

SESSION II.
1912.
NEW ZEALAND

RAILWAYS COMMITTEE:
PETITION OF PAPAROA COAL-MINING COMPANY
(LIMITED)

(REPORT ON), TOGETHER WITH MINUTES OF EVIDENCE.

(MR BUICK, CHAIRMAN.)

Report brought up on the 29th October, 1912, and ordered to be printed.

ORDER OF REFERENCE.

Extract from the Journals of the House of Representatives.

FRIDAY, THE 2ND DAY OF AUGUST, 1912.

Ordered, "That a Committee be appointed, consisting of ten members, to examine and report upon questions relating to the railways; with power to call for persons and papers; three to be a quorum: the Committee to consist of Mr. Buick, Mr. Dickson, Mr. Hine, Hon. Mr. Millar, Mr. Myers, Mr. Sidey, Mr. Sykes, Mr. Veitch, Mr. Witty, and the mover."—(Hon. Mr. HERRIES.)

REPORT.

No. 129.—PETITION OF THE PAPAROA COAL-MINING COMPANY (LIMITED).

PETITIONERS pray that the Government purchase the company's railway and modify the charges for carrying coal.

I am directed to report—

1. That with regard to the purchase of the Paparoa Coal-mining Company's railway the Committee has no recommendation to make.
2. That the removal of anomalies regarding the carriage of coal be referred to the Government for favourable consideration.

D. BUICK, Chairman.

29th October, 1912.

MINUTES OF EVIDENCE.

The Chairman.] I will ask the clerk to read the petition, and also the Departmental Report on same.

The petition was read, as follows :—

IN PARLIAMENT, NEW ZEALAND.

To the Honourable the Speaker and Members of the House of Representatives of New Zealand
in Parliament assembled.

MAY IT PLEASE YOUR HONOURABLE HOUSE,—

The humble petition of the Paparoa Coal-mining Company (Limited), a company duly incorporated under the provisions of the Companies Act, 1903, and having its registered office in Wellington, sheweth :—

1. The Paparoa Coal-mining Company (Limited) was formed early in 1906 to acquire and work a Government coal-mining lease at Paparoa, beyond Blackball.

2. The lease provided that the mine was to be connected by a tramway with the Blackball Railway Extension when completed, and further that the company should spend at least £10,000 on such tramway. The company spent much more than this, years before the Government line was opened.

3. The Public Works Statement, 1904, stated that the railway-bridge over the Grey River on the Blackball Branch was finished and that the formation-work was just started. When the company was formed in 1906 the formation-work was in progress.

4. The company made its preliminary surveys and commenced its construction during 1906, expecting that the Government branch railway would be completed and available for its use during 1907 in carrying on its construction, there being nothing in the character of the railway-works which should have prevented it.

5. The company's lease was in a very rough unroaded bush country beyond Blackball. The road from the main line at Ngahere to Blackball was bad, and the Government railway was essential for economical construction.

6. On approaching the Government, the company ascertained that the Government would not complete the public railway without the company executed an agreement imposing additional very onerous conditions on it, which the Blackball Coal Company (Limited) had refused to agree to, and which conditions were not referred to or suggested in the company's coal lease.

7. The company desired that the terminus of the Blackball Railway Extension should be in the open valley of Ford's Creek, about 40 chains further on than the Government proposed, where it would be equally accessible to both the Blackball and Paparoa companies. The Government would have saved some thousands of pounds, as well as the Paparoa Company, by this, but the Government could not see its way to make the terminus where suggested by the company.

8. The Government railway was not opened for public traffic until August, 1910, fully three years later than the circumstances justified.

9. That the company had to construct 1 mile 15 chains of double-line inclines, including 78 chains of tunnels, and also 1 mile 60 chains of railway, laid (at the demand of the Government) with a centre rail on the Fell system with 70 lb. rails, and two miles of cart-road. Its works were of far greater magnitude than the Ngahere-Blackball Railway.

10. Great expense and exceptional difficulties resulted to the company from the three years' delay in opening the Government railway, which delay also caused the company considerable loss in interest paid, as well as from other conditions imposed by the Government.

11. The company raised £69,000 by debentures, in addition to £131,000 of share capital, but at the beginning of 1911, mainly owing to the causes stated above, it found itself, with all its works and plant completed and the coal-seams opened out, without sufficient funds to carry on its business. During the last eighteen months the company has been trying to raise further sufficient capital to enable it to work its business on a proper scale, but without success. It has been keeping its works and mine maintained during this period.

12. The company's works and plant are designed to put out 300,000 tons of coal per annum, and the present object is to get a minimum output of 160,000 tons per annum. This output (160,000) would, it is estimated, yield to the Government a direct gross annual revenue, reckoning on the local railway rate of 2s. 7d. per ton for twenty miles, of £36,000, viz. : Railway coal traffic, say £20,600 ; railway traffic, miscellaneous, say £9,400 ; royalty, £4,000 ; harbour toll, £2,000 : total, £36,000.

13. The Public Works Department, by the agreement referred to in paragraph 6, imposed a special railway rate on this company which it has not imposed on the Blackball Coal Company (Limited). Railway rating by private contract is universally condemned, and is contrary to the practice authorized by the New Zealand Legislature. Whether a special concession is privately given to one firm, or a special penalty is privately levied on another competing firm, it is equally unjust. This practice is known in other countries as " unjust discrimination " in railway rates. The Government took advantage in the Paparoa Company's case of its inability to resist to impose a charge which it was unwilling to inflict and has not inflicted in the Blackball Company's case.

14. The company has been further unjustly discriminated against by the Railway Department by a charge for wagon-hire. On the New Zealand Midland Railway, by agreement, a wagon rental of ½d. per truck per mile for the use of Government coal-trucks, from Ngahere to the Government line at Stillwater, was charged by the Government Railways. For the same trucks carrying coal the Paparoa Company is charged 1d. per ton per mile—that is, from 8d. to 9d. per truck per mile, or sixteen to eighteen times more than the charge to the New Zealand Midland Railway Company, which was a fair and reasonable one. The Railway Department refused to discuss or consider making this charge reciprocal if the company found its own coal-trucks. The charge made against the Paparoa Coal Company was manifestly so exorbitant that the Government could never consent to that reciprocity which has been usual in such cases in New Zealand and elsewhere.

15. For the reasons stated your petitioners pray the House of Representatives will recommend the Government—

- (a.) To take over the company's private railway at such a valuation as may be deemed fair and reasonable, so that the proceeds of the sale may be available for working the mine ; and,
- (b.) To relieve the company from the unjust and exorbitant discrimination against it in the rates and charges which have hitherto been imposed upon it.

The common seal of the Paparoa Coal-mining Company (Limited) was hereto affixed this fifteenth day of August, one thousand nine hundred and twelve, by—

J. P. MAXWELL, Chairman.
T. SHAILER WESTON, Director.
G. TOWNSEND, Secretary.

The departmental report on the petition was then read, as follows :—

New Zealand Government Railways, Head Office, Wellington, 10th October, 1912.

The Chairman, Railways Committee, House of Representatives,

SIR,—

With reference to the petition of the Paparoa Coal Company (No. 129, returned herewith), I have to report :—

1. The Department has no knowledge of the date on which the Paparoa Coal-mining Company (Limited) was formed, but from the fact that in December, 1906, the company was in correspondence with the Public Works Department respecting a proposal to extend the Blackball Railway beyond the original site of the intended terminus, the date given in paragraph 1 of the petition is presumably correct.

