

# PAPERS

RELATING TO

MR. VOGEL'S MISSION TO ENGLAND.

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PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF  
HIS EXCELLENCY.

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WELLINGTON.

—  
1871.



## PAPERS RELATING TO MR. VOGEL'S MISSION TO ENGLAND.

The Hon. J. VOGEL to the Hon. W. Fox.

SIR,—

Wellington, 26th August, 1871.

I have the honor to report to you upon the various matters in which I have been engaged since I left New Zealand.

### CALIFORNIAN MAIL CONTRACT.

I have already communicated with you at great length upon the steps taken by me in connection with the Californian Mail Contract. E.—No. 4.

When I left New Zealand, I had with me the contract entered into by Mr. Neilson, on behalf of Mr. W. H. Webb and Messrs. Holladay and Brenham. I also had instructions from the Government to the effect that, in case of difficulties arising as to carrying out that contract in its entirety, I was to consider myself at liberty to consent to considerable modifications. On the voyage between Honolulu and San Francisco, I deemed it desirable to recast the contract, and to enter into an agreement with Mr. J. B. M. Stewart, who was the authorized representative of Mr. Webb and Mr. Ben Holladay. It is to be remembered that, in adopting this course, I did not admit any informality in the contract with Mr. Neilson; but it seemed to me that it was desirable to concede a great deal for the sake of securing an amicable arrangement with Mr. Webb, rather than to fall back upon any power we might have of forcing upon him a distasteful contract. Besides, any delay in concluding the negotiation, or any dispute as to the validity of the contract, would in all probability have led to a result much to be deplored—namely, the stoppage of the then existing service, before the commencement of the new one. The fact which I learned at Honolulu, that I should not find Mr. Webb in San Francisco—and that, therefore, if I failed to make an agreement before leaving that city, I should be in a condition of great uncertainty as to the arrangements for carrying on the mail service without interruption—made it seem important that I should come to an understanding with Mr. Webb.

### THE CONTRACT.

It is not worth while now to discuss what hold Mr. Neilson's contract gave us upon his principals. Mr. Ben Holladay personally admitted to me his liability under the contract; and though Mr. Webb did not go so far as to admit liability, he did not expressly deny it. But liability under the contract meant the option on the part of the contractors to pay £25,000 as a penalty for non-performance; and I had to bear in mind, in dealing with Mr. Stewart, that the object of the New Zealand Government was, not to obtain a sum of money by way of forfeiture, but to establish an efficient mail service. The same arguments apply to the discretion which I afterwards exercised, when I consented, at the request of Mr. Webb, to slightly modify the agreement entered into by Mr. Stewart, although Mr. Webb had, before I left San Francisco, telegraphed his acceptance of it.

It was a source of very great gratification to me that, finally, I concluded a contract which as nearly as possible carried out the wishes of the Assembly, which is much more favourable than the limitations of the Government permitted me to agree to, and which I am certain will secure for the Colony results, direct and indirect, of an inestimably valuable nature.

When I consider the whole course of the protracted negotiations, from the time of the first tentative arrangement with Mr. H. H. Hall—the amount of local opposition and difficulty thrown in the way of the Government—the remarkable indisposition of some of the neighbouring Colonies to render assistance to the line, when its continued existence seemed to depend, in a measure, upon their assistance—the many and conflicting interests to be contended with—the unexpected refusal of the United States Congress, at the last moment, to contribute to the subsidy, and the consequent great increase of the responsibilities undertaken by the Contractors—I find it difficult sufficiently to congratulate the Government upon the favourable contract which has been concluded.

On my return from England to the United States, I learned that Mr. Webb had already found larger difficulties in his way than he had anticipated, and he urgently applied to me for a modification of the contract. I at once informed him that I had no power whatever, on my own responsibility, to alter the contract or to remit any of its provisions. I also expressed my opinion that the contract as it stood was the one which the New Zealand Government would insist upon being ultimately carried out, and was, moreover, one which, with a little patience and forbearance, could be made entirely satisfactory to the Contractors. Mr. Webb undertook, without delay, to have the "Dakotah" made ready for the service. Thereupon, I informed him that, without in any way pledging my Government to such an extent, I thought it quite possible that if he went to New Zealand, or if he sent thither a thoroughly authorized agent, the Government might yield to a request that some temporary facilities should be afforded to him, pending his being able to put more vessels on the line, but with the express understanding that the "Dakotah" should be brought into use without any delay whatever. Mr. Webb gave me to understand that he would be satisfied if some temporary facilities were afforded, to enable him to contend with the opposition which had unexpectedly sprung up in Australia; and that, not insensible of the magnitude of the contract he had undertaken, he was determined thoroughly to do justice to it.

I take the opportunity of expressing the opinion, that the contract as it stands is, in substance, the one to which the New Zealand Government should rigidly adhere; but that, consistent with such adherence, it would not be out of place to show temporary consideration to the Contractors. I am convinced that the contract as it stands will ultimately secure the support of the Australian Colonies; that it will lead to a most valuable service, and one which, with proper attention, will be made

remunerative to the Contractors. But it cannot be denied that at the outset the service is subjected to great disadvantages. It will require some time to teach the people at each end of the line the inducements which it offers as regards passenger traffic, and a yet longer time may perhaps elapse before the steamers secure that amount of freight which will ultimately be afforded them. I may add, that there is good reason to hope that the Contractors will yet obtain a subsidy from the United States.

Mr. Stewart has accompanied me to New Zealand on behalf of Mr. Webb; and that gentleman himself intends to visit the Colony, by the boat which is to leave San Francisco in September.

It would not be right that I should omit from this general reference to the Californian Mail Contract question, my testimony to the zealous and valuable services rendered to me throughout my negotiations, by Mr. Gray, Inspector of Post Offices.

#### POSTAL NEGOTIATIONS IN LONDON.

##### Appendix A.

I have prepared, and will forward to you, a Memorandum on the subject of protracted negotiations with the Postmaster-General respecting the mail service *via* California. I will merely observe in addition, that there is reason to hope the matter has been placed in such a train as will lead to the new service being adopted by the Imperial Government as a fortnightly alternative route to that *via* Suez. It is hardly necessary to remark that such a result would very much add to the character and status of the new service. During the existence of the Panama Service, the Imperial Postal authorities altogether objected to an American route for an alternative service with that *via* Suez; and that those authorities are now willing to reconsider the whole question, is at the least a testimony in favour of the Californian Service. There has recently been developed, both in England and America, a strong feeling in favour of a penny postage between those countries; and Her Majesty's Government are pledged to endeavour to make arrangements to that effect. Supposing, as there is reason to believe, such arrangements can be effected, and the rate of postage be reduced, it will be competent to reduce the rate to New Zealand, either to the same extent, or to (say) one-half the present amount.

You will learn from the Memorandum and the correspondence attached, the steps which, after much consideration, I deemed it advisable to take in reference to the reduction in the rate of postage from England to New Zealand.

#### AMERICAN DUTIES ON WOOL AND FLAX.

It is highly gratifying to me to be able to assure the Government that my exertions in the United States with the view of obtaining a remission of the duty on New Zealand and Australian wools, and on New Zealand flax, are, I have good reason to believe, likely to meet with very great success. It would be out of place to enter into the particulars of all my negotiations on this subject. Suffice it to say, that Mr. Webb and other gentlemen have warmly interested themselves in it; and that, whether in special connection with the parties to the contract, or in some more general form, I have reason to believe that, in the course of a few months, Congress will sanction a great reduction in the rates of import duty on New Zealand and Australian wools. At present, that duty is 10 cents per lb. and 11 per cent. *ad valorem*; whilst upon low-class or carpet wools, the duty is only 3 cents per lb. I think it probable that, instead of a total remission, the duty upon our wools will be reduced to the rate now charged on carpet wools, or to 5 cents per lb. When it is considered that, notwithstanding the present apparently prohibitory rates of duty, there are being forwarded (as I am informed on good authority) large orders for the purchase of wool in New Zealand and Australia for the American markets, some conception may be formed of the trade which is likely to grow up when the heavy duties are removed, or very considerably lightened. Should the establishment of the route lead to no other direct commercial result than that of giving to the wool-growers of Australasia a new market for their staple, a great gain for the Colonies will have been secured.

I am informed that the Contractors have made arrangements to carry wool at the following rates:—From New Zealand to San Francisco,  $\frac{1}{2}$ d. per lb.; from New Zealand to New York, by railway from San Francisco,  $1\frac{1}{2}$ d. per lb. or by the Isthmus of Panama,  $1\frac{1}{2}$ d. per lb. When these rates to New York are compared with the rate by sailing vessels, direct to New York or by way of England, and allowance is made for the great saving in time which will be effected, it will be apparent that considerable quantities of wool will be sent by the contract steamers, not only for the Californian market, but for New York. The importance to New Zealand of the main steamers calling at the different ports whence wool is likely to be shipped, is very much increased by the prospect of this extensive trade in wool direct with the United States.

It cannot be doubted that a remarkable impetus will be given to other branches of trade and interchange. I have reason to hope that the duty now imposed by the United States upon New Zealand flax will soon be reduced, if not altogether removed; and there will doubtless then be a large demand for the fibre, for rope-making and cordage, of which the consumption in the United States is very large.

#### NEW ZEALAND COAL.

It will not be inappropriate to refer here to the New Zealand coal fields. If the Californian Mail Service encourage the development of the coal fields of the Colony, not only will the cost of the service to New Zealand be very much lightened, but, indirectly, results will be secured, the value of which it would not be easy to estimate. While in England, I was more than once asked why the excellent coal procurable in New Zealand—samples of which had been tried in Great Britain—was not worked. The vessels employed in the new service will consume fully 30,000 tons of coal a year; and supposing the New Zealand coal could be supplied as cheaply as the Newcastle, N.S.W. coal, there is no reason why the whole 30,000 tons should not be supplied from New Zealand mines. If these mines were systematically worked, indeed, the requirements of the new service would be small in comparison with those of the vast market which so excellent a coal would undoubtedly create. Coal obtained in Vancouver's Island is very inferior, but it appears to be, at present, the only

competitor with the New South Wales coal, not only amongst the islands of the South Pacific and along the west coast of North America, but also, as I am informed, in China. Were it known to ship-owners that vessels could certainly obtain coal-freights in New Zealand, the heavy rates now charged on shipments from Great Britain to the Colony, would, I believe, be materially reduced. The number of immigrants it is proposed to introduce into the Colony, as well as the extensive shipments of railway plant and material which will be required, will probably necessitate the employment of many more vessels than can be loaded back with wool; besides that the latter loading is only available for a portion of the year. If coal-freights were obtainable in the Colony, ships arriving from Great Britain would be able to load for San Francisco or China, and then to load home with grain or tea. The knowledge that such all-round charters were obtainable would, no doubt, very greatly reduce freights to the Colony; so that, in reality, the development of the New Zealand coal fields would indirectly secure a reduction in the prices of all articles of commerce which now find their way to the Colony from the home country.

#### NAVIGATOR ISLANDS.

Before leaving the subject of the Mail Service, I desire briefly to draw the attention of the Government to the Navigator Islands. The contract permits calling at one of those islands; and I am informed that the Contractors intend to avail themselves of that privilege. I am told that, in climate and fertility, the Navigators are not inferior to others of the Pacific groups. Their geographical position gives them much importance; for they are centrally situated in respect to the principal Pacific Islands, so that, sooner or later, they are likely to become more or less important commercial centres.

I deem it of importance that the islands of the Navigator group should not be left without the pale of legalized enforcement of law and order. In a posthumously published work, by Lieut. the Hon. H. Meade, R.N.,\* it is stated that the people of the Navigator group desire to place themselves under British protection. Notwithstanding the tenor of a Despatch, which was recently published in Australia, wherein the Colonial Office expressly refuses either to take possession of the Fiji group, or to place those islands under a British Protectorate, I have reason to think that the Fijian question will be subjected to further consideration, with a view of devising means by which one or more of the Australian Colonies, or New Zealand, may, if so desired, take the islands under their protection. Such a proceeding would not be altogether without precedent. The Government of Cape Colony, I am informed, has been exercising Protectorate powers towards one of the South African Republics.

It appears to me that, so far as the islands of the Navigator group are concerned, New Zealand should take steps to secure that such an amount of protection shall be afforded to the group as the present rulers desire, and at their expense. I think that the Colony should co-operate with those rulers, to prevent the islands becoming the scene of lawlessness such as prevails in the Fijis, and especially that the Colony should aid in arresting any disposition to kidnap natives of the group into slavery, under the pretence of hiring them as free labourers.

Her Majesty's Government are very anxious to repress the growing disposition to kidnap Natives of the South Sea Islands, and would no doubt warmly co-operate in any efforts in that direction which might be made by New Zealand.

#### THE LOANS.

Immediately on the contract with Messrs. Webb and Holladay being signed, I proceeded to London, and there, as you are aware, I lost no time in making arrangements for negotiating the two loans. I conceive that the Colony has every reason to be gratified with the results arrived at. The unguaranteed debentures were negotiated at a price which, on all hands, was considered to be most satisfactory; and such arrangements were made with the Treasury as will place the guaranteed debentures in the position of a reserve fund, to be employed whenever occasion requires. Although I had not any positive difficulties with the Treasury, yet the final settlement of the details proved a long and tedious affair. As I have already reported, debentures for £200,000 were at length created, and, by my directions, were deposited by the Crown Agents with the Bank of England, there to be subject to the instructions of the Government.

I have to acknowledge the very cordial manner in which Mr. Julian rendered me his assistance, as associate Agent in negotiating the loans.

Appendix B.

#### DEFENCE OF THE COLONY.—H.M. SHIPS ON THE COAST OF NEW ZEALAND.

In obedience to the instructions of the Government, I placed myself in communication with the Colonial Office upon the subject of the defence of the Colony, and the necessity of keeping a Naval force permanently upon the Coast of New Zealand. I have already forwarded to you the correspondence which took place after lengthened negotiations, and which will have informed you of the results arrived at. I do not doubt you will agree with me that, putting on one side the departmental objection to giving a specific assurance respecting the number of vessels to remain on the coasts of the Colony, the Government have every reason to be satisfied, both with the assurance that the Australian Squadron will be strengthened, and with the statement that the Commodore on the station has been informed of the opinion of Her Majesty's Government respecting the necessity of showing the vessels under his command on the coast of New Zealand, as explained in the correspondence.

Appendix C.

In reference to the defence of the Colony from outward aggression, and more especially as to the use of torpedoes for that purpose, the Secretary of State for the Colonies placed me in communication with the War Office, by the authorities of which I was placed in communication with Colonel Jervois, C.B., whose reputation in connection with coastal defence is of a world-wide nature.

Appendix D.

I forward to you, under a separate cover, papers which I received from Colonel Jervois, by which you will observe that he has taken great pains with the matter, and has devised plans by which the

\* "A Ride through the Disturbed Districts of New Zealand, together with some Account of the South Sea Islands; being Selections from the Journals and Letters of Lieutenant the Hon. Herbert Meade, R.N. Edited by his Brother." Second Edition. London: John Murray, 1871.

Ports of Auckland, Wellington, Nelson, Lyttelton, and Otago can be placed in a position to resist the attacks of privateers and vessels not being ironclads, at a cost of £44,000, exclusive of expenses for freight and certain enclosures of land. He has supplied me with maps showing plans, and also some confidential reports.

I had several interviews with Colonel Jervois, and found him most cordially earnest in his desire to afford all the assistance he could to the Colony. There was so little opportunity for considering the papers handed to me by him, consistently with their importance, that I felt it to be my duty to ask him if he had any objection to hold direct communication on the subject with my colleague, the Defence Minister, after my return to the Colony. Colonel Jervois informed me that he had no objection to such a course, provided it was approved of by the Colonial Office. I at once addressed a letter to Lord Kimberley on the subject. With great promptitude an answer was sent me, to the effect that, although no official correspondence could take place in the way I had suggested, there was no objection to unofficial communication being continued with Colonel Jervois. I have to express the hope that such official thanks as can be given to that officer will be conveyed by the New Zealand Government through the proper channel.

Throughout my negotiations with the Colonial Office, upon these and other subjects, I found, on the part of Lord Kimberley, and of Mr. R. G. W. Herbert, the Permanent Under Secretary for the Department, a strong desire to consult the wishes and requirements of the Colony.

#### RAILWAYS.

During the whole of my stay in London, I was actively engaged in negotiations with Messrs. John Brogden and Sons, respecting the construction of railways in New Zealand.

Those gentlemen had, prior to my arrival, arranged to send out an agent, with a surveying staff. Their object was to cause some of the lines of suggested railways to be examined, to enable the firm afterwards to make proposals to the Government for their construction, should the preliminary examinations prove satisfactory. Messrs. Brogden were under the impression that the Government would, in any event, defray the cost of their agent and his staff; and, as I understand, the acceptance of that responsibility would have been insisted upon by the agent, as a condition-*precedent* to the commencement of surveying operations by himself and his staff. Immediately after I arrived in London, Mr. Alexander Brogden, M.P. (the head of the firm), waited upon me, and asked whether I would advise him to send out the party, and whether I was prepared on behalf of the Government to guarantee its cost. I replied, that I was not prepared to make any recommendation on the subject, or to guarantee the cost of the proposed expedition, because it appeared to me that, were I to do so, something like an understanding would be established that his firm should have the first offer to construct the railways, and that, therefore, a very long time might elapse, whilst his agent was making investigations or surveys, during which the Government might be held bound not to take any other steps towards the initiation of a railway system. It was my impression (I told Mr. Brogden) that the Government were so bent upon proceeding with railway construction, that they would not be prepared to enter into any arrangements which, from their very nature, would involve tediously protracted references to England. Besides, I did not see why the Government should be at the cost of the proposed surveys, since it was distinctly provided by the legislation of last Session that the Government should have their own Engineer and Surveying Staff. I added, that I should be prepared to consider proposals for an agreement, upon the basis of which somewhat more prompt measures for the construction of railways in New Zealand might be devised.

Although negotiations were uninterruptedly continued, it was only after very great difficulties on both sides, that the agreements were signed.

#### Appendix E.

I hand to you herewith, the agreements as signed; together with a letter from Mr. J. Mackrell, the solicitor who acted for me throughout the negotiations, and who was recommended to me by Mr. Magniac, M.P.; and also a letter from the gentleman who throughout acted as my counsel—Mr. Charles Dennistoun Wood, formerly Attorney-General of Victoria.

I may with confidence assert that I have, on behalf of the Government, concluded an arrangement highly favourable to the Colony, but one which should entail upon it the exercise of great forbearance and encouragement towards the Contractors, who, I am convinced, would not have concluded the arrangement, had they not calculated upon the Government affording to them all reasonable consideration and aid.

The Government have the power of choosing between the two agreements, and of adopting either or both of them, and, whichever decision may be come to, it will be absolutely binding upon the Contractors. In negotiating with Messrs. Brogden, I took care that one of the contracts should be such as to be completely within the limits of the discretion already intrusted to the Government by the Assembly; so that, whilst the commencement of works should be secured, the adoption of the larger contract should be a matter upon which the opinion of the Assembly could be taken.

It did not escape my consideration that, possibly, the Assembly might prefer to enter into specific arrangements for the construction of particular railways, but, obviously, it was not in my power to make any such arrangements. The agreements as signed, however, not only leave to the Government absolute discretion as to the railways to be constructed; but, from the very nature of the agreements, I have pleasure in stating, that should the Government prefer, in lieu of them, or of either of them, to make with Messrs. Brogden specific arrangements for the construction of particular railways, there will be found, on the part of those gentlemen, every disposition to consent to such a course. In reality, therefore, what has been secured for the Colony is—power for the Government to secure the construction of railways under the provisions of either or both of the agreements, or the holding of a position which enables the Government to ask Messrs. Brogden to substitute for the agreements specific arrangements for the construction of particular railways.

At New York, I received a telegram from Mr. Alexander Brogden, M.P., stating that he would leave England for New Zealand on 23rd August, and asking that the decision between the agreements should be deferred until after his arrival in the Colony. On receipt of that telegram, I telegraphed to

Mr. John Morrison, authorizing him to inform Messrs. Brogden that, although I was not able to say that the decision would be delayed, I felt sure that the desire of the Government would be to show to the Contractors every consideration consistent with the interests of the Colony. In order that the Government might not be prejudiced if they delayed their decision, I asked Mr. Morrison to consult Mr. Mackrell, and to get him to procure from Messrs. Brogden such an undertaking as would, in the event of the Government consenting to await Mr. A. Brogden's arrival, secure that the rights of the Government under the agreements should not be in any way prejudiced or jeopardized. On reaching San Francisco, I received from Mr. Mackrell a telegram stating that Messrs. Brogden had given such an undertaking as left the Government free to decide at once between the agreements, or to delay the decision.

I may observe that, compared with the terms offered for the large number of colonial and foreign railway enterprises that are being floated in the London market, the agreements made with Messrs. Brogden are very favourable to the Colony; and I feel sure that, with proper precautions, they will lead to the construction of railways upon advantageous terms. It may be found desirable to make some alterations in the agreements; but I must repeat my conviction, that any wish in that direction on the part of the Government will be readily responded to by Messrs. Brogden, who to the last expressed themselves strongly as to the terms being rather harsh towards them, and as to their hope that the agreements would be so worked out as to put them in as favourable a position as possible for giving effect to their various provisions.

I have received from the Bank of New Zealand an acknowledgment of the deposit by Messrs. Brogden and Sons of securities to the value of £25,000, for the due performance of the agreements.

Under the terms of the agreements, Mr. John Henderson, C.E., Messrs. Brogden's representative or agent, has accompanied me to the Colony; and with him are Mr. C. N. Bell, C.E., and Mr. J. G. Dees, surveyor.

I have the honor to state that throughout the progress of the negotiations with Messrs. Brogden, Mr. John Morrison, Agent in London for the Government, rendered me most cordial and zealous assistance, and that I have written to him thanking him for the same.

#### ANTICIPATIONS LAST SESSION, AND THE TERMS OF THE CONTRACT.

No doubt, very much interest will be manifested in comparing the arrangement now entered into with Messrs. Brogden, with the anticipations expressed last Session as to the nature of the terms on which it would be possible to secure the construction of railways in New Zealand. It will be remembered that those anticipations were largely based upon somewhat unreliable evidence—such, for example, as newspaper reports, and brief sketches of the nature of certain arrangements proposed by other Colonies. I am convinced, by inquiries which I instituted in London, that we formed a somewhat too favourable estimate of the terms upon which we might secure the introduction of a large amount of capital for constructing railways, under either a system of guarantees or of land subsidies. We were under the impression, for instance, that a railway was to be constructed in Tasmania upon a bare guarantee of 5 per cent. Although, on the surface, this will appear to be the fact, I am led to believe that there are in the agreement collateral provisions which materially alter its nature. Thus, as I am told, something like £25,000 for preliminary expenses and what is sometimes called "promotion money," is to be put down to cost of construction. Further, I am informed that the gentlemen who are entering into the arrangement at home, have sent out to the Colony insisting on a provision to the effect that the amount of discount at which they may find it necessary to dispose of shares or other securities, shall be considered as a portion of the construction money. I do not mention these things with any view of reflecting upon the agreement made by Tasmania: I merely desire that New Zealand should understand that the assertions so freely made that the construction of railways could easily be secured upon a 5 or a 5½ per cent. guarantee, may be very much affected by other provisions contained in an agreement, the basis of which appears to be simply such a guarantee. Many foreign and colonial railway enterprises are being brought out in the London market, upon terms which wholly put in the shade so low a rate of guarantee as that just stated. After I left England, I received from Mr. John Morrison, copy of a prospectus of the Wellington, Grey, and Bruce Railway Company, of Canada, announcing the intended issue of £71,000 7 per cent. first mortgage bonds, in which it is stated:—

"Taking into account the dates of the payment of the instalments, and the fact that the full half-year's interest will be allowed on 1st January, 1872, the price of issue is in effect reduced to 88½. At this price the bonds yield 8 per cent. to the investor, in addition to the advantage arising from the redemption fund provided under the agreements with the Great Western Railway Company, by the application of which the whole of the bonds will probably be paid off at par within fourteen years."

#### LAND GRANTS IN PAYMENT.

In respect to the construction of railways for land grants, I have to observe that I am very doubtful whether we are likely to be able to arrange for the construction of any railway for such grants only, upon any approach to terms that would be deemed admissible. One of the alternative agreements with Messrs. Brogden does, as the Government will observe, provide for an arrangement based on land grants, coupled with a guarantee; only one-fifth of the land to be granted being such as would be classed as "good" land, the rest being such as it may suit the convenience of the Colony to part with; and there being a clear understanding that the two million acres which it was proposed to give for the Nelson Railway might be included in the amount. Should it not be desirable to part with the Nelson land, and with other land of the same character, I do not doubt but that Messrs. Brogden would consent to receive a very much smaller quantity of good land. The land-grant element in this arrangement is no doubt of very much importance, inasmuch as it represents the profit which Messrs. Brogden hope to make, the cost of the railway being otherwise minimized as much as possible. Had I proposed that railways should be constructed wholly for land grants, I should have had to give, in some form, a guarantee as to the value of the land to be parted with. You are aware that last year Messrs. Brogden negotiated for the construction of a railway in Nelson Province, which was to be paid for wholly in land. That land was exclusively of a mineral character, and the arrangement into

which Messrs. Brogden proposed to enter—but which was not carried out—really amounted to this: that, except in respect to a short railway to the coal mine, they were to take three years to examine into the character of the country, or, in Colonial phrase, to “prospect” it; and that, at the end of three years, they were to be at liberty to decline to proceed further in the matter, in which event they were to be compensated for the expense to which they had been put, by being allowed to select 5,000 acres of land free of cost. So that, in reality, what the Nelson Railway agreement would have effected would have been this:—Messrs. Brogden would have incurred the outlay necessary for examining and surveying the country through which the railway was to pass, they having three years for the purpose; and in the event of their concluding that it was not worth their while to proceed with the works, they were to be recouped their expenses by a free grant of 5,000 acres of land. Thus, although the arrangement might have led to the construction of the railway for land grants only, it would not have done so unless Messrs. Brogden became satisfied that the land they would receive was specially valuable on account of minerals; and therefore the agreement was not of a character to come within the ordinary meaning of the phrase, “Railway to be constructed under land-grant system.” I am not taking any exception to the proposed arrangement. On the contrary, it was devised with much care, and would in any case have led to the opening of the Brunner mine. No doubt, railways have been, and are being, constructed under a system of land grants in other parts of the world; but in such cases the land subsidies given are enormous, the contractors are unfettered as to the character of the railways to be constructed, and considerable grants of money are indirectly obtained.

I am doubtful whether the extent of land available in New Zealand is sufficient to place the Colony in the position of obtaining the construction of railways for land grants only; although I do not doubt that such portions of land as can be spared for the purpose may be employed as useful adjuncts in obtaining the railways we require.

#### ENGINEER.

In pursuance of instructions received from the Government, I have, as already reported, engaged as Engineer, Mr. John Carruthers. The engagement will, I think, be satisfactory to the Colony; but in the event of its proving otherwise, the cost of rescinding the engagement will not be very serious. Mr. Carruthers was very highly recommended; and I have no doubt that his services will be found most valuable.

#### RAILWAY PLANT AND MATERIALS FOR CANTERBURY.—THE WAITAKI BRIDGE.

In obedience to instructions received from New Zealand, I arranged with Mr. Ottywell to procure and ship certain specified plant and materials for the Canterbury railways, and materials for commencing the bridge over the Waitaki.

I was directed to avail myself of the services of Mr. G. W. Hemans, C.E., in the preparation of specifications and approval of tenders, that gentleman having for some time acted in a similar capacity on behalf of the Canterbury Government. On his urgent recommendation, I approved of modifications in the dimensions of some of the girders of the bridge.

Mr. Hemans had previously charged the Canterbury Government  $2\frac{1}{2}$  per cent on the price of the materials approved; but I arranged with him to reduce his commission, in the present case, to 2 per cent. He has further agreed that should the Colonial Government appoint him to act for the Colony generally in a similar capacity, his commission shall be only  $1\frac{1}{2}$  per cent.

