

The capitalists will undertake, on the completion of the present surveys, to construct, maintain, and open for public traffic, "at their own cost," the railways authorized in the First Schedule of the Act, upon the Government guaranteeing the payment of interest at the rate of $5\frac{1}{2}$ per centum per annum, for a period of thirty-five years from the opening of the lines for traffic. The Government to guarantee the plans to be free from essential error.

I may be permitted to state, that no person will ever be authorized to bind the capitalists by signing a final contract in New Zealand without first having full plans and sections, &c., and not even then until the quantities have been marked out by an engineer the financiers have confidence in. My powers are to sign a provisional contract only.

In working out the quantities of the Tasmanian Railway in London our Consulting Engineer saved in one cutting £57,000, or half a million cubic yards. I may also state the haphazard way of making railways all exploded in the crisis of 1865–66.

If the Government will enter into an agreement with me, the capitalists will be prepared to give security to the Government for the prompt prosecution of the works, by paying a sum of money to be hereafter named to the credit of the Government, within a time to be named after the concession arrives in London, or by finding unexceptional bondsmen to any amount.

I may be allowed to insert part of a letter received by the last mail:—

"We are ready to undertake the other railways, but we don't like a 5 per cent. guarantee only for a limited term; you must try for a permanent guarantee over 5 per cent., and it must be liberal and correct in every way, and no chance of any hitch with the Government or others in carrying it out; there will then be no difficulty with us for raising the capital required. Nothing however can be done in England without full plans and details, and Government statistics, and actual Act of Parliament or concession, and terms of contract, without you come on to England again with full particulars, as in the Tasmanian. Anything less than the above would be so much waste paper."

I may be permitted to add, the Government are not in such a forward position with their surveys as your telegram allowed me to believe. However there is quite sufficient done for me to carry out what I have now the honor to propose.

If the Government will enter into an agreement with me in the same way as the Tasmanian Government did last year, I am willing to proceed direct to England, and there negotiate the railway business, and make arrangements for the lines that are already authorized for in the Act to be gone on with as soon as possible.

That a provisional agreement be made between the Government and myself, and that this be taken to England for ratification by my principals.

That when there I form a Company for the purpose of constructing the proposed lines, which shall be duly registered in London, and known as "The Grand Trunk Railway Company of New Zealand," or any other name the Government may wish, with a capital of £2,000,000 or £2,500,000; the business of the Company to be done through the Bank of New Zealand at this end, and by a Bank to be approved of by the Government in London. That I return direct to New Zealand with these arrangements completed. That the Government will be in a position to meet Parliament with a definite proposal for the whole of the proposed lines, in the same way as the Government of Tasmania arranged last Session. That arrangements be made for the lines to be gone on with at the same time in the different Provinces.

I may state this would not in any way interfere with the mission of Mr. Vogel or of the Agent-General now about to leave for England.

I may be allowed to add, I am confident no business can result, with whatever power Mr. Vogel may have to negotiate with, or any definite proposal be received from capitalists, without I proceed to London, as the proposed railways are many hundred miles apart, in short pieces, and no idea at present what the cost will be.

As the financiers in London are not likely to require any clauses to be inserted in any agreement or provisional contract having reference to any matters others than the payment of the guarantees, if we were to confer on the different questions to be provided for, much time would be saved. I shall therefore be glad to meet the Government and the law officers of the Crown as soon as possible.

Referring to the Act of the Legislature to provide for immigration, construction of railways, and public works, and to the 7th clause of the Act, in which it states such acts and proceeding to be taken as the Governor may think necessary to construct the railways; also to the Act authorizing the raising of money for immigration and public works, and to the second clause of that Act, in which it states the Government may appoint any two or more agents, &c.,—

I also beg to enclose the number of miles of railway proposed by the Acts, also about the sum that will be required for such works; but I have seen nothing prepared to show it will be sufficient for such an undertaking.

I shall be glad if the Executive will consider this proposal at an early date, and appoint an hour for an interview, to confer on the different questions to be provided for, and, if required, I shall be happy to supply any further information in my power.

I have, &c.,

AUDLEY COOTE.

The Hon. W. Gisborne, Wellington.

Enclosure in No. 15.

Proposed Railways in North Island.

	£	s.	d.
Wellington, Napier, and New Plymouth Line—Distance about 360 miles, at £5,000 per mile	1,800,000	0	0
Auckland to Waikato Line—Distance $39\frac{1}{2}$ miles, at 4,000 per mile	158,000	0	0
Distance in miles, $399\frac{1}{2}$.	£1,958,000	0	0