

82. *Dr. Newman.*] Is that in your table?—No, it is not. There is another point not in my table, and that is that the present value at 4 per cent of the £42,500 half-yearly annuities is £708,835. That is really the present value of the terms asked for, assuming 4 per cent. interest.

83. *Hon. Mr. Seddon.*] To make that clear: what percentage is that upon the £618,000?—It is not quite 15 per cent.—14·7 per cent.*

84. *Mr. Wright.*] What are the exact figures?—£708,835, equal to 14·7 per cent. increase on £618,000.

85. *Dr. Newman.*] What is the £1,053,291?—That is the accumulation for ten years of these £42,500 half-yearly payments.

86. *The Chairman.*] But the present value is £708,000 odd?—Yes.

Mr. Wilson: You must set off against that the value of the land which the company hand over to the Government. There are two sides to the question. At present it would appear as if the whole thing were one-sided. The land and its value are handed over to the Government, and they get the full benefit.

87. *Mr. Wright:* The prospective value?

Mr. Wilson: Yes. The Government during this period have the whole use of the land and its value to accumulate against these payments. So there is a set-off. It is not one-sided.

The Chairman: That is more a question for our consideration than for the actuary.

Mr. Wilson: Yes; but I simply wanted to follow up the statement, which is naturally one-sided.

88. *The Chairman.*] I do not think Mr. Fox would hardly care to accept that definition?—No.

Mr. Wilson: But it is a statement of fact, notwithstanding.

Mr. ROBERT WILSON further examined.

89. *The Chairman.*] Do you wish to say anything further, Mr. Wilson?—Yes; I wish to say something with regard to the memorandum from the Public Works Department, on page 19 of D.—6. The first clause given in that memorandum, which contains proposals for new contract, is No. 2, relative to the extension of time. I explained to the Committee we ask for five years to insure our being able to convince financiers we have ample time in which to complete the work, although we expect, with good luck, to finish the whole of the works in three years and a half. Mr. Blow mentions that we have altered the old contract and inserted the word “reasonable,” in clause 3, before the words “satisfaction of engineer.” We do this because it would enable us to arbitrate as to the requirements of the engineer being reasonable. It is done to protect the company. Then, Mr. Blow’s next point is in working the lines at 60 per cent. Clause 9 we have amended. The Commissioners reported against the Government working these lines as we proposed, so I have amended that clause, and suggested that the Government should work the company’s lines when called upon to do so, for contractors’ purposes, the company paying the cost of working and maintaining its own line. That takes away all risk of the colony being put to any expense in that direction. Clauses 10, 11, and 12 form the important point we have just been discussing. Clause 15 stipulates for a change in the present contract as regards rates, fares, and charges. The present contract states that the ruling rates on the company’s lines shall be those of the Wellington and Masterton Railway with 25 per cent. added. But if the Government at any time or for any reason alter or reduce their rates, the company is bound to reduce its rates in proportion. The alteration here is meant to guard the company against the introduction of any abnormal system of charging, such as the Vaile or other system, which might become applicable to the Government railways. On broad principles, that would not apply to a private railway company, whose rates have to be regulated, of course, by the maximum allowed, but who could deal with its rates to meet the traffic in the local districts. That is not a very important change. It only protects the company against any risk of some extraordinary or abnormal system of charging rates, which might, of course, reduce its rates to a price which could not possibly pay. Clause 17 is in regard to local taxation. The company feels it is a very unfair system of rating now in force on the West Coast. It has built its railway, and has taken the whole or the greater part of the traffic off the main road, materially reducing the maintenance costs to the local bodies. I think Mr. Seddon can confirm me in that. At the same time we are very heavily rated. The year before last we paid £485, and last year £1,170, in local rates alone, although we had been completing our line through a district in which there is no road whatever. We did not increase in any way the costs of road maintenance of the district. In fact, by building the railway, we have increased the assessment value of the land and improved the prospects of the district; yet we are the ones who have to pay a large amount to local taxation. I submit to the Committee, in view of their report last session, it is a fair question for them to consider whether they could not see their way to recommend that the company should be freed from local taxation. We also asked that we should be taxed on our income and the profits. Taxation on capital value is in itself quite inapplicable to a railway company. That is very clearly seen by taking an example: Suppose you have two railways in the same country: one is built through a level and easy district, and say, costs about £3,000 a mile, that for 100 miles would be £300,000. Further, assume it to connect two important centres, and there might be a return of £60,000 a year, or 20 per cent. on the capital value. You may have another railway the same length, costing £15,000 a mile, which is about what this Midland Railway will cost. In this case there is a total capital value of £1,500,000, or five times the capital value of the other example, and if that line only connects two unimportant centres it might not return you 1 per cent. of profit. Yet the tax, on that

* Note for the Chairman.—In question No. 83 the Hon. the Premier asked me what percentage of increase £708,835 is on £618,000, and I replied 14·7 per cent. It did not occur to me at the time to point out that the *present value* of the £618,000 is only £562,898, and the increase of £708,835 (the *present value* of the terms asked for by the company) on the latter figure, £562,898, is 26 per cent. I consider this is of importance.—M.F.