2. The conditions imposed by the lease are correctly stated, but the Department has no knowledge as to what amount of money the Paparoa Coal Company spent in the years intervening between the date of the lease and the opening of the Government line.

3. This statement is correct.

4. The Railway Department is unable to say on what the company based its expectations respecting the completion of the Government branch railway, but in view of the difficulties that had to be met with and the fact that the construction of Government lines is entirely dependent on the state of the finances and the amount of money that is available, the Paparoa Coal Company has no ground for complaint in respect to the construction of the Government line, as no undertaking was given to the company to complete the line within any given date.

5. The statement regarding the nature of the country is correct. If, however, the Government railway was essential for the economical construction of the Paparoa Coal Company's line, it would appear that the Paparoa Coal Company should have taken proper steps to ascertain the date of completion of the Government line before entering into its contracts.

6. The construction of the Ngahere-Blackball Railway was undertaken at the instance of the Blackball Coal Company, which desired to get rid of its aerial tramway and entered into an agreement to guarantee a return from the coal traffic sufficient to provide interest on the cost of construction of the railway from Ngahere to Blackball. The negotiations with the Blackball Coal Company were entered into in 1902, and by agreement the company undertook to pay an additional charge of 3d. per ton for all coal railed over the extension between Blackball and Ngahere, such rate to be in addition to the then existing rate of 2s. 6d. per ton for conveyance of coal from Ngahere to Blackball. Subsequently the Paparoa Coal Company came into existence, and in 1904 a proposal was made to deviate the Blackball line north of the Grey River, increasing the length of the line by three-quarters of a mile and thus increasing the capital cost. The agreement in connection with the rates for the branch line was then reviewed, and it was proposed to increase the amount payable by the Blackball Coal Company. That company, however, pointed out that the extension would be of much greater use to the Paparoa Coal Company than to the Blackball Coal Company, and it demurred to any increase being levied in the guaranteed rate. The Public Works Department, which constructed the line and through which the agreements were made, advised the Paparoa Coal Company of the position, and the latter company intimated that they would sign a guarantee to forward not less than 100,000 tons of coal per annum over the Blackball-Ngahere Railway and would pay 4d. per ton freight from the terminus of the Government line to Ngahere, provided the Government line was extended so as to make it four miles long. It was, however, at that time considered that the Act authorizing the construction of the Blackball Railway did not cover the construction of such an extension. The Paparoa Coal Company was advised accordingly, and on being again asked by the Public Works Department to enter into the agreement proposed stated that they would do so if the agreement was made to provide that for the term of seven years from the date when the mine commences to put out coal the company shall guarantee to send an average quantity of coal of not less than 100,000 tons per annum over the Black-

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.

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.

(No. 1.)

Sir A. R. Guinness: In introducing the petitioner to the Committee I do not want to take up the time of the Committee in making any statement, because the report from the General Manager of Railways upon the company's petition was so voluminous and lengthy that through the courtesy of the Chairman I was able to obtain a copy of it. It has been submitted to Mr. Maxwell who has gone carefully through it and written down a memorandum in reply, and that reply will be taken as his evidence in the petition. I will present him to the Committee as the witness cognizant of all the facts from the inception of the company to the present day, and of the negotiations between himself on behalf of the company and the Government, and he will submit himself to examination by the Railway Department and members of this Committee; and I would also ask that Mr. Ronayne be present in order that he may be questioned upon certain portions of his reply to the petition, which the petitioners contend are inaccurate. I will now ask you to allow Mr. Maxwell to make his statement.

Mr. J. P. MAXWELL, Chairman of the Paparoa Coal-mining Company (Limited), examined. (No. 2.)

1. *The Chairman.*] What is your name?—J. P. Maxwell.

2. What are you?—Chairman of the Paparoa Coal-mining Company (Limited).

3. Will you please make your statement?—These are my remarks on the General Manager for Railways' report on the Paparoa Company's petition. The General Manager for Railways' remarks refer much to ancient history before this company was formed, and are based on somewhat erroneous statements, to discuss which would only serve to confuse the issues. The deviation and extension of the Government branch to Blackball Mine adit (the present Government terminus) were settled before March, 1904; the Minister of Public Works announced that it would then take £30,000 to complete the line, which made the total estimated cost about £55,000 (see Public Works Statement to 31st March, 1904, page vi). The Paparoa Coal-mining Company was formed early in 1906, when the completion was proceeding. The Government mining lease to the company obliged the company to connect the lease with the Blackball Branch; the Government laid out a township on the reserve at Roa, and later on a second one at the mine. The Government has other coalfield areas adjacent to the company's lease. The Under-Secretary for Public Works' letter of June, 1906, was the first intimation this company had of any agreement or any new conditions to be imposed on it. It is as follows:—

"9th June, 1906.—Ngahere-Blackball Railway.—Sir,—At the time that the construction of the above railway was proposed the Blackball Coal Company undertook to give a guarantee of a minimum amount of freight, and such guarantee was subsequently reduced to writing and duly signed. At a later period a deviation and extension of the line was suggested, which the Government undertook to construct provided the company would enter into a further guarantee. After somewhat lengthy negotiations the company has now replied to the Minister for Public Works that it would be more reasonable if the Paparoa Coal Company gave this second guarantee, as the railway would really be of greater use to the latter than to the former company, inasmuch as the Blackball Company already has an aerial tram-line which is a fairly efficient means of delivering coal to the main line of railway, but the Paparoa Company will presumably be entirely dependent on the Blackball Railway for the carriage of its output. Under these circumstances I am directed to approach you in reference to the matter, and to inquire whether your company would be willing to enter into a guarantee to send, during a period of seven years from the date that you commence to put out coal from your mine, an average quantity of not less than 100,000 tons of coal per annum over the railway, and to pay freight on same from the Blackball terminus (irrespective of the freight from Ngahere to Greymouth) at the rate of 4d. per ton. I am to ask you to be so good as to let me have a reply at your earliest possible convenience, as the question of further proceeding with the construction of the Ngahere-Blackball Railway largely depends on the question as to whether the guarantee will be forthcoming or otherwise.—I have, &c., H. J. H. BLOW, Under-Secretary.—The Chairman Paparoa Coal-mining Company (Limited), Wellington."

Our secretary replied to that letter as follows:—

"The Paparoa Coal-mining Company, 12, Customhouse Quay, Wellington, 15th June, 1906.—Ngahere-Blackball Railway.—Sir,—With reference to your letter of the 9th instant, and the Chairman's conversation with you on the subject, I am now directed to state in reply that the company is willing to enter into a guarantee based on the conditions you name, and they would suggest that an agreement embodying the following terms would meet the case: That the Government shall complete the branch railway-line to a point four miles from Ngahere Station, and that the company shall construct the terminus, with all necessary sidings and appliances, and for the term of seven years from the date when the mine commences to put out coal the company shall guarantee to send an average quantity of not less than 100,000 tons of coal per annum, and to pay freight therefor from the terminus to Ngahere at the rate of 4d. per ton.—I have, &c., J. M. BUTT, Secretary.—The Under-Secretary, Public Works Department."

