

The company's interests in this district consist solely of this railway, some timber leases of Native land from which nearly the whole of the timber has now been cut, and a freehold area of not more than 45,000 acres of land on which the balance of the company's timber is growing. It has no interest, direct or indirect, in any other property of any kind affected by its railway.

There is in the district a total estimated quantity (sawn measurement) of 326,000,000 ft. of totara, matai, and rimu timber, of which 85,000,000 is the company's, 93,000,000 Crown, and 148,000,000 Native; and the land which will be available for development by the extension of the railway is about 1,000,000 acres, nearly the whole of which is Crown or Native land, and the greater part of which has been classified by Government experts as ploughable. Most of this land is equal in quality to the area on the company's railway now being successfully farmed, and a great portion of it is essentially better. The hydro-electric-power sources of Aratiatia and Huka also lie upon the proposed extension of the company's railway, which crosses the Waikato River close to them, and it is by this line that the transport necessary for the development of these powers will naturally be conducted. The Wairakei and Taupo thermal districts also lie upon this extension.

An extension of twenty-three miles of the company's railway to Lake Taupo would, in effect, provide the equivalent of ninety-three miles of line, because the whole of the circumference of Lake Taupo, a distance of seventy miles, could then be served by steamer. The pre-war estimate of the cost of this work was £50,000.

The book value of the company's railway is £126,000, which is considerably less than the actual cost, because a considerable amount of straightening the line and widening the curves was charged to revenue; and the company is prepared to put this railway into any reasonable scheme of development, either at this price or at its present value for settlement purposes, whichever is the smaller sum—rolling-stock and plant to be taken at a valuation.

This company has for a period of fifteen years employed an average of 170 men. It has paid in wages about £520,000; in freights on the Government railways, £130,000; in the purchase of machinery and goods, and rates, taxes, interest, &c., £365,000: a total of £1,017,000. This has all been earned and distributed by the shareholders of this company, who have never received any profits or interest upon, or return of, their capital. There can therefore be no just reason why these shareholders should not be paid for their railway its value for settlement purposes if the Government desire to have it for the settlement of this district.

In these circumstances I am instructed to urge—

- (1.) That a commission of experts be appointed immediately to go into the whole question of the development of this district.
- (2.) That legislative power should be taken by the Government during the coming session enabling the Crown and Native lands, with the timbers thereon, to be put under the control of a Board or Boards, either European or Native and European, and dealt with in a comprehensive way, with power also to the Government to raise moneys upon the security of these lands both for European and Native settlement purposes.
- (3.) That consideration should be given to the question of establishing a soldier settlement or settlements, and a Native settlement or settlements on European lines, in this district, under the supervision of settlers who are successfully farming this class of country, who would, my company is led to believe, be glad to undertake this work upon patriotic grounds. If some such plan is adopted my company is prepared to join with the Crown and Natives, in proportion to its area of freehold land, in making, for the purpose of soldier settlements, a free gift of so-much land as may be deemed advisable. It is suggested that the moneys necessary for these settlements should be raised upon the security of the whole of the lands to be vested in the said Board, that the soldiers and the Natives should be paid for any work they may be employed to do in developing the settlements, and that those who become qualified farmers should, in the event of the settlements being successful, receive farms at the cost of the improvements. The result of the adoption of this proposal would be that, in the event of these lands being proved valuable, an enormous area of land would at once be available for settlement in a district unexcelled in New Zealand for healthy and delightful living-conditions, while, in the improbable event of failure, the soldiers and Natives employed would have been paid for their services and at the same time have received a training as farmers under competent advice.

I am taking the liberty of sending a copy of this letter to the Ministers of Lands, Native Affairs, Railways, and Public Works, whose Departments are also concerned.

Trusting that this matter will receive your early and favourable consideration,

I have, &c.,

The Right Hon. the Prime Minister, Wellington.

F. G. DALZIELL.

No. 2.

TAUPO DEVELOPMENT.—SUMMARY OF FACTS.

1. IN October, 1911, a special Committee of Parliament advised that full inquiries should be made by the Government as to the best means of connecting Lake Taupo by rail with the existing Government railway system, so as to facilitate the early settlement of the large areas of Crown and Native lands in the Taupo district.