Mr. Hemans is held to be eminent in his profession; and as I had to name some one to approve of plant and material to the value of £25,000, which Messrs. Brogden and Sons propose at once to ship for the Colony, I named Mr. Hemans. He is to make a charge of  $1\frac{1}{2}$  per cent. for this service.

It remains for the Government to decide whether or not they will permanently employ Mr. Hemans, or will select some other engineer. I will only add that, for a gentleman holding such a position as that which Mr. Hemans holds, the charge of  $1\frac{1}{2}$  per cent. is very reasonable.

#### EMIGRATION.

In the absence of any agreements with the Provincial Governments, I did not feel that I was able to enter into any specific arrangements for forwarding emigrants from Great Britain, beyond those which I was empowered to make on behalf of the Canterbury Government, the instructions from the Colony concerning which I faithfully carried out. I concluded arrangements for shipping emigrants in the numbers and at the dates specified, and I also arranged that the necessary funds should be forthcoming.

I left for the consideration of Dr. Featherston applications from several hundred Germans, which Mr. John Douglas, the late Agent-General for Queensland, kindly enabled me to obtain from the German Agent, Mr. Kirchner.

A condition of one of the agreements with Messrs. Brogden provides for the introduction to the Colony of 10,000 immigrants. I should very gladly have seen that number largely increased, convinced as I am that the keystone of success of the Public Works policy is the contemporaneous increase of the population of the Colony. Indeed, so much is this the case, that the Government will do well to consider whether they should not seek a more unfettered discretion in the matter than they at present possess.

Whilst on the subject of Immigration, I may refer to the arrangement I made with Colonel the Hon. W. Fielding, before his departure for Queensland, respecting which I have already advised you; and in terms of which, that gentleman, on the wish of the Government being expressed that he should do so, will visit New Zealand, with the view of arranging for special settlements, and otherwise promoting emigration to the Colony, on behalf of the Emigrants and Colonists' Aid Corporation, which company has entrusted to him the fullest discretion.



## FLAX.

I submitted some flax fibre to Professor Abel, of the Royal Arsenal, Woolwich, with a view to the consideration of its adaptability for the manufacture of explosive compounds, such as gun-cotton; but the Professor's brief report, which I forward to you, was not of a favourable nature.

In accordance with the request of the Flax Commissioners, I placed myself in communication with Mr. Christie, of the firm of Messrs. R. Christie and Co., London, with a view to arrange for the manufacture of certain fabrics from flax fibre. The letter received from Mr. Christie will inform you of the result of his exertions in the matter.

There seems every reason to believe that the New Zealand fibre might be most profitably used for rope-making purposes, and probably in the manufacture of small cordage, of which, as I am informed, the consumption, particularly in the United States, is enormous. But the general recognition of the value of the fibre has been very much prejudiced, and is likely to be more so, by its admixture with Manilla hemp, for rope-making; because, owing to their different shrinkage, their combination, instead of being a source of strength, is one of weakness.

It seems to me, that whilst we may consider that for rope-making there is an assured use for the New Zealand fibre, it would be desirable to institute investigations as to other uses to which the fibre might advantageously be put. Care should, however, be taken, that such investigations are not allowed to cast doubt upon, or in any way to prejudice, the constantly-growing conviction that the New Zealand fibre is excellently suited for rope-making.

Amongst the causes tending to make the flax unpopular, are the great variety of conditions under which it is sent to market, and, in many cases, the utter worthlessness of shipments on account of bad preparation. Were it possible, at the chief New Zealand ports, to appoint skilled examiners, whose duty it should be to affix a stamp on each bale, indicative of the quality of the fibre, or the mode of preparation to which it has been subjected, I am convinced that a very great deal would be done in the direction of facilitating the sale of the flax, and its profitable adaptation for manufacturing purposes.

I found it quite impossible to give much personal attention to the question of flax, or to other questions relating to industries, which were referred to me by the Government, or by Dr. Hector on behalf of the Flax Commissioners. But my Secretary (Mr. E. Fox) took interest in, and devoted a great deal of time to, such questions; and I have much pleasure in calling your attention to his carefully prepared and very valuable reports, forwarded from America, upon Sorghum Cultivation, Flax and Flax Machinery, &c., and (forwarded from England, or which will be handed to you without delay) upon Photozincography, Flax Machinery, the preparation of other fibres, and the prices of various kinds of machinery.

## SUBMARINE TELEGRAPH.

I instituted inquiries as to the possibility of carrying out the provisions of "The Submarine Telegraph Act, 1870," and thus connecting New Zealand with Australia by means of a cable. I found that there was no prospect of Her Majesty's Government entertaining any proposition for the construction of a cable; nor, in presence of the not decided opinion as to the permanence of long ocean lines, any prospect of private capital being forthcoming for the work, unless a guarantee were given.

It is possible that confidence in such undertakings may soon be so restored as to cause the monopoly of the line to be a sufficient inducement to private capitalists to undertake its construction and maintenance. Should such not be the case, it will be for the Colony to consider whether other steps should be taken for the construction of the line, and, if so, whether a guarantee should be given, or a cable be provided by means of borrowed capital. My own opinion is, that a delay of twelve months, before coming to a decision, will not be disadvantageous to the Colony.

## THOMSON'S ROAD ENGINE.

Being aware of the interest felt in the Colony concerning Thomson's Road Engine, I procured from the Crown Agents for the Colonies, copy of a voluminous report made to the War Office by officers of that Department, after many and careful trials of the engine. From all the inquiries I was able to make, I conclude that the general opinion is, that Thomson's engine is the germ of what will ultimately prove a most useful mechanical adaptation; but there are various circumstances—especially the many and strenuous efforts which are being made in the direction of improving road engines—the small extent to which they are as yet used for purposes for which it was supposed they were exceedingly well adapted—and their admitted failure in some instances—which lead to the conclusion that at present they are not altogether a success; and that it will be well for the Colony to pause before committing itself to any considerable expense in the introduction of road engines.

## RECIPROCITY BILL.

I had several interviews with the Secretary of State for the Colonies on the subject of the Reciprocity Bill, which, as you will remember, was passed last Session by the Assembly, and reserved for the signification of Her Majesty's pleasure. The first question to be considered was the old one, whether a Bill of the kind was not in conflict with the New Zealand Constitution Act, on account of its conferring powers inconsistent with the treaty obligations of Great Britain. I represented to Lord Kimberley that a satisfactory answer on this point was to be found in the fact of Canada having constantly passed measures enabling it, by agreement with the United States, to impose differential duties. I believe I am at liberty to state that, after lengthened investigation, the conclusion was arrived at that the Bill was not open to the objection of being inconsistent with treaty obligations. You are aware that the only restriction imposed by the New Zealand Constitution Act in reference to a measure such as the Reciprocity Bill is, that its provisions shall not be inconsistent with treaty obligations; whilst in the case of the majority, if not all, of the Australian Colonies, the Constitution Acts provide specifically that the Colonies shall not impose differential duties. Technically, therefore, the New Zealand Reciprocity Bill may be considered

to be removed from the scope of the objection based on inconsistency with treaty obligations—in other words, the 61st clause of the New Zealand Constitution Act does not stand in the way of such a measure. But obviously it would be idle to give to New Zealand power to enter into reciprocal agreements, if a like power was not possessed by other Colonies with which such agreements were to be sought. The conclusion, therefore, is likely to be arrived at that to assent to the New Zealand Bill would logically render it necessary that the Imperial Parliament should be moved so to modify the Constitution Acts of the other Colonies as to enable them also to pass Reciprocity Bills.

This opens the whole question of the policy of such measures; and very strong arguments have been used to show that they are antagonistic to the interests of the Empire, inasmuch as their object—or the purpose to which they might be put—may be to shut out the products of Great Britain: in fact, that they are directly of a protectionist character. I held it to be my duty to urge that, without entering into the question of protection, or denying that such measures might be used for the purposes of protection, they might obviously be used only for carrying out arrangements to which the advocates of free trade would not object. Especially I urged that, in the case of New Zealand, the Reciprocity Bill passed through the Assembly with scarcely any opposition, notwithstanding that it was shown during the Session that there was a decided majority opposed to protection, or to measures that might be supposed to savour of protection. I was desirous of putting this very clearly, as also, that Reciprocity Bills might merely be employed for the purpose of establishing a more or less complete commercial federation—an object to which the Imperial Government has already expressed itself favourable—because I considered that it would not be fair to the Assembly to allow it to be assumed that the object of the Reciprocity Bill was a step in the direction of protection. The Imperial Government has expressed itself decidedly in favour of the Colonies having a common tariff. By means of these Reciprocity Bills, such an object, or an approach to it, could be secured; and obviously, so far as the Colonies are concerned, it would be better for them to make any such arrangements by mutual agreement and local legislation, than that they should be made on behalf of the Colonies by the Imperial Legislature. I believe that, in view of what I have now stated as to the inutility of the New Zealand Bill unless the other Colonies have powers to pass similar measures—and seeing that delay as to New Zealand will not be productive of inconvenience in the absence of powers to the other Colonies—the whole matter is likely to be again referred to the Colony, for further consideration.

#### INVESTMENT OF TRUST FUNDS.

I availed myself of the opportunity afforded by being in England, to make inquiries respecting a measure which has been much spoken of in the Colonies, and which was the subject of intercolonial communication, namely, the feasibility of procuring the passing by the Imperial Parliament of a measure to permit the investment of trust funds in Colonial securities or Colonial lands. There is constantly a very large surplus of trust funds awaiting investment; and whilst I was in England, a measure was being passed by Parliament to legalize the investment of trust funds in railway securities. From the careful inquiries I made, I came to the conclusion that it was hopeless to expect that any similar provision would be extended to Colonial securities, so long as there exists, as there does at present, grave doubt as to the permanence of the connection between the Colonies and the Mother Country. Until it is finally understood that the Colonies are to be regarded as indissolubly parts of the Empire, I doubt the possibility of procuring the passage of a measure such as that to which I now refer.

#### FIRE-ARMS.

As I was informed that, through the medium of the Crown Agents, the Cape of Good Hope Government had lately obtained a supply of fire-arms from England, I made inquiries on the subject. I conclude—as far as one unskilled in the matter can form an opinion—that, upon better terms than the same can be obtained through the War Office, the Crown Agents would be able to supply New Zealand with very suitable fire-arms. I have brought with me, for inspection by the Government, samples of a six-chamber revolver and a breech-loading carbine, such as were supplied to the Cape Government; and I hand to you herewith a memorandum on the subject, which has been forwarded to me by Mr. Julian.

The Hon. W. Fox, &c.

I have, &c.,  
JULIUS VOGEL.

## APPENDIX A.

## MAIL SERVICE NEGOTIATIONS IN LONDON.

MEMORANDUM by the Hon. J. VOGEL respecting Mail Service *via* San Francisco.

SOON after Mr. Vogel's arrival in London, he communicated with the Earl of Kimberley, respecting the San Francisco Mail Route. A correspondence (copies of which is attached hereto) ensued, from which it will be seen that his Lordship congratulated the Colony upon the establishment of the new service, and recommended to the favourable consideration of the Post Office authorities Mr. Vogel's request that they would give in aid of it such encouragement and assistance as they could.

In the course of a long interview, Mr. Vogel explained to the Right Hon. W. Monsell, the Postmaster-General, the nature of the new service, and asked that he would reconsider the letter of Mr. Tilley, dated May 19th, 1870, and which was included in the correspondence laid before the Assembly last Session; that letter containing a virtual refusal of assistance to the service. Reconsideration of the matter was requested, either to the extent that the whole amount of postages received in Great Britain should be handed to the Colony; or that so much of the amount of such postages as was not needed to meet actual cash disbursements to the United States Postal Department, for the carriage of New Zealand mails, should be handed over, and that the English Post Office authorities should carry the mails free of charge between England and New York. Mr. Monsell did not hold out much hope of either branch of the request being acceded to, but he agreed to take time to consider the question. The great objection raised by him was, that the California Service would injure the one *via* Suez; that whatever postal receipts might accrue to the new line, would represent an amount, or very nearly an amount, which, but for the existence of that line, would have been received by the Suez Service.

A considerable time having passed, Mr. Vogel again saw Mr. Monsell, who stated that he had not been able to come to any conclusion on the subject. He again spoke of not seeing his way to parting with any portion of the postal receipts without relinquishing to New Zealand moneys which, under present arrangements, would be obtainable by the Suez Service, and he held out little hope of a result favourable to the Colony.

As Mr. Vogel's stay in London was drawing near its close, and but little time remained to deal with the matter, it was necessary that some determination should be arrived at, in order that the position of the Colony with respect to the United States Post Office authorities—in case of any remission of charges by those authorities—might be understood.

After mature consideration, Mr. Vogel concluded that nothing could be done by merely asking the English Department to give up a portion of the postal receipts; and that it would be better for the Colony that, instead of those receipts passing into the hands of that Department, the benefit should pass to the persons who used the new service—in other words, that the rates of postage from Great Britain to the Colony should be reduced. Mr. Vogel therefore determined to adopt the extreme course of proposing to the Post Office that, if the Department would not consent to relinquish to the Colony the postal receipts on mails despatched by the new route, the rate of postage from Great Britain to the Colony should be reduced to 1d. per half-ounce. In coming to that conclusion, Mr. Vogel was actuated by various considerations. A few weeks previously, an animated discussion had taken place in the House of Commons in favour of a penny-postage rate to America and the Colonies. During that debate, great stress was laid upon the increase of business and the strengthening of friendly relations which would follow such a reduction in the rate of postage. Considering the matter as specially affecting the new service, Mr. Vogel concluded that nothing would be more likely to beneficially aid in giving effect to the desire of the Colony to obtain immigrants, than the Colony being in a position to offer to emigrants the assurance that their friends would be able to write to them at a postal charge of 1d. per letter. Further, the adoption of such a rate would be certain so to establish the new service as to insure its permanency, and its adoption by other Colonies. Pecuniarily considered, Mr. Vogel estimated that there would not be a loss, even if there was not a profit, resulting to the Colony from his proposal. He felt sure that the 1d. rate would considerably increase the correspondence between Great Britain and the Colony; and that supposing, in response to so large an increase, there was an increase of only 25 per cent. in the correspondence from the Colony to Great Britain, the additional receipts from that increase—assuming that the Colony retained the existing rates, which would be quite an optional course—would give a considerable pecuniary return to the Colony. Of course, if the Colony determined to reduce the rate of postage on its side, direct pecuniary benefit might not be the result—it would, indeed, be a matter for determination in the Colony, whether the advantages of a reduced rate would be sufficient to counterbalance the cost; whilst, if the present rate was continued, the increased receipts arising from increased correspondence on the side of the Colony would, in all probability, represent a considerable addition to its postal revenue.

Mr. Vogel had a long conference with the Earl of Kimberley, and also with Mr. Herbert, the Permanent Under Secretary of the Colonial Department, on the subject; and the Colonial Office, without delay, communicated with the Postmaster-General. A day or two afterwards, Mr. Vogel saw Mr. Monsell, who professed himself unable to come to any immediate conclusion upon the proposal which had been made to him. Thereupon, Mr. Vogel urged Mr. Monsell to make some counter-proposal. He represented that the matter had been long under consideration—that he was about to return to New Zealand—that it was very desirable the Colony should know in what position it was

APPENDIX A.  
Mail Negotiations.

to be placed in reference to the new service; and he especially urged that an arrangement should be come to by which the Colony should derive advantage from any remission which the United States Government might make in the charges for the New Zealand mails. Mr. Vogel further proposed that, if Mr. Monsell did not see his way to so large a reduction as to a 1d. rate, the reduction should be to 3d., of which 1d. should be retained by the English Post Office, and 2d. should be credited to the Colony—the Colony also to enjoy the advantage of any remission made by the United States Government, and the mails to be carried to New York free. Mr. Monsell again said he must take time to consider the matter.

A week afterwards, Mr. Vogel had another interview, and Mr. Monsell then informed him that the Post Office authorities, after much consideration, had determined preliminarily—1. In case the United States Government made any remission of charges, credit for the same should be at once given to the New Zealand Government; 2. That the authorities were willing, in reference to the service *via* San Francisco, established by the New Zealand Government, to reopen the question of a fortnightly service to Australia. Mr. Monsell explained that that question had been considered by the Government Post Office authorities a long while previously, and that it had been concluded if there was to be a fortnightly mail, it should be secured by arranging that the service *via* Suez should be made fortnightly instead of monthly, but that subsequently that proposal fell through. He was now willing to reopen the question with a view to making the Californian Service the alternating one with that *via* Suez, the times being arranged to secure, as nearly as possible, a fortnightly service to Australia and New Zealand.

Mr. Vogel at once agreed that, supposing the result of the proposed consideration to be favourable, nothing could be better for the new service; and he very gladly, therefore, acquiesced in Mr. Monsell's proposal to reconsider the whole question, but upon the clear understanding that, should the decision as to a fortnightly service be unfavourable, the other questions which had been raised in the course of the communications between the Postmaster-General and Mr. Vogel, should still be open to consideration. It should be observed that Mr. Monsell did not give any pledge as to what would be, or was likely to be, the nature of his decision; but he did give Mr. Vogel to understand that the whole subject would be loyally considered, without reference to any past objections to the American route.

Mr. Vogel proposes, at New York, to give to the Agent-General (Dr. Featherston) a copy of this Memorandum; and to urge upon him to do all he can to induce Mr. Monsell to arrive at a favourable conclusion, and to enter into arrangements by which the New Zealand Contract Service shall become recognized as alternating with that *via* Suez, in supplying fortnightly mail communication between Great Britain and the Australasian Colonies. In the case of such arrangements being effected, provision would of course have to be made by which the cost of the service would be harmoniously distributed. But Mr. Vogel attaches so much importance to the Californian Service being made the recognized alternating service with that *via* Suez, that he would be inclined to recommend, in respect to pecuniary terms, a disposition to meet the views of the Postmaster-General, presuming that those views will be, on the whole, not inequitable.

Although it was a source of regret to Mr. Vogel that the matter was not definitely settled before he left England, yet, considering the very large interests involved in the now proposed treatment of the question, and the probability of a highly satisfactory conclusion being arrived at, he feels that he has no reason to be otherwise than gratified with the progress of the negotiations.

JULIUS VOGEL.

On board the Cunard s.s. "Algeria," 6th July, 1871.

The Hon. J. VOGEL to the SECRETARY of STATE for the COLONIES.

MY LORD,—

Charing Cross Hotel, London, 3rd April, 1871.

I have the honor to inform your Lordship, that, during a recent visit to the United States of America, I succeeded, on behalf of the Government of New Zealand, in completing arrangements for a permanent mail service between San Francisco and New Zealand and Australia, to be performed by large steam-vessels, at a rate of speed which will enable communication between England and New Zealand to be effected in a little over forty days.

I venture to hope that this independent and reliable means of communication with the Australasian Colonies, will be considered by your Lordship to be of sufficient importance to justify a recommendation to the Post Office authorities to afford to the new service such assistance and encouragement as that Department may be able to render.

The Right Hon. the Earl of Kimberley, &c.

I have, &c.,

JULIUS VOGEL.

Mr. H. T. HOLLAND to the Hon. J. VOGEL.

SIR,—

Downing Street, 20th April, 1871.

I am directed by the Earl of Kimberley to acquaint you that his Lordship fully appreciates the enterprise shown by the Government of New Zealand, in establishing an efficient mail service between San Francisco and New Zealand and Australia, and that he has recommended to the favourable consideration of the Postmaster-General, the request contained in your letter of the 3rd instant—that the General Post Office should afford such assistance and encouragement as the Department may be able to render to the arrangements which you have completed for this service.

Julius Vogel, Esq.

I have, &c.,

H. T. HOLLAND.

The Hon. J. VOGEL to the SECRETARY of STATE for the COLONIES.

APPENDIX A.

MY LORD,—

Charing Cross Hotel, London, 3rd June, 1871.

Mail Negotiations.

I have not yet been able to effect any arrangement with the Post Office, in respect to the postal receipts by the new route to New Zealand and Australia, *via* San Francisco.

I have an appointment with the Postmaster-General, for Thursday next, the 8th instant; but, meanwhile, it has occurred to me that probably the best plan would be for me to make a definite proposal to your Lordship, in the hope that you will be able to recommend its acceptance by the Postmaster-General.

To my applications for the allowance to New Zealand of the postages received on account of the new route, over and above the payments which have to be made to the American Government, there has been urged the objection that that route is calculated to injure the old one *via* Suez.

It appears to me that if I am able to show to your Lordship that, by the proposal I am about to make, benefits will be conferred upon the Colony or Colonies interested, it could not be held, in accordance with the principles which guide the management of such services, that new postal conveniences should be refused, or the attempt to supply them be discouraged, because of a fear that the pecuniary receipts by another service might possibly be lessened. I abstain from dwelling on the possibility that, by encouraging an increase of correspondence, the existing service may be benefited rather than injured.

From a debate which took place recently in the House of Commons, I observe that there is great anxiety on the part of honorable Members for the establishment of a 1d. postal rate to the Colonies; and it is, in effect, the establishment of such a rate I am about to propose.

If the Postal authorities will cause our mails to be carried free to New York by the Thursday steamer—for which the subsidy is not per letter, but by aggregate mails—I will agree, on behalf of the New Zealand Government, to pay all the charges made by the American Government, and to carry the mails free from San Francisco to New Zealand; and I will also agree to the Post Office charging a rate of 1d. per half-ounce for the carriage of letters: the receipts from that source, and from the postages on newspapers and book-parcels, to pass in reduction of any amount which may have to be paid to the American Government; the excess of payment (if any) made by the Post Office to be refunded by the Colony.

The Government of New Zealand have not yet made an arrangement with the Australian Colonies to participate in subsidizing the new line. But I have no doubt that in the course of a few months such an arrangement will be made; and, meanwhile, I am willing that mails should be sent to those Colonies on the same terms as I have suggested in the case of New Zealand. If it should prove that the Australian Colonies do not desire to use the new service, an intimation to that effect can be sent to the Post Office by the Government of New Zealand.

In considering this proposal, I ask your Lordship to remember how vastly beneficial an influence will follow such a reduction of postage between Great Britain and the Colonies. Not only will the reduction tend to encourage emigration, but its effect in developing trade and strengthening friendly relations between the mother country and her Colonies, can hardly be exaggerated.

I may add, I have reason to think that if the proposal now made be acceded to, the American Government will remit all the territorial charges upon Colonial mails passing through the United States.

The Right Hon. the Earl of Kimberley, &amp;c.

I have, &c.,  
JULIUS VOGEL.

Mr. R. G. W. HERBERT to the Hon. J. VOGEL.

SIR,—

Downing Street, 6th June, 1871.

I am directed by the Earl of Kimberley to inform you that he referred to the Postmaster-General your letter of the 3rd instant, suggesting the establishment of a penny postal rate between the United Kingdom and New Zealand *via* San Francisco; and I am desired to transmit to you, for your information, a copy of the letter which has been received in reply.

You will perceive that the Postmaster-General is desirous of receiving a further explanation of your views with as little delay as possible.

Julius Vogel, Esq., &amp;c.

I have, &c.,  
ROBERT G. W. HERBERT.

Mr. J. TILLEY to Mr. HERBERT.

SIR,—

General Post Office, 6th June, 1871.

With reference to your letter of the 5th instant, enclosing copy of a communication from the Postmaster-General of New Zealand, now in this country, in which he suggests the establishment of a penny rate of postage for letters conveyed *via* San Francisco, between the United Kingdom and New Zealand, I am directed by the Postmaster-General to request that you will state to the Earl of Kimberley that the proposal made by Mr. Vogel, as it stands, refers only to letters despatched from this country to New Zealand. It is not stated at whose expense the mails from New Zealand are to be conveyed from New York to this country, the cost of which is now defrayed by the United States Post Office, and repaid by this Department.

As this point must be clearly understood before the proposal can be considered, the Postmaster-General will be glad if Lord Kimberley will request Mr. Vogel to explain his views more specifically.

R. G. W. Herbert, Esq., &amp;c.

I have, &c.,  
JOHN TILLEY.

P.S.—Mr. Monsell will be very glad if the further explanation here asked for could be in his hands before he receives a deputation on this subject which is to wait upon him on Thursday next.

## APPENDIX A.

## Mail Negotiations.

Hon. J. VOGEL to Mr. HERBERT.

Charing Cross Hotel, 7th June, 1871.

SIR,—

In reply to your letter of yesterday's date, containing copy of a communication from Mr. Tilley, I have the honor to state that the cost of the carriage from New York to this country is part of the expense to which I refer in the sentence in my letter to Lord Kimberley, "I will agree, on behalf of the New Zealand Government, to pay all the charges made by the American Government."

I have, &amp;c.,

R. G. W. Herbert, Esq.

JULIUS VOGEL.

## APPENDIX B.

## THE LOANS.

The Hon. J. VOGEL and Mr. P. G. JULYAN, C.B., to the Hon. the COLONIAL SECRETARY.

SIR,—

London, 14th April, 1871.

We have the honor to advise you of the proceedings which, as Agents appointed by His Excellency the Governor of New Zealand, we have taken in respect to the negotiation of the New Zealand loans.

2. On the arrival of the Colonial Treasurer (Mr. Vogel) in London, he placed himself in communication with Mr. Julian, and informed him of the desire of the Government of New Zealand that he should act as joint Agent with Mr. Vogel in the management of the negotiation of the loans authorized by the Defence and Other Purposes Loan Act and the Immigration and Public Works Loan Act. Mr. Julian promptly signified that he was willing to accept the appointment.

3. We at once proceeded to take into consideration the whole of the subject.

4. The first point we had to decide was, whether it was desirable, whilst accepting the guarantee of the Treasury under the terms of the Imperial Act of last year, to ask that there should be some fresh legislation to make the terms of that Act more conformable to the extended proposals of the New Zealand Assembly. A further question arose as to whether it was desirable, in case the Act as it existed could be taken advantage of, to issue the guaranteed and unguaranteed debentures jointly or separately.

5. After very anxious reflection, we came to the conclusion that the market was in a sufficiently favourable condition for the negotiation of unguaranteed debentures, to make it unwise to risk the necessary delay which fresh legislation would require, even supposing—which was by no means certain—that such fresh legislation could be obtained.

We further agreed that if the unguaranteed debentures could be negotiated, it was better to leave the guaranteed debentures as a reserve to fall back upon, whenever further sums of money were required by the Colony. The guaranteed debentures would at any time be saleable, and by leaving them available for the future, the Government of New Zealand would practically secure a reserve fund in this country upon which they could at any time draw.

6. It became important, therefore, to ascertain whether the Treasury would consider the separate issue of unguaranteed debentures inconsistent with the terms of the guarantee. Further, it became important to ascertain what were the most favourable terms to which the Treasury would consent in respect to allowing the guaranteed amounts to be cumulative, so that the Colony should not suffer by withholding the debentures from sale until it was required to use their proceeds.

7. It was therefore agreed that Mr. Vogel should at once officially communicate with the Colonial Office and the Treasury, first, for the purpose of obtaining the concurrence of the Treasury to the issue of unguaranteed debentures without prejudice to the guarantee; second, to arrange for the guarantee being cumulative.

8. Mr. Vogel was engaged in these negotiations for a few days, and finally, with very little delay, he obtained an assurance from the Treasury that no objection would be offered to the issue of the unguaranteed debentures, and that such issue would not prejudice the guarantee.

9. Immediately on the Secretary of the Treasury verbally intimating to Mr. Vogel the substance of what has been stated, it was determined to issue the advertisement calling for tenders for the loan, the terms of which we had previously decided.

We also agreed to arrange with the Crown Agents to call for tenders for the amount required, upon the same terms as they had issued the loan for the Hon. Mr. Fitzherbert.

