

25. Well now, as a safeguard, we asked you by our letter that, inasmuch as the Government were asked to lodge the money with the Public Trustee, whether there should not be some security for the Government of the money being raised by the company, and that it should be put into safe keeping?—You have absolute security. When the prospectus is issued the directors will have to state in this the specific purpose for which the money is to be used, and we cannot use that money for any other purpose whatever; if we did it would be fraudulent, and the directors would be liable to any single shareholder. So far as that goes the money is absolutely safe, and, moreover, if you choose you can make it a stipulation that the prospectus shall be examined and approved of by the Agent-General on behalf of the Government before it is issued. I think you would be advised that you are perfectly safe. The company would be bound by the prospectus to raise one million and a quarter, and the directors are bound to set out the specific purposes for which the money is raised and on which the money will be spent. If there should be failure to spend the money in the proper direction an action would lie against the whole of the directors for misappropriation of the money.

26. *The Chairman.*] What would happen if you did not spend it at all?—We are bound to finish our work in five years.

27. *Hon. Mr. Seddon.*] In the meantime our margin of responsibility is reached on the signing of the contract?—You have got your first payment of £200,000, bearing  $3\frac{1}{2}$  per cent. interest. At the end of the year you will see at once what progress is being made. Should the work not be done, you would have a right of action against the company for not proceeding with the work.

28. The point I wish to get to now is: that it shall be a condition if the company does not expend the minimum amount within the period named in the contract, the whole thing shall be void, and we withdraw the bonds?—I do not see any objection to that extent of protection. You may protect yourself as much as you like in that way. The object of the company will be to get the work completed as soon as possible, because every week of delay would be a loss to the company if it cannot get the railway opened.

29. Why should we commence paying interest on the signing of the contract when the money may not be raised?—You might alter that condition to the time the money is raised.

30. Or to the date the money is paid to the credit of the company. Subsection (b) refers to a new Rating Act, which may not pass?—If it does not pass we shall have to accept the position, I presume. It is the intention in the Rating Act to effect some reform in the method of taxing improvements. It is a serious defect in the districts where we have our lines already made. The local taxation is a serious hardship to us. If it were modified so that improvements should be exempt from taxation, it would then be a fair and reasonable tax, and there would not be the same objection to it as there exists now. Where we find it very unjust is that we have practically relieved the Greymouth County Council from much of their money difficulty. They are now more flourishing, and we are sufferers, from the excessive taxation imposed by them.

31. The County Council has an overdraft of £8,000 exceeding the year's revenue.

32. *Mr. Guinness:* It is only £6,000, and the year's revenue is £5,000.

33. *Hon. Mr. Seddon.*] The next subsection (c) relates to a maximum schedule of rates?—The company propose to submit to you a schedule of rates based on the general charge in the colony on the whole of the Government lines. There are a great many charges in the original schedule which are not applicable. Some of them are excessive, and some of them too low. I would suggest that there should be a fresh schedule. I have instructed the Traffic Manager to draw up one, which may be taken as the basis of maximum charges. It would cover the whole question.

34. Are you in a position to state definitely what the cost of the Springfield Section will be?—Including rolling-stock, contingencies, and other charges, it will come to a million and a quarter. That estimate will include complete rolling-stock. I have to be on the safe side with my estimate. It is different from Government work, where, if you fall short of money, you can get a fresh vote to carry on the work. I am bound to ask at first sufficient money to complete the work. The company cannot go to the public again and ask for more money.

35. What will be the actual cost for constructing this part of the line, including rolling-stock?—It will cost about £1,150,000. The balance will be for rolling-stock and contingencies.

36. Alluding to the original contract, you were only subsidised one-half the amount for actual construction?—No; that was a mistake. We were subsidised in some places more than one-half. The construction of the Springfield-Jackson's Section was a piece of most costly work, and we were subsidised to the extent of £618,250. The land-grant for the line from Belgrove to Reefton came to £300,000. The estimated cost of one million was too low. The estimated cost for the East and West line was £1,500,000, and up to Reefton from Stillwater was £400,000. These estimates are all set out in the agreement for the amounts of the land-grants.

37. The company got the advantage of the Abt-system?—We made the agreement that if the line cost less than £2,500,000 we should make a reduction on that piece; but, when we went into the calculations and real estimates, we found that, instead of the line costing £2,500,000, the whole line would have cost £3,100,000 at least. That arrangement of reduction was practically a waste agreement, for the cost was under-estimated.

38. Well, that leads me to the Belgrove Section, which comes next in order. The company got the worst of the bargain in that case. The land-grant is fixed in the present contract?—Yes, it is fixed in the present contract.

39. It will only amount to one-third?—Yes, that is about all.

40. That being against the company, you want to be relieved from it?—There are other causes. First, we say that the line was misrepresented altogether. The conditions were not such as to induce any persons to complete the line when they thoroughly understood the conditions of the country over which it passed, and the prospect of traffic. It is a different matter making a line like that if it were a politically necessary line. It could be built upon certain conditions. I propose to go carefully into the matter, and see what the line from Reefton to Bellgrove will cost. I propose to make an offer to the Government of the terms upon which the line can be built.