

country with a view to discovering their value to Government?—I think so, on the principle of an article being worth what it will fetch. It is not an unfair test.

114. I am not asking anything on general principles, but on principles applicable to colonial lines in new districts. Can you point me to any railway in New Zealand which, shortly after its construction, could have been sold for the cost of constructing it?—Certainly I could. The Brunner line.

115. Could it have been sold at its cost of construction?—I take it that a line like the Brunner line could have been sold at its cost of construction, and with a percentage added.

116. It is how many miles long?—Eight miles.

117. Now, will you tell me another?—I think the whole of the line between Dunedin and Christchurch.

118. The whole of the line, and within a year after it was opened?—Yes, I think so.

119. Now, branch-lines. Can you point out any that could have been sold?—Branch-lines in New Zealand are a drawback. It is the branch-lines of the Hurunui-Bluff section that bring down the earnings.

120. The Provincial Government was unable to grapple with the Dunedin-Clutha line, which is a very good line now?—Yes; but there was a very considerable amount of settlement along that line when it was opened for traffic.

121. Very considerable, but not so much as now. It is not a test that you can apply. Take, for instance, the existing West Coast lines centring at Hokitika, would that sell at cost of construction?—I should think it is probable, because that would include the Brunner line, which is the most profitable line in New Zealand.

122. Because it would include the Brunner line, which, under very peculiar conditions, is enormously profitable, tending to heighten the value of a large amount of unprofitable railway.

123. *Mr. Montgomery.*] You base your opinion on the assumption that 5 per cent. would be satisfactory to the purchaser?—Yes, or a little less; 4 per cent., I take it at.

124. Now, in connection with the subject of cost of construction, you have given the cost as estimated. Would you not prefer the actual cost, provided you were assured that the money was properly spent?—Yes; but that is an assurance that has not been given, and the evidence so far adduced seems to negative that.

125. Supposing that assurance is given by intelligible evidence, would you not prefer the actual cost?—I should wish to be allowed to analyse the cost and see that the items were not unfairly charged.

126. Subject to that you would prefer actual returns to estimate?—Yes.

*Mr. Chapman*, proceeding: I shall be very brief. As I have already pointed out, most of what Mr. Blow referred to in his address was in the view which I have endeavoured to present to the Committee—matter between the company and the Government. The company, I understand, has a petition pending here which has to be heard by this same Committee, and the company will produce evidence in support of its own case. I would point out here that it would probably be convenient to the Committee, and advantageous in every way, that the company should be heard on that petition before this Committee reports on this one, because there are many matters in Mr. Blow's statement which are new to the Receiver and his advisers with which the company are cognisant, and with which we are not cognisant. You will bear in mind this: That I pointed out at the outset that, after the floating of the debentures in 1889, there is a long blank up to the date when the troubles of the company became acute, as to which we really know nothing except for imperfect information we have gathered recently. Nearly all the subjects of examination on which Mr. Blow has been examined by members of the Committee, and a very great deal of the subject of his address to the Committee, are matters beyond the cognisance of the debenture-holders, and more properly to be dealt with by the company and its advisers. Such, for instance, are all those questions respecting contractors, history of the firm of which Mr. D'Avigdor was a member and its relations with the company, whether Mr. D'Avigdor was, as Mr. Blow seems to suggest, corruptly interested as a director in the affairs of the company—

*Mr. Blow*: I did not use that term.

*The Chairman*: He did not suggest any corruption, but only pointed to certain facts.

*Mr. Chapman*: That, perhaps, is too strong a term. What was suggested was that while a director he had obtained advantages of the company. That is a matter of which I personally had not heard before. It goes back a long time before the period in which the debenture-holders began to be involved in the affairs of the company, and it is a matter that will be properly dealt with by the company itself. I understand that this is a thing which, as it is now unproved, will remain unproved. I am told the company does not admit such to be the case, and the only evidence on the subject at this stage was a general question put to Mr. Labatt respecting a matter before the date of his connection with the company. "Was Mr. D'Avigdor a director"?—a perfectly general question, referring to no dates or anything, and not asking Mr. Labatt to base his answer on records, or anything of the kind. Now, the real question to which I wish the Committee to direct its attention is that of cost in relation to value, that the Committee should inquire what is the substantial value of this line, or what amount of debenture-capital is substantially represented by this line. I do not for a moment admit Mr. Montgomery's test. No doubt it is often said that the best test of the value of a thing is what it will fetch. It must be evident that that is not the exact way in which a Government proceeds to construct railways. Nor is it really ever a test-value of an article of property which is peculiarly situated. There are many things for which there are no buyers which have a very high value. It is perfectly certain that in many new districts of this country railways have been constructed, and justifiably constructed, without reference to their immediate value. The very presence of a railway itself is the commencement of an increase of population; and it may be regarded as certain, concerning a portion of this line at least, that