10. We should explain that there were several reasons for hastening the transaction. The approach of the Easter holidays made it a question whether we should issue the loan after a notice of seven days only, or should wait, probably a fortnight or three weeks, until the holidays were over. In coming to a conclusion upon this point, we had to take into consideration that whenever the difficulties in France were sufficiently adjusted to make it possible to negotiate a fresh loan on the London market, a very large amount of speculative capital would be thereby absorbed, to the detriment of the negotiation of other loans.

Again, we had reason to believe that some other Foreign, as well as Colonial, Governments proposed to come into the market as borrowers. In fact, our apprehensions were to some extent speedily verified, for no sooner had our advertisement been published than it was followed by one from the Argentine Republic, inviting subscriptions for £6,000,000, on terms which yielded to the lenders 7½ per cent.

Thirdly, there were some reasons to be afraid that if a longer time were given, attempts might be made to depreciate the value of New Zealand securities, for the purpose of reducing the price at which the new stock could be bought. On the other hand, we were of course not blind to the fact that, in inviting tenders for so comparatively large an amount, at a very short notice, we were undertaking great responsibility, especially as some efforts were made, after we had announced the day, to induce us to postpone it. The certainty, however, that the competition for money on the London market would be very great the moment the French difficulties were settled, induced us to remain firm on this point, and we have every reason to be satisfied that we were so.

11. With respect to the terms of the loan, there were cogent reasons in favour of making them entirely uniform with those of the consolidated loan, with the consequent probability that the Stock Exchange would admit them to a uniform quotation.

12. In respect to the amount of the loan, we found that we were authorized to raise £500,000 under the Defence and Other Purposes Loan Act, and £1,000,000 under the Immigration and Public Works Loan Act, or a total of £1,500,000. Two hundred thousand pounds of guaranteed debentures there was no doubt would be immediately available; and we had, and have, hopes of being able so to arrange with the Treasury that, after a year, a further amount of £200,000 will be available.

The Colonial Treasurer was able to say that the amounts which had been fixed in the Colony were meant as a provision for eighteen months; and assuming that to be the case, and that the second amount of guaranteed debentures could be obtained in twelve months, we came to the conclusion that by borrowing £1,200,000 on the unguaranteed debentures, we should be leaving a margin of £100,000 over the amount we were authorized to borrow—*i. e.*, that we should be placing the Government in the position of obtaining £1,600,000 without any further issue of unguaranteed debentures; and that we should also be able to state (what no doubt materially assisted the negotiation) that it was not intended for twelve months to issue any further unguaranteed debentures.

13. We wish to be understood that we are by no means certain that the second parcel of guaranteed debentures can be issued until twelve months after the sale of the first parcel. In that case, the Government might decide to sell the first parcel sooner than otherwise would be desirable. But we have been assured that the Treasury will be inclined to agree—if it be found that the terms of the Imperial Act can be construed to that effect—that it shall not be necessary to dispose of the first parcel in order to obtain the guarantee for the second and subsequent parcels; provided that evidence be produced of the annual expenditure, on the objects contemplated by the Imperial Act, of sums equal to the several instalments.

14. We take this opportunity of stating that it was very gratifying to find, in connection with all the representations made by the Colonial Treasurer to the Treasury and the Colonial Office, no exception was taken to the loans, to the mode of issue, or to the general policy on which those loans are based. In fact, all the proposals made were well received, and such objections as were urged were of a technical nature.

We fixed the minimum at £95 10s. In doing so, we adopted a price which, whilst it was an approximation to the net price obtained in the negotiation of the £1,114,000 under the Consolidated Loan Act, we also had reason to suppose would insure the whole amount being taken up. The result answered our expectations. The amount applied for under the minimum was £613,700; the amount at and above the minimum was £1,200,000; and the average of the tenders accepted was £95 16s. 9d.

16. We submit that this result is one with which the Colony of New Zealand has every reason to be satisfied. A few days before the issue of the loan, the Bank of New South Wales invited tenders for a small loan of £400,000 for the Colony of New South Wales. The gross price obtained was £98 16s.; but deducting the allowance for accrued interest, and on account of deferred payments, the net price was really £97 3s. 8½d. In the case of the New Zealand loan, we thought it desirable there should be no accrued interest; and the value of allowances for deferred payments amounted to 5s. 10½d. per cent.: so that the net price obtained for the New Zealand loan was £95 10s. 10½d., as will be seen on reference to the enclosed statement, marked B; whilst the net price for the New South Wales loan was £97 3s. 8½d., showing a difference of £1 12s. 10d. in favour of New South Wales. But, if we deduct the difference of cost for negotiation—which is at least one-half per cent. more in the case of New South Wales—the result will appear highly satisfactory.

17. When it is considered that ordinarily New South Wales debentures in the market rule from 1 to 2 per cent. higher than New Zealand debentures (at this moment 2 per cent.); and further, that the amount borrowed by the Government of New South Wales was very small, whilst the money asked for by New Zealand, besides being of a considerable amount, was but the first portion of a new and large loan—we think it must be admitted that, as compared with the New South Wales negotiation, we have every reason to be satisfied with the result in the present case.

18. If we compare this result with that of the last negotiation on behalf of New Zealand, an analysis of which appears in Statement B already referred to, there is no less reason to be satisfied.

19. It is fair to conclude from these comparisons, coupled with the surrounding circumstances, that the financial proposals, of which the loans represent part, have met with approval in this country.

20. The amount borrowed represents £450,000 under the Defence and Other Purposes Loan Act, and £750,000 under the Immigration and Public Works Loan Act.

21. We shall, with the least possible delay, cause the short-dated debentures to be retired.

22. We append Schedule showing the number of tenderers, and other particulars which may be interesting in connection with the recent negotiation.

The Hon. the Colonial Secretary,  
Wellington, New Zealand.

We have, &c.,  
JULIUS VOGEL.  
PENROSE G. JULYAN.



APPENDIX B. COMPARATIVE STATEMENT showing the Price realized by the Governments of New South Wales and New Zealand respectively, for 5 per cent. Debentures disposed of in the London Market within 10 days of each other.

| New South Wales.<br>£407,100—sold on 28th March, 1871.   |  | Net Price<br>Realized. | New Zealand.<br>£1,200,000—sold on 6th April, 1871.   |  | Net Price<br>Realized. |
|--|--|------------------------|---|--|------------------------|
| £ s. d.  |  | £ s. d.                | £ s. d.   |  | £ s. d.                |
| Sold with accrued Interest, from 1st January, 1871, £5 payable on 28th March, and balance on 2nd May, At per 100 ... .. 98 16 0                                      |  |                        | Sold with Interest from 16th April, 1871, £5 payable on 8th April; £45 on 20th April; and £45 16s. 9d. on 30th May, 1871. At per 100 ... .. 95 16 9   |  |                        |
| Deduct—£ s. d.   |  |                        | Deduct—£ s. d.  |  |                        |
| Interest on £5 for 86 days at 5 per cent. per annum ... .. 0 1 2   |  |                        | Interest on £45 for 4 days at 5 per cent. per annum ... .. 0 0 6  |  |                        |
| Ditto on £93 16s. for 121 days ... .. 1 11 1½  |  |                        | Ditto on £45 16s. 9d. for 44 days ... .. 0 5 6  |  |                        |
|  |  |                        |   |  |                        |
| Net price ... ..   |  | 97 3 8½                | Less 5 per cent. on £5 paid 8 days in advance 0 0 1½  |  |                        |
| New Zealand net price ... ..   |  | 95 10 10½              | Net price ... ..  |  | £95 10 10½             |
| Difference in favour of New South Wales  |  | £1 12 10               |   |  |                        |
| The retail price of New South Wales debentures in the London market is generally from 1½ to 2 per cent. above those of New Zealand. At this moment it is 2 per cent. |  |                        | The net price obtained on the £1,114,000 issued under the Public Debts and Consolidated Loan Acts, 1867, was £96 4s. 3½d., as stated in the Honorable the Colonial Treasurer's letter to the Crown Agents, dated 12th March, 1869, being only 13s. 5d. per cent. above the present price, whereas the market at that time was much more favourable for negotiation, and there was then no prospect of further issues. |  |                        |

A small loan like that of New South Wales, all placed on the market at once, is much less calculated to depress prices than the comparatively large requirements—present and prospective—of New Zealand, which amount to £5,000,000 sterling.

London, 14th April, 1871.

JULIUS VOGEL.  
PENROSE G. JULYAN.

The Hon. J. VOGEL and Mr. P. G JULYAN to the Hon. the COLONIAL SECRETARY.

SIR,—  
Charing Cross Hotel, London, 1st June, 1871.  
We are glad to be able to inform you that, after considerable delay, we have succeeded in making satisfactory arrangements with the Lords Commissioners of Her Majesty's Treasury respecting the issue of the £1,000,000 guaranteed loan.  
From the accompanying correspondence it will be seen that the Imperial guarantee will be at once given to debentures for £200,000, which debentures are to bear date this day; and that a similar amount will be guaranteed at intervals of not less than twelve months (provided the Imperial Government be first satisfied that a like amount has been or is in course of being spent for the purposes mentioned in the Guaranteeing Act) until the total of £1,000,000 shall have been issued.  
The Government will not be obliged to dispose of the debentures immediately on the guarantee being given; but they may be kept and be disposed of whenever their proceeds are needed. Thus the debentures will form an accumulative reserve fund ready for use at any time, but, until the money is actually required, not involving any charge for interest.  
It need scarcely be observed that the guaranteed debentures will always be saleable in any condition of the money market.

The Hon. the Colonial Secreteary.

We have, &c.,  
JULIUS VOGEL.  
P. G. JULYAN.

The Hon. J. VOGEL and Mr. P. G. JULYAN to the PERMANENT SECRETARY to the TREASURY.  
SIR,—  
Charing Cross Hotel, London, 19th April, 1871.

We have the honor to acquaint you, for the information of the Lords Commissioners of Her Majesty's Treasury, that we have been duly appointed by His Excellency the Governor of New Zealand as Agents, under the 19th section of 33 and 34 Vict., No. 80 (passed by the General Assembly of the Colony during its last Session, and intituled "The Immigration and Public Works Loan Act, 1870,") for the purpose of giving to the Treasury the assurances required by the Imperial Act, 33 and 34 Vict. c. 40, respecting the guaranteeing of a loan of one million pounds sterling, to be raised by the Colony.  
The warrant of our appointment is enclosed, and we have the honor to state that, on behalf of the Government of the Colony, we accept the guarantee under the conditions prescribed in the Imperial Act.  
We propose that the Treasury at once guarantee a first instalment of two hundred thousand pounds, on the understanding that the debentures are to be deposited at the Bank of England, to be sold from time to time, as the Colonial Government may require. We have to ask that this be agreed to without prejudice to our obtaining a guarantee for further instalments of two hundred thousand



pounds, at intervals of twelve months; the Treasury to be satisfied that amounts representing previously guaranteed debentures have been expended, or are in course of expenditure, as provided by the Imperial Act.

It appears to us important that great public works, once begun, should not be interrupted from any temporary want of funds; and, by adopting the course we now propose, the terms of the Act, with regard to amount, date, and expenditure, would be complied with; whilst the Colony, by first using money raised on its own unguaranteed debentures—for the sale of which the market is now favourable—would be enabled to hold those guaranteed by the Home Government as a reserve fund, to provide against any possible contingency of the kind, or they might be disposed of hereafter, as circumstances shall be found to require.

On the other hand, if, by a rigorous interpretation of the Act, it is insisted that the money expended each year, before a further guarantee can be given, must be the actual proceeds of previously guaranteed debentures, the Colony will be subjected to unnecessary loss of interest.

We have, &c.,  
JULIUS VOGEL.  
P. G. JULYAN.

The Secretary to the Treasury.

Mr. WM. LAW to the Hon. J. VOGEL and Mr. P. G. JULYAN.

GENTLEMEN,—

Treasury Chambers, 30th May, 1871.

The Lords Commissioners of Her Majesty's Treasury direct me to acknowledge receipt of your letter of the 19th ultimo, enclosing your warrant of appointment by the Governor of New Zealand, as Agents for the purpose of raising and managing the loan authorized by the nineteenth section of the New Zealand Act, 33 and 34 Vict. cap. 80, and by the Imperial Act, 33 and 34 Vict. cap. 40, to be raised with the guarantee of this Board for immigration and public works in that Colony, and stating that, on behalf of the Government of the Colony, you accept the guarantee under the conditions prescribed in the Imperial Act.

Their Lordships direct me, in reply, to state that they are prepared to guarantee the first issue of bonds to the amount of £200,000 on account of the loan to be raised under the provisions of the Act 33 and 34 Vict. cap. 40, and to guarantee further sums of £200,000 each, at intervals of twelve months, until the whole loan of £1,000,000 has been raised, on satisfactory proof being afforded to this Board that sums to the extent guaranteed have been or are in the course of being duly expended, for the purposes specified in the second section of the said Act.

Messrs. Vogel and Julian, &c., &c.

I am, &c.,  
WM. LAW.

The Hon. J. VOGEL and Mr. P. G. JULYAN to the PERMANENT SECRETARY to the TREASURY.

SIR,—

Charing Cross Hotel, London, 1st June, 1871.

We have the honor to acknowledge the receipt of your letter of the 30th ultimo, in reply to ours of the 19th April, with reference to the New Zealand guaranteed loan of £1,000,000 sterling.

We will cause debentures for £200,000 of that loan, bearing date 1st June, 1871, to be at once prepared.

We have, &c.,  
JULIUS VOGEL.  
P. G. JULYAN.

The Permanent Secretary to the Treasury, &c., &c.

The CROWN AGENTS to the Hon. J. VOGEL and Mr. JULYAN.

GENTLEMEN,—

Offices of the Crown Agents for the Colonies,  
Spring Gardens, London, S.W., 10th June, 1871.

As customary before printing debenture bonds for a guaranteed loan, the Crown Agents for the Colonies submitted a form—of which a copy is enclosed—for the approval of the Lords Commissioners of Her Majesty's Treasury, and have now the honor to forward for your information copy of their Lordship's reply.

As pointed out in their letter, it now becomes necessary to furnish the Treasury with the names of two gentlemen to act on behalf of the New Zealand Government—in conjunction with two others to be appointed by the Imperial Government—as Trustees to the Sinking Fund; and the Crown Agents would suggest that you should comply with the request of the Lords Commissioners as early as possible.

The Hon. Julius Vogel and P. G. Julian, Esq.

I have, &c.,  
W. C. SARGEANT.

The TREASURY to the CROWN AGENTS.

GENTLEMEN,—

Treasury Chambers, 9th June, 1871.

I am directed by the Lords Commissioners of Her Majesty's Treasury, to acquaint you that they see no reason to object to the form of debenture bond enclosed in Mr. Julian's letter of the 7th instant, and which it is proposed to use for the first issue of £200,000 on account of the New Zealand loan to be guaranteed under the Act 33 and 34 Vict. cap. 40; and, upon learning the names of the Trustees of the Sinking Fund of this loan, to be appointed by the Government of New Zealand, in accordance with the provisions of the 6th clause of the 2nd section of the above-mentioned Act, my Lords will direct the necessary warrant to be issued, authorizing an officer of this Department to act

APPENDIX B.  
The Loans.

on behalf of this Board to give effect to the guarantee, and appointing two Trustees for the Sinking Fund.

Messrs. Julyan and Sargeant, Crown Agents.

I have, &c.,  
WILLIAM LAW.

The Hon. J. VOGEL and Mr. JULYAN to the CROWN AGENTS.

GENTLEMEN,—

Charing Cross Hotel, London, 14th June, 1871.

In reply to your letter of the 11th inst., respecting the nomination of two gentlemen to act on behalf of the New Zealand Government as Trustees of the Sinking Fund for the one million pounds guaranteed loan, we have the honor to nominate, as such Trustees, Penrose G. Julyan, Esq., C.B., and W. C. Sargeant, Esq.; those gentlemen having together acted in like capacity with respect to other loans raised by the Colony.

The Crown Agents for the Colonies.

We have, &c.,  
JULIUS VOGEL.  
P. G. JULYAN.

The Hon. J. VOGEL to the CROWN AGENTS.

GENTLEMEN,—

Charing Cross Hotel, London, 24th June, 1871.

I have the honor to request that you will deposit in the custody of the Bank of England, in your joint and several names, the two hundred thousand pounds guaranteed debentures which Mr. Julyan and myself have created; the condition of the deposit to be, that the debentures shall not be withdrawn from the Bank except in virtue of instructions sent to you direct by the Colonial Treasurer of New Zealand or given by the Agent-General of the Colony in London.

The Crown Agents for the Colonies.

I have, &c.,  
JULIUS VOGEL.

The Hon. J. VOGEL and Mr. JULYAN to the Hon. the PREMIER.

SIR,—

Charing Cross Hotel, London, 26th June, 1871.

We have the honor to state that we have created two hundred thousand pounds debentures, bearing interest at 4 per cent. per annum,

|               |              |     |     |     |     |         |
|---------------|--------------|-----|-----|-----|-----|---------|
| No. 1 to 80.  | 80 of £1,000 | ... | ... | ... | ... | £80,000 |
| No. 1 to 160. | 160 of £500  | ... | ... | ... | ... | 80,000  |
| No. 1 to 100. | 100 of £200  | ... | ... | ... | ... | 20,000  |
| No. 1 to 200. | 200 of £100  | ... | ... | ... | ... | 20,000  |

£200,000

guaranteed by the Imperial Government, and which, under the instructions of Mr. Vogel, are to be deposited at the Bank of England, until otherwise directed by the Government, or by the Agent-General, acting on behalf of the Government.

The Hon. the Premier, New Zealand,

We have, &c.,  
JULIUS VOGEL.  
P. G. JULYAN.

## APPENDIX C.

## DEFENCE OF THE COLONY.

H.M. SHIPS STATIONED ON THE COAST OF NEW ZEALAND.

The Hon. J. VOGEL to the Hon. the PREMIER.

SIR,—

Charing Cross Hotel, London, 6th June, 1871.

I have the honor to forward to you copy of correspondence respecting Her Majesty's vessels stationed on the Coast of New Zealand.

I have had many interviews with the Earl of Kimberley on the subject to which the correspondence refers, and one with Mr. Goschen, First Lord of the Admiralty.

You will observe that there is something in the nature of a departmental objection raised to giving the Colony a specific assurance in respect to the number of vessels to be stationed on the coast; but I do not doubt that you will agree with me that the tenor of the correspondence evidences that, despite the objection referred to, the intention is effectually to meet the requirements of the Colony.

I feel that the Government will be gratified by the assurance that it is intended to strengthen the squadron now in the Australian waters; and also by the passage in the letter to the Secretary to the Admiralty, in which Lord Kimberley so clearly intimates his desire that Her Majesty's ships should frequently visit such portions of the coast as will most certainly, wherever there may be inclination to disaffection, "prevent any impression amongst the Natives that the removal of the troops implies an abandonment of the Colony by the Queen."

The Hon. the Premier, New Zealand.

I have, &c.,  
JULIUS VOGEL.

The Hon. J. VOGEL to the SECRETARY of STATE for the COLONIES.

MY LORD,—

Charing Cross Hotel, London, 1st May, 1871.

I have the honor to represent to your Lordship, that the Government of New Zealand, when the troops were removed from the Colony, valued very highly what they understood to be the assurance that they might rely on the presence of two of Her Majesty's vessels on the Coast. It was not an expectation or a desire that they might have to ask assistance from the vessels which caused the arrangement to be so gratifying to the Government; but they felt that the sense of security which the vessels would afford, and the constant evidence which they would supply to the Native mind that the removal of the troops was not to be regarded as an abandonment of the Colony by Her Majesty, would be very valuable.

From a Despatch which your Lordship has sent to His Excellency the Governor of New Zealand, in reply to a Memorandum by my colleague, Mr. Fox, the contents of which have been communicated to me, I gather that your Lordship, while desiring to assist the Colony, objects to giving any specific pledge which might be held to limit the exercise of future discretion as to the disposition of Her Majesty's vessels. The difficulty which this objection raises may, I think, be easily surmounted. It might be understood that such arrangements as your Lordship would be willing to make were liable to be disturbed and varied, consequent upon unforeseen emergencies. Upon this footing, I respectfully urge your Lordship to move the Admiralty to direct that two vessels should continue, for the present, on the New Zealand Coast.

Without wishing to convey the impression that the Government of the Colony anticipate serious difficulties, I may state that some disturbances may take place in connection with the murder of Mr. Todd, and the continued freedom of Te Kooti. Probably they would be much more localized than has been the case with previous disturbances; but, in any event, the support which the presence, and especially the assurance of the presence, of two of Her Majesty's vessels would afford, would be exceedingly valuable.

I respectfully urge, therefore, that the Colony may be assured of the presence of two of Her Majesty's ships for (say) two years; on the understanding that Her Majesty's Government reserve the right of varying the arrangement, should circumstances induce them to do so.

I take the opportunity of respectfully urging that Her Majesty's Government should consider the question of constituting New Zealand into a separate naval station.

The Right Hon. the Earl of Kimberley, &c.

I have, &c.,  
JULIUS VOGEL.

Mr. HOLLAND to the Hon. J. VOGEL.

SIR,—

Downing Street, 8th June, 1871.

With reference to your letter of the 1st ultimo, respecting the naval assistance to be afforded by Her Majesty's Government to the Colony of New Zealand, I am directed by the Earl of Kimberley to transmit to you for your information a copy of a correspondence which has passed upon the subject with the Lords Commissioners of the Admiralty.

Julius Vogel, Esq.

I have, &c.,  
H. T. HOLLAND.

Mr. HOLLAND to the SECRETARY to the ADMIRALTY.

SIR,—

Downing Street, 18th May, 1871.

I am directed by the Earl of Kimberley to transmit to you, for the consideration of the Lords Commissioners of the Admiralty, a copy of a letter from Mr. Vogel, the Treasurer of New Zealand, on the subject of the naval assistance to be afforded to the Colony by Her Majesty's Government.

His Lordship desires me to state, that the instructions sent at the request of Lord Granville were not intended to convey an assurance that they might rely on the presence of any particular number of Her Majesty's vessels on the New Zealand Coast, and that he is fully aware that it would not be consistent with the general arrangements of Her Majesty's Naval Service, to give a promise that any particular number of vessels should always be kept there; but His Lordship attaches weight to the considerations urged by Mr. Vogel, and regards it as a matter of importance that Her Majesty's vessels should show themselves frequently in the ports of New Zealand, especially in those parts of the Colony where disaffection is apprehended, for the purpose indicated by Mr. Vogel, namely, to prevent any impression amongst the Natives that the removal of the troops implies an abandonment of the

**APPENDIX C.** Colony by the Queen. Lord Kimberley would therefore be glad if the Lords Commissioners of the Admiralty would give such instructions to the officers commanding Her Majesty's vessels as will insure their special attention to this service.

**Defence—H.M. Ships.**

The Secretary to the Admiralty.

I have, &c.,  
H. T. HOLLAND.

Mr. WOLLEY to Sir F. ROGERS, Bart.

SIR,—

Admiralty, 1st June, 1871.

With reference to your letter of the 18th ultimo, respecting the Naval assistance to be afforded to the Colony of New Zealand, I am commanded by my Lords Commissioners of the Admiralty to acquaint you, for the information of the Secretary of State for the Colonies, that Commodore Stirling has been informed that it is intended eventually to reinforce the squadron under his orders by another vessel; and, in the meantime, he has been directed to make such arrangements for meeting the wishes of the Earl of Kimberley as may be effected without prejudice to the requirements for visits of Her Majesty's ships to other parts of the station.

Sir Frederic Rogers, Bart., &c., &c., Colonial Office.

I have, &c.,  
THOMAS WOLLEY.

Hon. J. VOGEL to the SECRETARY of STATE for the COLONIES.

MY LORD,—

Charing Cross Hotel, London, 12th June, 1871.

I have the honor to acknowledge the receipt of your Lordship's letter of the 8th instant, enclosing copy of correspondence between the Colonial Office and the Board of Admiralty, respecting Her Majesty's ships on the Coast of New Zealand; and I thank your Lordship for the same.

The Right Hon. the Earl of Kimberley, &c.

I have, &c.,  
JULIUS VOGEL.

## APPENDIX D.

### DEFENCE OF THE COLONY.

#### TORPEDOES.

##### MEMORANDUM for the Hon. J. VOGEL.

THE question of the defence of the principal ports of the Colony against outward attack, in the event of England being involved in war, has, as you are aware, seriously engaged the attention of the Government, and has been the subject of communication to the Imperial Government.

Ministers understand that torpedoes form an effective and a comparatively inexpensive protection of harbours against the attack of vessels, and they wish you, while you are in England, to obtain full information on this subject. They also wish you, in continuation of the representations already made by the Colonial Government, to communicate with the Imperial authorities, and ascertain whether they would be willing to supply the Colony with torpedoes for the protection of its harbours, and if so, on what terms.

It is not necessary to impress on you the strong claims which the Colony has on the Imperial Government for its protection in the case of foreign war.

Wellington, 2nd February, 1871.

W. GISBORNE,  
Colonial Secretary.

The Hon. J. VOGEL to the SECRETARY of STATE for the COLONIES.

MY LORD,—

Charing Cross Hotel, London, 1st May, 1871.

My Government write to me to represent to your Lordship the defenceless condition of New Zealand, in the event of any attempt at foreign aggression. They especially wish to know, Whether it is desirable that torpedoes should be used for defending the harbours of the Colony; and, if so, upon what terms Her Majesty's Government would supply them?

I am unaware whether it would be better to send out torpedoes ready made, or to send merely instructions for making them. It is to be borne in mind, that whilst a few would be required for the purpose of familiarizing the proper persons in the different ports with their use, it might be years before they would be required for actual service, if ever they were so required. Nevertheless, it would be highly desirable that, in the event of their being required, there should be properly-trained persons ready to use them.

I venture to suggest that the comparative security from aggressive attacks which torpedoes would afford to the ports of distant Colonies, is of sufficient importance to Imperial interests to make it desirable that the Colonies should be properly instructed as to their use.

In more than one of the ports of New Zealand there are already efficient Volunteer Naval Brigade forces; and I have no doubt that companies of the same could be raised in all the chief ports.

I respectfully submit that it would be very desirable that the commanders of Her Majesty's ships on the station—when they are able to do so without inconvenience to the requirements of the service,

and the Colony paying any expenses incurred—should from time to time furnish an officer or officers, whose duty it would be to instruct the local forces as to the use of torpedoes. If this were done, there would always be available on land when required a local force ready to co-operate with Her Majesty's vessels; and I have no doubt that a valuable auxiliary force would be the result, without cost to the Imperial service.

APPENDIX D.  
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Defence—Torpedoes.

The Right Hon. the Earl of Kimberley, &c.

I have, &c.,  
J. VOGEL.

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Mr. H. T. HOLLAND to the Hon. J. VOGEL.

SIR,—

Downing Street, 10th May, 1871.

I am directed by the Earl of Kimberley to acknowledge your letter of the 1st instant, respecting the supply of torpedoes to the Government of New Zealand, for the defence of the harbours of the Colony.

I am desired to state that a copy of your letter has been forwarded to the War Office, with the information that you had been requested to place yourself in communication with that Department on the subject of it.

J. Vogel, Esq.

I have, &c.,  
H. T. HOLLAND.

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Colonel JERVOIS, C.B., to the Hon. J. VOGEL.

SIR,—

War Office, Pall Mall, May 15th, 1871.

I have been directed by the Secretary of State for War to place myself in communication with you on the subject of your application to the Secretary of State for the Colonies for information relating to defence by torpedoes.

As your object would probably be attained more readily by a personal interview than in any other manner, I shall be glad if you can make it convenient to call upon me at this office at 2 p.m. on Wednesday next, the 17th instant.

Julius Vogel, Esq.

I have, &c.,  
WM. F. D. JERVOIS.

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The Hon. J. VOGEL to the SECRETARY OF STATE for the COLONIES.

MY LORD,—

Charing Cross Hotel, London, 23rd June, 1871.

