

Surveyor and the company's valuer, Mr. Nicholson. They valued it in blocks. This was approved by the Government, and it was then simply withheld until the time came for selection some two years ago. The company then made a selection of what they wanted out of this 39,000 acres, but they were going to take out of some of the blocks the nice portions and leave the comparatively inferior land. This was referred to me as Surveyor-General, and, as I could not advise the Government to agree to that, I marked out what we would agree to, modifying their proposed boundaries. They made other proposals, and, as it is very difficult to carry on these things by correspondence, and Mr. Smith being then in Auckland, I advised the Government to leave the matter in his hands, and gave him instructions not to prejudice the public estate by giving them any undue advantage in subdivision of blocks. The land had already been valued in these blocks. They got several entire blocks as valued, but, as the land set apart was a much larger area than the endowment they were entitled to, we had to cut through some of these blocks; and that is where the difference came in. They wanted to cut it up a certain way, and we said, No. Mr. Barstow refers to a block being cut through so as to cut out the bush, but the actual fact is it was cut in the way the company wanted it themselves. They did not know as much about it then as they do now, and the through line which runs east and west happens to leave out the most valuable portion of the kauri. It was not design on the part of the Government to do them out of the kauri. As I pointed out to Mr. Barstow, when speaking to him, the company have got the gateway to this land, and nobody else can go on to it but by a road through their land. And I said to him, "If the company care to buy, we are quite willing to sell you the land or sell the timber by royalty."

314. You say the land the company has got is superior to that which is alongside, owned by the Crown?—Yes.

315. Do you mean to tell me that on the one side of the line the land is good and on the other side it is inferior land?—We were speaking of an entirely different part of the country. This land we have been speaking of is under kauri-bush. The principal part of that belongs to the Crown.

316. The reason, you say, the prices of the company's land were higher was because the land was superior to the land of the Crown. This particular part of it, was that superior?—That was valued to the company. The company themselves sent down a map of the land they wanted to be reserved. After some adjustment between the Lands Department and them, we fixed the area out of which their selection was to be made. That comprehended 39,000 acres. At this stage the land had not been valued, but it was well known that, at any rate, 39,000 acres would be ample for all purposes. It turned out, on valuation, to be double the quantity that they were entitled to. The portion which the Government sold since was never within this area at all; it was outside of it altogether. Just let me bring the localities to your recollection. You remember riding up the Kaihu Valley? [Mr. Larnach: Yes.] On your right were the wooded ranges; on your left, the country was comparatively barren, miserable land. Well, that is the land the Government sold at 7s. 6d. per acre.

317. Yes; but now I will ask you: Was the fact of Government putting land in the market in the neighbourhood of the company's land at very much lower prices than the company's land was valued at—was that not likely to prevent the sale of the company's land at that particular time?—Well, yes, it might have that effect.

318. *Dr. Newman.*] Is the line open at all now?—It is open for sixteen miles.

319. Is it not running?—It was running. It is still in the hands of the company. It is not running regularly. They did run for two or three months.

320. Supposing you took it over, could you make it pay expenses?—It would pay more, while the timber-traffic lasted. Afterwards, I doubt if it would pay working-expenses. In working-expenses there is not only the payment of wages to guards and engine-drivers, but the maintenance is a serious thing. The maintenance of nineteen miles of railway would come to over £2,000 a year; probably not the first year, but very shortly it would be that.

321. If the three and a half miles were completed, you would not expect it to pay more than working-expenses?—Not without the timber.

322. You say you would advise that, in the event of Government taking over this line, the endowment-land be also taken over?—Yes.

323. Do you know how much that land is mortgaged for?—It was stated at £12,000, I think.

324. Do you think, in view of the fact that one-third of the money must go elsewhere to local bodies, and taking the expenses of surveys and things, that Government could get that £12,000 back again?—Government would not open that land for settlement where the kauri is. It would be first opened for the cutting-down of the kauri. It would not be opened for settlement at all until the kauri was cut off.

325. Are you aware that the people who own it have tried to sell it and failed?—They did not fail to sell the timber. Mr. Barstow told me he had arranged to sell the timber for £25,000, and the reason the sale was not effected was because it was found that his company could not legally complete the sale as agreed upon.

326. *Mr. Rhodes.*] £25,000 for the land?—For the timber only, not for the land at all.

327. *Dr. Newman.*] Are you aware they have not sold this timber?—I am aware they have not.

328. Is it your opinion, in the present glutted state of the kauri-market, Government could sell this timber for the amount of the mortgage?—I think it would be very unwise to offer it if the market is so glutted. I think it would be extremely unwise to offer such a valuable property while the market is glutted. It is only a question of a very short time when a revival of the market will take place. Kauri is getting, I notice, into places where it was not known before. The other day I saw from the newspapers that it had found its way to Glasgow, where it is being used now.

329. Are you in hope of this line paying working-expenses for five or six years?—I have stated already, it depends entirely on the timber-traffic. If the timber-traffic is rapidly developed it would pay very well from the start.