With regard to the produce from farming operations, the Commission considers that progress during the next ten years will be extremely slow. It has been variously estimated that from 30 to 60 per cent. of the country to be served by the railway is fit for farming. The Commission estimates the farming-area at 40 per cent. There is sufficient land suitable for dairying which, in the next ten years, can be developed to carry approximately eight thousand cows, and there are further areas which are capable by cultivation of being made into fair grazing-country; but the prospects, even assuming the construction of a railway, are not, in the opinion of the Commission, sufficiently attractive to induce rapid settlement. Comparisons with Matamata were made by witnesses, but those members of the Commission who are entitled to speak from expert knowledge consider that the Taupo country, outside the very limited dairying-area, is not comparable with the greater portion of the Matamata land. The traffic from farm-produce is estimated at £1,380 per annum.

The inwards traffic in merchandise, manures, and minerals will add £4,570.

Summarized, the revenue estimated to be earned on the new line is—

	£
Passengers, parcels, &c.	15,650
Products of forests	39,892
Products of farms	1,380
Inward traffic	4,570
Total..	£61,492

It must be mentioned that on an extension of the existing line the rates charged are not the local rates for the new mileage, but a proportion of the through rate for the total distance the traffic is hauled. As the goods rates per mile decrease as the distance increases, the average rate per mile on a long haul will be less than the rate per mile for the distance of the extension. The earnings of the extension are therefore a mileage proportion of the through rate. To the earnings thus ascertained is added the net revenue accruing from any new traffic brought to the existing line. In estimating the revenue it has been assumed that any timber purchased by the Railway Department in this area and carried over the Taupo–Rotorua Railway, if constructed, will be charged the tariff rates.

With regard to the revenue derived from the carriage of timber from the indigenous forests, it is recognized that this is a terminating traffic. The Taupo Totara Timber Company very kindly placed at our disposal the estimates of quantities made on their behalf. These estimates are very much less than those given in evidence by a witness who had also examined the forests. It was suggested that a further examination be made with a view to testing the accuracy of the estimates. Such an examination, to be of value, would occupy a very long time, and was therefore not undertaken.

The value of timber has greatly increased since the estimates for the company were made, and is likely to further increase as present available supplies are exhausted. The proportion of saleable timber will consequently be greater.

We are satisfied there is sufficient timber in the indigenous forests to furnish traffic for fifteen years at the rate of cutting estimated. When that timber is exhausted the output from the Government forest plantations will have largely increased, and this additional traffic, together with the increased passenger traffic, the carriage of farm-products, and the merchandise requirements of an increased population, should make good the loss.

Order of Reference No. 2.—Probability of earning Working-expenses and Interest.

The cost of construction of a railway on the route described in the reply to order of reference No. 4 is estimated at £700,000, and the necessary additional rolling-stock at £50,000. Interest on this at 4 per centum per annum is £30,000.

To provide for the estimated traffic it will be necessary to run each way one passenger and two mixed or goods trains daily—say, 330 train-miles per day, or 103,290 per annum. Taking the working-expenses at 10s. 2d. per train-mile (the average of the last six years) it will cost £52,547 to earn the estimated revenue.