Adverting to your Lordship's letter of May 10th, in which (replying to my letter of May 1st) you referred me to the authorities at the War Office, respecting the question of the defence of the Colony of New Zealand, I have the honor to inform your Lordship that, at the War Office, I was placed in communication with Colonel Jervois, C.B. That gentleman has furnished me with a report upon the defence of the principal ports of the Colony, which I feel assured will be most valuable, and which I propose to submit to the Government of New Zealand as soon as possible.

It would be so inconvenient, now that communication on the subject has been established with Colonel Jervois, to have it interrupted, that I desire to ask that your Lordship will consent that the further correspondence with Colonel Jervois may be conducted by my colleague the Defence Minister.

I venture to submit that correspondence upon a subject of this kind, respecting which the Government of New Zealand may require to ask Colonel Jervois's advice from time to time, can be much more conveniently conducted direct than through the intervention of the Colonial Office and the War Office.

The Right Hon. the Earl of Kimberley.

I have, &c.,  
J. VOGEL.

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Mr. HOLLAND to the Hon. J. VOGEL.

SIR,—

Downing Street, 24th June, 1871.

I am directed by the Earl of Kimberley to acknowledge the receipt of your letter of the 23rd instant, asking that a correspondence which has been commenced with Colonel Jervois, in reference to the defence of New Zealand, may be continued by the Defence Minister of the Colony direct with Colonel Jervois.

Lord Kimberley desires me to inform you, in reply, that all official correspondence must of course be with the Secretary of State, but that there will be no objection to the non-official confidential correspondence between Colonel Jervois and yourself being continued by the Defence Minister.

The Hon. Julius Vogel.

I have, &c.,  
H. T. HOLLAND.

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[The maps, reports, and other papers, received from Colonel Jervois, have been handed to the Defence Minister, who may not consider it desirable to publish them: indeed, some are of a confidential nature.]

## APPENDIX E.

## Railways.

## APPENDIX E.

## RAILWAYS.

ARTICLES OF AGREEMENT entered into this 26th day of June, 1871, between Sir GEORGE FERGUSON BOWEN, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, and Governor and Commander-in-Chief of Her Majesty's Colony of New Zealand and its Dependencies, and Vice-Admiral of the same (hereinafter called "the Governor"), of the one part, and ALEXANDER BROGDEN, M.P., HENRY BROGDEN, and JAMES BROGDEN, all of No. 4, Queen's Square, in the City of Westminster, Railway Contractors (hereinafter called "the Contractors"), of the other part.

WHEREAS by Articles of Agreement purporting to have been entered into on the 21st day of June, 1871, and to be made between the Governor and the Contractors: after reciting as therein is recited, it is declared that it was thereby mutually covenanted and agreed by the Governor on behalf of himself and his successors with the Contractors, their executors, administrators, and assigns, and by the Contractors, and each of them, for themselves, and himself, and for their respective heirs, executors, administrators, and assigns, with the Governor, his successors, and assigns, in manner therein mentioned (*inter alia*) that was to say: That the Governor would, as therein mentioned, entrust to the Contractors, and they would make and execute such railways in New Zealand as the Governor might desire, and provide such plant as he might require for the same, to an extent in cost not exceeding £4,000,000. That the Governor would cause the necessary surveys, plans, and sections, of the railways, the making of which was to be entrusted to the Contractors, to be prepared and deposited; and the said railway should be made in the order, and course, and generally as the Governor should direct. That when and so soon as the plans, sections, and specifications should have been so prepared, the said railway should be divided into sections as therein mentioned, and the probable cost of making each such section, and the times within which such section should be made, should be determined in manner therein mentioned. That the Minister, thereafter defined to mean the Minister for Public Works, or other Public Officer at the head of that Department, and the Contractors should, before the Contractors entered upon the making of the said railways, agree upon a schedule of prices, according to which the Contractors should be paid for any deviations from the said plans and sections, or any alterations, diminutions, additions, or substitution of work or materials. That the Governor should provide all land required for the said railway as and in manner therein mentioned. That the Minister should be at liberty to direct any deviations, alterations, diminutions, additions, or substitutions, to be made in, from, or to the said railway, in such manner and upon such terms and conditions as were therein particularly mentioned. That the Contractors should not make any deviations from the said plans, sections, and specification, unless authorized as therein mentioned. That if, by reason of any deviation, alteration, addition, or substitution as aforesaid, the Contractors should be delayed in completing the said railway, or any section thereof, within the time within which the same ought to have been completed, the Contractors should be allowed an extended time to complete the same, proportioned to such delay. That the Contractors would from time to time deposit with the Colonial Treasurer the probable amount which they would require to expend in New Zealand during the then next three calendar months, to be estimated in manner therein mentioned, which should from time to time be paid out to them as the works progressed, upon certificates, as therein mentioned, of the Engineer (the meaning of Engineer being therein defined). That all the railways should be made in strict accordance with the said plans and specifications, and to the satisfaction in all respects of the Engineer, and within the time therein mentioned or referred to. That the Contractors should provide all such plant (which term is therein defined to mean engines, rolling stock, fixed stock, and machinery for the working of and carrying on of traffic upon the railways) as and in manner and upon the terms therein particularly mentioned, and should pay for the same out of their own moneys. That the Contractors should keep and maintain the railways in thorough efficient working order, and properly work the same, and run such number of trains, and charge such fares and rates, as are therein also particularly mentioned. And by the said Articles of Agreement provision is made that in case the Contractors, or either of them, should become bankrupt or insolvent, or make any composition or arrangement with their creditors, or should not carry on the said works with due diligence, after notice as therein mentioned, the Governor might determine the now reciting Agreement as regards the said railway, or any section or sections thereof, not then completed and open for traffic. And it is by the said Articles of Agreement further declared that it was agreed that the Contractors should in all things abide by, comply with, and conform to all such laws, regulations, and by-laws as were therein mentioned or referred to, and would make compensation to all persons who might sustain injury or loss through the negligence or wrongful act of the Contractors, in making or working any of the said railways. And further, that the Contractors should not assign or sublet the now reciting Contract without such approval, and subject to such conditions as were therein mentioned; and after providing for the furnishing of proper accounts relating to the said railways by the Contractors to the Governor, and that the latter might deduct out of any moneys in his hands belonging or payable to the Contractors all sums payable by them to him under the now reciting Articles of Agreement, and after providing for the settlement of disputes and certain other matters therein mentioned by arbitration, as and in manner therein particularly mentioned, provision was expressed to be made for the personal indemnification of the Governor in respect of the execution or ratification by him of the now reciting Articles of Agreement. And whereas by other Articles of Agreement, purporting to have been entered into the 22nd day of June, 1871, and also made between the Governor and the Contractors, after reciting as therein is recited, it is declared that it was thereby mutually covenanted and agreed by the Governor, on behalf of himself and his successors, with the Contractors, their executors, administrators,

and assigns, and by the Contractors, and each of them, for themselves and himself, and for their respective heirs, executors, administrators, and assigns, with the Governor, his successors and assigns, in manner therein mentioned (*inter alia*) that was to say: That the Governor would entrust to the Contractors, and they would make and execute, such railways in New Zealand as the Governor might desire, and provide such plant as he might require for the same, the total cost whereof should amount to not less than £500,000, and after providing in terms similar to those expressed and contained in the lastly recited Articles of Agreement for the following matters, namely—the making of the necessary surveys, plans, sections, and specifications for such railways, the agreement upon a schedule of prices previous to the entering upon the making thereof, the providing of land by the Governor for such railways, the right to direct deviations, alterations, diminutions, additions, or substitutions in, from, or to any such railways, the not making any deviations from the said plans, sections, and specifications, the extension of time, the deposit by the Contractors with the Colonial Treasurer of the probable amount of expenditure during the then next three succeeding calendar months, and the payment out to them of the same moneys as the works progressed, the making of such railways in strict accordance to the plans and specifications, and to such satisfaction and within the times therein mentioned, the providing plant for the same, the keeping and maintaining the railways in thorough efficient working order, and the properly working of the same, the provision in case of the bankruptcy, insolvency, or otherwise, of the Contractors, or either of them, and also in case of their not carrying on the works with due diligence, or making default in properly maintaining the railways and works; the complying with and conforming to all such laws, regulations, and by-laws as were therein mentioned or referred to, the making compensation to persons who might sustain injury or loss through the negligence or wrongful acts of the Contractors in making or working the railways; and the prohibition against assigning or subletting the now reciting Articles of Agreement without approval. And it is in and by the said Articles of Agreement now in recital, further expressed to be provided and agreed in terms similar to those expressed and contained in the lastly-recited Articles of Agreement, for the following matters, that is to say, the furnishing proper accounts, the right of the Governor to deduct, out of moneys in his hands, belonging or payable to the Contractors, all sums payable by them to him under the now reciting Agreement, the settlement of disputes and other matters by arbitration, and for the personal indemnity of the Governor. And whereas it was in consequence of certain negotiations which had taken place between the Honorable Julius Vogel, the Colonial Treasurer of New Zealand, acting as on behalf of the Governor and the Contractors, that the said recited Articles of Agreement were prepared and have been executed by the Contractors. And whereas the Contractors have also, in consequence of the said negotiations, deposited with the Bank of New Zealand, on behalf of the said Julius Vogel, as such Colonial Treasurer, and acting as on behalf of the Governor, certain securities for securing the sum of £25,000. And whereas the said Articles of Agreement have not, nor has either of them, been as yet executed by the Governor, and the said Julius Vogel had not nor has authority to enter into an agreement on behalf of the Governor with the Contractors, upon the terms contained in the said Articles of Agreement, or either of them, or to execute, on behalf of the Governor, the said Articles, or either of them or these presents, but he has nevertheless agreed, that in token of his approval, he will execute these presents as on behalf of the Governor. And whereas he has further agreed that he will procure the Governor to execute one or both of the said Articles of Agreement within the period of three calendar months hereinafter mentioned, and these presents as soon as possible after the same shall have arrived in the said Colony. Now, these presents witness that the Governor, (as far as he lawfully can or may, under or by virtue of any Act or Acts of the General Assembly of New Zealand, and so far as he may be hereafter empowered by the General Assembly of the said Colony, but not further or otherwise,) for himself and his successors, all of whom are hereinafter included in the expression “the Governor” (so far as the agreements hereinafter contained are to be observed and performed on his and their parts respectively), agree with the Contractors, their executors, administrators, and assigns. And the Contractors and each of them, for themselves and himself, and their respective heirs, executors, administrators, and assigns, so far as the covenants and agreements hereinafter contained are to be observed and performed, on their parts do and doth hereby covenant and agree with the Governor, his successors and assigns, in manner following (that is to say):—

1. The Governor will, within a period of three calendar months from the time when the said Articles of Agreement shall have arrived in the said Colony, execute one or both of them; and until the expiration of the said period, both of the said Articles of Agreement shall be binding upon the Contractors as fully as if the Governor had executed both of them; and after the expiration of the said period, then, as the case may be, both, or if the Governor shall have executed one only of the said Articles of Agreement, such one only shall be binding upon the Contractors.

2. The part which the Governor shall execute of one or both of the said Articles of Agreement as the case may be, shall be delivered to the Agent (if any) of the Contractors in the said Colony, or be forwarded to them in England; and the part thereof executed by the Contractors shall be retained by the Governor.

3. The Contractors will, within one calendar month after the date of these presents, deposit with the Bank of New Zealand, on behalf of the said Colonial Treasurer, the sum of £25,000 in lieu of the said securities so deposited as above recited; and in case of default, the Contractors will, upon request, execute to the Colonial Treasurer for the time being of the said Colony of New Zealand, his successors in office, and assigns, a valid assignment of the securities so deposited as above recited, upon trust thereout by sale or mortgage of the same, to raise the sum of £25,000.

4. The sum of £25,000, so secured by deposit of securities as above recited, shall continue to be so secured until the Contractors shall deposit the said sum of £25,000 as aforesaid, or until the same sum shall be so raised as aforesaid; and the same sum, when so deposited or raised as aforesaid, shall, at the risk of the Contractors, be invested from time to time in such securities as the Agent-General, or other officer for the time acting in England on behalf of the Governor and the Contractors, shall from time to time agree upon.

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5. The Colonial Treasurer for the time being shall, on behalf of the Governor, hold the said sum of £25,000, and all securities for the same to that extent in value, as a security for the due performance and fulfilment by the Contractors of the covenants and agreements by and on the part of the Contractors respectively contained in the said Articles of Agreement, or such one of the same as the Governor shall have so executed, with reference to the making and completing the railways, and the providing the plant for the same, as in the same Articles of Agreement respectively mentioned.

6. If the Engineer mentioned in the said Articles of Agreement respectively or such one of them as shall be executed by the Governor, or the Minister to whom appeal from the Engineer lies, according to the same articles, shall have given his certificates or certificate that all the railways to which both or such one of such Articles of Agreement as the case may be relate or relates, have been made and completed to his satisfaction, and that all the plant for the same has been provided, and delivered and placed on the same, then, immediately after the giving of such certificates or certificate, the said sum of £25,000, and all securities for the same shall, at the expense of the Contractors, be transferred and delivered to them, or to such person or persons as they shall direct.

7. If default shall be made by the Contractors in the due performance and fulfilment of all or any of the covenants and agreements in the said recited Articles of Agreement, or such one of the same as may be executed by the Governor as aforesaid, as the case may be, respectively contained with reference to the making and completing of all the railways to which the said Articles of Agreement shall relate, and the providing the plant for such railways, then immediately thereupon the said sum of £25,000, or securities as aforesaid to the extent in value of £25,000, and no more; and all dividends, interest, and moneys, thenceforth to become due and payable on or in respect of the same, shall become absolutely forfeited to the Governor for the use of Her Majesty,—but all surplus securities beyond the value of £25,000 shall be handed over to the Contractors.

8. Until, and unless the said sum or securities shall become forfeited to the Governor, as last aforesaid, all dividends and interest which shall from time to time accrue and become due and payable, and be actually received by or on behalf of the Governor or the Colonial Treasurer for the time being, on or in respect of any such securities as aforesaid shall, from time to time as and when the same shall be so received, be paid to the Contractors or to such person or persons as they shall direct.

9. The Governor, by executing these presents or ratifying or confirming the same, shall bind only the Colony of New Zealand, and shall not be deemed to have bound himself personally, or to have incurred any personal responsibility or liability whatsoever; and no action or suit, at law or in equity, or other proceeding whatsoever shall be brought or taken against the Governor in respect of these presents elsewhere than in the said Colony, nor in the said Colony, unless by some Act or Law of the said Colony it is now or shall hereafter be provided that actions, suits, or proceedings, in respect of contracts entered into by the Governor on behalf of the Colony, may be brought or taken against the Governor as a nominal defendant.

10. The said Julius Vogel shall not, by reason of his having entered into such negotiations as are hereinbefore referred to, or of his executing these presents, incur, or be taken to have incurred, any responsibility or liability whatsoever.

11. The above recitals shall not be held or construed in any manner, or to any extent to vary or affect the said recited Articles of Agreement.

In witness whereof the Governor hath hereto set his hand and seal of office, the said Julius Vogel hath hereto set his hand, and the Contractors have hereunto set their hands and seals the day and year first above written.

## No. 1.

ARTICLES OF AGREEMENT entered into this 21st day of June, 1871, between Sir GEORGE FERGUSON BOWEN, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, and Governor and Commander-in-Chief of Her Majesty's Colony of New Zealand and its Dependencies, and Vice-Admiral of the same, of the one part; and ALEXANDER BROGDEN, Esquire, M.P., HENRY BROGDEN, and JAMES BROGDEN, all of No. 4, Queen's Square, in the City of Westminster, Railway Contractors, of the other part.

WHEREAS by "The Immigration and Public Works Act, 1870," (and subject to the provisions of that Act) the Governor is empowered (section 12) to construct or cause to be constructed any lines of railway which shall be prescribed by the General Assembly as railways to be constructed under that Act, and to acquire the necessary engines, plant, and machinery for working and using the same or any of them, and (section 13) by Proclamation published in the *New Zealand Gazette*, to declare and define the limits and description and line of such railways, and the lands proposed to be taken for the purpose of the same (subject to the provisions of any Act defining such limits and descriptions), and (section 15) to contract to pay for such works in money, or by grant of any lands which he may be authorized by law to contract to grant as compensation for such works, or to agree (on such terms as he shall think fit) to let or rent such railway or guarantee to the contractor or his assigns, a certain amount of profits on the working thereof, or (on such terms as he may think fit) to pay an annual or other sum as subsidy for the construction or working thereof, or (on such terms as he shall think fit) to sell or purchase such railway when constructed, and in such case, either with or without conditions, for the re-purchase thereof, or that any such agreement may include any or all of such arrangements, or any other arrangement which in the opinion of the Governor shall be calculated to carry out the object of the Act, and not conflict with the same. And (section 39) the Governor is empowered to enter into such contracts as may seem proper with any person or persons within or without the Colony, for the selection of, conveyance to, or settlement in any Province of the Colony, of such classes of immigrants, and in such numbers as the Superintendent of such Province shall request, and any such contract may or not (as the Governor shall think fit) form part of any contract for the construction of any railway which the Governor is by that Act authorized to construct, or may provide for compensating the person with whom the contract may be made, by guaranteeing to such



person an agreed amount of interest not exceeding 6 per cent. per annum on moneys expended by such person on or about such purposes as aforesaid, and guaranteeing repayment of the principal moneys so expended. And whereas by "The Railways Act, 1870," the Governor is empowered (section 3) under the provisions of the said firstly recited Act, to contract or enter into arrangements with any person for the construction of all or any of the railways mentioned in the First Schedule to the now reciting Act, by guaranteeing to such person, during a period not exceeding thirty-five years, a minimum rate of interest not exceeding £5 10s. per cent. per annum of the cost of construction, at a rate per mile not exceeding that in the said First Schedule set opposite to the name of each railway, and (section 4) subject to certain conditions such as are incorporated in this contract. And whereas by "The Immigration and Public Works Loan Act, 1870," the Governor is empowered to borrow and raise certain money as therein mentioned not exceeding £4,000,000 for all or any of the purposes mentioned in the Schedule thereto, which Schedule specifies the sum of £2,000,000 for such railways as shall, from time to time, be determined by the General Assembly, including the expenses of raising the part of the loan, and specifies the sum of £1,000,000 for "Immigration, including expenses as aforesaid." And whereas, with a view to the exercise by the Governor of this power, conferred on him by the said Acts, and of such further or other powers as may be conferred upon him by the General Assembly of New Zealand, he has entered into arrangements with the contractors for their making railways in, and introducing immigrants into New Zealand, upon the terms and in the manner hereinafter set forth. Now these presents witness that the Governor (so far as he lawfully can or may under or by virtue of the said recited Acts or otherwise, and so far as he may be hereafter empowered by the said General Assembly, but not further or otherwise) for himself and his successors (all of whom are hereinafter included in the expression "the Governor") so far as the covenants and agreements hereinafter contained are to be observed and performed on his and their parts respectively doth hereby covenant and agree with the Contractors, their executors, administrators, and assigns (all of whom are hereinafter included in the expression "the Contractors") and the Contractors, and each of them for themselves, and himself, and their respective heirs, executors, administrators and assigns (so far as the covenants and agreements hereinafter contained are to be observed and performed on their parts) do and doth hereby covenant and agree with the Governor, his successors and assigns, in manner following (that is to say):—

1. In the construction of these presents the following words and expressions have the following meaning, unless such meaning shall be inconsistent with the context; the expression "Minister" means the Minister at the head of the Department of Public Works, by whatever title he may be from time to time designated, or the President of the Board of Works as the case may be; "Engineer" means the Engineer whom the Governor shall appoint to be, or whom the Minister shall from time to time direct the Contractors to treat as the Engineer acting on behalf of the Government, in relation to any railway or to any section thereof to which these presents relate, or to any particular class of works upon, or to plant intended for any such railway, or any section thereof, and it shall, if the Governor so direct, include also "the Minister," and as to the plant the Agent-General or other Crown Official in England of the Colony of New Zealand. The words "railway" and "railways" include, not only the railway and permanent way, but all stations, buildings, approaches, and other works shown upon, or described in the plans and sections, or specifications, as works to be constructed by the Contractors, and at least a single wire telegraph throughout the whole length, with all proper apparatus for working the same; and the expressions "make the said railway," or "make a section of the said railway," or any similar expression, shall include, not only the making the railway and laying down the permanent way, but the building of stations, the making of approaches, and the doing of all works shown upon, or described in the plans and sections, or specifications, and such telegraph and apparatus as aforesaid, but not the providing of plant. The expression "plant" means engines, rolling and fixed stock, and machinery required for using and working the said railways.

2. The Governor will, within eight years from the date of these presents, entrust to the Contractors the making of railways in New Zealand, and the providing of all plant for such railways, to the extent in total cost of £4,000,000. And the Contractors will to the extent aforesaid, make all such railways and provide all such plant as the Governor shall require them to make and provide during the said period of eight years. The Governor may also entrust to any other person or persons, body or bodies politic, or corporate, the making of any railways or the providing of plant for the same.

3. The Governor will cause the necessary surveys, and plans and sections of the railways, the making of which shall be so entrusted to the Contractors to be prepared, deposited and proclaimed, and the Contractors will make and construct each of such railways in the order and course, and upon such terms and conditions relating to the making and constructing, and the materials for the same (such terms and condition not being inconsistent with any of the provisions herein contained), and under and according to such specification or specifications of the works and materials for the same, as the Governor shall from time to time direct.

4. When and so soon as the plans, sections, and specification or specifications of any railway, and such working plans and sections as shall be requisite to enable the probable cost of such railway to be ascertained, shall have been prepared, the railway shall be divided (as the Governor shall direct) into lengths of ten miles or as near thereto as conveniently may be (which lengths are hereinafter referred to by the expressions "section" or "sections") and each section shall be distinguished by a separate number.

5. The probable prime cost to the Contractors of making each section of such railway, and the time within which each section shall be made and completed, shall with all convenient despatch be determined by agreement between the Minister and the Contractors, or in case they shall not agree, by arbitration as hereinafter provided for, and in determining such probable prime cost, allowance shall be made to the Contractors in respect of loss during construction of interest on the capital, which it will be necessary for them to expend in making the railways, not, however, reckoning interest on any capital to be repaid by payments on account of "the subvention" hereinafter mentioned from the times when it is estimated that such payment will be made. Such probable prime cost, including

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therein such allowance as aforesaid, with a profit for the Contractors of five per cent. upon such probable prime cost (but not upon such allowance) added thereto is hereinafter referred to as "the agreed cost," and "the agreed cost," with such additions thereto or diminutions therefrom as are hereinafter mentioned, with "the cost of the plant" hereinafter mentioned added to "the agreed cost," is hereinafter referred to as "the total cost," and when "the total cost of a railway" is hereinafter referred to the total cost of all the several sections of such railway is meant.

6. The Minister and the Contractors will, before the Contractors enter upon the making of any railway agree upon a schedule of prices, according to which the Contractors shall be paid in respect of or allowed for, as the case may be, any deviations from the original plans and sections thereof, or any alteration, diminution, or additions in, from, or to the works thereof, or any substitutions of one kind for another kind of work or materials.

7. The Governor will provide all the land required for any such railway, and will give possession of the same to the Contractors in due time to enable them to complete each section within the time fixed for its completion. Any delay in so providing or giving possession of the land shall not invalidate or affect this contract, but shall entitle the Contractors to have the time for completion extended in proportion to the delay.

8. The Minister shall be at liberty from time to time to authorize or direct by writing under his hand any deviations, alterations, diminutions, additions, or substitutions to be made in, from, or to such railway, and the Contractors will comply with such directions, and the same are not in any manner to affect this contract, except that an addition to, or a deduction from "the agreed cost" shall be made according to the said schedule of prices, so far as the same will apply or otherwise, as may be agreed upon between the Governor and the Contractors, and in case any difference shall arise between the Governor and the Contractors, as to such addition or deduction, the amount thereof as regards the value thereof shall be settled by arbitration as hereinafter mentioned, but there shall be no reference to arbitration as to what are, or are not, such deviations alterations, diminutions, additions, or substitutions as aforesaid, upon which points the decision of the Minister shall be conclusive.

9. The Contractors will not, without such authority or direction as last aforesaid, and then only so far as thereby expressly authorized, deviate from the said plans and specifications, and if any alteration, addition, or substitution whatever which shall be so authorized will involve an increased expenditure upon the said railway exceeding the sum of £500, the Contractors will not act upon such authority unless and until the consent of the Governor in Council to their doing so shall first be obtained, and unless such consent shall have been so obtained, no addition shall be made to "the agreed cost" in respect of any deviation not duly authorized. If by reason of any such deviation, alteration, diminution, addition, or substitution as aforesaid having been directed as aforesaid, the Contractors shall be delayed in the completion of any section or sections within the time within which the same ought to have been completed, the Contractors shall be allowed an extended time to complete the same proportioned to such delay.

10. The Engineer shall, as soon as the Contractors shall have been placed in a position to commence the making of any section or sections, and at the end of each calendar month thereafter, estimate and deliver a certificate in writing to the Colonial Treasurer, and also to the Contractors, stating the probable amounts of "the agreed cost" which will have to be expended in New Zealand in making so much of such section or sections as in his opinion they ought to make during the then next three calendar months, distinguishing the outlay in respect of each section, if more than one, and the Contractors will, before they commence to make such section or sections, and thereafter on the giving of each successive certificate, deposit with the Colonial Treasurer such a sum or sums as with the unexpended balances (if any) of any sums previously deposited with him in accordance with this clause, will be equal to the amounts which the Engineer shall have so certified as aforesaid, and when and so often as the Contractors shall require any payment to be made to them on account of any such expenditure as aforesaid the Engineer shall certify in writing the value of the work executed and material supplied since the date of his last certificate (distinguishing the payment to be made in respect of each section) and thereupon the Colonial Treasurer, out of the sum or sums so deposited with him as aforesaid, shall pay the Contractors such amounts as the Engineer shall so certify: Provided that if the Contractors are dissatisfied with any such certificate of the Engineer, they may require the question whether it is sufficient to be, and such question shall thereupon be referred to the said Minister, and his decision shall be deemed to be the certificate of the Engineer for the purposes of this clause: Provided also, that notwithstanding such reference the amount stated in the certificate shall be paid to the Contractors as if no such reference had been made, and be considered as a part payment on account, in case the Minister shall decide that the amount stated in the certificate of the Engineer was not sufficient.

11. Notwithstanding the last preceding clause hereof, the Engineer or the Colonial Treasurer may pay the wages of any labourers or other persons employed by the Contractors upon any railway which may be due and unpaid, and any amount so paid may be deducted by the Colonial Treasurer from the sum or sums so deposited with him as aforesaid, and shall for the purposes of these presents be taken to be a payment made by the Colonial Treasurer to the Contractors.

12. The sum or sums so deposited with the Colonial Treasurer shall not bear any interest.

13. Subject to the other provisions of these presents, the Contractors will make every section of a railway in strict accordance with the said plans and specifications, and with such further instructions and detailed plans and drawings as the Engineer shall give or provide, and subject to such deviations, alterations, additions, omissions, or substitutions as aforesaid, and to the satisfaction in all respects of the Engineer, and within the time determined and agreed upon for such completion and such railway, or if the Minister shall so direct any section thereof, shall be opened for public traffic when and so soon as the Engineer shall certify the due completion of the same and not earlier. If the Contractors shall be dissatisfied with any decision of the Engineer, or with his withholding a certificate of his satisfaction or of due completion under this clause or under clauses No. 35 or 36, they are to be entitled to have the matter referred to the decision of the Minister, and his decision shall be equivalent to a decision or certificate of the Engineer.