It would have been a great advantage to the company and equally accessible to the Blackball Company, and if we had got that we should not then have minded guaranteeing 4d. Both the Government and company would have saved money. Then there came a further letter, which is as follows:—

"Public Works Department, Wellington, 17th November, 1906.—Ngahere-Blackball Railway: Proposed Extension.—Sir,—I have the honour to acknowledge the receipt of your letter of the 16th instant submitting a tracing showing in red colour an alteration which you suggest should be made in the plan of the work to be carried out by this Department in connection with the construction of the above railway near Blackball, and in green the proposed connection with the line of your company's projected railway to Paparoa. In reply I am directed by the Minister of Public Works to state that there will be no objection to the alteration indicated in red being made, provided that your company will first sign a formal agreement undertaking to provide coal freight for the railway, when

constructed, for a period of seven years, to the extent and on the terms indicated in my letter of the 9th June last, but without any covenant on behalf of the Crown to extend the line as mentioned in yours of the 15th June. The Minister is advised that he has no legal authority to agree to the extension asked for. Will you kindly place the matter before your directors again, and if they are willing to enter into such an agreement, kindly have draft of same prepared by your solicitors and submit it to this office for the approval of the Crown Law Officers.—I have, &c., H. J. H. BLOW, Under-Secretary.—The Secretary, Paparoa Coal-mining Company (Limited), Customhouse Quay, Wellington.”

That correspondence continued, and on the 21st November, 1906 (we demurred in the meantime to entering into this guarantee unless we obtained some advantage from it), our reply was,—

“The Paparoa Coal-mining Company (Limited), 12 Customhouse Quay, Wellington, 21st November, 1906.—Ngahere-Blackball Railway and Extension.—Sir,—I have the honour to acknowledge the receipt of your letter of the 17th instant, in which you state that the Minister of Public Works will have no objection to the proposed form of connection between the Ngahere-Blackball Railway extension and the company’s projected railway to Paparoa, and that he will approve it, provided that the company will first sign a formal agreement undertaking to provide coal freight for the Government railway when constructed. I beg leave to point out in this respect that the company is already bound by the terms of its lease to connect its proposed railway with the Blackball Railway extension, and that it has already expended a considerable sum in furtherance of the fulfilment of this obligation, and is merely waiting the Minister’s assent to the form of junction to enable it to complete it. My directors do not suppose that the Government wishes to place any delay in the way of the company’s fulfilling the obligation it has undertaken, and which it is actively engaged in carrying out, by refusing to sanction the form of connection which it is agreed is the most convenient and economical having regard to the local conditions; they think that you may not possibly have considered this view of the case, and they therefore would ask you to reconsider this point and to obtain the Minister’s approval to the plan of junction submitted. As regards the guarantee of traffic and my suggestion of the 15th June, 1906, I note that the Government is unable to accede to the company’s request to complete the extension to the fourth mile. Under these circumstances we would suggest that the proposed guarantee should be that ‘For the term of seven years from the date when the mine commences to put out coal the company shall guarantee to send an average quantity of coal of not less than 100,000 tons per annum over the Blackball Railway, paying freight thereon at the rates from time to time imposed by the New Zealand Government Railway Regulations. We suggest that the Government should be satisfied with the guarantee of traffic at the rates generally imposed on the other coal companies on the West Coast, and that the Paparoa Company should not be singled out to be compelled to specially contract to pay a rate different to others. The coal rates in force have proved amply remunerative at Westport and Greymouth, where they have been in force for many years, and where they have been operative without any guaranteed output. My directors hope the Government will see the reasonableness of this request, and that they will accept a guarantee on the terms suggested as a sufficient justification for the speedy completion of the Government line. The Paparoa Company is making the most strenuous efforts to push on its works and mine-development under very difficult circumstances in the absence of the completion of the Government railway.—I have, &c.,—G. TOWNSEND, Secretary.”

We did not wish to have some special rates inflicted upon us by a private agreement, and thought that any rates made should be made by regulations. We suggested the local rates for the Greymouth and Belfast Sections, “where they have been in force for many years and where they have been operative without any guaranteed output.” In reply to that, the Under-Secretary said, “(1.) The first two miles of the railway is nearing completion, and could be made available for traffic at an early date, but as present advised it seems that very little benefit to your company could accrue from completing this section, as the temporary terminus at the two-mile peg would be isolated from road communication. If however, your company would undertake the construction of the necessary approach-road and provide loading and discharging facilities at the proposed temporary terminus, the matter will receive further consideration. (2.) The construction of the whole railway will be proceeded with vigorously if your company will sign the guarantee referred to in my letter of the 9th June, 1906. The Government cannot, however, agree to extend the railway as suggested in yours of the 15th idem, nor can the rate for carriage of coal be fixed as suggested in paragraph 4 of your letter now under reply. (3.) The Government will offer no objection to your company’s railway being connected with the line on the usual terms and conditions, and subject, of course, to the details of the proposed method of connection being approved by the Government Engineers. The Hon. Mr. Hall-Jones further directs me to thank your company for its offer of financial assistance, but to state that it is unlikely that such will be necessary.” That letter is dated the 12th April, 1907. Of course we were compelled to execute the agreement. We could not otherwise continue our enterprise—we struggled to keep clear of it but could not get the concession. I will now proceed with my written evidence. The Under-Secretary for Public Works’ letter of the 9th June, 1906, was the first intimation that the company had of any agreement or any new conditions to be imposed on it. There were no difficulties to prevent the Government branch being completed promptly, as funds were voted for the purpose. No extension was carried out for the Paparoa Coal-mining Company. The Blackball Company had declined to execute this agreement. There are two subjects involved in the petition—namely, (1.) The completion of the Government branch and the agreement, which subjects were dealt with verbally and in writing between the Public Works Department and the company. No communications about them ever passed between the company and the Working Railways Department; the General Manager for Railways’ account of this is confusing and inaccurate. (2.) The imposition of heavy railway rates by the Working Railways Department on the company’s line, Roa to Blackball, which are not imposed on other companies on the West Coast, and the excessive cost of complying with the Working

