

on our part to attempt to sustain the contention that the Agent-General did approve of the prospectus, and I wish now entirely to withdraw that contention, pointing out, however, that it was not made hastily; that we thought we had reason for making it, and reason for supporting it. That portion of the case I admit must go. That, however, I put forward as leading up to the contention that the debenture-holders in subscribing their money relied on having the security of that railway-line. Undoubtedly, they did rely on having the security of the railway-line already constructed, and to be constructed out of their money; and we contend that under all the circumstances ours is not a legal claim which we can enforce in the Courts of Law of the colony; but, as a claim which Government and Parliament ought to consider a valid claim against the colony, we claim it ought to be allowed. That inasmuch as their money can be traced substantially in this asset which the colony now has, that circumstance ought to receive recognition.

*The Chairman*: What about the prospectus? I presume this is preliminary to your examining Mr. Blow?

*Mr. Chapman*: I do not think I have anything to ask Mr. Blow.

*The Chairman*: Are you replying now? Because members of the Committee may have to ask Mr. Blow several questions.

[Mr. Chapman then sat down, and Mr. Blow was questioned by several of the members].

19. *Mr. Montgomery*.] We have heard of the value of the asset of the Midland Railway. How much do you think it would fetch when put up to auction as a going concern, rolling-stock and everything else included?—That would be ruled by the amount of receipts above working-expenses. That amount is about £4,000 a year at present. Persons who were willing to invest their money at 5 per cent., with a chance of having to pay considerable sums to cover depreciation and repairs by and by, might perhaps pay £100,000 for it.

20. And what would be the capitalised value for it?—Less than £100,000.

21. And do you think they would be likely to rely on the future prospects of the railway?—The future prospects of the section to Jackson's, unless completed, are nil.

21A. Supposing another company bought this railway. If they had the option of completing it on the same terms as the company had, would that option be of any value, do you think?—I think not. As one company has failed, it would deter any other company from venturing probably.

22. If they had the option of completing the line over the Otira to Springfield, would the line from Jackson's to Springfield be of any value?—It would probably pay working-expenses, but not leave much margin for interest.

23. And you would not expect any capitalist to invest capital simply to earn working-expenses?—Certainly not.

24. Then you estimate that if the railway were offered to capitalists, it would be under the value of £100,000?—Yes.

25. And your reasons are based on the earning-power of the property, depreciation, and the fact that the outlook in the future is not more hopeful than at present?—Yes; and they are also based on the assumption that the purchaser would be absolved from the terms of the Midland Railway contract.

26. Do you think you can find any purchaser to take up the bargain?—I am afraid not.

27. Do you think, on the contrary, if it was necessary for the Government to have it done, that they would not have to compensate any one who would take up that contract with a very heavy figure?—They would have to offer concessions beyond what have been given.

28. Therefore, if the contract was offered as it stands at present no one would take it up?—I do not think any one would take it up.

29. *Mr. T. Mackenzie*.] Regarding your estimate of Mr. Wilson's commission, do you not think that it is an absurd figure?—I do not think anything I said was absurd.

30. £70,000?—It is on the basis of the company's accountant's evidence.

31. From your experience of railways, do you mean to say that a company composed of sane persons would pay £100,000 to an engineer for a work of that sort?—That is a point upon which I cannot offer any opinion. It is a matter of evidence. We have it in evidence before the Committee that Mr. Wilson's commission was 10 per cent. on the bulk of the items, and also we have it that his salary was £2,600 a year. I think these facts are shown.

32. But you have arrived at the conclusion through an indefinite estimate?—I did my best to make the estimate definite. I asked Mr. Labatt definite questions, but could not get very complete replies, and I merely passed my remarks on the information before the Committee, and I could do no more.

33. I heard you say the contracts were let to the directors without competition privately?—I believe that to be the case, but I am not in a position to swear to it.

34. In effect you said that so badly was it managed that directors obtained contracts privately from themselves. Then, regarding the contractors never seeing the colony, they may not have seen the colony, but may they not have had ample information before them—surveys of the country and reports?—They had exactly the same information before them as was before Mr. Bell and Mr. Blair when they made their estimate.

35. So that it was nothing unusual for them tendering without seeing the country?—I think it is very unusual, indeed.

36. You consider if the line was completed to Springfield it would only pay working-expenses?—I said it would leave a margin, but not sufficient, I think, to pay interest on the outlay.

37. What effect would the completion of the line to Springfield have upon the prosperity of the colony generally?—I do not think the effect would be very marked. It would, no doubt, stimulate tourist traffic, but I do not think it would cause a ton more coal to be produced on the West Coast than now.

38. But, as was stated in the reports of Mr. Blair and others, when the line was under way, would not the completion of that line mean an increased trade on the other lines of the colony?—