14. The Contractors will be responsible for, and make good any damage which may arise to any railway or any section thereof, or any plant within twelve calendar months after the same shall have been completed and opened for public traffic in case such damage shall, in the opinion of the Engineer, arise from defective construction or materials or improper workmanship; and no addition shall be made to "the total cost" on account thereof; but if any such damage (the making good of which would not, in the opinion of the Engineer, come under the head of ordinary repairs) shall arise within such period or at any time afterwards by reason of storms, floods, insufficiency of design, or war, or disturbances in the Colony, the Contractors will make good all such damage with all convenient despatch to the satisfaction of the Engineer; and if after any such railway or any section thereof, as the case may be, shall have been opened for traffic the Governor shall at any time or times require that any further or altered works shall be executed for the better working and using of the same for the purposes of public traffic, or otherwise, the Contractors will execute the same according to plans and specifications to be prepared or approved by the Engineer, and the amount of the cost which shall be incurred by the Contractors in making good any such damage as last aforesaid, or in executing such further or altered works, such amount (to be agreed upon between the Governor and the Contractors, or determined by arbitration) shall from time to time be added to "the total cost of the said railway," or the "total cost" of any section thereof, as the case may be, and included in the capital account hereinafter mentioned.

15. The Contractors will provide all such plant as the Governor shall require them to provide for the working and carrying on of traffic upon any railway or any section thereof which may be about to be opened for public traffic according to such drawings and specifications as the Governor shall direct (adopting, so far as he may think fit, any recommendation of the Contractors), and the Contractors will cause the same to be placed upon the said railway or section, as the case may be, in all respects complete and ready for use seven days at least before the time appointed by the Governor for the opening of such railway or section thereof, as the case may be, for public traffic; and in case after such railway or any section thereof shall have been opened for public traffic, the Governor shall consider it necessary or expedient that any further or other plant should be provided for such railway or section, as the case may be, the Contractors will find and provide the same with all reasonable despatch after receiving notice from the Governor requiring the same to be provided, all which further or other plant shall be in strict accordance with such drawings and specifications as the Governor shall direct (adopting, so far as he may think fit, any recommendation of the Contractors), and all such plant shall be in all respects to the satisfaction of the Engineer.

16. When the drawings and specifications shall have been settled and furnished to the Contractors, they will obtain tenders for the supply of each description of plant from not less than six respectable and responsible persons, whose names shall have been previously submitted to and approved by the Engineer, in England, if such number shall be found willing to tender, or, if not, then from as many of them as shall tender, such tenders to be based on the terms of payment in cash, and for delivery and approval in England; and when the tenders shall have been received, the Engineer in England and the Contractors shall, having regard to the said tenders, agree as to the cost to be incurred in obtaining the various descriptions of plant respectively, and the amount so agreed upon, or, in case the Engineer and the Contractors shall not agree, determined by arbitration, with all charges and expenses of approval of plant, and for transport in England, shipment, freight, insurance, and landing and transport, and erecting and fitting, in the Colony, which the Contractors shall incur, together with interest thereon at the rate of £5 per cent. per annum, from the dates of payment for the same by the Contractors until the plant shall be used, and together with £5 per cent. on such agreed amount, charges, and expenses (but not on the said interest), for or by way of Contractors' profit, shall be deemed to be "the cost of the plant," and shall be added to "the agreed cost," and form part of "the total cost" of the section, as hereinbefore provided, and shall be included in the capital account hereinafter mentioned. If it is intended that the plant shall be used in the working of and carrying on traffic upon more than one section, "the cost of the plant" may, at the option of the Minister, either be charged against any one section, or a proportionate part of the cost may be charged against all the sections in the working of and carrying on traffic upon which it is intended that the plant shall be used.

17. The Contractors shall not be bound to accept any of the tenders so received by them, and in no case shall they be allowed any profit upon the plant beyond the said profit of £5 per cent.; but any commission, discount, allowance, or proportion of profit which may be paid or allowed by the manufacturers of the plant, or any part thereof or otherwise, shall be deducted before the cost of plant shall be added to the "agreed cost."

18. The Contractors will, out of their own moneys, pay for all manufactured materials and plant which it shall be necessary or expedient to obtain in England.

19. Any expense which the Colony may incur in approving the plant or any manufactured materials in England, shall be repaid by the Contractors to the Governor upon demand; and the same shall be added to the agreed cost, and form part of the total cost of the section as hereinbefore provided, and shall be included in the capital account hereinafter mentioned.

20. The Contractors will keep a proper capital account relating to the construction of each railway to be made by them, and relating to the original cost of plant, to be called "The Railway Capital Account," to which the total cost of all moneys expended on capital account shall from time to time be carried; and such account shall be so prepared and kept as to distinguish, as far as practicable, the expenditure in respect of each section of such railway; and when and so soon as such railway or any section or sections thereof shall have been completed and furnished with the necessary plant, and opened for public traffic, the said capital account shall from time to time be made up, and a copy thereof shall be transmitted to the Governor, who shall cause the same to be examined, and if they shall be found to be correct will approve of the same, having the right to cause any corrections or disallowances to be made therein which he may consider to be necessary or proper, and such account, when approved, shall be conclusive as to the total cost of each railway or section or sections so opened for public traffic; and thenceforth, and from the opening of such railway or section or

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sections as the case may be, the Contractors will pay the cost of maintaining the same with the plant in good working condition. But upon any additions, restorations, alterations, or improvements being made by agreement between the Governor and the Contractors to, of, or in such railway, section or sections or plant, the cost whereof shall be properly chargeable to capital account, the cost necessarily incurred in executing such additions, restorations, alterations, or improvements, shall be added to and included in the said capital account, and the said capital account shall from time to time be made up and stated afresh as occasion shall require, and be examined and approved accordingly. Provided that if in any such capital account the Governor shall make a disallowance or disallowances to the extent of £500, the Contractor may require to have it referred to arbitration whether or not the same should to any, and, if any, what extent prevail: and the account shall be rectified according to the award.

21. The Contractors will keep and maintain such railway, or section or sections thereof, so opened for public traffic in thorough efficient working order, and will properly work and use the same, and run thereupon not less than two trains each way daily, unless the Governor otherwise direct, and such further number of trains as the Governor may from time to time direct, and will not charge in any case rates for the conveyance of passengers or of cattle, minerals, goods, or any other thing below such minimum or in excess of such maximum fares and rates as may from time to time be fixed by the Governor in Council. Provided always that the Contractors may if they think proper require that it shall be decided by arbitration whether the expense of running any further number of trains is one which they ought reasonably to be called upon to bear; and in such case it shall be decided by arbitration whether the Contractors shall be bound to run any, and, if any, what further number of trains and on what terms. Provided also that if and whenever the said minimum or maximum fares and rates are objected to by the Contractors, while the earnings of the railways are sufficient to relieve the Governor from any payment under the guarantee of interest hereinafter contained, they shall be settled by arbitration in manner hereinafter mentioned.

22. The Contractors will in such forms and under such heads or divisions as shall be from time to time prescribed by the Governor, keep accounts of all receipts and payments whatever in respect of such railway or any section or sections thereof, which may for the time being be opened for public traffic (except such receipts and payments as properly belong to capital account hereinbefore agreed to be kept) and such accounts shall be called "The Revenue Account of the Railway," and shall be made up half-yearly to the 30th day of June and the 31st day of December in every year, or to such other days in the year as the Governor shall from time to time appoint, and shall be regularly transmitted to the Governor, who shall cause the same to be examined and if they shall be found to be correct will approve of the same, having the right at all times to cause any corrections or disallowances to be made therein which he may consider to be necessary or proper, and the Contractors will produce all such vouchers or other evidence as the Governor shall from time to time require to verify every such account. The account when so made up, examined and approved, shall be conclusive between the Governor and the Contractors as to the result of the working and carrying on of traffic on the said railway or any section or sections thereof as the case may be during the time stated in such half-yearly account. Provided that if in any such half-yearly account the Governor shall make a disallowance or disallowances to the extent of £500, the Contractors may require that it shall be referred to arbitration, whether or not the same should to any and, if any, what extent prevail, and the account shall be rectified according to the award.

23. The Contractors will collect all fares, rates, and freights for the conveyance of passengers, cattle, minerals, goods, and other things, and will at such periods, and in such form as they may be required by the Governor so to do, and in addition to the said capital and revenue accounts respectively, furnish him with a statement in detail of the amount of such fares and freights, and of all other sums of money received by them in respect of every such railway, or any section or sections thereof so opened for public traffic, and of the amounts expended by them from time to time, subsequent to the opening of the same for public traffic, in the repair, and maintenance and otherwise of the said railway, or any section or sections thereof, as the case may be, and in repairing and replacing the plant belonging thereto, and in working expenses, and will at all reasonable times permit every person or persons appointed by the Governor to inspect their books of account and all vouchers and other documents relating to such receipts or expenditure, and take copies of the same, and will furnish all such information in relation to the same as may at any time be reasonably required.

24. The rates of speed to be maintained in running trains shall be (including stoppages) not less than ten miles an hour on railways, the agreed cost of making which shall not exceed £3,000 per mile, and not less than fifteen miles an hour on railways exceeding that cost, and not exceeding £4,000 a mile, and not less than twenty miles an hour on railways exceeding that cost, except over any part or parts thereof respectively, where in the opinion of the Governor the gradients or curves do not justify so high a rate of speed.

25. The Contractors will provide conveyances for, and convey upon the railways, the Members of the General Assembly and Provincial Councils at all times, and all military police and other forces when proceeding on duty, and all Public Mails in the ordinary trains, at twenty-five per cent. below the ordinary fares and rates, and in the event of war or civil commotion will, on the requisition of the Governor, place the whole of the resources of the railways at his disposal at the charges actually incurred.

26. The Governor, by his officers, shall have power at all reasonable times to enter into and upon the said railway, or any part or parts thereof, to establish and lay down or erect new or enlarge existing lines of electric telegraph, and erect new or enlarge existing telegraph stations, and to use such lines and stations without any charge, but not so as to obstruct the traffic on the said railway in such laying down and erecting.

27. If the Contractors shall do any of the following things, viz. :—

- (a) Become bankrupt or insolvent, or make any general composition or arrangement with their creditors while any section of a railway which they shall be making shall be incomplete:

- (b) Fail to complete (unless delayed by storms, floods, insufficiency of design, war or disturbances in the Colony, or by other causes entitling them to an extension of time for completing) the railways respectively entrusted to them within the time fixed for their completion, or within an extended period equal in duration to the period during which they were so delayed as aforesaid.
- (c) Fail, while any of the railways entrusted to them are incomplete, to carry on the works with due diligence after reasonable notice from the Minister specifying the nature and extent of the failure imputed to them, and the rate of progress which, in the opinion of such Engineer, is necessary to enable them to complete the railways within the respective times fixed for their completion, or within the respective extended period aforesaid, where they are entitled to such extension.

And if the Engineer and Minister shall certify to the Governor that it is in their judgment expedient so to do, the Governor may cause notice to be given to the Contractors of his intention to determine this Contract, as to any section or sections of any railway as to which it shall not have been performed, and in that case this Contract shall to that extent cease and determine, subject nevertheless to the other provisions herein made with respect to that event, provided that the Governor shall not in the event (b) so determine this Contract until the expiration of three calendar months after he shall have given notice to the Contractors of his intention to do so, nor unless the railway shall then remain uncompleted.

28. In case of such determination of this Contract as aforesaid, the Governor may or may not, as he may think fit, take possession of all or any of the sections referred to in such notice and also of any completed section or sections of such railway, which he shall consider it desirable to take possession of and use in connection with any of the sections included in such notice, and of the plant belonging thereto, and in such case this Contract shall also cease and determine in respect of any such completed section of the said railway and the plant belonging thereto, and the Governor shall accept all plant which at the time of the determination of this Contract shall be *in transitu* from the manufacturers thereof in Europe, or in course of construction by them, in pursuance of previous orders, for the section or sections of railway so taken possession of, and the Governor may also take possession of all the Contractors' working plant, materials, and chattels upon all the said railways, or section or sections thereof of which the Governor shall take possession, and thereupon the Contractors will deliver to the Governor all plans, sections, drawings, and specifications in any way relating to such railway section or sections.

29. In case of and upon such determination of this Contract to the extent aforesaid, the section or sections of such railway then completed and opened for public traffic not taken possession of by the Governor as aforesaid, and the plant belonging thereto, shall be deemed to be the only section or sections of such railway and plant to which the provisions of this Contract with respect to the guarantee of interest or profits on the total cost thereof, and to the grant of land and to the purchase by the Governor of the Contractors' rights and interest, and to the payment of the subvention, and to the division of the surplus net receipts beyond what is sufficient to pay a given rate of interest or profit on the total cost shall apply, and the said provisions shall remain in force with respect to such section or sections of the said railway and the plant belonging thereto.

30. In case of and upon such determination of this Contract, the Contractors shall be entitled to receive from the Governor payment for the said railway or the section or sections thereof so taken possession of as aforesaid, and for the plant belonging thereto, and for the plant *in transitu* or in course of manufacture for the same when delivered (but not for the Contractors' working plant, materials, and chattels), as hereinafter mentioned, that is to say, in respect of any section or sections of the said railway, which had been completed, and the plant belonging thereto, such a sum or sums as the Governor would have had to pay on purchase of the same, under the other provisions of these presents, but deducting therefrom any sum or sums paid by the Governor to the Contractors as the subvention in respect thereof, and in respect of any section or sections of the said railway not completed, such a sum or sums as, with the sum or sums paid on account of the subvention in respect thereof, shall be equal to the sum or sums at any time deposited by the Contractors with the Colonial Treasurer, in respect thereof, according to the provisions in that behalf hereinbefore contained (so much of the sum or sums so deposited as shall not have been paid to the Contractors upon the certificate or certificates of the Engineer becoming the absolute property of the Governor), and in respect of the plant *in transitu* or in course of manufacture, the cost thereof, as fixed under clause No. 16 of these presents, together with such charges, expenses, and interest as mentioned in the same clause, but without any percentage of profit added thereto. All such payments to be made in New Zealand Government Debentures, payable at the end of thirty years, with interest thereon, in the meantime, at the rate of £5 per cent. per annum, from the date of taking possession.

31. Provided that if in the event mentioned in clause No. 27, sub-section (a) the Governor shall cause such notice to be given as firstly in such clause mentioned, the assignees or trustees of the Contractors shall have liberty at any time within twelve calendar months after the giving of such notice to take up and proceed to complete and carry out the works, and to provide the plant in respect of the section or sections of the said railway included in such notice, and if within such period such assignees or trustees shall repay, or cause to be repaid to the Governor all sum or sums of money which the Governor shall in his absolute discretion have thought fit in the meantime to expend, and shall have expended upon the same, and upon any other section or sections of which he may have taken possession as hereinbefore authorized, or in providing plant for the same respectively, less the amount of all such sum or sums of money which the Governor would have paid to the Contractors, as the subvention in case the Contractors had duly proceeded with the making of the section or sections included in the said notice, and in providing the plant for the same, and shall either themselves enter into or procure some respectable and responsible person or persons (to be approved by the Governor) to enter into a proper contract with the Governor in substitution (as regards such section or sections) of these presents, then the Governor will give possession to the person or persons

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entering into such contract with him of the said railway, or the section or sections thereof of which he shall so have taken possession, and of the plant belonging thereto respectively.

32. If and whenever the Contractors shall make default in properly maintaining any railway or any section thereof when completed (other than such as may have been taken possession of by the Governor under any provision hereof), or in properly providing the plant for the same, and keeping the plant provided in good and sufficient working order and condition, or in properly working and using the said railway or section, as the case may be, it shall be lawful for the Governor to direct the necessary repairs to be done, as well to such railway or section as to the said plant, and to supply any plant which ought to have been but shall not have been supplied, and to replace any of the plant that may be worn out by others of the same or a similar description, and dispose of the old plant, and, at the cost of the Contractors, to enter upon, use, and work so much of such railway or section, as the case may be, and the plant belonging to the same, as the Governor shall, from time to time, think fit to use and work. And the Contractors will upon demand repay to the Governor all moneys expended by him in and about any of the matters aforesaid, provided that if by the moneys which shall be received from such working and using of such railway or section, and from the disposal of all plant, or by the Contractors, the Governor shall, within six calendar months, have been repaid all moneys expended by him under this clause, the Contractors shall be reinstated in the possession of the said railway or section and plant, provided also that the Governor will, until the expiration of such period, from time to time render to the Contractors accounts of his receipts and payments under this clause.

33. The Contractors will in all things abide by, comply with, and conform to all the laws and regulations for the time being in force in New Zealand, and also all such general regulations and by-laws for the maintenance of order and securing the safety of the public, as the Governor shall from time to time frame and establish, and will make compensation and satisfaction to all persons, who, according to law, may be entitled to compensation or satisfaction, for or in respect of any injury or loss sustained by them in their person, property, or otherwise, through or in consequence of any negligence or wrongful act whatsoever on the part of the Contractors, in making the said railway, or any part thereof, or in working or carrying on traffic thereupon.

34. The Contractors will not assign or sublet this contract or any part thereof without the approval of the Governor, but with such approval and subject to such conditions as he may impose, they may assign or sublet the same, or any part thereof, to one or more company or companies in England or in the said Colony, in which case such company or companies shall enter into a formal contract or formal contracts with the Governor to secure the due observance and performance by it or them of the stipulations herein contained, and in any such contract or contracts provisions shall be made that the Governor shall have a right from time to time to appoint an *ex-officio* director upon the board of directors of each such company in London or elsewhere in England, and also upon the board (if any) in the Colony, and that each of such *ex-officio* directors shall rank as and be one of the board of directors of the company, and be entitled in all things to act as such, and to exercise at his discretion a right of veto at all proceedings whatsoever of the board (except proceedings for the purpose of communicating with the legal advisers of the company) and shall not be removable except by order of the Governor; no such director, however, being entitled to any salary from the company; and, also, the company shall record and keep in proper books for the purpose, full and particular accounts of all their transactions and proceedings, so as at all times to exhibit thereby fully and truly the state of their affairs and proceedings, and also that any person or persons appointed by the Governor in that behalf, shall, at all reasonable times, have full access to the books, accounts, papers, and documents of the company (except communications with the legal advisers of the company on matters in difference between the Governor and the company), and power to make copies of, or extracts from the same; and also that as between the Governor and the company or companies respectively, only such charges of management shall be allowed out of or against revenue account, as shall from time to time be approved by the Governor; and in any such contract or contracts, provision shall be made for such sums for expenses of direction and management of the company during the construction of a railway, being added to the total cost, as shall be approved by the Governor. Provided that this clause shall not prevent the employment by the Contractors of competent sub-contractors in the execution of the works under them, or in the maintenance of the same.

35. The Governor will grant to the Contractors land situate in such locality or localities as the Governor shall in his discretion think fit, at the rate of three-quarters of an acre for every pound sterling of "the total cost" of each and every section completed and open for public traffic as aforesaid, according to the accounts as made up and approved as aforesaid, up to the time of opening the same for public traffic, and one-fifth part of the whole quantity of land so to be granted shall be suitable for settlement, and for settlers to take immediate possession of. Such portions of the land suitable for settlement as are from time to time required for immigrants, shall be granted as and when required. The residue of the land in respect of each section of a railway shall be granted on the giving of the Engineer's certificate of the completion thereof. When a railway shall have been decided upon the Governor will set apart the land out of which the grants in respect of the same are to be made. And if after the Contractors shall have entered upon the making of any section, and before the same shall be completed the Governor can conveniently do so, he will provide all such land as aforesaid, and permit the Contractors to occupy, use, and enjoy the same, but no grant of such land, except what is required for immigrants, shall be made until the Engineer shall have certified as last aforesaid.

36. The Governor will from the time of the opening of any railway or any section thereof for public traffic, and thenceforth half-yearly until the expiration of forty years, to be computed from the time of the commencement of each said railway, or until the payment at an earlier period by the Governor for the right and interest of the Contractors in such railway, or any section or sections thereof as the case may be, and in the plant belonging thereto, pay to the Contractors such a sum as with the net receipts from all the said railways or sections thereof constructed under the provisions of these presents which shall have been opened for public traffic, and shall not then have been purchased by the Governor, from time to time remaining after defraying all working expenses, maintenance, and



other outgoings properly chargeable against revenue in the case of Railway Companies, will be sufficient to secure to the Contractors interest or a dividend at the rate of £5 5s. per cent. per annum on the aggregate amount of the total cost of all the said railways, or any section or sections thereof then open for public traffic, as such total cost shall appear from time to time by the said capital accounts of each of the said railways to be so made up, and when approved as aforesaid, after deducting from such total cost all sums paid on account of the subvention in respect of each of the said railways or sections thereof, as will make each half-yearly payment in England within four calendar months, after he shall have been furnished with the half-yearly revenue accounts of all the same railways and shall have examined and approved of the same respectively as aforesaid.

37. If and whenever the net receipts as last aforesaid appearing by all the said half-yearly revenue accounts of all the railways, which or a section or sections of which shall have been from time to time opened for public traffic, and shall not then have been purchased by the Governor, when such accounts shall have been examined and approved as aforesaid, shall in the aggregate have amounted to a sum sufficient to pay for that half-year interest or a dividend at a rate exceeding the rate of £8 per cent. per annum upon the aggregate amount of the total cost of all the said railways, or any section or sections thereof, which shall have been opened for public traffic, and from the respective times of their being opened as such total cost shall appear from time to time by the said capital account of each of the said railways to be so made up, and when approved as aforesaid, after deducting from such total cost all sums paid on account of the subvention in respect of each of the said railways or sections thereof, then and whenever afterwards it shall so happen the amount of the excess shall be paid to the Governor until he shall have been repaid the whole of the sums paid by him as interest as aforesaid under clause No. 36 of these presents, exceeding interest at the rate of £5 5s. per cent. per annum, together with simple interest on such sums at the rate of £5 5s. per cent. per annum, and subject to the provision last aforesaid, such excess shall from time to time be divided equally between the Governor and the Contractors.

38. The Governor will make to the Contractors towards the purchase to be made from them of their right and interest in every section made by them, and of the plant belonging to the same, as in the next succeeding clause mentioned, a payment (in these presents referred to as "the subvention") equal to one-third part of the amount of "the total cost" of a section, in the proportions and at the times and in the manner following, that is to say:—Whenever any amount shall be paid to the Contractors out of the sum or sums deposited by them with the Colonial Treasurer, as aforesaid, the Governor will in addition pay to the Contractors on account of the said subvention a sum equal to one-sixth part of the amount so paid out of the sum or sums so deposited; and whenever any manufactured materials to be used in the making of a railway, or any plant shall have been placed or delivered upon any section for the making of or upon which the same shall be intended to be used, the Engineer shall certify what to the best of his judgment is the value thereof, and the Governor will pay to the Contractors a sum equal to one-sixth of the value so certified, but the Contractors shall not be entitled to any such payments on account of "the subvention" in excess of one-half of "the subvention," payable in respect of such section, until the Engineer shall have certified that such section has been completed to his satisfaction, and that the plant for the same has been placed thereon. And as soon as the Engineer shall have so certified, the Governor will pay to the Contractors the balance which may remain due on account of "the subvention" in respect of the same section.

39. The Governor will at the expiration of forty years from the time when the Contractors commenced to make any railway, or he may at any time sooner, if he think fit, after he shall have given twelve calendar months' notice of his intention so to do, purchase the right and interest of the Contractors in such railway or any section or sections thereof, which shall have been completed and opened for traffic and the plant belonging thereto, and the Contractors will sell the same to the Governor at a price to be agreed upon between him and the Contractors, or in case they shall not agree, to be determined by arbitration in the manner hereinafter mentioned, namely, the price to be so paid being the total cost of such railway section or sections as it shall then appear by the said capital account to be so made up, and when approved as aforesaid, after making a deduction from such total cost of the amount by which such railway section or sections and the plant belonging thereto, shall have deteriorated in value through wear and tear or want of repair since the same was or were made or supplied respectively, and after giving the Governor credit for the amount of "the subvention" paid in respect of such railway or section or sections thereof respectively, and at the expiration of the said forty years or on the payment of the purchase money, as the case may be, the said half-yearly payments of interest hereinbefore mentioned shall respectively cease; and the Contractors will give to the Governor peaceable possession of the said railway or section or sections, and of the plant belonging thereto, and of all plans, sections, and specifications, books, papers, and documents relating to the same, which it shall be necessary or desirable for the Governor to have or possess for use or reference.

40. The Governor will within twelve calendar months after the making of the agreement, or award as to the price to be paid for the right and interest of the Contractors in the said railway or section or sections thereof, as the case may be, and for the plant belonging thereto, pay the said price to the Contractors in England.

41. If at any time before the expiration of the said period of forty years or before the Governor shall have given notice of his intention to purchase as aforesaid, the Contractors shall desire to issue debentures to the amount of the sum or sums which the Contractors shall be prospectively entitled to receive in respect of any railway or section, the Governor will upon request from time to time cause the Contractors to be supplied with a statement showing the amount which the Governor is then entitled to have credited to him in reduction of the price to be paid by him for the purchase of such railway or section and the plant belonging thereto in respect of payments on account of the subvention made by him, but nothing herein contained shall be deemed to amount to a guarantee by the Governor of the payment of any sum purporting to be secured by any such debenture.

42. The Contractors will, within ten years from the time when they shall have commenced to make the said railway, land in New Zealand not less than 10,000 European immigrants, to be approved

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of before they shall sail from Europe by such officer or officers as may be from time to time appointed by the Governor for the purpose, such proportion as the Governor shall from time to time direct to consist of married men and women with families, such immigrants shall be landed in not less than the following proportions:—During the first year, 500; during the second year, 750; during the third year, 1,000; during the fourth year, 1,000; during the fifth year, 1,000; during the sixth year, 1,000; during the seventh year, 1,250; during the eighth year, 1,250; during the ninth year, 1,250; and during the tenth year, 1,000. The Governor will pay the Contractors for each immigrant so landed, and whether or not employed upon any of the said railways, the sum of £1 in the month of December in each year until the expiration of ten years from the time when each such immigrant shall have landed in New Zealand, so that there shall be ten of such yearly payments in respect of each such immigrant, unless such immigrant shall have sooner died or ceased to reside in New Zealand. The Contractors shall, if required, furnish the Governor with such evidence that such immigrant is alive and resident in New Zealand, as he may reasonably require.

43. In order to encourage settlement on and improvement of the lands to be granted to the Contractors as aforesaid, under this arrangement the Governor will guarantee the payment of mortgage bonds issued in respect of any such lands, with interest at a rate not exceeding five per cent. per annum, for a period not exceeding ten years, to an amount not exceeding one-half of the amount of money expended, to the satisfaction of the Governor or his officers appointed for that purpose, upon the lands referred to in the bonds respectively in the making of such improvements therein or thereupon as may be approved by the Governor or such officers; but the total amount of such mortgage bonds shall not exceed in the aggregate the sum of £500,000 sterling. The Governor to stand in the place of, and have all the remedies of the mortgagee in respect of moneys which he may pay under the obligation of this guarantee.

44. The Governor may retain or deduct out of any moneys in his hands belonging to the Contractors, or out of any moneys payable by the Governor to the Contractors, all sum and sums of money payable to the Governor by the Contractors under or by virtue of these presents.

45. All payments under these presents shall, except where it is otherwise expressed, be made in New Zealand.

46. Wherever in these presents, the Governor, Colonial Treasurer, or Minister, or any other person holding an official situation is referred to, the Governor, Colonial Treasurer, Minister, or person holding such situation for the time being, shall be understood; and whenever by these presents the Governor, Colonial Treasurer, or Minister is authorized or empowered to exercise any power, or do any act whatsoever, the Governor, Colonial Treasurer, or Minister as the case may be, may from time to time authorize any other person or persons to exercise such power, or to do such act, and any power or act exercised or done by such person or persons within the scope of such authority, shall have the same effect as if exercised or done by the person by whom they shall have been so authorized, and these presents shall be read as referring to such person or persons.

47. Any notice, request, declaration or direction to be given or made by the Governor, Colonial Treasurer, Minister or any person acting on behalf or by the direction of them, may be given to the reputed Agent of the Contractors for the time being in New Zealand, by delivering the same to him, or leaving the same at his last known place of residence there, or if there be no such Agent, may be given or made by publishing the same in the *New Zealand Gazette*, and any notice, request, declaration or direction so given or made or published respectively shall have the same effect to all intents and for all purposes as if it had been given or made to the Contractors personally on the day when the same was so given or made or published respectively.

