

- (9.) The company to bring the line up to the nineteen-mile peg to such a standard that the Railway Department will allow its rolling-stock (other than locomotives) to be run over it, and to enter into a binding covenant to run all the trains reasonably necessary to carry all the timber, live-stock, or other traffic that may be tendered to them for carriage on this or any other section of its tramway, and to charge freight thereon at rates in no case exceeding those mentioned in its Order in Council in proportion to the mileage carried.

To these interrogations Mr. Dalziell, through Sir John Findlay, made the following replies:—

- (1.) The company would accept this offer. Its price would be the amount of its capital subscribed in cash plus interest at preference-share rates—an average of $6\frac{1}{2}$ per cent. The total of capital and interest to date is about £316,000.
- (2.) The company would agree to this, the price to be the book value of the line plus valuation of plant.
- (3.) The company would not sell its Putaruru property while it retains its timber business.
- (4.) The company would hand over the line to Oruanui with extension rights at book value, but would not pay a proportion of running and interest charges in addition to Government rates.
- (5.) The company would agree to this, the price to be the book value of what is taken over.
- (6) and (7.) The company would be willing to hand over the tramway to 19 miles at a fair price if allowed running-rights. What is a fair price can only be determined by experts after full consideration of all the circumstances. But in this event it could not continue to run the remainder of the line under the Order in Council. Its manager suggests it would be cheaper for the Railway Department to subsidize the company's line by arranging for the carrying of goods at through rates, the difference between through rates and actual costs to be made up by the Department. He suggests further that the Government should load the Crown and Native lands and timber with this contribution, since they get the main benefit from the railway and the present settlers' settlement enterprise, our company merely getting its capital and interest without further profits.
- (8.) The company could not hand over its Putaruru property while it holds its timber business.
- (9.) The company would favourably consider the question of bringing its line to the nineteen-mile peg up to a standard sufficient for the transport of Government rolling-stock, but if this involves the purchase of much material it suggests that this work should be postponed in the hope that costs of material may fall. It could not, however, provide for live-stock or other goods than it now carries on the balance of the line, and it cannot give an undertaking to carry timber in competition with its own or on terms that do not provide for a fair contribution to the railway sinking fund. If it is to enter into a binding contract to carry goods it can only do so on terms that will fully ensure it against risk. It suggests that the terms of working arrangement for the running of the line by the company can only be arrived at by a detailed discussion between Government experts and the company's officers. It is, however, willing to discuss any proposals for such an arrangement.

The Commission has very carefully considered these replies, which now form the basis of the company's proposals for a sale of its undertaking, and have carefully borne them in mind in framing the recommendation following.