, the company raised the question again, but in a different form, in Mr. Dalziell's letter to the Prime Minister of the 15th October, 1918. The new proposal was to set up a Board to acquire the tramway, and to vest in such Board the power to deal with all the Crown and Native lands in the district benefited by the tramway, with power to borrow money, to be used, presumably, in purchasing and extending the tramway; the Board to make arrangements for settling the land along the tramway route or adjacent thereto, and also to provide for the cutting and milling of the timber. Mr. Dalziell asked for the appointment of a Commission of experts to go into the whole question.

That was the position in 1918; but during the last two years matters have altered somewhat. The greatly improved price of timber and the strong demand for it has converted a losing or poorly profitable business into a highly payable one. The company can now see quite a good prospect not only of writing off the cost of its tramway out of profits, but of paying its shareholders reasonable dividends, together with a refund of their capital, when the company has to cease operations owing to all its own and the Crown and private timber that must be brought out over its line being exhausted. The company is not, therefore, so anxious as it was for an early sale of its tramway, but is rather desirous of retaining it in its own hands until no longer required as a means of transporting its timber. The company, however, still asked for the appointment of a Commission of departmental officers to consider the matter and to report to the Government thereon, and hence the appointment of the present Commission.

Absence of Definite Proposals by the Company.

At an early stage of the inquiry the attention of the company's representative was drawn to the absence of any definite proposal setting out the terms on which the company was prepared to sell its tramway. Mr. Dalziell replied that this was due to the company not being aware what the Government desired in the matter. He said that if the Commission would submit to him definite