48. In case the Governor or the Minister, as the case may be, and the Contractors shall not agree as to the probable prime cost of making the railways respectively, or as to any schedule of prices, or as to the time or times within which the railways or any of them, or any part thereof are to be made, or as to the amount to be added to or deducted from "the agreed cost" in respect of any such deviation, diminution, addition or substitution hereinbefore mentioned, or as to the price to be paid for the purchase of the right and interest of the Contractors in the said railways respectively, or the plant belonging to the same, or in case any dispute or difference whatsoever shall arise between the Governor, or Minister, or Colonial Treasurer, or the Engineer in England, referred to in clause 16 of these presents, and the Contractors in the carrying out of these presents, and whether it shall or shall not have been expressly hereinbefore provided, that in case the parties shall not agree the matter shall be determined by arbitration; every such matter as to which they shall not agree, dispute, or difference, shall be settled by arbitration to be conducted in New Zealand, except as regards the said clause No. 16; as to which, any arbitration shall be conducted in England, and for the purposes of this portion of these presents any matter of disagreement, dispute, or difference between the Minister, or Colonial Treasurer, or the said Engineer in England, and the Contractors, shall be deemed a matter of disagreement, dispute, or difference between the Governor and the Contractors; and unless the Governor and the Contractors shall unite in the appointment of a single arbitrator, the Governor and the Contractors shall each appoint an arbitrator, and if either party shall for thirty days after receiving a request from the other party to appoint an arbitrator, fail so to do or to give notice of the appointment to the party from whom he received such request, then the arbitrator appointed by the party who shall have made such request may proceed to hear and determine the matter, dispute, or difference; and in such cases the award or determination of such single arbitrator shall be final. If each party shall appoint an arbitrator, such two arbitrators shall appoint a third arbitrator; but if they shall be unable to agree upon the choice of a third arbitrator, then the third arbitrator shall be appointed by such one of the Governors of any of the Colonies of Australia or of the Colony of Tasmania, as the Governor of New Zealand shall request to appoint an arbitrator. The award or determination of such three arbitrators or of any two of them shall be final and conclusive. If, before the matter, dispute, or difference shall be determined, any arbitrator shall die or become incapable or refuse or neglect to act, the party by whom such arbitrator was appointed shall appoint some other person in his stead; and if he shall for thirty days after receiving a request from the other



party to appoint an arbitrator fail so to do or to give notice of his appointment to the other party, then the party who shall have made such request may appoint an arbitrator in the stead of the arbitrator who shall have so died, become incapable, or refused or neglected to act. If the arbitrator who shall have so died, become incapable, or refused or neglected to act, shall be the arbitrator who was not appointed by either of the parties then the provisions hereinbefore contained as to the appointment of a third arbitrator shall be applicable, and under them a successor shall be appointed in the stead of the arbitrator so dying, becoming incapable, or refusing or neglecting to act. Every arbitrator to be so substituted as aforesaid shall have the same authority as the original arbitrator. If a single arbitrator shall have been appointed and he shall die, become incapable, or refuse or neglect to act, and the parties shall not be able to unite in the appointment of another single arbitrator, then, in his stead, three arbitrators shall be appointed in the manner hereinbefore mentioned. Notwithstanding anything hereinbefore contained, the Engineer in England, in case any matter of disagreement, dispute, or difference shall arise between him and the Contractors, shall have the same powers as are hereinbefore conferred upon the Governor, as to the appointment of an arbitrator, so far as regards any question which shall arise under the said 16th clause of these presents; and the said Engineer and the Contractors shall have power, from time to time, to determine the manner in which the third arbitrator shall be appointed, in case the arbitrators appointed by the Engineer and the Contractors, respectively, shall not agree upon the choice of a third arbitrator. This submission to arbitration may be made a rule of the Supreme Court of New Zealand, or of any of the Superior Courts of Westminster, as the case may be, or require. The costs of and attending the arbitration and award shall be in the discretion of the arbitrators.

49. The Governor enters into this contract only on behalf of the Colony of New Zealand, and by executing these presents shall bind only the said Colony, and not himself personally, and shall not be deemed to have incurred any personal responsibility or liability whatsoever, and no action or suit at law or in equity or other proceeding whatsoever shall be brought or taken against the Governor in respect of these presents, or the contract hereby created or purported to be created elsewhere than in the said Colony, nor in the said Colony unless by any Act or Law of the said Colony it is now or shall hereafter be provided that actions, suits, or proceedings, in respect of contracts entered into by the Governor on behalf of the Colony, may be brought or taken against the Governor as a nominal defendant.

In witness whereof the Governor hath hereunto set his hand and seal of office, and the Contractors have hereunto respectively set their hands and seals, the day and year first above written.

## No. 2.

ARTICLES OF AGREEMENT entered into this 22nd day of June, 1871, between SIR GEORGE FERGUSON BOWEN, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, and Governor and Commander-in-Chief of Her Majesty's Colony of New Zealand and its Dependencies, and Vice-Admiral of the same, of the one part; and ALEXANDER BROGDEN, Esquire, M.P., HENRY BROGDEN, and JAMES BROGDEN, all of No. 4, Queen Square, in the City of Westminster, Railway Contractors, of the other part.

WHEREAS by "The Immigration and Public Works Act, 1870," (and subject to the provisions of that Act) the Governor is empowered (section 12) to construct or cause to be constructed any lines of railway which shall be prescribed by the General Assembly as railways to be constructed under that Act, and to acquire the necessary engines, plant, and machinery for working and using the same or any of them, and (section 13) by Proclamation published in the *New Zealand Gazette*, to declare and define the limits and description and line of such railways, and the lands proposed to be taken for the purpose of the same (subject to the provisions of any Act defining such limits and descriptions), and (section 15) to contract to pay for such works in money, or to agree on such terms as he shall think fit to let or rent such railway, or guarantee to the contractor or his assigns a certain amount of profits on the working thereof, or, on such terms as he shall think fit, to sell or purchase such railway when constructed, and in such case, either with or without conditions for the re-purchase thereof, or any such agreement may include any or all of such arrangements, or any other arrangement which in the opinion of the Governor are calculated to carry out the object of the Act, and not conflict with the same: And whereas by "The Railways Act, 1870," the Governor is empowered (section 3) under the provisions of the said firstly-recited Act, to contract or enter into arrangements with any person for the construction of all or any of the railways mentioned in the First Schedule to the now reciting Act, by guaranteeing to such person, during a period not exceeding thirty-five years, a minimum rate of interest not exceeding £5 10s. per cent. per annum of the cost of construction, at a rate per mile not exceeding that in the said First Schedule set opposite to the name of each railway, and (section 4) subject to conditions incorporated in this Contract. And whereas by "The Immigration and Public Works Loan Act, 1870," the Governor is empowered to borrow and raise certain money as therein mentioned not exceeding £4,000,000 for all or any of the purposes mentioned in the Schedule thereto, which Schedule specifies the sum of £2,000,000 for such railways as shall from time to time be determined by the General Assembly, including the expenses of raising the part of the loan, and specifies the sum of £1,000,000 for "immigration including expenses as aforesaid." And whereas, with a view to the exercise by the Governor of the powers conferred on him by the said Acts, he has entered into arrangements with the Contractors for their making railways in New Zealand, upon the terms and in the manner hereinafter set forth. Now these presents witness that the Governor (so far as he lawfully can or may, under or by virtue of the said recited Acts or otherwise, but not further or otherwise), for himself and his successors, all of whom are hereinafter included in the expression "the Governor," (so far as the covenants and agreements hereinafter contained are to be observed and performed on his or their parts respectively), doth hereby covenant and agree with the contractors, their executors, administrators, and assigns, all of whom are hereinafter included in the expression "the Contractors," and the

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Contractors, and each of them, for themselves and himself, and their respective heirs, executors, administrators, and assigns (so far as the covenants and agreements hereinafter contained are to be observed and performed on their parts), do and doth hereby covenant and agree with the Governor, his successors and assigns, in manner following (that is to say):—

1. In the construction of these presents the following words and expressions have the following meaning, unless such meaning shall be inconsistent with the context:—The expression “Minister” means the Minister at the head of the Department of Public Works, by whatever title he may be from time to time designated, or the President of the Board of Works as the case may be; “Engineer” means the Engineer whom the Governor shall appoint to be, or whom the Minister shall from time to time direct the Contractors to treat as the Engineer acting on behalf of the Government, in relation to any railway, or to any section thereof to which these presents relate, or to any particular class of works upon, or to plant intended for any such railway or any section thereof, and it shall if the Governor so direct include also “the Minister” and as to the plant, the Agent-General or other Crown Official in England of the Colony of New Zealand; the words “railway” and “railways” include not only the railway and permanent way, but all stations, buildings, approaches, and other works shown upon or described in the plans and sections, or specifications, as works to be constructed by the Contractors, and at least a single wire telegraph throughout the whole length, with all proper apparatus for working the same; and the expressions “make the said railway” or “make a section of the said railway,” or any similar expression, shall include not only the making the railway, and laying down the permanent way, but the building of stations, the making of approaches, and the doing of all works shown upon, or described in the plans and sections or specifications, and such telegraph and apparatus as aforesaid, but not the providing of plant; the expression “plant” means engines, rolling and fixed stock and machinery required for using and working the said railways.

2. The Governor will, with all convenient despatch, entrust to the Contractors the making of railways in New Zealand and the providing of all plant for such railways to the extent in total cost of £500,000. And the Contractors will, to the extent aforesaid, make all such railways, and provide all such plant as the Governor shall require them to make and provide. The Governor may also entrust to any other person or persons, body or bodies, politic or corporate, the making of any railways or the providing of plant for the same.

3. The Governor will cause the necessary surveys and plans and sections of the railways, the making of which shall be so entrusted to the Contractors, to be prepared, deposited, and proclaimed, and the Contractors will make and construct each of such railways in the order and course and upon such terms and conditions relating to the making and constructing and the materials for the same (such terms and conditions not being inconsistent with any of the provisions herein contained) and under and according to such specification or specifications of the works and materials for the same as the Governor shall from time to time direct.

4. When and so soon as the plans, sections, and specification or specifications of any railway and such working plans and sections as shall be requisite to enable the probable cost of such railway to be ascertained shall have been prepared, the railway shall be divided (as the Governor shall direct) into lengths of ten miles or as near thereto as conveniently may be (which lengths are hereinafter referred to by the expressions “section” or “sections”), and each section shall be distinguished by a separate number.

5. The probable prime cost to the Contractors of making each section of the said railway, and the time within which each section shall be made and completed shall with all convenient despatch be determined by agreement between the Minister and the Contractors, or in case they shall not agree, by arbitration as hereinafter provided for, and in estimating such probable prime cost no allowance shall be made to the Contractors in respect of loss during construction of interest on the capital which it will be necessary for them to expend in making the railways and providing the plant for the same, inasmuch as interest is to be paid thereon by the Governor as hereinafter mentioned. Such probable prime cost, with a profit of 5 per cent. for the Contractors added thereto, is hereinafter referred to as “the agreed cost,” and “the agreed cost,” with such additions thereto or diminution therefrom as hereinafter mentioned, with the “costs of the plant” hereinafter mentioned added thereto, is hereinafter referred to as “the total cost,” and when “the total cost of a railway” is hereinafter referred to the total cost of all the several sections of such railway is meant.

6. The Minister and the Contractors will, before the Contractors enter upon the making of any railway, agree upon a schedule of prices according to which the Contractors shall be paid in respect of or allow for as the case may be any deviations from the original plans and sections thereof, or any alteration, diminution, or additions in, from, or to the works thereof, or any substitutions of one kind for another kind of work or materials.

7. The Governor will provide all the land required for any such railway and will give possession of the same to the Contractors in due time to enable them to complete each section within the time fixed for its completion. Any delay in so providing or giving possession of the land shall not invalidate or affect this contract, but shall entitle the Contractors to have the time for completion extended in proportion to the delay.

8. The Minister shall be at liberty from time to time to authorize or direct by writing under his hand any deviations, alterations, diminutions, additions, or substitutions to be made in, from, or to such railway, and the Contractors will comply with such directions, and the same are not in any manner to affect this contract except that an addition to or a deduction from the “agreed cost” shall be made according to the said schedule of prices so far as the same will apply or otherwise as may be agreed upon between the Governor and the Contractors, and in case any difference shall arise between the Governor and the Contractors as to such addition or deduction the amount thereof as regards the value thereof shall be settled by arbitration as hereinafter mentioned, but there shall be no reference to arbitration as to what are or are not such deviations, alterations, diminutions, additions, or substitutions as aforesaid, upon which points the decision of the Minister shall be conclusive.

9. The Contractors will not without such authority or direction as last aforesaid, and then only so far as thereby expressly authorized, deviate from the said plans and specifications, and if any alteration

whatever which shall be so authorized will involve an increased expenditure upon the said railway exceeding the sum of £500, the contractors will not act upon such authority unless and until the consent of the Governor in Council to their doing so shall first be obtained, and unless such consent shall have been so obtained no addition shall be made to "the agreed cost." If by reason of any such deviation, alteration, diminution, addition, or substitution as aforesaid having been directed as aforesaid the contractors shall be delayed in the completion of any section or sections within the time within which the same ought to have been completed, the contractors shall be allowed an extended time to complete the same proportioned to such delay.

10. The Engineer shall, as soon as the Contractors shall have been placed in a position to commence the making of any section or sections, and at the end of each calendar month thereafter, estimate and deliver a certificate in writing to the Colonial Treasurer, and also to the Contractors, stating the probable amounts of "the agreed cost" which will have to be expended in New Zealand in making so much of such section or sections as in his opinion they ought to make during the then next three calendar months, distinguishing the outlay in respect of each section, if more than one, and the Contractors will, before they commence to make such section or sections, and thereafter on the giving of each successive certificate, deposit with the Colonial Treasurer such a sum or sums as, with the unexpended balances (if any) of any sums previously deposited with him in accordance with this clause, will be equal to the amounts which the Engineer shall have so certified as aforesaid, and when and so often as the Contractors shall require any payment to be made to them on account of any such expenditure as aforesaid, the Engineer shall certify in writing the value of the work executed and material supplied since the date of his last certificate (distinguishing the payment to be made in respect of each section), and thereupon the Colonial Treasurer, out of the sum or sums so deposited with him as aforesaid, shall pay the Contractors such amounts as the Engineer shall so certify: Provided that if the Contractors are dissatisfied with any such certificate of the Engineer, they may require the question whether it is sufficient to be, and such question shall thereupon be referred to the said Minister, and his decision shall be deemed to be the certificate of the Engineer for the purposes of this clause: Provided also that, notwithstanding such reference, the amount stated in the certificate shall be paid to the Contractors as if no such reference had been made, and be considered as a part payment on account, in case the Minister shall decide that the amount stated in the certificate of the Engineer was not sufficient.

11. Notwithstanding the last preceding clause hereof the Engineer or the Colonial Treasurer may pay the wages of any labourers or other persons employed by the Contractors upon any railway which may be due and unpaid, and any amount so paid may be deducted by the Colonial Treasurer from the sum or sums so deposited with him as aforesaid, and shall, for the purposes of these presents, be taken to be a payment made by the Colonial Treasurer to the Contractors.

12. The sum or sums so deposited with the Colonial Treasurer, and all moneys expended by the Contractors in England for manufactured materials or plant as hereinafter mentioned, shall bear interest at the rate of  $5\frac{1}{2}$  per cent. per annum from the time or times when the same shall have been so deposited, or from the date of such expenditure as the case may be until the completion and opening for public traffic of the said railway, or the section thereof to which the same relate respectively, and such interest shall be paid to the Contractors half-yearly, on the last days of the months of June and December in every year.

13. Subject to the other provisions of these presents the Contractors will make every section of a railway in strict accordance with the said plans, and sections, and specifications, and with such further instructions and detailed plans and drawings as the Engineer shall give or provide, and subject to such deviations, alterations, additions, omissions, or substitutions as aforesaid, and to the satisfaction in all respects of the Engineer, and within the time determined and agreed upon for such completion, and such railway, or if the Minister shall so direct any section thereof, shall be opened for public traffic when and as soon as the Engineer shall certify the due completion of the same, and not earlier. If the Contractors shall be dissatisfied with any decision of the Engineer, or his withholding a certificate of his satisfaction on such completion under this clause, they are to be entitled to have the matter referred to the decision of the Minister, and his decision shall be equivalent to a decision or certificate of the Engineer.

14. The Contractors will be responsible for and make good any damage which may arise to any railway or any section thereof, or any plant within twelve calendar months after the same shall have been completed and opened for public traffic, in case such damage shall, in the opinion of the Engineer, arise from defective construction, or materials, or improper workmanship, and no addition shall be made to "the total cost" on account thereof; but if any such damage (the making good of which would not, in the opinion of the Engineer, come under the head of ordinary repairs), shall arise within such period or at any time afterwards by reason of storms, floods, insufficiency of design, or war, or disturbances in the Colony, the Contractors will make good all such damage with all convenient despatch to the satisfaction of the Engineer, and if, after any such railway or any section thereof, as the case may be, shall have been opened for traffic, the Governor shall at any time or times require that any further or altered works shall be executed for the better working and using the same for the purposes of public traffic or otherwise, the Contractors will execute the same according to plans and specifications to be prepared or approved by the Engineer, and the amount of the cost which shall be incurred by the Contractors in making good any such damage as last aforesaid, or in executing such further or altered works, such amount (to be agreed upon between the Governor and the Contractors, or determined by arbitration), shall from time to time be added to "the total cost of the said railway," or the "total cost" of any section thereof as the case may be, and included in the capital account herein-after mentioned.

15. The Contractors will provide all such plant as the Governor shall require them to provide for the working and carrying on of traffic upon any railway or any section thereof which may be about to be opened for public traffic, according to such drawings and specifications as the Governor shall direct, adopting so far as he may think fit any recommendation of the Contractors, and the Contractors will cause the same to be placed upon the said railway or section or as the case may be, in all respects

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complete and ready for use seven days at least before the time appointed by the Governor for the opening of such railway, or section thereof, as the case may be, for public traffic; and, in case after such railway or any section thereof shall have been opened for public traffic, the Governor shall consider it necessary or expedient that any further or other plant should be provided for such railway or section, as the case may be, the Contractors will find and provide the same with all reasonable despatch after receiving notice from the Governor requiring the same to be provided; all which further or other plant shall be in strict accordance with such drawings and specifications as the Governor shall direct, adopting, so far as he may think fit, any recommendation of the Contractors, and all such plant shall be in all respect to the satisfaction of the Engineer.

16. When the drawings and specifications shall have been settled and furnished to the Contractors they will obtain tenders for the supply of each description of plant from not less than six respectable and responsible persons, whose names shall have been previously submitted to and approved by the Engineer, in England, if such number shall be found willing to tender, or if not, then from as many of them as shall tender, such tenders to be based on the terms of payment in cash, and for delivery and approval in England; and when the tenders shall have been received, the Engineer in England and the Contractors shall, having regard to the said tenders, agree as to the cost to be incurred in obtaining the various descriptions of plant respectively, and the amount so agreed upon, or in case the Engineer and the Contractors shall not agree, determined by arbitration, with all charges and expenses of approval of plant for transport in England, shipment, freight, insurance, and landing, and transport, and erection, and fitting in the Colony which the Contractors shall incur, together with £5 per cent. on such agreed amount, charges, and expenses for or by way of Contractor's profit, shall be deemed to be "the cost of the plant," and shall be added to "the agreed cost," and form part of "the total cost" of the section, as hereinbefore provided, and shall be included in the capital account hereinafter mentioned. If it is intended that the plant shall be used in the working of and carrying on traffic upon more than one section "the cost of the plant" may, at the option of the Minister either be charged against any one section, or a proportionate part of the cost may be charged against all the sections in the working of and carrying on traffic upon which it is intended that the plant shall be used.

17. The Contractors shall not be bound to accept any of the tenders so received by them, and in no case shall they be allowed any profit upon the plant beyond the said profit of £5 per cent., but any commission, discount, allowance, or proportion of profit which may be paid or allowed by the manufacturers of the plant, or any part thereof, or otherwise, shall be deducted before the cost of plant shall be added to the "agreed cost."

18. The Contractors will, out of their own moneys, pay for all manufactured materials and plant which it shall be necessary or expedient to obtain in England.

19. Any expense which the Colony may incur in approving the plant or any manufactured materials in England shall be repaid by the Contractors to the Governor upon demand, and the same shall be added to the agreed cost and form part of the total cost of the section, as hereinbefore provided, and shall be included in the capital amount hereinafter mentioned.

20. The Contractors will keep a proper capital account relating to the construction of each railway to be made by them, and relating to the original cost of plant, to be called "The Railway Capital Account," to which the total cost shall from time to time be carried, and such account shall be so prepared and kept as to distinguish as far as practicable the expenditure in respect of each section of such railway, and when and so soon as such railway, or any section or sections thereof, shall have been completed and furnished with the necessary plant, and opened for public traffic, the said capital account shall from time to time be made up, and a copy thereof shall be transmitted to the Governor, who shall cause the same to be examined, and if they shall be found to be correct, will approve of the same, having the right to cause any corrections or disallowances to be made therein which he may consider to be necessary or proper, and such account, when approved, shall be conclusive as to the total cost of each railway, or section or sections so opened for public traffic, and thenceforth and from the opening of such railway, or section or sections, as the case may be, the Contractors will pay the cost of maintaining the same, with the plant, in good working condition; but upon any additions, restorations, alterations, or improvements being made by agreement between the Governor and the Contractors, to, of, or in such railway section or sections, or plant, the cost whereof shall be properly chargeable to capital account, the cost necessarily incurred in executing such additions, restorations, alterations, or improvements shall be added to and included in the said capital account, and the said capital account shall from time to time be made up and stated afresh as occasion shall require, and be examined and approved accordingly; provided that if in any such capital account the Governor shall make a disallowance or disallowances to the expending of £500, the Contractors may require to have it referred to arbitration whether or not the same should to any, and, if any, what, extent prevail, and the account shall be rectified according to the award.

21. The Contractors will keep and maintain such railway, or section or sections thereof, so opened for public traffic in thorough, efficient, working order, and will properly work and use the same, and run thereupon not less than two trains each way daily, unless the Governor otherwise direct, and such further number of trains as the Governor may from time to time direct; and will not charge in any case rates for the conveyance of passengers or of cattle, minerals, goods, or any other thing, below such minimum or in excess of such maximum fares and rates as may from time to time be fixed by the Governor in Council. Provided always that the Contractors may, if they think proper, require that it shall be decided by arbitration whether the expense of running any further number of trains is one which they ought reasonably to be called upon to bear; and in such case it shall be decided by arbitration whether the Contractors shall be bound to run any, and, if any, what further number of trains, and on what terms. Provided also that if and whenever the said minimum or maximum fares or rates are objected to by the Contractors, while the earnings of the railways are sufficient to relieve the Governor from any payment under the guarantee of interest hereinafter contained, they shall be settled by arbitration in manner hereinafter mentioned.

22. The Contractors will, in such forms and under such heads or divisions as shall be from time to time prescribed by the Governor, keep accounts of all receipts and payments whatever in respect of

such railway, or any section or sections thereof, which may for the time being be opened for public traffic (except such receipts and payments as properly belong to capital account hereinbefore agreed to be kept); and such accounts shall be called "The Revenue Account of the Railway," and shall be made up half-yearly to the 30th day of June and the 31st day of December in every year, or to such other days in the year as the Governor shall from time to time appoint, and shall be regularly transmitted to the Governor, who shall cause the same to be examined, and, if they shall be found to be correct, will approve of the same,—having the right at all times to cause any corrections or disallowances to be made therein which he may consider to be necessary or proper; and the Contractors will produce all such vouchers or other evidence as the Governor shall from time to time require to verify every such account. The account, when so made up, examined, and approved, shall be conclusive between the Governor and the Contractors as to the result of the working and carrying on of traffic on the said railway, or any section or sections thereof, as the case may be, during the time stated in such half-yearly account. Provided that if in any such half-yearly account the Governor shall make a disallowance or disallowances to the extent of £500, the Contractors may require to have it referred to arbitration whether or not the same should to any, and, if any, what extent, prevail; and the account shall be rectified according to the award.

23. The Contractors will collect all fares, rates, and freights for the conveyance of passengers, cattle, minerals, goods, and other things; and will at such periods and in such form as they may be required by the Governor so to do, and in addition to the said capital and revenue accounts respectively, furnish him with a statement in detail of the amount of such fares and freights, and of all other sums of money received by them in respect of every such railway or any section or sections thereof so opened for public traffic, and of the amounts expended by them from time to time subsequent to the opening of the same for public traffic in the repair and maintenance and otherwise of the said railway or any section or sections thereof, as the case may be; and in repairing and replacing the plant belonging thereto, and in working expenses; and will at all reasonable times permit every person or persons appointed by the Governor to inspect their books of account, and all vouchers and other documents relating to such receipts or expenditure, and take copies of the same, and will furnish all such information in relation to the same as may at any time be reasonably required.

24. The rates of speed to be maintained in running trains shall be (including stoppages) not less than ten miles an hour on railways the agreed cost of making which shall not exceed £3,000 a mile; and not less than fifteen miles an hour on railways exceeding that cost and not exceeding £4,000 a mile; and not less than twenty miles an hour on railways exceeding that cost, except over any part or parts thereof respectively where in the opinion of the Governor the gradients or curves do not justify so high a rate of speed.

25. The contractors will provide conveyances for and convey upon the railways the members of the General Assembly and of Provincial Councils at all times in the ordinary trains, at 25 per cent. below the ordinary fares and rates, and all military, police, and other forces when proceeding on duty, and all public mails free of charge; and in the event of war or civil commotion will, on the requisition of the Governor, place the whole of the resources of the railways at his disposal at the charges actually incurred.

26. The Governor by his officers shall have power at all reasonable times to enter into and upon the said railway or any part or parts thereof to establish and lay down or erect new or enlarge existing lines of electric telegraph, and erect new or enlarge existing telegraph stations, and to use such lines and stations without any charge, but not so as to obstruct the traffic on the said railway in such laying down and erecting.

27. If the contractors shall do any of the following things, viz. :—

- (a.) Become bankrupt or insolvent, or make any general composition or arrangement with their creditors, while any section of a railway which they shall be making shall be incomplete.
- (b.) Fail to complete (unless delayed by storms, floods, insufficiency of design, war, or disturbances in the Colony, or by other causes entitling them to an extension of time for completing) the railways respectively entrusted to them within the time fixed for their completion, or within an extended period equal in duration to the period during which they were so delayed as aforesaid.
- (c.) Fail while any of the railways entrusted to them are incomplete to carry on the works with due diligence after reasonable notice from the Minister specifying the nature and extent of the failure imputed to them, and the rate of progress which in the opinion of such Engineer is necessary to enable them to complete the railways within the respective times fixed for their completion, or within the respective extended period aforesaid, where they are entitled to such extension.

And if the Engineer and Minister shall certify to the Governor that it is in their judgment expedient so to do, the Governor may cause notice to be given to the Contractors of his intention to determine this contract, as to any section or sections of any railway as to which it shall not have been performed; and in that case this Contract shall to that extent cease and determine, subject nevertheless to the other provisions herein made with respect to that event. Provided that the Governor shall not in the event (b) so determine this Contract until the expiration of three calendar months after he shall have given notice to the Contractor of his intention to do so, nor unless the railway shall then remain uncompleted.

