

13. This statement is not correct. The Blackball Coal Company, as already stated, has entered into an agreement, in 1902, under which the company undertook to pay a rate of 3d. per ton for the conveyance of coal from Blackball to Ngahere, on an average output of 120,000 tons per annum. The Blackball Coal Company never at any time attempted to evade the conditions of its agreement. But for the fact of the company having signified its willingness to pay a rate of 3d. per ton on coal railed between Blackball and Ngahere, the Government would not have undertaken the construction of the Ngahere-Blackball line. To provide for the requirements of the Paparoa Coal Company certain alterations were made in the route and length of the branch line, and the Paparoa Coal Company was merely called on to enter into an agreement similar to that which had already been signed by the Blackball Coal Company; but as the Paparoa coal was hauled a greater distance over the branch line than the Blackball coal, and considerable additional expenditure had been incurred in lengthening the line, the Paparoa Coal Company was required to pay 4d. per ton for the haulage of its coal to Ngahere. After signing the agreement respecting the various matters the Paparoa Coal Company brought pressure to bear in an endeavour to escape payment of the charges it had voluntarily agreed to, and ultimately the Paparoa Coal Company succeeded in having its agreement abrogated, and the position to-day is that the Railway Department is now hauling coal, without any charge whatever, over three miles and a half of line that has cost over £145,000 of capital, on which the Department has to earn £3 15s. per cent. The rate for the conveyance of coal from Ngahere to Greymouth was 2s. 6d. per ton before the construction of the Ngahere-Blackball branch line was undertaken at the instance of the Blackball Coal Company. The rate for Blackball coal when the line was opened would have been gazetted at 2s. 9d. per ton and for Paparoa coal at 2s. 10d. per ton, these amounts representing respectively the charges which each of the companies had by deed agreed to pay the Government for the haulage of its coal over the Blackball-Greymouth line, and it was expressly stipulated that the charges for the haulage over the Blackball-Ngahere line should be in addition to the gazetted rates imposed from time to time for conveyance of coal from Ngahere. When, as a result of the agitation and pressure brought to bear by the Paparoa Coal Company, the Government decided that the rate from Blackball should be 2s. 6d. per ton, the Railway Department had no option but to relieve the Blackball Coal Company of its liability under its agreement and so put the Blackball Coal Company (which, however, had not asked to be relieved of its liability under the agreement) on the same footing as the Paparoa Coal Company. The statement that the Government discriminated in favour of the Blackball Coal Company is not therefore correct; as a matter of fact the favoured treatment was given to the Paparoa Coal Company, which was practically released from the guarantee of 4d. per ton imposed under its agreement, and as a result of the action taken by the Paparoa Coal Company there was no alternative but to extend the same treatment to the Blackball Company.

14. No discrimination has been made against the Paparoa Coal Company in respect to wagon-hire. The fact that the Midland Railway Company paid by agreement a certain charge for wagons used for public traffic does not bind the Government Railway Department to make a similar charge in respect to trucks used by private companies. The charge made against the Paparoa Coal Company is similar to that levied in other parts of New Zealand, and the Paparoa Coal Company certainly has no grounds for complaint under this head. The Paparoa Coal Company desired to use the railway rolling-stock, and was advised of the terms and conditions under which this could be arranged. I consider the terms reasonable, and am not prepared to recommend any alteration. With respect to the company finding its own stock, it is evident from the financial position of the company as outlined in clause 11 of the petition that had it been compelled to do so its financial position would have been in a much more parlous condition than it is in to-day.

15. (a.) So far as the request that the Government should acquire the company's private railway is concerned, I consider that this proposition should not be entertained. There is no probability of a payable traffic materializing for a very considerable time to come. The Government Railways Department is already saddled with a branch line, costing over £145,000, specially constructed at the instance of coal companies on a distinct understanding, ratified by agreement, that the Government was to be reimbursed for its outlay by the payment of a special rate on a guaranteed quantity of coal from each company's mine over a given period of years. Notwithstanding this fact the agreements have not been enforced, and the Railway Department is to-day hauling tens of thousands of tons of coal over three miles and a half of an expensive branch line without any additional charge whatever, and the other portions of the New Zealand Railways have to make up the deficiency that results from working the Blackball-Ngahere Branch line for goods traffic, without imposing any additional charge for the haulage of coal which forms the main item of traffic. The purchasing of the Paparoa Coal Company's private line would merely accentuate the difficulties of the financial position, and saddle the Railway Department with a considerable additional charge to meet operating-expenses and interest on the capital that would be necessary to acquire the company's line from which the Department is to get no additional receipts. A transaction of this nature is one that I am not prepared to recommend under any circumstances.

(b.) As I have already stated, the charges which the company is called upon to pay for the services rendered in connection with the hire of rolling-stock and working of its private line are neither unjust nor exorbitant, nor has discrimination been shown. In my opinion the company has already received the most favourable terms in being relieved from responsibilities that were entered into by its representatives with a full knowledge of what they were doing, and which responsibilities were bound by a duly executed written agreement.

I have, &c.,

T. RONAYNE, General Manager.