

1875.

NEW ZEALAND.

CONSTRUCTION OF A RAILWAY BETWEEN NELSON
AND THE WEST COAST,

(CORRESPONDENCE RELATING TO).

Presented to both Houses of the General Assembly by Command of His Excellency.

No. 1.

The Hon. the PREMIER to the Hon. the COLONIAL SECRETARY.

7, Westminster Chambers, Victoria Street, Westminster, S.W.,
28th April, 1875.

SIR,—

I have the honor to inform you that Mr. Henry Handyside, of Nelson, called on me some weeks since with the view of submitting proposals for the construction of a railway between Nelson and the West Coast. I told him that I had no authority to negotiate in the matter, nor any power or inclination to bind the Government in any respect as to it; but that I had no objection to express my opinion upon his proposals, provided he clearly understood that that opinion would not in any sense bind myself or my colleagues.

Mr. Handyside's proposals were, in effect, that a land grant and a guarantee should be given. He said that the guarantee he named would never have to be paid, and that, in fact, the amount of the liability of the colony would only be one-third of the nominal guarantee. I replied that if the guarantee were actually fixed at one-third of the sum he named, it might possibly lead to an arrangement, but that I would not express a positive opinion to that effect.

Sometime afterwards Mr. Handyside wrote to me that the proposals he had submitted could not be carried out, but that he wished me to see his friends Mr. Berry, formerly a resident in Nelson, and Mr. James, of the firm of Messrs. James and Edwards, Accountants, Tokenhouse Yard. I consented, and those gentlemen laid before me a proposal in writing, which I append. We had a conversation upon this proposal. You will observe that in the document there are blanks left for amounts, but I ascertained that what was meant was that the works should be constructed at a reasonable rate under the direction of the Government, and that the Government should take a perpetual lease with the power of purchase at any time, and that interest on the cost of the works during construction should be capitalized. I asked upon what basis of interest the rent was to be fixed, and I was told 6 per cent. I replied that, in my opinion, neither the Government nor the Parliament would consent to any such a rate; that the whole thing resolved into—1. Could the contemplated contractors construct the works as cheaply as they could be constructed if tenders were called for? 2. What rate of interest the colony would consent to pay on the money expended?

Subsequently Mr. James again called upon me, and informed me that the proposed contractors were Messrs. Clark, Punchard, and Co.; that they had a representative in Tasmania; that they would be content with $5\frac{1}{2}$ per cent. on the expenditure; and that they would construct the railway as cheaply as it could be constructed if tenders were obtained from local contractors. He asked me if I would see Messrs. Clark and Punchard, and I met them next day. Those gentlemen asked me a few questions, and then said they would consider the matter, and would possibly ask for another interview.

You will understand that I have not in any respect committed the Government, and that I intend not to do so. The Government will be as unfettered in negotiations with Mr. Reeves (Messrs. Clark and Punchard's partner), and their representative in Tasmania, as though no word had passed with me on the subject.

I do not know whether the Government will think it expedient to pay, or whether Parliament would approve of paying, $5\frac{1}{2}$ per cent. interest. Admitting that it might be convenient to us not to have to borrow for this railway, and that interest on the cost of the works during construction were to be capitalized, still it would be a question whether it would be worth while paying $\frac{1}{2}$ per cent. more than we look upon as our normal rate of borrowing. This question the Government will have to consider, as well as the amount upon which they would be willing to pay