28. In case of such determination of this Contract as aforesaid the Governor may or may not as he may think fit take possession of all or any of the sections referred to in such notice, and also of any completed section or sections of such railway which he shall consider it desirable to take possession of and use in connection with any of the sections included in such notice, and of the plant belonging thereto; and in such case this Contract shall also cease and determine in respect of any such completed section of the said railway and the plant belonging thereto, and the Governor shall accept all plant which at the time of the determination of this Contract shall be *in transitu* from the manufacturers thereof in Europe or in course of construction by them in pursuance of previous orders for the section

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or sections of railway so taken possession of; and the Governor may also take possession of all the Contractors' working plant, materials, and chattels upon all the said railways or section or sections thereof of which the Governor shall take possession; and thereupon the Contractors will deliver to the Governor all plans, sections, drawings, and specifications in any way relating to such railway, section, or sections.

29. In case of and upon such determination of this Contract to the extent aforesaid, the section or sections of the said railway then completed and open for public traffic, and not taken possession of by the Governor as aforesaid, and the plant belonging thereto, shall be deemed to be the only section or sections of the said railway and plant to which the provisions of this Contract with respect to the guarantee of interest or profits on the total cost thereof, and to purchase by the Governor of the Contractor's rights and interest, and to the division of the surplus net receipts beyond what is sufficient to pay a given rate of interest or profit on the total cost shall apply; and the said provisions shall remain in force with respect to such section or sections of the said railway and the plant belonging thereto.

30. In case of and upon such determination of this Contract the Contractors shall be entitled to receive from the Governor payment for the said railway or the section or sections thereof so taken possession of as aforesaid, and for the plant belonging thereto, and for the plant *in transitu* or in course of manufacture for the same when delivered (but not for the Contractor's working plant, materials, and chattels), the prices to be ascertained in the following manner, that is to say: Firstly, in respect of any section or sections of the said railway which had been completed and the plant belonging thereto, such a sum or sums of money as the Governor would have had to pay on purchase of the same under the other provisions of these presents; secondly in respect of any section or sections of the said railway not completed such a sum or sums of money as will be equal to the sum or sums deposited by the Contractors with the Colonial Treasurer in respect thereof according to the provisions in that behalf herein before contained (so much of the sum or sums so deposited as shall not have been paid to the Contractors upon the certificate or certificates of the Engineer becoming the absolute property of the Governor); and thirdly, in respect of the plant *in transitu* or in course of manufacture the cost thereof as settled under clause No. 16 of these presents together with such charges and expenses as mentioned in the same clause, but without any percentage for profit added thereto. The payments firstly and thirdly mentioned to be made in New Zealand Government debentures payable at the end of 30 years, with interest thereon in the meantime at the rate of £5 per cent. per annum; and the payment secondly mentioned to be made by the grant of a Government Annuity at the rate of 5½ per cent. per annum, to continue for the residue of the term of thirty-five years computed from the commencement of the said railway or section or sections thereof as the case may be.

31. Provided that if in the event mentioned in clause No. 27, sub-section (a), the Governor shall give such notice, as in such clause mentioned, the assignees or trustees of the Contractors shall have liberty at any time within twelve calendar months after the giving of such notice to take up and proceed to complete and carry out the works, and to provide the plant in respect of the section or sections of the said railway, included in such notice, and if, within such period, such assignees or trustees shall repay, or cause to be repaid, to the Governor all sum or sums of money which the Governor shall, in his absolute discretion, have thought fit in the meantime to expend and shall have expended upon the same, and upon any other section or sections, of which he may have taken possession, as hereinbefore authorized, or in providing plant for the same, respectively, less the amount of all such sum or sums of money which the Governor would have paid to the Contractors as the subvention, in case the said Contractors had duly proceeded with the making of the section or sections included in the said notice, and in providing the plant for the same; and shall either themselves enter into or procure some respectable and responsible person or persons (to be approved by the Governor) to enter into a proper contract with the Governor in substitution (as regards such section or sections) of these presents, then the Governor will give possession to the person or persons entering into such contract with him, of the said railway, or the section or sections thereof, of which he shall so have taken possession, and of the plant belonging thereto respectively.

32. If and whenever the Contractors shall make default in properly maintaining any railway, or any section thereof, when completed (other than such as may have been taken possession of by the Governor under any provision hereof), or in properly providing the plant for the same, and keeping the plant provided in good and sufficient working order and condition, or in properly working and using the said railway or section, as the case may be, it shall be lawful for the Governor to direct the necessary repairs to be done as well to such railway or section as to the said plant, and to supply any plant which ought to have been, but shall not have been supplied, and to replace any of the plant that may be worn out by others of the same, or a similar description, and dispose of the old plant, and at the cost of the Contractors, to enter upon, use, and work so much of such railway or section, as the case may be, and the plant belonging to the same as the Governor shall from time to time think fit, to use and work. And the Contractors will, upon demand, repay to the Governor all moneys expended by him in and about any of the matters aforesaid. Provided that if by the moneys which shall be received from such working and using of such railway or section and from the disposal of all plant, or by the Contractors, the Governor shall within six calendar months have been repaid all moneys expended by him under this clause, the Contractors shall be reinstated in the possession of the said railway or section and plant. Provided also that the Governor will, until the expiration of such period, from time to time render to the Contractors accounts of his receipts and payments under this clause.

33. The Contractors will in all things abide by, comply with, and conform to all the laws and regulations for the time being in force in New Zealand, and also all such general regulations and by-laws, for the maintenance of order and securing the safety of the public as the Governor shall from time to time frame and establish, and will make compensation and satisfaction to all persons who, according to law, may be entitled to compensation or satisfaction for or in respect of any injury or loss sustained by them in their person, property, or otherwise, through or in consequence of any negligence or wrongful act whatsoever on the part of the Contractors in making the said railway or any part thereof, or in working or carrying on traffic thereupon.



34. The Contractors will not assign or sub-let this contract or any part thereof, without the approval of the Governor, but with such approval and subject to such conditions as he may impose, they may assign or sub-let the same or any part thereof, to one or more Company or Companies in England, or in the said Colony, in which case such Company or Companies shall enter into a formal Contract or Contracts with the Governor to secure the due observance and performance by it or them of the stipulations herein contained; and in any such Contract or Contracts, provisions shall be made that the Governor shall have a right from time to time to appoint an *ex-officio* Director upon the Board of Directors, of each such Company in London or elsewhere in England; and also upon the Board (if any) in the Colony, and that each of such *ex-officio* Directors shall rank as and be one of the Board of Directors of the Company and be entitled in all things to act as such and to exercise at his discretion a right of veto at all proceedings whatsoever of the Board (except proceedings for the purpose of communicating with the legal advisers of the Company), and shall not be removable except by order of the Governor; no such Director, however, being entitled to any salary from the Company and also the Company shall record and keep in proper books, for the purpose, full and particular accounts of all their transactions and proceedings, so as at all times to exhibit thereby fully and truly the state of their affairs and proceedings; and also that any person or persons appointed by the Governor in that behalf, shall at all reasonable times, have full access to the books, accounts, papers, and documents of the Company (except communications with the legal advisers of the Company, on matters in difference between the Governor and the Company), and power to make copies or extracts from the same; and also that as between the Governor and the Company or Companies respectively only, such charges of management shall be allowed out of or against revenue account, as shall from time to time be approved of by the Governor; and in any such Contract or Contracts provision shall be made for such sums for expenses of direction and management of the Company during the construction of a railway, being added to the total cost as the Governor shall approve. Provided that this clause shall not prevent the employment of the Contractors or competent Sub-Contractors in the execution of the works under them, or in the maintenance of the same.

35. The said railway, or, if the Governor shall think fit, any section or sections thereof, when made, completed, and opened for public traffic, shall be demised and leased to the Contractors for the term of ninety-nine years, at a nominal rent of one shilling per mile, and shall at the expiration or sooner determination of such term, revert to and become the property of Her Majesty.

36. Every such lease as aforesaid shall contain all reasonable and necessary covenants and conditions for insuring the performance by the Contractors of all things which, according to the true intent and meaning of these presents, ought on their part to be performed, including a power to the Governor to re-enter upon the demised premises in case of breach or non-observance of the covenants; but such power shall be subject to a condition, that if within eighteen calendar months after he shall at any time have so entered, he shall, by perception of profits, or by any other means whatsoever, have been satisfied or compensated for the breach of the covenant or condition in respect of which he re-entered, the Contractors shall be reinstated in their original rights under the lease, and the Governor shall account with them in respect of all his receipts and payments in the meantime.

37. The Governor will from the time of the opening of any railway or any section thereof for public traffic, and thenceforth half-yearly, until the expiration of thirty-five years, to be computed from the time of the commencement of each such railway, or until the payment at an earlier period by the Governor, for the right and interest of the Contractor in such railway, or any section or sections thereof, as the case may be, and in the plant belonging thereto, pay to the Contractors such sum as, with the net receipts from all the said railways or sections thereof constructed under the provisions of these presents which shall have been opened for public traffic and shall not then have been purchased by the Governor from time to time remaining, after defraying all working expenses, maintenance, and other out-goings properly chargeable against revenue in the case of Railway Companies, will be sufficient to secure to the Contractors interest or a dividend at the rate of  $5\frac{1}{2}$  per cent. per annum on the aggregate amount of the total cost of all the said railways or any section or sections thereof then open for public traffic, as such total cost shall appear from time to time by the said capital accounts of each of the said railways to be so made up, and when approved as aforesaid; and will make such half-yearly payments in England, within four calendar months, after he shall have been furnished with the half-yearly revenue accounts of all the same railways, and shall have examined and approved of the same respectively as aforesaid.

38. If and whenever the net receipts as last aforesaid appearing by all the said half-yearly revenue accounts of all the railways which, or a section or sections of which, shall have been from time to time opened for public traffic, and shall not then have been purchased by the Governor, when such accounts shall have been examined and approved as aforesaid, shall in the aggregate have amounted to a sum sufficient to pay for that half-year's interest or a dividend at a rate exceeding the rate of  $\text{£}5\frac{1}{2}$  per cent. per annum upon the aggregate amount of the total cost of all the said railways or any section or sections thereof which shall have been opened for public traffic, and from the respective times of their being opened, as such total costs shall appear from time to time by the said capital account of each of the said railways to be so made up; and when approved as aforesaid, then and whenever afterwards it shall so happen, the amount of the excess shall be paid to the Governor until he shall have been repaid the whole of the sums paid by him as interest as aforesaid, under clause No. 37 of these presents, exceeding interest at the rate of  $\text{£}5\frac{1}{2}$  per cent. per annum, together with simple interest on such sums at the rate of  $\text{£}5\frac{1}{2}$  per cent. per annum, and subject to the provision last aforesaid such excess shall from time to time be divided as follows, viz., one-fourth to the Governor and three-fourths to the Contractors, until the Governor shall by means of such one-fourth have been repaid the whole of the sums paid by him as interest as aforesaid, together with simple interest on such sums at the rate aforesaid, and when from time to time when all moneys paid by the Governor by way of interest as aforesaid and interest thereon, shall have been repaid, the whole of such excess shall belong to the Contractors.

39. The Governor may, at any time within twenty years from the time when any railway, or any section thereof, shall have been completed, and after he shall have given twelve calendar months' notice

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of his intention so to do, purchase the right and interest of the Contractors in such railway, or section, and the plant belonging thereto; and the Contractors will, in such case, sell the same to the Governor at a price to be agreed upon between him and the Contractors, or in case they shall not agree, to be determined by arbitration in manner hereinafter mentioned—viz., the price to be so paid being the total cost of such railway section, or sections, as it shall then appear by the said capital account to be so made up, and when approved as aforesaid, after making a deduction from such total cost of the amount by which such railway section, or sections, and the plant belonging thereto, shall have deteriorated in value through wear and tear or want of repair since the same was or were made or supplied respectively.

40. Upon the expiration of the said notice the lease of the said railway, or section, or sections, as the case may be, shall cease and determine, and the Contractors will give to the Governor peaceable possession of the said railway, or section, or sections, and of the plant belonging thereto, and of all plans, sections, specifications, books, papers, and documents, relating to the same, which it shall be necessary or desirable for the Governor to have or possess for use or reference.

41. The Governor will, within twelve calendar months after the making of the agreement or award as to the price to be paid for the right and interest of the Contractors in the said railway, or section, or sections, and plant, pay the said price to the Contractors in England, and thereupon the said half-yearly payment of interest shall cease.

42. The Governor may retain or deduct out of any moneys in his hand belonging to the Contractors, or out of any moneys payable by the Governor to the Contractors, all sum and sums of money payable to the Governor by the Contractors under or by virtue of these presents.

43. All payments under these presents shall, except where it is otherwise expressed, be made in New Zealand.

44. Wherever in these presents the Governor, Colonial Treasurer, or Minister, or any other person holding an official situation, is referred to, the Governor, Colonial Treasurer, Minister, or person holding such situation for the time being shall be understood; and whenever by these presents the Governor, Colonial Treasurer, or Minister, is authorized or empowered to exercise any power, or do any act whatsoever, the Governor, Colonial Treasurer, or Minister, as the case may be, may from time to time authorize any other person or persons to exercise such power, or do such act; and any power or act exercised or done by such person or persons within the scope of such authority, shall have the same effect as if exercised or done by the person by whom they shall have been so authorized; and these presents shall be read as referring to such person or persons.

45. Any notice, request, declaration, or direction, to be given or made by the Governor, Colonial Treasurer, Minister, or any person acting on behalf or by the direction of them, may be given to the reputed Agent of the Contractors for the time being in New Zealand, by delivering the same to him or leaving the same at his last known place of residence there, or if there be no such Agent may be given or made by publishing the same in the *New Zealand Gazette*; and any notice, request, declaration, or direction so given, or made, or published respectively, shall have the same effect to all intents and for all purposes as if it had been given or made to the Contractors personally on the day when the same was so given, or made, or published respectively.

46. In case the Governor or the Minister, as the case may be, and the Contractors shall not agree as to the probable prime cost of making the railways respectively, or as to any schedule of prices, or as to the time or times within which the railways or any of them, or any part thereof are to be made, or as to the amount to be added to or deducted from "the agreed cost" in respect of any such deviation, diminution, addition, or substitution hereinbefore mentioned, or as to the price to be paid for the purchase of the right and interest of the Contractors in the said railway respectively, or the plant belonging to the same, or in case any dispute or difference whatsoever shall arise between the Governor or Minister, or Colonial Treasurer, or the Engineer in England, referred to in clause 16 of these presents, and the Contractors, in the carrying out of these presents, and whether it shall or shall not have been expressly hereinbefore provided that in case the parties shall not agree, the matter shall be determined by arbitration, every such matter as to which they shall not agree, dispute, or difference, shall be settled by arbitration, to be conducted in New Zealand, except as regards the said clause No. 16, as to which any arbitration shall be conducted in England; and for the purposes of this portion of these presents, any matter of disagreement, dispute, or difference between the Minister or Colonial Treasurer, or the said Engineer in England and the Contractors, shall be deemed a matter of disagreement, dispute or difference between the Governor and the Contractors; and unless the Governor and the Contractors shall unite in the appointment of a single arbitrator, the Governor and the Contractors shall each appoint an arbitrator; and if either party shall for thirty days after receiving a request from the other party to appoint an arbitrator fail so to do, or to give notice of the appointment to the party from whom he received such request, then the arbitrator appointed by the party who shall have made such request may proceed to hear and determine the matter, dispute, or difference, and in such cases the award or determination of such single arbitrator shall be final. If each party shall appoint an arbitrator, such two arbitrators shall appoint a third arbitrator: but if they shall be unable to agree upon the choice of a third arbitrator, then the third arbitrator shall be appointed by such one of the Governors of any of the Colonies of Australia, or of the Colony of Tasmania, as the Governor of New Zealand shall request, to appoint an arbitrator. The award or determination of such three arbitrators, or of any two of them, shall be final and conclusive. If before the matter, dispute, or difference shall be determined, any arbitrator shall die or become incapable, or refuse or neglect to act, the party by whom such arbitrator was appointed shall appoint some other person in his stead, and if he shall for thirty days after receiving a request from the other party to appoint an arbitrator fail so to do, or to give notice of his appointment to the other party, then the party who shall have made such request may appoint an arbitrator in the stead of the arbitrator who shall have so died, become incapable, or refused or neglected to act. If the arbitrator who shall have so died, become incapable, or refused or neglected to act, shall be the arbitrator who was not appointed by either of the parties, then the provisions hereinbefore contained as to the appointment of a third arbitrator shall be applicable, and under them a successor shall be appointed in the



stead of the arbitrator so dying, becoming incapable, or refusing or neglecting to act. Every arbitrator to be so substituted as aforesaid shall have the same authority as the original arbitrator. If a single arbitrator shall have been appointed and he shall die, become incapable, or refuse or neglect to act, and the parties shall not be able to unite in the appointment of another single arbitrator, then in his stead three arbitrators shall be appointed in the manner hereinbefore mentioned. Notwithstanding anything hereinbefore contained, the Engineer in England, in case any matter of disagreement, dispute, or difference shall arise between him and the Contractors, shall have the same powers as are hereinbefore conferred upon the Governor as to the appointment of an arbitrator, so far as regards any question which shall arise under the said 16th clause of these presents, and the Engineer and the Contractors shall have power from time to time to determine the manner in which the third arbitrator shall be appointed, in case the arbitrators appointed by the Engineer and the Contractors respectively shall not agree upon the choice of a third arbitrator. This submission to arbitration may be made a rule of the Supreme Court of New Zealand, or of any of the Superior Courts of Westminster, as the case may be or require. The cost of and attending the arbitration and award shall be in the discretion of the arbitrators.

47. The Governor enters into this Contract only on behalf of the Colony of New Zealand, and by executing these presents shall bind only the said Colony, and not himself personally; and shall not be deemed to have incurred any personal responsibility or liability whatsoever; and no action or suit at law or in equity or other proceeding whatsoever shall be brought or taken against the Governor in respect of these presents, or the Contract hereby created or purported to be created, elsewhere than in the said Colony, nor in the said Colony, unless by any Act or Law of the said Colony it is now or shall hereafter be provided that actions, suits, or proceedings in respect of Contracts entered into by the Governor on behalf of the Colony may be brought or taken against the Governor as a nominal defendant.

In witness whereof the Governor hath hereunto set his hand and seal of office, and the Contractors have hereunto respectively set their hands and seals, the day and year first above written.

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Mr. J. MACKBELL to the Hon. J. VOGEL.

DEAR SIR,—

21, Cannon Street, London, E.C., 28th June, 1871.

I think it may be convenient to you if I give a brief epitome of the arrangements you have entered into with Messrs. Brogden and Sons for the construction of railways in New Zealand, and point out in what respect these differ from the arrangements entered into by the Government of India, and show how the former arrangements are more favourable in my opinion than the latter.

The contracts entered into with Messrs. Brogden are twofold, and for convenience, have been called arrangement No. 1 and arrangement No. 2. Both arrangements have many stipulations in common, but differ as to the amounts to be expended in railways, the amount of the guarantee of dividend, the application of profits, and the terms of purchase. I will first point out those stipulations which are common to both, and which may be said to be the general terms which govern both contracts, and afterwards describe the special stipulations of each.

The Government are, at their absolute discretion, to select the lines of railway, and may regard the requirements of the Colony irrespective of the remunerative character of the railways. When a railway has been decided upon, the Government are to have the necessary surveys, plans, and sections prepared, and the necessary proclamations made enabling them to take the land, and are to determine the order and course and the terms of constructing the railway, and the specification of works and materials. Each railway is to have a single wire telegraph with the necessary apparatus.

When such plans, sections, specifications, and working plans are prepared as will enable the probable cost of the railway to be ascertained, the Government are to divide it into sections of about ten miles each. The probable prime cost to the Contractors of making each section and the time within which the same is to be completed are then to be arranged between the Government and the Contractors, or settled by arbitration, and to this prime cost 5 per cent. thereon is to be added for the agreed profit for the Contractors. A schedule of prices to regulate the payment or allowance in respect of any alteration in the original plans, &c., is in a similar way to be arranged or settled. The Government are within proper time to provide the requisite land. The Government may order the original plans, &c., to be altered or the works diminished or added to or others substituted, and the settled price of the railway is in such case to be varied according to the schedule of prices. The Government are alone to decide what are variations from the original plans, &c., but the question of the value thereof may be referred in case of difference. The Contractors may not deviate from the original plans, &c., without the special authority of the Government, and no alteration involving an increased cost exceeding £500 may be made without the consent of the Governor in Council. If the works be delayed by reason of any variations from the original plans, &c., the time for completion is to be proportionately extended.

The Government Engineer, at the commencement of the railway and at the beginning of each calendar month, is to estimate the probable expenditure in New Zealand during the then next three months, and the Contractors are from time to time to deposit with the Colonial Treasurer enough money, with what out of previous deposits may remain unexpended, to meet the same, and payments thereout are to be made to the Contractors upon and according to certificates of the Government Engineer, with liberty to the Contractors to appeal to the Government to have any certificate increased. The Government may out of moneys so deposited pay any wages unpaid by the Contractors.

Every section of a railway is to be made in strict accordance with the original plans, &c., subject to variation as above mentioned, and with such further instructions as the Government Engineer may give, and to his satisfaction in all respects, and within the time appointed; and, if the Government so direct, is to be opened for public traffic upon the Engineer's certifying its completion. An appeal lies to the Government against this certificate of the Engineer, or should he withhold a certificate.

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The Contractors are at their own cost to maintain the railway for twelve months after completion, unless any damage shall, in the opinion of the Government Engineer, have arisen from storms, floods, insufficiency of design, war, or disturbance in the Colony; in which case, whenever the same may happen, the cost of making good such damage is to be defrayed by the Contractors, and added to the settled cost of the railway.

Any further or altered works which the Government may afterwards require are to be executed by the Contractors according to plans, &c., to be prepared or approved by the Government Engineer, and the cost thereof is also to be added to the settled cost.

The Contractors are to provide all such plant, and according to such drawings and specifications, as the Government shall direct, and place the same on the railways seven days before the time appointed for opening; and afterwards provide such further plant, and according to such drawings and specifications as the Government may direct, all of which plant is to be to the satisfaction of the Government Engineer.

When the description, drawings, &c., of the plant have been decided upon, the Contractors are to obtain tenders from not less than six respectable and responsible persons previously approved by an officer of the Government in England, such tenders to be based upon the terms of a cash payment, and for delivery and approval in England; and the Contractors and Government officer in England are then, having regard to the tenders, to agree as to the cost to be incurred in obtaining the plant, failing which the same is to be settled by arbitration. This cost, with all charges and expenses of approval, transport in England, shipment, freight, insurance, landing, and transport, and erecting and fitting in the Colony, with five per cent. thereon by way of Contractors' profit, is to be added to the settled cost of the railways.

Any commission, discount, allowance, or proportion of profit allowed to the Contractors by the manufacturers of the plant is to be deducted from the cost of plant before being so included. The Contractors are out of their own moneys to pay for all manufactured materials and plant obtained in England, and any costs the Government may incur of approving the plant in England.

A proper capital account of each railway distinguishing therein the cost of each section is to be kept by the Contractors, and the same is to be from time to time submitted to and approved by the Government who may disallow any items subject to a reference if the disallowances exceed £500.

The Contractors are to maintain the railways in thorough efficient working order, and run not less than two trains each way daily, unless the Government otherwise direct; and such further number of trains as the Government may require, charging only fares and rates within limits to be fixed by the Governor in Council. The question as to running more than two trains a day may be referred, and as may also the question of rates and fares when the Government have to pay nothing under their guarantee.

A proper revenue account of each railway is to be kept by the Contractors, which is to be submitted half-yearly to the Government for approval, and the Government may disallow any items subject to a reference if the disallowances on any account exceed £500.

All fares tolls and freights are to be collected by the Contractors who are to furnish the Government with all such detailed accounts and statements as may be required, and the Government may at all times inspect the Contractors' books of account and vouchers relating to the receipts and expenditure generally, and take copies of the same.

The trains are to be run at a speed including stoppages of not less than ten miles an hour on railways costing under £3,000 a mile, fifteen miles an hour on those costing £4,000 a mile, and twenty miles an hour on those costing over that amount, except where the Government consider the gradients or curves do not justify so high a rate of speed.

The Members of the General Assembly and Provincial Councils are to be conveyed in the ordinary trains at 25 per cent. below ordinary fares and rates; and in the event of war or civil commotion, the whole resources of the railways are to be placed at the disposal of the Government at cost price.

The Government may enter upon the railways to lay down or enlarge existing lines of telegraph, and erect or enlarge stations, and may use such lines and stations without charge, but are not to obstruct the traffic in laying down and erecting the lines, &c.

If the Contractors become bankrupt, &c., or fail to complete the railways in due time, or fail to proceed with due diligence after notice, the Government, upon certain certificates, may give notice and determine the Contract as to any sections in respect of which the Contract is not properly observed; but in case of non-completion in due time, three months' notice is to be given, and not to take effect if the railways are completed within that time. Upon such determination the Government may or not, as they think fit, take possession of all or any of the sections referred to in the notice, and also of any other completed sections which it may be desirable to take possession of and use in connection with any other section, and all the plant belonging thereto; in which case the Contract is also to be determined in respect of such completed section and the plant belonging thereto. The Government to accept all plant then *in transitu* or in course of construction for the sections taken possession of, and may take possession of all the Contractors' working plant, materials, and chattels thereon, and the Contractors are to deliver up all plans, &c., relating to the same. Upon any such determination of the Contract, the provisions of the Contract with respect to guarantee of dividend, division of profits, and purchase, are only to apply to the section or sections of a railway then completed, and opened for traffic, and not taken possession of, and the plant belonging thereto.

If the Contract is determined by reason of the bankruptcy, &c., of the Contractors, their assignees or trustees may, within twelve months, repay to the Government any moneys expended, and enter into proper contracts with the Government for completing the railways and providing the plant, in which case the Government are to restore possession of the sections and plant taken possession of.

If the Contractors make default in maintaining a railway or providing plant and keeping the same in good working order, or in properly working and using the railway, the Government may direct the necessary repairs to be done and plant supplied, and replace any plant worn out, and enter and use and work the railway, and the Contractors are to repay all moneys expended. If within six months the Government are recouped the moneys expended, the Contractors are to be reinstated.

The laws and regulations of New Zealand are to be complied with and conformed to, as well as any by-laws which the Government may establish; and the Contractors are to compensate parties injured by the negligence or wrongful act of the Contractors in making the railways or working the same.

The Contract is not to be assigned or sublet without the approval of the Government. If assigned to a Company, such Company are to enter into a formal Contract with the Government for securing the due observance and performance of the stipulations of the Contract.

The Government are to have the right to appoint an *ex officio* Director on the Board of the Company, both in England and in the Colony, with a right of veto at all proceedings of the Board, and only such charges for the direction and management of the Company are to be allowed as the Government shall approve of. The Company are to keep proper books, and the same are to be open to the inspection of the Government and its officers.

In the event of the Government purchasing the railways they are to pay for the same in England within twelve months after the price is agreed upon or settled.

The Government may retain out of any moneys in their hands belonging to the contractors, any sums due to the Government. All payments, except where otherwise expressed, are to be made in New Zealand.

Any notices to the Contractors may be given to their Agent in New Zealand, or if there be no such Agent, may be published in the *New Zealand Gazette*.

For the determination of such questions as may be referred to arbitration, the Government and the Contractors may either agree as to a single arbitrator, or each appoint one, and the two so appointed are to choose a third; but if they cannot agree, the third is to be appointed by such one of the Governors of any of the Colonies of Australia or of the Colony of Tasmania, as the Government of New Zealand may request to do so. The award of such three arbitrators or any two of them to be final.

Having thus described those stipulations which are common to both contracts, I now proceed to point out those which apply only to each particular contract.

The special provisions as regards No. 1 are as follows:—

Before the 21st June, 1879, the Government are to entrust to the Contractors the making and providing of railways and plant, to cost £4,000,000, and the Contractors are to make and provide the same. The interest on capital employed during construction of a railway and in providing plant, is to be estimated and added to the settled cost. The moneys deposited with the Colonial Treasurer for expenditure in New Zealand are not to bear interest. The police and other forces when proceeding on duty, and the public mails, are to be carried by the ordinary trains at 25 per cent. below ordinary fares and rates.