Railways demands in constructing the line. It is advisable to consider these two subjects separately. With regard to (1): The Public Works Department letter of the 9th June, 1906, demanded an agreement imposing special terms, intimating that the branch railway would not be proceeded with unless the company complied. The company's letter of the 15th June, 1906, stated it would agree if the Government would extend the line for four miles. The company offered to bear the cost of constructing the terminal station there. This would have saved the Government many thousands of pounds of expenditure as well as the company. The station there would have been equally accessible to both the coal companies. The Government declined this, and the company was compelled to agree or to abandon its enterprise. The General Manager's statement that this agreement is abrogated (paragraph 13) is incorrect. The agreement is current, and at the expiration of the specified period if the conditions have not been fulfilled the Government can demand the payment provided for. The General Manager's statement (paragraph 12) about the 100,000 tons output is surprising. If this really represented the views of the Government, the latter imposed terms which it judged impossible of fulfilment, and which would be calculated eventually to wreck the company, and this intention is incredible as the company is a Government lessee paying 6d. royalty and 3d. harbour toll per ton on coal in addition to the railway charges. The agreement is dated the 10th May, 1907. As undue procrastination in completing the line appeared to be prevailing, the Government was approached on behalf of the company in November, 1906, without any apparent result; and again in July, 1907, when the Public Works Department stated they would finish the line by the 31st March, 1908; and again the completion was deferred until February, 1909, and again until June, 1909, and finally was opened in August, 1910. The company reasonably expected to have had the advantage of the Government railway to convey its rails, sleepers, bridge-timbers, plant, machinery, and stores and carry on its extension from the Government terminus. Instead of this, it had to cart from Ngahere over difficult tracks, to construct two miles of road, to get at its works, causing great expense and tedious delays. In order to construct its works and open the mine, cartage alone cost over £6,000. The expense and delay brought about financial difficulty, and on these grounds the company has asked the Government to take over its line at a reasonable valuation to provide further funds for developing and opening out the coal lease by way of some compensation for the heavy loss sustained by the Government delay. The second subject of the petition are those matters dealt with between the Working Railways Department and the company—namely, the railway rates to be charged from Roa to Greymouth, and the construction details of the company's extension from Blackball to Roa. The letter from the Hon. Mr. Millar dated the 10th November, 1910, says, "With reference to the representations made by you respecting railway charges on coal conveyed by railway from Roa to Greymouth, I have the honour to inform you that on looking into the matter I find that the rate which was previously applicable to Blackball coal conveyed from Ngahere now applies to Paparoa and Blackball coals conveyed between Blackball and Greymouth, although the distance has been increased by some three miles and a half and a branch has been constructed at a very heavy capital outlay between Ngahere and Blackball. When the construction of the branch line was undertaken agreements were entered into voluntarily by the Blackball Coal Company to pay an additional rate to cover the interest charges and operating-expenses of the line from Ngahere to Blackball. It was subsequently decided on the representations made by the directors of your company to waive this additional charge, and your company has already received the benefit accruing from this reduction. For the conveyance of coal over the Roa Branch your company pays a charge of 3d. per ton plus a wagon-hire charge of 1d. per ton, making the total rate 2s. 10d. per ton, and I regret that after looking at the matter in all its aspects I cannot see my way to reduce this charge or to adopt your suggestion that for the purposes of computing freight on coal from Roa the charges should be based on the continuous mileage at the Government's scale of rates." I want to give a comparison of those rates—we are not complaining about the Blackball Company. The following is a comparison of the rates: "Extract from letter from company's Greymouth representative, dated 7th July, 1910.—The following tariff has been fixed for coal hauled by the Railway Department from Greymouth to Roa: Coal from Roa to Greymouth, 2s. 10d. per ton.

	Total.	Proportion	Paparoa
	s. d.	Railway. s. d.	Company. s. d.
Parcels, each	0 4	0 2	0 2
Timber, 100 ft. (n.d.) .. .	0 4	0 2	0 2
Merchandise, per ton .. .	1 0	0 9	0 3
Grain, per ton	1 0	0 9	0 3
Props, chaff, &c. (Class F), per truck .. .	3 6	2 6	1 0
Coal	0 4	0 4	..

I might mention that the above prices are from Blackball to Roa, and most of the other charges will be found on pages 51 and 52, Class F, of the Tariff." General Manager's paragraph 12 says, "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." I do not know why only 1d. could be credited. The coal will pay, according to the Hon. Mr. Millar's letter, 2s. 10d., and why only 1d. should be credited to that particular part of the line I cannot tell." [The witness also referred to other clauses in the departmental report No. R. 1912/3018.]

4. *Mr. Veitch.*] What is the length of that grade, 1 in 25?—It is about 1 mile 40 chains.

5. *Hon. Mr. Herries.*] The whole of the line?—The 1-in-25 grade is about 1 mile 40 chains I think. The whole line is marked two miles. I would like to call the special attention of the Committee to our letter of the 10th August, 1910, to the Hon. the Minister of Railways, Mr. Millar, to

which his letter before quoted is a reply. I would draw particular attention to one point which I would again emphasize, and that is a schedule showing the rates which the different companies on the West Coast pay:—

Locality.			Company.	Mileage.	Railway Rate.		Railway Extra Charges.	Total Railway Charges.
					s.	d.		s. d.
Greymouth	..	..	Paparoa	20	2	7	3d	2 10
"	..	..	Blackball	18	2	6	None	2 6
Westport	..	..	Westport (Granity) ..	18	2	6	None	2 6
"	..	..	" (Conn's Creek) ..	12	2	1	1d.	2 2
"	..	..	Stockton	20	2	7	None	2 7

This company has been singled out to be mulcted in a very heavy charge. In the petition I said we were trying to get funds, and had not succeeded. Since then, however, we have succeeded in getting funds to go on with. We have succeeded in raising another £35,800, and want another £15,000 if we can get it. Well, in continuation of my written statement: The local rate for coal for shipment, gazetted many years since, for the Westport and Greymouth Section is 1s. 10d. per ton for the first eight miles and $\frac{3}{4}$ d. for each additional mile. The rate from Ngahere to Greymouth, under the regulation, is 2s. 3d. per ton, and from Blackball to Greymouth is 2s. 6d. per ton. The Railway Department had been for some years collecting illegally an extra 3d. per ton from the Blackball Company on coals despatched from Ngahere. The Blackball Company paid this in ignorance that it was overcharged. When the General Manager (in paragraph 13) says that the rate from Ngahere to Greymouth was 2s. 6d. apparently he is in error—the legal rate was 2s. 3d. At an interview on the matter of rates with the Hon. Mr. Hall-Jones, 29th October, 1908, I ascertained he was unaware that the Blackball Company was overcharged by 3d. a ton, and he could not explain it reasonably, nor could his officers. I found from him that the Railway Department proposed to make "three separate charges for carrying the Paparoa coal"—(1) on the Company's line, Roa to Blackball; (2) Blackball to Ngahere; (3) Ngahere Greymouth: the latter to include an illegal charge of 3d. After explanations on my part he admitted that the Railway Regulations would not admit of charges being piled up in this fashion, and he agreed to favourably consider the company's request for equitable treatment, but he was obliged to leave for England without doing so. When the Blackball Branch was opened the Blackball Company, having become aware that they had previously been overcharged many hundreds of pounds annually, paid the legitimate charge only—viz., 2s. 6d. per ton from Blackball to Greymouth, and the Minister of Railways gazetted a rate of 2s. 10d. per ton from Roa to Greymouth. The following is an extract from the reply to a request from the company to be relieved from this excessive charge: Extract, Hon. J. A. Millar's letter, 10th November, 1910: "For the conveyance of coal over the Roa Branch your company pays a charge of 3d. per ton, plus a wagon-hire charge of 1d. per ton, making the total rate 2s. 10d. per ton." And the following is a comparison of coal rates charged to the Westport Company and the Paparoa Company: Waimangaroa Branch (Westport Company's line—about two miles).—The Railway Regulations (page 77, regulations) as affecting the Westport Company's coal from Denniston to Westport. "In addition to . . . the local rates on the Government Railway." Coal and minerals in 5-ton loads, 1d. per ton. Roa to Blackball (Paparoa Company's line—under two miles). Hon. Mr. Millar's letter, 10th November, 1910, informs the company as affecting the Paparoa Company's coal from Roa to Greymouth, in addition to the local rate on the Government railway, 4d. per ton. On the Westport Company's private loop-line at Granity no charge is made in addition to the local rate. It will be seen that an extra charge of 3d. per ton is made compared with one of a competing company's mine at Westport. On the company's other mine no extra charge is made, and the Paparoa Company is thus unfairly discriminated against in these respects. The agreement of May, 1907, does not concern the railway charges proper. It was executed by the Governor, who had no statutory powers in respect to railway rates, which are made by the Minister of Railways by *Gazette* notice. It does not take effect until seven years have elapsed. The local coal rate from Blackball to Greymouth shipping is 1s. 10d. for the first eight miles and $\frac{3}{4}$ d. per mile after. The General Manager's comments at the end of paragraph 12 seem to be inconsequential. The General Manager for Railways (paragraph 13) says that the Railway Department would have gazetted 2s. 9d. for Blackball coal from Blackball unless the Paparoa Company had exposed the malpractice pursued at Ngahere. This would have been a deliberate, unjust discrimination against Blackball in competition with the Westport Companies. When the General Manager says (paragraph 13) that they are "hauling coal without any charge whatever over three and a half miles of line" he is not correct: they are charging a local gazetted rate of 1s. 10d. for the first eight miles from Blackball. Paragraph 14: The excessive charge made on the company for wagon-hire is indefensible. The Department cannot justly discriminate between one company and another. It is a wide-world practice to deal with colliery rolling-stock on the same terms as any other stock of the same class and type. As regards paragraph 15 (b), the comparison with the Westport Company's treatment shows that the Paparoa Company is unjustly treated. As to the construction details of the company's line (paragraph 9), the Working Railways demanded a Fell system of centre-rails on the 1-in-25 grade, which is not found necessary elsewhere. One of the trans-continental American lines has ruling 1-in-25 grades; it is constructed and worked in the ordinary manner for both goods and passengers. The cost of the rails and fastenings for this extravagant refinement on the company's line was over £6,000 delivered at Greymouth—three to four thousand pounds more than was necessary.

