

to a sum not less than seven hundred thousand pounds, each railway to be paid for either in cash or in debentures, as shall be agreed upon between the Governor and the Contractors, as hereinafter mentioned (the several contracts for which railways are hereinafter referred to as Contract No. 3), then the said Contract No. 2 shall be annulled, cancelled, and be of no effect.

2. That the Governor will, within twenty-one days after the execution of these presents, specify in writing to the Contractors, the several railways which he is willing and proposes to have constructed by the Contractors under Contract No. 3, or from amongst which, in the event of Contract No. 3 not being entered into, the Governor is, under Contract No. 2, to entrust to the Contractors railways for construction to the extent in cost of five hundred thousand pounds, and such last-mentioned railways shall be such one or more of the railways so to be specified as aforesaid, for the purposes of Contract No. 3, as the Governor shall think fit. For the purpose of this clause such railways shall be sufficiently specified if the termini of each railway be specified.

3. That the Governor will from time to time, whenever he shall think fit, but not later than nine months from the date hereof, cause to be furnished to the Contractors all necessary and usual data for enabling them to estimate the probable cost of construction of each of the lines of railway to be specified as aforesaid for the purposes of Contract No. 3, and also the terms and conditions upon which each of the said railways is to be constructed; and the Contractors shall, after receiving the data in respect of each railway, tender to the Governor in writing for the construction thereof, and state the prices at which they are willing to construct each such railway, according to the plans and specifications and conditions submitted to them: the tender for each railway to be sent in to the Office, at Wellington, of the Minister of Public Works, within one calendar month after the Contractors shall have received the data of such railway, and the prices to be mentioned in such tenders are to be calculated upon the following contingencies (that is to say):—In the first place, upon the contingency of the Governor electing to pay for the work in cash; and in the next place, upon the contingency of the Governor electing to pay for the same in debentures, under “The Public Works and Immigration Loan Act, 1870,” charged upon the Consolidated Revenue of New Zealand, and bearing interest at five pounds per centum per annum, such debentures to be taken at par; and no notice shall be given by or to the Governor, that negotiations in respect of Contract No. 3 have failed, until the Governor shall have notified to the Contractors the rejection by him of such a number of the tenders sent in as will, in the opinion of the Governor, reduce the probable cost of the rest of the specified railways, including those as to which prices have been assented to by the Governor and those as to which tenders have not been sent in, below seven hundred thousand pounds; and it shall be lawful for the Governor, at any time after any tender has been rejected, to cause the railway tendered for to be constructed in any manner he may think fit, and for such purpose, if he thinks fit, to call for tenders generally; and, after notice has been given that negotiations have failed, it shall not be necessary for the Governor to supply data for the rest of the railways.

4. And whereas negotiations are now pending between the Governor and the Contractors for the construction of a railway from the Town of Blenheim, in the Province of Marlborough, to the Town of Picton, in the said Province, but such negotiations are as yet incomplete, and no contract has been entered into for the construction thereof by the Contractors; and it is proposed that, in the event of a contract being entered into for the construction of such railway, it shall be proceeded with without delay, and without waiting for the completion of Contract No. 3:

Now it is further proposed by the Governor and accepted by the Contractors, that, in the event of the said Contract No. 2 being cancelled and Contract No. 3 being entered into, then the said railway from Blenheim to Picton shall be deemed to be one of the railways to be constructed under Contract No. 3, and the amount of the contract price thereof shall be taken into account in making up the said amount of seven hundred thousand pounds; but if the said Contract No. 2 is not cancelled and Contract No. 3 is not entered into, then the construction of the said railway from Blenheim to Picton is to be deemed a subsisting but a separate and independent work, and not to be included in the works to be constructed under the provisions of the said Contract No. 2.

5. Pending negotiations with the Contractors for Contract No. 3, it is further proposed by the Governor, and accepted by the Contractors, that the Contractors shall, on the terms hereinafter specified, and according to such plans, specifications, and conditions as shall be fixed by the Governor, commence and proceed with the construction of such of the railways so to be specified by the Governor as aforesaid, for purposes of Contract No. 3, as the Governor shall think fit, or such part or parts thereof as the Governor shall think fit, the Governor providing for that purpose the cost of all necessary labour, skilled and otherwise, and of all necessary plant, tools, implements, and materials.

6. Such interim construction shall be carried out under the inspection and subject to the control and direction of an Engineer, appointed for that purpose by the Minister of Public Works, for each railway, and on failure by the Contractors to comply with any directions of such Engineer, then the Governor may at once take out of the hands of the Contractors the further construction, under clauses five, six, and seven of this agreement, of the railway as to which such directions shall have been given.

7. All intended expenditure on account of such construction shall be approved of by the Engineer so to be appointed by the Governor as aforesaid, and the money for such expenditure shall be provided and disbursed by the Governor, and the Contractors are to receive from the Governor, by way of remuneration for such construction, the sum of ten pounds for every one hundred pounds expended in manner aforesaid, and no more, but the Contractors are not to be entitled to receive such percentage on any moneys expended on plant or materials not actually consumed or used in or about the construction of work under the provisions of clauses five, six, and seven of these presents, nor upon plant or materials in respect of the expenditure for which he may have previously received such percentage either under the above clauses or under any separate or independent arrangement.

8. If Contract No. 3 is entered into, then all disbursements made by the Governor under the terms contained in clause five, six, and seven of these presents, and all percentages paid to the said Contractors, shall be deemed to be payments in cash under Contract No. 3 in respect of the railway upon which such disbursements have been made, if such railway shall be included in Contract No. 3. Provided that it