

The company is also not now desirous of parting with the tramway at present. Their timber business is in a very flourishing condition just now, and seems likely to continue so for quite an indefinite period, and the tramway is required as an adjunct to this business. The company estimates that it will take about sixteen years to cut out its timber, and there are other forests in addition to the company's bushes the timber from which can more easily be brought out by the company's tramway than by any other means. If arrangements are made to cut and mill this timber, and to send it to market by means of the company's tramway, the "life" of the line would either be extended by many years—up to forty-eight years, they contend—or the annual volume of the traffic on the line would be greatly increased, thus augmenting the company's receipts and profits. The company would prefer, therefore, to retain the tramway for the present, but at the same time it desires to be advised now what the ultimate fate of its line is to be.

Upon a very full consideration of all the facts of the case your Commissioners are strongly of opinion that the acquisition by the Crown of the tramway constructed by the company from Putaruru to Mokai would *not* be in the best interests of the State.

When, however, the company no longer requires the tramway for its own purposes, and notifies the Government accordingly, we recommend that a Local Board be set up under the Local Railways or other Act to acquire the line as far as the Oruanui Siding, or the Oruanui Township, or to Taupo, if it is extended to either of those points. The price to be either the then valuation or the then book value, whichever is the smaller sum, but with an abatement at the rate of 1s. per 100 ft. for all timber brought out over the line subsequent to the date of the agreement to be entered into with the company in pursuance of this recommendation, if adopted by the Government. Nothing to be allowed for goodwill or for interest on capital invested.

As both the company's bush and its tramway are "wasting assets"—the former will entirely disappear, and the latter may be useless, and of practically no value, when the timber has been cut out—it is very desirable that a sinking or amortization fund should be established to reimburse to the company's shareholders the capital value of these assets. Indeed, such a fund should have been established long ago, and no further time should be lost in setting it on foot; in fact, all timbers conveyed over the line, regardless of ownership, should, in fairness, make a contribution to the amortization fund.

If the sale of the tramway is postponed for a considerable period it is only reasonable that a reduced price should be paid for it, hence the above recommendation. The loss sustained by the company in the purchase price would be made up out of its amortization fund.

#### ORDER OF REFERENCE NO. 2.—WOULD IT BE WISE TO ACQUIRE A PART OF THE LINE ONLY?

What we have already stated under the last heading practically answers this question.

We do not advise the Government to take over any portion of the line; but when the company intimates that it does not require the tramway any longer we advise the setting-up of a Board to acquire the portion of it between Putaruru and Oruanui Siding, or Oruanui Township, or even to Taupo if the line is extended to there, but we do not advise taking over the short piece of line between Oruanui Siding and Mokai, as that part of the line will, when the extension is undertaken, be merely a branch line to serve the company's saw-mills.

We recommend, however, that the company be urged, at its own expense, to have the Putaruru-Kopokorahi Section of its line, or at least up to the nineteen-mile peg, brought up to such a standard as will admit of Government wagons being run over it.