The company, however, had to comply with the demand or to abandon its enterprise. The company's petition seeks now to be relieved of the excessive railway charges for coal for shipment, and to pay only the local rates which have been gazetted for over twenty-three years. I think, Mr. Chairman, that is all I have to say about the matter.

6. *Sir A. R. Guinness.*] Did you state the actual cost of your line of railway from Blackball to Roa?—In round figures, £30,000.

7. What discount is the company prepared to allow if the Government would purchase that line?—We would be very glad to take £15,000, if we could get that.

8. Less than half the cost?—Yes. We want it for the mine.

9. Have you proved at your mine what quantity of coal there is in sight?—The field contains 60,000,000 tons, and on the portion we are just resuming work we have had expert opinions, and they say that there are about four or five million tons available in that patch—it is only a small part of it.

10. If the Government purchased this railway that you have constructed is there any chance of the mine or the coal in the mine cutting out so as to cause an abandonment of the works?—I think not. Our shareholders have just subscribed £35,800 more to go on with, for development and extension purposes. They are trying to get £50,000, but have not succeeded, unless we can get the Government to take our line: we would have it then.

11. Are you not aware, from your knowledge of the country, that in the neighbourhood of your mine coal-seams extend for considerable distances north and south and west through the coal-measures?—The measures extend quite out of our area. There is another Government lease close by our terminus, which has been offered to the company, but we have quite enough in our hands for our time.

12. If other coal-measures in the neighbourhood are taken up and worked, could they connect their works with the piece of railway you are building?—Yes.

13. Would that be the natural route for conveying that coal to port?—It is the natural route—we have the key to the position. Our piece of railway is the only outlet for that part of the country. The Government mine is on the other side of the range; but they are about 1,500 ft., I believe, below our level. The cost of getting the coal out by any other route would be excessive. I think the outlet by way of the Blackball branch is the only one available.

Hon. Mr. Herries.] Mr. Chairman, I would like the agreement to be read by the clerk.

The Clerk read the agreement, which is as follows: "This deed made the tenth day of May 1907 between the Paparoa Coal Company (Limited) a company duly registered under the Companies Act 1882 and carrying on coal-mining operations at or near Blackball in the Provincial District of Nelson (hereinafter with its successors and assigns included in the expression "the company") of the one part and His Majesty the King of the other part Whereas by the Railways Authorization Act 1901 the Governor of the Colony of New Zealand on behalf of His Majesty was authorized to construct the Railway therein referred to as the Ngahere-Blackball Railway And whereas the Governor required an undertaking by the company that it will supply a minimum amount of traffic and for that purpose the company has agreed to enter into these presents Now this deed witnesseth that in consideration of the premises the company hereby covenants and agrees with His Majesty that if the said railway is constructed then for the term of seven years computed from the date on which the said company commences to put out coal from its mine the company will supply coal to be carried by the said railway in such quantity that the carriage thereof shall yield a gross annual average freight of not less than one thousand six hundred and sixty-six pounds (£1,666) calculated at the rate of 4d. per ton for the distance between Blackball and Ngahere And it is hereby agreed and declared as follows 1 In the computation of the aforesaid gross freight the freight for hauling from Ngahere to Greymouth or elsewhere shall not be included 2 If the aforesaid gross freight does not amount to the average annual sum of one thousand six hundred and sixty-six pounds (£1,666) the company will forthwith after the close of the period of seven years aforesaid pay the deficiency as a debt due to the Crown and it shall be recoverable accordingly 3 Nothing herein contained shall be construed to impose on His Majesty or the Governor or the Minister of Railways any obligation to construct or maintain the said railway. In witness whereof these presents have been executed by the parties hereto the day and year first above written Signed by His Excellency the Governor in the name and on behalf of His Majesty the King in the presence of H. C. Waterfield, Private Secretary—PLUNKET, Governor—The common seal of the Paparoa Coal Company (Limited) was hereto affixed in the presence of J. P. MAXWELL, Director; W. WATSON, Director; J. M. BUTT, Secretary."

14. *Hon. Mr. Herries.*] I understand you maintain, Mr. Maxwell, that this gives the Government the power to charge 4d. freight?—The agreement is current for what it is worth. Of the validity of the Government's action I cannot speak. What the legal view may be regarding the guarantee—that is a legal question. It has never been abrogated, and we objected to this agreement in our petition, to show how we have been treated. The Blackball Company would not sign the agreement. It signed one agreement when the railway was going to the Blackball Township. When the Government deviated the line, they said, "Oh, there is another railway, and we won't sign."

15. You agreed to 4d. per ton—you have agreed?—Yes. We had to sign the agreement. We had no alternative; it meant liquidation or agreeing.

16. Do you say the Railway Department is not justified in charging 4d. per ton?—The Railway Department has nothing to do with it. They make their charges by gazetting. The gazetted rate is 2s. 6d. from Blackball to Greymouth. We do not pay the 4d. now. When the seven years are up and if this matter is gone into on the part of the Government, they will make us pay if we have not fulfilled the conditions. The rate of 4d. on the company's mine is another matter.

17. If you fulfil the conditions?—The first demand was that we should pay this before we were putting out 100,000 tons a year; and after a great deal of verbal haggling they finally agreed that we

should have the advantage of an average, which was not a great concession. The Governor has no power to deal with your railway rates at all. There is no power beyond the Railways Act, which the Minister of Railways exercises.

18. You maintain that the Railway 4d. rate is not the 4d. mentioned in this agreement?—No. The Public Works are not empowered to make railway rates by agreement.

19. You maintain that besides the 4d. the Railway charge you have got this additional 4d.?—The Railway has not charged 4d. on the Government line. This is 4d. from Roa to Blackball, and not from Blackball to Ngahere. It is on the company's private line. The 4d. you are making us pay is 4d. from Roa to Blackball. You do not give us any credit for building the line. Then, on top of that, we pay this 2s. 6d. from Blackball to Roa, which has been the gazetted rate for a great number of years. That is 2s. 10d. in all; and when in course of trying to get some of our coal on the market the Public Works people allowed some of the coal to go over the unopened Government line, they made us pay 5½d. a ton more. Every single penny of that is taken out of our capital; and there are further iniquities than that. I wish to state that every ton of goods that goes in to the large community that was resident at Roa Government Township is mulcted by excess rates. Then our mine-props we bring from the lower country—they stick 10 or 20 per cent. more on same, because they carry over our line.