In case of forfeiture of the railways, the Government are not to pay for the Contractors' working plant, &c., but the Government are to pay as follows:—For any completed section which they may take possession of and its plant, the same sum as on purchase. For any non-completed sections such a sum as, with the sums paid on account of subvention, will be equal to the sums deposited by the Contractors with the Colonial Treasurer for expenditure in New Zealand, the Government retaining any unexpended moneys; and for plant *in transitu* or course of manufacture, the agreed cost thereof with all charges and expenses, but without any percentage for profit. All such payments to be in Government debentures having thirty years to run, with interest at 5 per cent.

The Government are to grant to the Contractors such land and so situate as the Government think fit, at the rate of three-fourths of an acre per £1 of the cost of the railways and plant, one-fifth only of which land need be suitable for settlement and for settlers to take immediate possession of. Such portions of this one-fifth as may be required for immigrants are to be granted as required, and the residue in respect of each section of railway on the completion thereof. When a railway is decided upon, the lands out of which the grant is to be made are to be set apart, and the Government are to allow the Contractors, so far as they can conveniently, to occupy the land in the meantime.

From the opening of a railway until the expiration of forty years, or the purchase thereof by the Government at an earlier period, and until payment of the purchase money, the Government are to pay to the Contractors in England such a sum as, with the net receipts from all the railways in the Contractors' hands, then open for traffic, after defraying all working expenses, maintenance, and other out-goings properly chargeable against revenue, will give the Contractors a dividend at the rate of £5 5s. per cent. per annum on the aggregate amount of the total cost of all the same railways and their plant, as appearing by the capital accounts of the respective railways, after deducting all sums paid by the Government for subvention, within four months after the examination and approval by the Government of the half-yearly revenue accounts. When such net receipts are sufficient to pay a dividend exceeding 8 per cent. on the aggregate cost of all the said railways and plant, after deducting the subvention, the excess thereof is to be applied to recoup any advances made by the Government under their guarantee, exceeding interest at the rate of £5 5s per cent. per annum, with interest at 5½ per cent., and subject thereto, is to be divided equally between the Government and the Contractors.

The Government are to pay to the Contractors in part payment of the purchase moneys, a subvention equal to one-third of the cost of the railway and plant as follows:—When any moneys are paid out to the Contractors from the funds deposited by them with the Colonial Treasurer, a sum equal to one-sixth of the amount so paid out is also to be paid to them on account of the subvention, and when any manufactured materials or plant are placed or delivered upon a railway, the Government are to pay to the Contractors a sum equal to one-sixth of the value thereof according to the certificate of the Government Engineer, such payment on account not to exceed one-half of the subvention, until the completion of each section, when the balance of the subvention in respect thereof is to be paid.

At the expiration of forty years the Government are to, and they may at any earlier time, on giving twelve months' notice, purchase the right and interest of the Contractors in any railway or any section thereof completed and open for traffic, and the plant belonging thereto; the price to be the total cost thereof as appearing by the capital account so approved as aforesaid, deducting therefrom the amount of any deterioration in value through wear and tear or want of repair, and giving credit for the sums

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paid for subvention. The Contractors are to give up possession, with all plans, sections, and documents relating thereto.

If before the Government purchase the railways the Contractors wish to issue debentures, the Government are to furnish a statement showing what sum the Government is entitled to have allowed on account of the subvention, but the Government are not to be deemed thereby in any way to guarantee any debentures.

Within ten years after the commencement of any railway, the Contractors are to land not less than 10,000 European immigrants, to be approved of by a Government officer before sailing from Europe, in not less than the following proportion:—First year, 500; second year, 750; third year, 1,000; fourth year, 1,000; fifth year, 1,000; sixth year, 1,000; seventh year, 1,250; eighth year, 1,250; ninth year, 1,250; and tenth year, 1,000. The Government to pay for each immigrant so landed, whether or not employed on the railways, £1 in the month of December in each year for ten years from the time when each immigrant landed, unless in case of death or ceasing to reside in the Colony.

To encourage improvements the Government are to guarantee mortgage bonds, with interest not exceeding 5 per cent., for not exceeding ten years, to an amount not exceeding one-half of the moneys expended, to the satisfaction of the Government officers, in such improvements as may be approved by the Government; such bonds not to exceed £500,000. The Government to have all the mortgagees' rights to recoup themselves for any moneys paid under such guarantee.

The special provisions relating to arrangement No. 2 are as follows:—

The Government are, with all convenient despatch, to entrust to the Contractors the making and providing railways and plant to cost £500,000, and the Contractors are to make and provide the same. The Government are, during the construction of the railways, to pay interest at the rate of  $5\frac{1}{2}$  per cent. per annum, on the last days of June and December in each year, on all moneys deposited with the Colonial Treasurer for expenditure in New Zealand, and on all the moneys expended by the Contractors in England for manufactured materials or plant.

The military, police, and other forces, when proceeding on duty, and the public mails, are to be carried free of charge.

In case of forfeiture of the railways, the Government are not to pay for the Contractors' working plant, &c., but are to pay as follows:—Firstly, for any completed sections and plant belonging thereto, the same sum as on purchase. Secondly, for any uncompleted sections, such a sum as will be equal to the sums deposited with the Colonial Treasurer for expenditure in New Zealand, the Government retaining any unexpected moneys. And, thirdly, for plant *in transitu* or course of manufacture, the agreed cost thereof, with all charges and expenses, but without any percentage for profit. The payments firstly and thirdly mentioned to be in Government debentures having thirty years to run, with interest at 5 per cent., and the payment secondly mentioned, by a grant of a Government Annuity at  $5\frac{1}{2}$  per cent., for the residue of the term of thirty-five years, computed from the commencement of the railway or sections.

When the railway, or any section thereof, is completed and open for traffic, the same is to be demised to the Contractors for ninety-nine years, at the nominal rent of one shilling per mile, and at the expiration or sooner determination of the term, is to revert to and become the property of Her Majesty.

The lease is to contain all reasonable and necessary covenants, with a forfeiture clause, but subject to a condition that if, within eighteen calendar months after taking possession, the Government shall, by perception of profits or other means, have been satisfied or compensated in respect of the grounds of forfeiture, the Contractors are to be reinstated.

From the opening of any railway or section for public traffic, the Government are to pay to the Contractors half-yearly, in England, until the expiration of thirty-five years from the commencement of such railway, or the purchase of the railways at an earlier period, and until the payment of the purchase money, such a sum as, with the net receipts from all the railways in the Contractors' hands then open for traffic, after paying all working expenses, maintenance, and other outgoings properly chargeable against revenue, will give the Contractors a dividend at the rate of  $5\frac{1}{2}$  per cent. per annum on the aggregate amount of the total cost of all the same railways and their plant, as appearing by the capital accounts of the railways respectively, within four months after the examination and approval by the Government of the half-yearly revenue accounts. When such net receipts are more than sufficient to pay such dividend at the rate of  $5\frac{1}{2}$  per cent., the excess is to be first applied in recouping to the Government any sums paid for working expenses, with interest at  $5\frac{1}{2}$  per cent., and the balance divided, one-fourth to the Government and three-fourths to the Contractors, until the Government are recouped all advances under their guarantee, with a like interest thereon, when the Contractors are to take all the profits.

At any time within twenty years after the completion of any railway, or any section thereof, the Government may, on giving twelve months' notice, purchase the right and interest of the Contractors in the railway, or section, and its plant; the price to be the total cost thereof, as then appearing by the capital account so approved as aforesaid, deducting therefrom the amount of any deterioration in value through wear and tear or want of repair.

I have, for the sake of brevity, used the word "Government," although in the Contracts distinctions are drawn between the Governor and the Minister or President of the Department of Public Works.

I will now shortly state the terms under which railways are constructed in India:—

The Railway Companies select their own lines of railway, and, of course, select only those which are likely to be most remunerative, not regarding what may be required to develop the resources of the country. They are under no restrictions as regards the cost of the railways, but whatever sums they expend in construction are allowed as between themselves and the Government. They pay their capital to the Indian Treasury as fast as they think fit, and the Government pay 5 per cent. interest from the time of such payment, paying out the moneys as wanted, but continuing to pay interest. Having made their own selection of lines, the Companies take upon themselves the risk of working expenses, and the Government covenant to pay them 5 per cent. interest on all their capital.

The profits are applied, first, in exoneration of the covenant of the Government to pay interest, and one moiety of the surplus is applied to recoup moneys previously advanced by the Government under their guarantee, with interest at 5 per cent., and subject thereto all the profits belong to the Railway Companies.

The railways are granted to the Companies for ninety-nine years, and the Government have the right to buy them up only at the expiration of the first twenty-five or fifty years, when they have to repay to the Companies the market value of all their capital, according to the last three years' average price of the stock or shares, taking over all their property. The Companies, however, have the privilege of relinquishing their undertaking at any time during the ninety-nine years, in which case the Government have to repay their capital.

It will thus be seen that the Contracts you have secured for the New Zealand Government give to that Government advantages which the Indian Government have not obtained. The New Zealand Government have the absolute right of selection of the lines of railway, and may choose those best calculated to develop the resources of the Colony, irrespective of the question of immediate profit; nevertheless, very properly taking upon themselves any risk of the railways not paying their working expenses, whereas the Indian Government have no such advantage.

The cost of the railways in New Zealand is limited to the net prime cost, with a simple addition of 5 per cent. only for Contractors' profits, whereas there is really no limitation as to cost in the Indian Contracts.

The New Zealand Government may alter the lines during construction in any way that they may think fit, which is a privilege not accorded the Government in the case of the Indian railways.

The New Zealand Government may purchase, at any time they think fit, under arrangement No. 1, within forty years, and under arrangement No. 2, within twenty years, any of the railways or any sections of any of the railways opened for traffic, with the plant belonging thereto, and at the bare cost of the same, with 5 per cent. only for Contractors' profits, and with deductions in respect of any deterioration in value; whereas the Indian Government can only buy up the whole of a railway at certain stated periods of twenty-five and fifty years, and have then to pay the full value of all the stock or shares of the Company according to the average of the three preceding years, which, in the case of railways selected by promoters, will probably be, at that distance of time, at a very considerable premium. Moreover, the Railway Companies can at any time relinquish their undertakings, and call upon the Government to repay their capital.

I think you may fairly congratulate yourself that your protracted and most difficult negotiation with Messrs. Brogden and Sons has been brought to so satisfactory a termination, and that there has been deposited by them securities for the sum of £25,000, as a guarantee for the carrying out of the obligations they have entered into.

From the many questions raised by Messrs. Brogden from time to time, and from the extreme reluctance with which they concluded the arrangements, I must confess I doubted very much whether the Contracts would have been completed and executed; and I cannot but feel that it was only owing to your excellent diplomacy that (although at the very last moment) the arrangements were brought to a satisfactory conclusion.

The Hon. the Colonial Treasurer.

I have, &c.,  
JOHN MACKRELL.

#### Mr. J. DENNISTOUN WOOD'S OPINION.

THE GOVERNOR OF NEW ZEALAND AND MESSRS. JOHN BROGDEN AND SONS,—

The Colonial Treasurer wishes to be advised by Counsel as to the relative advantages (if any) which, in the opinion of Counsel, may have been secured to the Governor of New Zealand by the Contracts entered into by Messrs. Brogden, as compared with those entered into by the Secretary of State in Council with Railway Companies for the construction of railways in India.

Mr. Dennistoun Wood is therefore requested, by reference to these Contracts and the accompanying print of one of the Contracts entered into by the Government of India, to advise accordingly.

21, Cannon Street, 28th June, 1871.

#### Opinion.

In comparing the two Contracts into one or both of which it is intended that the Governor of New Zealand shall enter on behalf of the Colony, with the Contract made between the East India Company and the Scinde Railway Company, I will first of all remark upon the remuneration to be paid to the Contractors, which may be considered under the two heads (1) of payments to be made not in the nature of purchase money, and (2) of the terms of purchase.

As regards the first head:—The East India Company guarantees interest to the Railway Company at the rate of 5 per cent. upon the capital expended by it. The interest guaranteed by the Government of New Zealand is somewhat higher, being  $5\frac{1}{2}$  under Contract No. 1, and  $5\frac{1}{2}$  under Contract No. 2; but, on the other hand, under the Indian Contract the Government pays interest on the capital from the day on which it was paid into the Treasury, and of the estimated probable expenditure of £500,000 no less a sum than £276,845 8s. 9d. was so paid or taken to have been paid before the date of the contract, whereas, under Contract No. 1, interest is not payable in respect of any section until it has been opened for traffic; and, under Contract No. 2, interest is payable only from the time when the amount which according to estimate will be expended in making the railways during the next three months, is deposited with the Colonial Treasurer, or, in the case of materials or plant purchased in England, only from the time when the purchase money is paid. Again, under the Indian Contract, only one-half of the profits is to be applied in repaying the Government the sums previously paid by it under the guarantee of interest, the other half belonging to the Railway Company; and when the whole of the sums paid by the Government under the guarantee have been repaid, then the whole of the profits are to belong to the Company; whereas, under Contract No. 1, although it is certainly not until the profits exceed 8

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per cent. that they are to be applied in repaying the Government the sums paid by it under the guarantee of interest, yet, when this occurs, the whole amount by which the profits exceed 8 per cent. is to be so applied, and when the Government has been repaid, the amount of such excess is to be equally divided between the Government and the Contractors, instead of belonging entirely to the latter, as under the Indian Contract and under Contract No. 2; when the profits exceed  $5\frac{1}{2}$  per cent. the whole of the excess is in like manner to be applied in repaying the Government any sums paid by it under the guarantee of interest exceeding  $5\frac{1}{2}$  per cent., and when these sums have been repaid, one-fourth of the excess is to belong to the Government until all its advances under the guarantee have been repaid with interest.

As regards the terms of purchase, it is to be observed that, under the Indian Contract, the purchase money is to be "the full amount of the value of all the shares or capital stock calculated according to the mean market value in London of such shares or stock during the period immediately preceding the expiration of the period of twenty-five years or fifty years," at which alone the East India Company had the right to purchase. The shares may have risen considerably above par, and it is quite possible that the belief of an intention on the part of the Government to purchase, may of itself raise the value of shares above what it otherwise would be, and so increase the amount of the purchase money. Under both the New Zealand Contracts the purchase money is to be merely the amount of the capital expended by the Contractors in making the railways and providing the plant, with a profit of 5 per cent. added, after making a deduction for the deterioration in value of the lines and plant, through wear and tear and want of repair.

It would, however, be improper to omit reference to the fact that, under Contract No. 1, the remuneration of the Contractors does not consist solely in money payments, as they are to receive a grant of three-quarters of an acre of land for every pound expended by them in making the railways and providing plant. As to this, it may be pointed out that if the opening up of railway communication shall render the grant of land valuable to the Contractors, it must, of course, have a like effect upon the greatly larger extent of land retained by the Government, so that if, on the one hand, the Contractors receive an advantage which they do not enjoy under the Indian Contract, on the other hand the Government of New Zealand will derive, from the enhancement in the value of its waste lands, an advantage which the Indian Government will not derive, or at all events not nearly to the same extent. It is to be further remarked that for the remuneration given to the Contractors under Contract No. 1, consisting as it does partly in money payments and partly in grants of land, they bind themselves not merely to make the railways and supply the plant, but also to introduce 10,000 immigrants on terms which appear to be very advantageous to the Government, as, instead of paying a lump sum on the arrival of each immigrant, it is required only to make ten annual payments of £1 each, and these payments are to cease if the immigrant dies or ceases to reside in the Colony.

As I have already incidentally mentioned, under the Indian Contract the Government can purchase only at the expiration of twenty-five or fifty years from the 1st of May in the year in which the contract was made, whereas the Government of New Zealand may purchase, under Contract No. 1, at any time within forty years from the commencement of the making of a railway, or, under Contract No. 2, at any time within twenty years from the completion of a railway.

The comparison between the New Zealand Contracts and the Indian Contracts, as regards the terms of the purchase, would be imperfect if I were to omit to point out that under the latter the Government becomes the owner of the railway without purchase at the end of ninety-nine years, supposing that it has not purchased at the expiration of the twenty-five or fifty years, whereas it is only under Contract No. 2 that a like privilege has been accorded to the Government of New Zealand; the Government, under Contract No. 1, being bound to purchase at the expiration of forty years, if it has not sooner done so. It is, however, unlikely—having regard to the policy of the Australian Colonies, in which the Government is almost universally the owner of the railways—that the Government of New Zealand would not acquire the railways at as early a period as possible, so that a provision as to a reversionary interest at the end of ninety-nine years would be practically of little value.

There are other advantages which the New Zealand Contracts appear to possess over the Indian Contract. Under it the Company may at any time, after a portion of the railway has been in work for three months, call on the Government to accept a surrender of the undertaking and pay the whole of the capital then expended by the Company; under the New Zealand Contracts the Contractors have no such rights.

Under the New Zealand Contracts the cost of making each section is to be determined between the Contractors and the Government before the former enter upon it; and this cost they cannot exceed, unless the Government should order alterations or deviations, and in that case the cost of them is fixed by a schedule of prices previously agreed upon. Under the Indian Contract the Government seeks to limit the expenditure by the somewhat complicated arrangement that the Company is to make no contract and enter upon no undertaking not previously sanctioned by the East India Company. This almost amounts to the Government becoming a railway contractor.

The Indian Contract fixes the termini of the railway (although there is a power to limit or extend the route), and under the New Zealand Contracts the Government has the absolute right of determining the lines of railway.

June 29, 1871.

J. DENNISTOUN WOOD.

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NOTICE AS TO THE SECURITIES DEPOSITED.

TO THE DIRECTORS AND MANAGERS OF THE BANK OF NEW ZEALAND,—

I hereby, on behalf of Sir George Ferguson Bowen, G.C.M.G., the Governor, and of the Honorable Julius Vogel, the Colonial Treasurer of Her Majesty's Colony of New Zealand, give you notice that the securities which were deposited with you by Alexander Brogden, Esquire, M.P., Henry Brogden, and James Brogden, all of No. 4, Queen's Square, in the City of Westminster, railway contractors, on

or about the 23rd day of June instant, were by articles of agreement dated the 26th day of June, 1871, and made or expressed to be made between the said Sir George Ferguson Bowen of the one part, and the said Alexander Brogden, Henry Brogden, and James Brogden, of the other part, declared to have been so deposited for and on behalf of the said Colonial Treasurer, on behalf of the said Governor, and for the purposes expressed and declared, or referred to in and by the same articles of agreement. And I do hereby accordingly give you further notice, and require you to hold all such securities respectively for and on behalf of the said Governor and Colonial Treasurer, and not to part with the same or any of them, or any part thereof respectively, without the express direction or consent in writing of the Governor or Colonial Treasurer for the time being of the said Colony of New Zealand, or the Agent-General of the said Colony in England for the time being, except on payment to you of the sum of twenty-five thousand pounds.

Dated this 28th day of June, 1871.

JOHN MACKRELL,  
21, Cannon Street, London, Solicitor, acting  
for and on behalf of the said Governor  
and Colonial Treasurer.

On behalf of the Bank of New Zealand I accept this notice, and acknowledge that the securities deposited with the Bank by Messrs. John Brogden and Sons are held by the Bank on behalf of the Governor and Colonial Treasurer of New Zealand, on the terms stated in the agreement mentioned in this notice.

For the Bank of New Zealand,

London, 28th June, 1871.

A. LARKWORTHY,  
Managing Director.

The securities referred to in this notice are promissory note of Messrs. John Brogden and Sons to Bank of New Zealand on demand, for £14,000, ditto for £11,000, total £25,000; and lease, Queen to Messrs. Brogden, of coal, ironstone, &c., within the Manor of Ogmores, in the County of Glamorgan, Duchy of Lancaster, dated 30th August, 1865.—A.L.

The Hon. Mr. VOGEL to the SECRETARY of STATE for the COLONIES.

MY LORD,—

Charing Cross Hotel, London, 3rd June, 1871.

I have the honor to inform your Lordship that, on behalf of the Government of New Zealand, I am about to make an arrangement for the construction of railways in that Colony.

Under that arrangement, it may from time to time be necessary that umpires should be appointed to act in cases of arbitration as to the prices to be paid for different works, and as to other questions arising out of the agreement.

It is desirable that such appointments should be made outside New Zealand.

I have, therefore, to ask, whether your Lordship will permit the Governors of Victoria, New South Wales, South Australia, Queensland, and Tasmania, respectively, to appoint an umpire or umpires when required, leaving it to the discretion of the Government of New Zealand to make the request to any one of their Excellencies to do so.

Of course the Government of New Zealand will undertake to pay all the expenses in connection with any such appointment.

The Right Hon. the Earl of Kimberley, &c., &c.

I have, &c.,  
JULIUS VOGEL.

Mr. R. H. MEADE to the Hon. J. VOGEL.

SIR,—

Downing Street, 10th June, 1871.

I am directed by the Earl of Kimberley to acknowledge your letter of the 3rd instant, and to inform you that the Governor of each of the Colonies you mention will be requested to comply with any application he may receive from the Government of New Zealand for the appointment of an umpire or umpires in the event of any questions arising which might call for arbitration under the arrangement you are about to make for the construction of railways in New Zealand.

Julius Vogel, Esq.

I have, &c.,  
R. H. MEADE.

MESSRS. BROGDEN and SONS to the Hon. J. VOGEL.

SIR,—

4, Queen Square, Westminster, S.W., 24th June, 1871.

We intend at once to send out rails, engines, goods waggons, and other plant for the New Zealand railways, to the extent of about twenty-five thousand pounds, and we have the honor to request that you will name some Engineer in England with whom we can communicate, and who will be authorized to approve the specifications, and inspect and pass the material when ready for shipment.

The Hon. J. Vogel, Charing Cross Hotel, W.C.

We have, &c.,  
JOHN BROGDEN and SONS.

The Hon. J. VOGEL to MESSRS. BROGDEN and SONS.

GENTLEMEN,—

Charing Cross Hotel, London, 24th June, 1871.

I have the honor to acknowledge the receipt of your letter of this day's date, respecting a proposed shipment by you, to New Zealand, of certain railway plant and material, and the appointment of an Engineer to inspect the same.



APPENDIX E.  
Railways.

In reply, I have the honor to enclose to you a copy of a letter on the subject, which I have addressed to Mr. A. O. Ottywell, of 16, Charing Cross, who has recently been acting on behalf of the Government of New Zealand as to railways in Canterbury.

Messrs. John Brogden and Sons.

I have, &c.,  
JULIUS VOGEL.

The Hon. J. VOGEL to Mr. OTTYWELL.

SIR,—

Charing Cross Hotel, London, 24th June, 1871.

Under the terms of a contract entered into with Messrs. Brogden and Sons, those gentlemen propose to ship certain railway materials and plant to New Zealand, and have applied to me to appoint an Engineer to inspect and approve of the same.

I have, therefore, the honor to request that you will move Mr. G. W. Hemans, C.E., to prepare specifications, or to consider specifications submitted by Messrs. Brogden and Sons; and, if he thinks it right so to do, to approve of the same. In either case, Mr. Hemans will inspect, and certify respecting, the plant and material before they are shipped.

It is proposed to send out—Rails, suitable for light railways; engines; and goods waggons: the total value not to exceed £25,000. You should consider that the gauge is to be 3 feet 6 inches, and that the railways are to be light—say, to cost from £3,000 to £5,000 a mile.

As this is business in the nature of that which Mr. Hemans contemplated, I beg you will arrange with him that his charges shall be limited to 1½ per cent.

You will be so good as at once to place yourself in communication with Messrs. Brogden on the matter generally.

A. O. Ottywell, Esq., 16, Charing Cross.

I have, &c.,  
JULIUS VOGEL.

The Hon. J. VOGEL to Messrs. BROGDEN and SONS.

GENTLEMEN.—

Charing Cross Hotel, London, 26th June, 1871.

I have the honor to enclose to you copy of a letter which I have this day addressed to Mr. A. O. Ottywell, of 16, Charing Cross.

Messrs. John Brogden and Sons.

I have, &c.,  
JULIUS VOGEL.

The Hon. J. VOGEL to Mr. OTTYWELL.

SIR,—

Charing Cross Hotel, London, 26th June, 1871.

Referring to my letter of the 24th instant, as to certain railway plant and materials to be shipped to New Zealand by Messrs. Brogden and Sons, and as to the services in connection therewith which you are to move Mr. G. W. Hemans, C.E., to render,

I have the honor to add, that when tenders are received by Messrs. Brogden and Sons, and submitted to Mr. Hemans, he is to consult those gentlemen, and to come to some determination with them as to the tender or tenders to be accepted.

A. O. Ottywell, Esq., 16, Charing Cross.

I have, &c.,  
JULIUS VOGEL.

The Hon. J. VOGEL to Mr. MORRISON.

DEAR SIR,—

New York, U.S., 10th July, 1871.

The shortness of my stay in London, after the contract with Messrs. Brogden was signed, did not permit me time to write to thank you for the cordial assistance you rendered me throughout the protracted negotiations with those gentlemen.

I now, therefore, take the opportunity of conveying to you my thanks for that assistance, as also for the readiness with which you lent me your valuable services for other purposes during my stay in London.

John Morrison, Esq.

I am, &c.,  
JULIUS VOGEL.

The Hon. J. VOGEL to Mr. J. MORRISON.

MY DEAR MR. MORRISON,—

San Francisco, Cal., 20th July, 1871.

Many thanks for your letter of June 29th, and for the copy of advertisements enclosed in it.

I have received safely the letter from Mr. Mackrell, and its enclosures.

In reply to your question, whether you are at liberty to use the explanation I gave you orally as to the reason why I referred Mr. Brogden to Mr. Ottywell instead of to yourself, I have to say that you are fully at liberty to use that explanation. I may add, that it was only in the hurry of the moment it occurred to me to employ Mr. Ottywell, and that if I had had time to think over the matter, I should certainly have referred Mr. Brogden to you, leaving it to you to make arrangements with Mr. Ottywell. I have, further, explicitly to assure you that it was only in consequence of my having been brought into contact with Mr. Ottywell in respect to Canterbury matters, for similar purposes, that the idea of employing him upon the occasion in question occurred to me. Nothing was further from my mind than the idea of putting any slight upon yourself. Indeed, I had reason to be very much obliged to you for the great zeal you showed throughout the negotiations with Messrs. Brogden.

John Morrison, Esq.

I am, &c.,  
JULIUS VOGEL.

## APPENDIX F.

## Immigration.

## APPENDIX F.

## IMMIGRATION.

Colonel the Hon. W. FIELDING to the Hon. J. VOGEL.

SIR,—

23, Brook Street, W., 12th May, 1871.

With reference to the interviews which I have had with you, on the proposed operations of the Emigrants and Colonists' Aid Corporation in New Zealand, in concert with the Colonial Government, and as it appears that your Government is desirous to encourage an extensive emigration from the United Kingdom in connection with the settlement of its waste lands and the construction of works of public utility, I have the honor to request that you will inform your Government that I am about to visit the Australian Colonies, with full powers to carry out the objects of the Corporation; and that, if agreeable to your Government, I would proceed to New Zealand to open negotiations with them, with the view of making definite arrangements for the attainment of that which they so much desire, through the intervention of the Corporation.

I expect to be in Queensland about the beginning of July, and to remain there about two months. My address will be, "Government House, Brisbane," where I shall be glad to receive a communication from the Government of New Zealand.

Hon. Julius Vogel, &amp;c.

I have, &amp;c.,

W. FIELDING, Colonel.

The Hon. Mr. VOGEL to the Hon. Colonel FIELDING.

SIR,—

Charing Cross Hotel, London, 13th May, 1871.

I have the honor to acknowledge the receipt of your letter of yesterday's date, in which you refer to the various interviews we have had, and you inform me of the time about which you will be able to visit New Zealand.

In reply, I have the honor to state that I will lay before my Government your letter, and I do not doubt that they will gladly avail themselves of your offer to visit New Zealand.

I have, &amp;c.,

Colonel the Hon. W. Fielding, &amp;c.

JULIUS VOGEL.

