

ball Railway. An agreement was made accordingly on the 10th May, 1907, the Paparoa Coal Company undertaking to forward by the Blackball Railway coal in such quantity that the carriage thereof should yield a gross annual average freight of not less than £1,666, calculated at the rate of 4d. per ton for the distance between Blackball and Ngahere. The period for which the said average freight was to be yielded was seven years from the date the company commenced to put coal out of its mine. When the company took up its lease it did not suggest that the Government should construct a branch railway at very heavy capital cost for the purpose of enabling the company to open up its coalfield; and as the question of the construction of the railway was not raised by the company nor contemplated by the Government so far as the Paparoa Coal Company is concerned, it is obvious that there was no necessity to take into consideration conditions dealing with the matter that had not been discussed at that particular time. So far as the Blackball Coal Company is concerned it voluntarily proposed to pay an additional rate in respect to a line to be constructed on a route decided by the Government and agreed to by the company, and it naturally objected, when later on a proposal was put forward to deviate the line, and then to allow it to be used by a rival coal company, unless that company was called upon to pay an additional rate for the use of the line that had been constructed at the instance of the Blackball Coal Company and under the latter company's guarantee. The difference in the rate fixed by agreement in respect to the two companies arises from the fact that the line extended beyond the original point and such extension was mainly a benefit to the Paparoa Coal Company.

7. The railway from Ngahere to Blackball was constructed by the Public Works Department, and no doubt its Engineers fully considered the question of route and cost of construction before the work was put in hand. According to the third paragraph of the petition, considerable progress had been made in connection with the construction of the line before the Paparoa Coal Company was formed, and considerable expense appears to have been incurred in subsequently extending and deviating the line when the altered circumstances necessary to meet the Paparoa Coal Company's business arose. The question as to whether a saving of thousands of pounds could have been effected in the construction of the line is a matter of opinion, and one which the Working Railways Department has no need to discuss.

8. The railway was opened for traffic as soon as it was ready, and the requirements of the Public Works and Government Railways Acts respecting inspection and certificates had been complied with. The rate of construction was governed by the existing circumstances of which the Working Railways Department has no knowledge, but no undertaking was given to either of the coal companies to complete the line within any specified time.

9. It was the business of the company to take into consideration what amount of railway-line it required to construct, and also the class of track that would be necessary to work its own line; and the extent of such line which the company was called upon to construct in order to open up its property is no concern of the Railway Department. With respect to the centre-rail, in view of the fact that the grade from the mine is 1 in 25, a centre-rail was essential to ensure safety, and as the Working Railway Department's engines and wagons were running on this incline I considered it essential that a centre-rail for braking purposes should be provided, particularly in view of the fact that the heavily loaded trains would be descending the gradient. The company was furnished with drawings showing the plan followed in connection with the Rimutaka Railway, and the secretary to the company in 1907, in acknowledging the drawings, stated that the plan they had in contemplation was to put down standard 65 lb. bearing-rails in the first instance, adding a centre-rail later on when necessary. In reply, I advised the Public Works Department, through whom the representations had been made, that the Working Railways Department would make no objection to 65 lb. rails being substituted for 70 lb. rails, but that so far as the centre-rail was concerned it was imperative. If, therefore, the company, as stated in paragraph 9 of the petition, has laid the line with 70 lb. rails it has done so of its own accord and without any demand from the Government, which would have been content with 65 lb. rails. The company's works were no doubt of considerable magnitude, but the shareholders must have expected this to be the case having regard to the nature of the country in which their coal-mine was situated.

10. With a view to facilitating the operations of the Public Works Department and the Paparoa Coal Company, the Working Railways Department permitted the Public Works Department to cross the opened railway at Ngahere for the purpose of obtaining the material necessary for the construction of the Ngahere-Blackball line, and as no undertaking (implied or otherwise) was given that the Ngahere-Blackball line would be completed within a given time, the Paparoa Coal Company has no claim against the Government for consideration in connection with the time taken to complete and open the Government railway.

11. In my opinion the position in which the company has found itself in respect to its operations is due to causes other than those to which the company seeks to attribute it, and there is no reason whatever why the financial position of the company should be attributed to any action of the Government or the Railway Department.

12. Although the company's works may be designed to put out 300,000 tons of coal per annum, the output must necessarily be governed by the demand, and a market has to be found for the output. In my opinion the estimated yield of 160,000 per annum could not be placed on the market. The output of the Blackball Coal Company's mine, which in 1902 was 90,934 tons, decreased until in 1906 it was only 61,661 tons. The Paparoa Coal Company has, under its agreement, guaranteed a freight computed at 100,000 tons per annum for a period of seven years, and having regard to the development of other mines on the West Coast and the limited market, I am very doubtful as to whether even that quantity will be reached by the Paparoa Coal Company. In any case, however, only 1d. per ton of the rate of 2s. 7d. per ton could be credited to the branch line, which has cost over £145,000 to construct, and the traffic carried on the branch line is therefore being run at a loss to the Government Railways, and does not pay working-expenses.