20. You consider this 4d. you have agreed to is in addition to what the Railways are charging?—Whatever the Railway is charging has nothing to do with the agreement.

21. You maintain the Railway has not charged this 4d. by agreement?—You cannot use a private agreement to impose railway rates. It is not competent for the Railways to take cognisance of this agreement except you gazette the rate. If you do that you will kill the company. It is a Government lease, and there is the Blackball Company alongside of us on a private freehold, and you are carrying out their coal for 2s. 6d. and you are putting these new penalties on your own lessees; that is the position.

22. Is it not a fact that this rate has been gazetted?—No, the gazetted rate is 2s. 10d., being 2s. 6d., the legal rate, and 4d. for the company's extension—2s. 6d. from Blackball to Greymouth plus 4d. for your railway. That is what you are legally entitled to collect from us. You cannot take cognisance of the agreement.

23. That is a question of interpretation of the agreement, I think?—There is a possibility of litigation in it—that is what we have done.

24. You raise the question, or raise complaints of the construction of the line—the length of time it took. They do not apply to the Railway Department?—No.

25. It is all directed against the Public Works Department?—It is divided into two parts; one in connection with the Public Works and one in connection with the Railways.

26. You are not accusing the Railway Department?—No, we never suggested it.

27. You say that is one argument why the Government should take the railway?—That is the main argument. That the Government meant to and could have finished it was shown by the very earliest promise that they would finish on the 31st March, 1908. They kept the matter hanging on and on after that.

28. You have no complaints with the Railway Department, except about the freight?—That is all.

29. *Mr. Veitch.*] With regard to this grade, was it the Railway Department or the Government who insisted on your putting in the centre-rail?—The Department.

30. The grade is less than two miles?—About 1 mile and 40 chains.

31. How does that part of the coal-bearing area compare with the Coalbrookdale?—It has the best analysis of any coal in the colony. It is equal to very nearly the best Welsh.

32. Have you ever had any difficulty in selling the coal?—We have never been properly in the market yet. We have had it tried on the Tyser and other large shipping companies, and we have supplied as much as we could to the Admiralty, but we have been shut down for the last eighteen months.

33. Did you get favourable reports on it?—We got an excellent testimonial from the Admiralty and from the Tyser line.

34. Briefly, this is your proposal: Your company has nearly £200,000 of share capital and debentures—£35,000 additional capital promised, and now you want £15,000 to purchase the railway—to bring the capital up to £200,000. Assuming that the Government agrees to this, and assuming that your company still fails to go on, would you be prepared to enter into an agreement that you would sell the mining property to the Government?—If we failed the Government would resume possession of its lease.

35. Unless your mine is kept working this line is of no use to the Government?—No. The company has opened out the area out to the centre of the field, and it is estimated that there is something like 60,000,000 tons of coal there.

36. *The Chairman.*] And about 4,000,000 tons in view?—Yes, in the particular portion of the seam we are working in.

37. *Mr. Veitch.*] Is the working of the mine expensive?—Not exceptionally so. There are two very big inclines there. Blackball is down in a deep gorge. [The witness here explained the position of his company's mine to Mr. Veitch.]

38. How does the working-cost per ton compare with other mines?—I do not know about the Blackball Mine at all. Our cost would be about the same as the Westport Coal Company. They have similar inclines at Granity—similar to ours—and the cost of bringing the coal down is just about the same as from Granity.

39. *Mr. Sykes.*] Your railway-line opens up about three miles of country?—The valley is two miles up from Blackball to Roa.

40. Is this line of any pastoral value?—Not the slightest, I should think. It only makes an access to the Paparoa Government lease and the rest of the Government area.

41. Are there any milling-bushes near by?—Not up there.

42. And the land is of no practical value?—No, I do not think so.

43. Did the Government enter into an agreement to build their portion of the railway within a certain date?—No, they merely engaged that they would, in reply to our requests pressing them, get this completed by the 31st March, 1908. That was the first time they made any promise.

44. And being aware of the slow methods adopted by every Government in regard to railway-construction, you as business men did not enter into an agreement: you were satisfied to accept their word?—It was unreasonable to accept it. Had it been proceeded with in a proper manner in 1904, as announced, it would have taken only £30,000 to complete it. It was not a very unreasonable opinion to think that they would have completed it.

45. *Sir A. R. Guinness.*] How much increase did they estimate?—They said £30,000 to complete. They charged against the line in the last Public Works Statement £145,000. I do not know what charging up against that line means. The Government should tell you that, not I.

46. *Mr. Sykes.*] Are there any further coal-areas adjacent to your property which your company could utilize?—There is one Government lease, but we have not seen our way to negotiate about it. We have not sufficient capital of our own to consider it.

47. There are other Government leases?—Yes: there is another near the terminus of our line, but I do not know anything about it.

48. *The Chairman.*] Did you say that should the Government take over this line your company is prepared to guarantee all the money received from it in the development of it?—I would certainly undertake to guarantee that. We would require every sixpence of it. We are not using our money now to pay interest. No interest is payable on any money we have got until we pay out of profits. Any money that is spent there is going into the work.

THOMAS RONAYNE, General Manager for Railways, examined. (No. 3.)

1. *The Chairman.*] What is your name?—Thomas Ronayne.

2. What are you?—General Manager for New Zealand Railways.

3. Will you please give your evidence on this petition?—There is one item *re* which Mr. Veitch wanted some information: that is with regard to the Railway Department insisting upon the centre-rail for a grade of 1 in 25. The position as it presented itself to the Railway Department was then that the altitude of the country there is pretty high, and at times there are snowstorms and probably ice on the rails. It was considered absolutely necessary in the interests of public safety that the centre-rail should be put in position. The Department was quite aware that the railways elsewhere having gradients of 1 in 25 were working without the centre-rail, but the Department was also aware that in such countries they had special brake appliances—that is, the Westinghouse brake was fitted. The Westinghouse brake was not fitted to any of the trucks rolling-stock on the West Coast.

4. *Mr. Veitch.*] It was not in New Zealand at that time?—The first Westinghouse brake was introduced into the New Zealand railways in 1876. It was run between Wellington and Lower Hutt. The difficulty in the event of a train breaking away on the 1-in-25 grade would be that there is a comparatively short distance of flat country at the Blackball Station, after which you immediately get on to 1-in-40 grade, which runs down to the Grey River, and in the event of wagons getting away on the 1 in 25 it would be a hopeless proposition to pull the train up, and possibly loss of life would be the result. Hence the insistence of the Department for having the centre-rail provided. I might say, on an easier grade—1 in 27—it is being provided on the No. 2 Point Elizabeth Mine Railway, where the conditions are somewhat similar to the Paparoa case, the Department has insisted on the Public Works Department providing a centre-rail. Had the rolling-stock been provided with the Westinghouse brake we might not have insisted on the centre-rail. In any case it would have been necessary to increase the braking-power on the existing wagons. There is only one brake-block supplied to each wagon; it would be necessary to have four brake-blocks something similar to wagons fitted with the Westinghouse brake. Referring to rates, when the Midland ran down as far as Brunner I believe the rate was 3s. 2d. Ngahere to Greymouth. Subsequently it was reduced to 2s. 6d., the Midland Company taking 10d. and the Government line 1s. 8d. When the line was taken over by the Government and the Midland Railway was purchased the rate remained at 2s. 6d., and that was the origin of the 2s. 6d. rate, which has operated since before 1899.

5. *Hon. Mr. Herries.*] That was from Ngahere?—Yes. Ngahere to Greymouth: Midland Company 10d., Government line from Brunner 1s. 8d., total 2s. 6d. Then there was the proposal to build a line to Blackball, and the Public Works Department entered into an agreement with the companies to provide interest on the capital which was being spent on the line, and independently of and in addition to the rate of 2s. 6d. then existing from Ngahere to Greymouth. The 2s. 6d. rate was the recognized tariff charge, and was required to work the line and to give a reasonable profit as between Ngahere and Greymouth; and, in my opinion, it was a perfectly just proposition to get some return for the capital invested in the new line between Ngahere and Blackball. The deviation was rendered necessary because it involved reversing the trains at Ngahere for all time. If the alteration had not been made it would have involved a very considerable expenditure for all time, causing much unnecessary shunting. I am referring to the deviation at the Junction. So far as the construction of the line is concerned the Railway Department was in no way responsible for the delay. As a Department it had always tried to meet the Paparoa Company in every possible way. It has never hampered their working, but given every possible assistance; in fact, they had friendly treatment so far as I am concerned. The charge of 1d. per ton for the use of the trucks on that line is a charge which is common to a good many lines. Then there is the cost of working the company's line. The

locomotive had to be fitted with special brake-gear, and two locomotives specially sent for working that traffic; it was assumed that a locomotive would be required continually to work their business, and on that assumption the rate was fixed at 3d. per ton. There is no reason, in the event of the business increasing largely, why that rate should not be reviewed. If the Department was justified in keeping the engine there 75 per cent. of the working-time, the Department could be asked to review the rate.

6. *Sir A. R. Guinness.*] With regard to the question of that centre-rail and the snow-line: Mr. Maxwell informs me that he has been up there and that the line of railway from the company's at Roa to the Blackball Company's mine at Blackball is many hundred feet below the snow-line?—I have never seen any snow up there; I have seen the rails in a very frosty condition.

7. The snow does not lie on this piece of rail?—Severe frosts are prevalent, and at times the rails would have an iced surface and the ordinary brakes would be useless.

8. You said that the Government took possession of the Midland line and that Sir Joseph Ward fixed the rates from Ngahere to Greymouth at 2s. 6d. per ton?—Yes.

9. Can you produce any documents signed by the Minister of Railways fixing that rate?—I believe I can.

10. We doubt the correctness of Sir Joseph Ward having done such a thing?—

Mr. Maxwell: With regard to that Midland rate, there has been no *Gazette* notice, I infer, at the Department of Railways. What I am illustrating is that I am aware of what those charges were, and in the course of my travels I came across a circular from the Railway Department to its officers and to the public describing what advantages generally the public had gained when the Midland was taken over by the Government, and all the assessable charges. Both had charges, and all the assessable charges were going to be worked out—and were all worked out except in the case of the Blackball Company—instead of collecting the proper rate from the Blackball Company it collected 3d. more than it was entitled to. The Government had the benefit of it. I did not know we were paying the rate until the trouble arose—the Government legal rate of 2s. 6d. per ton had come into operation, but the Railway Department had not collected 2s. 3d. but 2s. 6d.

Sir A. R. Guinness: The Department collected it although they had not received proper *Gazette* notice increasing the charge. If they had done so and they wanted to know why the coal companies were having to pay 3d. per ton more for the same work than the Westport Company were paying at their coal-mines—

Witness: The Cabinet may have been influenced by the fact that the Harbour Board finances were not too good and that they wanted the revenue. This, of course, is only a suggestion.

11. *The Chairman.*] Do I understand that this discriminating rate obtained exclusively on the Paparoa Company's line. Is it the case with the Westport Company?—There are different local rates all over New Zealand, but in respect to the Paparoa and Blackball Companies both agreed in writing to pay an additional rate for the branch line, Blackball to Ngahere.

12. Are the Blackball adjoining lines on the same charge?—The Paparoa is just an extension of the Blackball line.

13. Then this discriminational rate of 4d. per ton for the two miles is exclusive to the Paparoa?—Yes; 4d. Paparoa, 3d. Blackball, under agreement. They have an additional mileage—that is, from the terminus. Then there is 3d. for the working of the incline.

14. *Mr. Maxwell.*] You do not charge the Westport Company—you have two miles of railway there?—It does not follow, because that rate was made many years ago.

15. *Sir A. R. Guinness.*] The Westport Company has an extension to Conn's Creek of about two miles?—Yes.

16. Does not the Railway Department take charge of and carry on the whole of the traffic over that branch for the Westport Coal Company?—The Railway Department does not maintain that line.

17. I mean, running the traffic?—Yes, for a certain charge.

18. One penny per ton on the coal?—That is so.

19. That is the gazetted rate?—Yes.

20. You have got the same conditions as from Roa to Blackball, two miles, although it is only 1.60?—We are working that line under a special agreement. It is not our line.

21. *Mr. Maxwell.*] Are you not working the other line exactly the same as you are working with us?—The conditions are dissimilar.

22. *Sir A. R. Guinness.*] I want to know what they are?—It is a very different thing.

23. *Hon. Mr. Herries.*] These rates are gazetted?—

24. *Mr. Maxwell.*] What is the length from Waimangaroa to Conn's Creek?—About two miles.

25. You run the Government engines and trains and carry passengers from Waimangaroa to Conn's Creek?—Yes.

26. And bring the coal from Conn's Creek down?—Yes.

27. And what coal you bring down you charge 1d. per ton for?—Yes.

28. That is the Westport Company's; to Roa you only carry goods—you do not run any passenger-carriages up?—No.

29. On the coal you bring from Roa, 1 mile 60 chains, you charge 4d., and to the port you charge 1d.?—The position with regard to Conn's Creek is this: You could take eighty wagons up to Conn's Creek with an F engine—it takes a powerful W engine to take fifteen up the grade of 1 in 25 to Roa; the number of wagons you can bring down at the time from Roa has to be limited—it is a question of the holding-power of the brakes. I think we limited the load to about twenty trucks. It is really a special service—it is somewhat similar to working the Rimutaka incline.

30. Do you know what grade the Conn's Creek is?—I should say, 1 in 50.

31. My impression is that it is 1 in 40?—That is a fairly heavy grade; there is a series of rapids in the adjacent stream, and the line runs parallel to the stream.

32. *Hon. Mr. Herries.*] When this charge of 4d. was made, was there any idea in the mind of the Department of doing it on the strength of that agreement?—No.

33. The agreement was entirely separate?—It was entirely separate.

34. Then the 1d. was the charge for the use of the trucks, and 3d. was for the cost of work?—Yes, for working the incline.

35. This 4d. charged has nothing to do with the 4d. the company agreed to pay?—It is quite independent of that. With regard to the 3d. per ton, the company could have worked their own line. It involved the purchase of two locomotives to do it, and more capital expenditure.

36. They would have to have their rolling-stock?—Their own locomotives, which would probably be imported and duty paid. The cost would probably be between £7,000 and £8,000. That matter was discussed, and the company could not see its way to do their own haulage from Roa to Blackball.

37. *Sir A. R. Guinness.*] There is no reason why this company should be discriminated against as against the Westport Company?—There was no discrimination. The charges made were for services rendered, and the company entered into the agreement with a full knowledge of the position.

38. Does the Westport Company work for nothing?—

Mr. Maxwell: They are charged 1d. as against our 4d.

39. *Mr. Sykes.*] Which would have been the greatest cost, the Westinghouse brake or the other?—There is no comparison; to equip an engine costs £190 and for a wagon £30. When the line gets through the Oтира Tunnel, the Westinghouse-brake applications will require consideration.

40. *Mr. Veitch.*] Is the Paparoa coal tested at your Department?—It has been tested, and by, I think, yourself. We have had considerable experience with it, and the coal was satisfactory. We could get it large enough—the trouble was its extreme friability. We are quite prepared to take coal from the Paparoa Coal Company now if it will stand carriage. This is a defect common to New Zealand coal. We are only too anxious to get native coals if the mines can supply it.

41. *Hon. Mr. Herries.*] The company maintain their line?—Yes.

42. With regard to the rolling-stock, the Department maintains the rolling-stock?—Yes.

43. Supposing there was any damage?—If any damage took place on their line the company would pay for same. The Westport Company paid for many trucks on their incline.

Mr. Maxwell: Mr. Ronayne is, I think, giving an erroneous impression. The Westport has two inclines which rise up to a height of 1,800 ft. one after the other at Denniston. The Westport Company takes the trucks up part of the gradients, which are as much as one in a quarter, at thirty miles an hour—and they started doing that—they broke the axles and tore the draw-gear out of the wagons, though they are doing it properly now. When you hear about the Westport Company's incline it should be made clear there is no such thing obtaining on our line, and therefore the Westport incline has no bearing on the subject whatever.

Witness: Any damage that might result to a wagon on the Roa line under similar conditions the Westport Company would pay for.

Mr. Maxwell: Not only are they charging what they call an enormous price wagon rental, 9d., but they are also charging us with any particular damage that may occur when they are running their engine with our trucks and on our line, which is a very carefully constructed line. We are made to pay an extravagant rate for the hire, and we are going to pay for damage too.

Witness: There are no discriminating rates. If any damage takes place on a foreign company's line they have to pay the damage. As a matter of fact the Paparoa Company has not paid a shilling, and is not likely to be called upon to pay. The company, as Mr. Maxwell says, is liable for damages to stock which occur on their line.

44. *Mr. Sykes.*] What damage do you assess on a vehicle?—An axle might get bent and axle-boxes smashed up; the wagon is sent to a workshop and repaired at actual cost of repairs plus about 15 or 20 per cent. workshop commission.

45. *The Chairman.*] You have not given us the real reason why the Department made the differential rates between the Westport Company and the Paparoa Company?—The rate from Ngahere to Greymouth was fixed by the Midland Company and the Railway Commissioners. When the Midland line was taken over it remained at 2s. 6d. per ton, Ngahere to Greymouth, and the Blackball and Paparoa companies agreed to pay 3d. and 4d. respectively extra to the 2s. 6d. for the branch line if constructed.

46. *Sir A. R. Guinness.*] It was never gazetted?—Yes, it was gazetted years ago.

Hon. Mr. Herries: It was gazetted on the 9th February, 1911.

47. *Sir A. R. Guinness.*] You gazetted a different rate for this railway as against the Westport Company?—The rate was fixed according to the tariff ruling at the time, and has been reduced from 3s. 2d. to 2s. 6d.

48. You think the charge is rather an excessive one?—If we had more business we could reduce it—I refer to the 3d.

Mr. Maxwell: It is an extravagant charge.

Hon. Mr. Herries: How many days in a year do you estimate you will be taking coal down, Mr. Maxwell?

Mr. Maxwell: Usually there is broken time, but about forty-five weeks.

Hon. Mr. Herries: Do you do three hundred days in a year?

Mr. Maxwell: Forty-five weeks is a fair average to take for any of those mines.

Hon. Mr. Herries: Six days a week?

Mr. Maxwell: The mine works five days one week and six days another.

Hon. Mr. Herries: How much do you estimate you will put out in full working-order?

Mr. Maxwell: We hope to get out 160,000 tons a year, and to be putting out something like Westport. When we get the incline and so on fixed we hope to put out 300,000 tons a year, on an eight-hours shift; but the Westport Coal Company does more than that in some cases.

49. *Mr. Veitch.*] Will it pay the Railway Department to buy this railway for £15,000?—

50. *The Chairman.*] We have two great questions before us: if the Government buys the line—for I presume it would be subject to departmental charges—is that not so, Mr. Ronayne?—We get 3d. per mile.

51. *Mr. Maxwell.*] The *Gazette* notice is that coal is charged 1s. 10d. for the first eight miles and 3d. per mile afterwards. You would pay 1s. 10d. for the first eight miles?—Except otherwise specified, it is 1s. 10d. as you say, but the rate Ngahere to Greymouth is specified as 2s. 6d., which governs the position.

52. *Sir A. R. Guinness.*] The average for the lot is a good deal more than 3d.?—

The Chairman: The Committee has two things to consider, and they are whether they are to recommend the Government to buy the line, or whether they are to do away with the preferential rates or not?—

Mr. Maxwell: That is so.

Hon. Mr. Herries: How many tons do you expect to put out a day?

Mr. Maxwell: 160,000 tons a year—1,000, 1,200, or 1,500 tons a day.

Hon. Mr. Herries: What do you expect to average a day?

Mr. Maxwell: 600 tons a day. The incline will bring 1,200 tons a day of eight hours when they are working conveniently.

Hon. Mr. Herries: And the rolling-stock we have got there—can it cope with that amount?

Mr. Maxwell: We provided additional wagons for the company's business.

Hon. Mr. Herries: Is the rolling-stock you have got there coping with the demand of the Paparoa Coal Company?

Witness: The rolling-stock on the Westland Section is very ample for all present requirements.

53. *Hon. Mr. Herries.*] Two locomotives would be enough?—Yes, for that particular service. We shall have to send two more for working the No. 2 State coal-mine when the mine starts putting out coal.

54. *Mr. Sykes.*] Mr. Ronayne, does the 2s. 6d. rate charged for conveyance of coal from Blackball to Greymouth show such a profit as to allow for working-expenses, cost of construction, depreciation?—Take 2s. 6d. as the original rate between Ngahere and Greymouth. Assuming that rate is required to meet interest and working-expenses, the company wants the same rate for an additional mileage costing £150,000. Assuming the 2s. 6d. rate to be a just and fair one, in any case the branch line was built on the assumption that there would be sufficient additional revenue derived from the carriage of coal over the branch line to justify its construction, in accordance with the agreement between the Public Works Department and the company.

55. Your rate is not based on the cost of construction?—No, we have a large number of local rates.

56. *Hon. Mr. Herries.*] The cost of construction was never taken into consideration—sea carriage?—No.

57. *Sir A. R. Guinness.*] The Westport Coal Company, I believe, is the most payable section of railway in New Zealand?—That is so.

58. *Hon. Mr. Herries.*] You never get sixpence?—

Sir A. R. Guinness: No, it goes to the Harbour Board.

The Chairman: How long will it be before the company is in full swing and everything going well, Mr. Maxwell?

Mr. Maxwell: I think, in about two years. In about twelve months we ought to be putting out 80,000 to 100,000 tons, and the next year we ought to be getting up to 160,000 tons. That is the minimum on which we could pay interest.

Mr. Ronayne: Have you finished development-work?—We have finished.

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