

Enclosure 3 in No. 3.

The AGENT-GENERAL to Mr. SALT.
Midland Railway of New Zealand.

SIR,—

7, Westminster Chambers, S.W., 17th April, 1886.

In reply to your letter of the 15th instant, containing certain questions which you desire to have answered for the satisfaction of your colleagues and yourself, I have to make the following statement:—

1. The grants of land to be made to the company under the contract of 17th January, 1885, will comprise the timber upon, and all coal and minerals under, the surface, not being the precious metals (gold and silver).

2. If the Government resume possession of any of the Crown-granted lands under "The Resumption of Land for Mining Purposes Act, 1882," full compensation will be paid for the value (other than auriferous or argentiferous) of the land so resumed. In case of difference as to value, it will be assessed and determined by the Compensation Court under the Act, consisting of a Judge of the Supreme Court and two Assessors.

3. There are large and valuable deposits of gold, coal, and other minerals in the country to be served by the railway. The Prime Minister, in a paper he has just published, says: "On the West Coast there are enormous deposits of coal; thousands of acres of carboniferous land, with seams more than 20 feet in depth, of the finest steam coal in the world. There is also magnificent gas coal at Greymouth. The whole region of Westland may be a mineral region, which, through its inaccessibility, and being mainly timbered land, can hardly be said to be prospected." The Government Geologist (Dr. Hector) says: "The bituminous coal is chiefly worked in the Nelson District. . . . At Mount Rochfort, or Buller Mines, the seams are on a high plateau, and from 10 to 40 feet thick.

. . . . At the Brunner Coal Mine, on the Grey River, the working face of the seam is 18 feet, and it has been proved to extend one-third of a mile on the strike without disturbance. . . . Several promising auriferous reefs have been found in the Westland Goldfields."

4. The net yield of the railways in the South Island for the following financial years was:—

1881	..	..	..	..	..	£4 10s. 0d. per cent.
1882	..	..	..	..	..	£4 16s. 3d. "
1883	..	..	..	..	..	£4 2s. 6d. "
1884	..	..	..	..	..	£3 5s. 2d. "
1885	..	..	..	..	..	£3 10s. 0d. "

The average of the five years is £4 0s. 9d. per cent.

5. The Government are entitled, at any time after the expiration of ten years from the date when the entire line is opened for traffic, and upon giving twelve months' notice to the company, to purchase the railway at a price to be determined by arbitration. The arbitrators, in determining the price, are to take as the basis of valuation the cost of similar railways at the time the works were constructed, and are to take into consideration depreciation in permanent-way, plant, &c., including therein any provisions or existing rights respecting the use of the railway.

I shall be glad to give you any further particulars that you may desire.

Thomas Salt, Esq.

I am, &c.,

F. D. BELL.

Enclosure 4 in No. 3.

The AGENT-GENERAL to Mr. SALT.
Midland Railway of New Zealand.

SIR,—

7, Westminster Chambers, S.W., 19th April, 1886.

I have to acknowledge the receipt of your letter of the 15th instant, in which you explain more fully the concessions which your company asked for in Mr. Scott's telegram to the Christchurch Committee on the 20th March. In reply, I have to point out that, as some of these concessions may be held to involve variations either in the contract of 17th January, 1885, or in the East and West Coast Railway Act of 1884, they can only be made legally effectual by legislation. But as my Government are desirous of facilitating as far as possible the formation of your company, in order that the railway may be commenced at once, they have authorized me to come to an agreement with you respecting those concessions, and I now proceed to state the terms upon which I am ready to accede to them.

1. As to the Selection.

(a.) The company to be at liberty, as soon as reasonably can be done after the assignment of the contract, to make selections of the land that will be ultimately granted to them upon completion of successive sections of the line; and the valuation of the land as selected to go on concurrently with every selection as it is notified. Whenever the company makes a selection adjoining the line, the Government to be at liberty to make an alternate selection of equal size for themselves.

(b.) As soon as the blocks of land are selected and valued, the same to be set aside in such way as may be agreed upon by the Government and the company, to the intent that they may be held for the sole benefit of the company as and when the same shall have been earned by the completion of successive sections of the line.

(c.) Notwithstanding any order in which the company may select the blocks of land, the company to be at liberty, as and when each section of the line is completed by them, to declare which block or blocks shall be Crown-granted to them, up to the value of the completed section, without regard to the order in which their selections were made.

2. As to Interest during Construction.

If the Government exercise their right to purchase the line, such a sum to be added to the price (determined under the Act) as is equal to the amount which may have been actually paid to the shareholders or debenture-holders of the company as interest during construction, for the period ending 31st July, 1892; the rate not to exceed an average of 4 per cent. per annum, except in the case of the first half million of capital raised, in regard to which the rate to be 5 per cent.; the total amount to be added to the price of the railway not to exceed £400,000.

3. As to Running Powers.

The Government and the company to enter into an agreement for giving and receiving mutual running powers and terminal facilities over their respective lines, on the basis of the most favoured body or person owning railways in New Zealand, or having authority over the same. Such agreement to give the company access to the Ports of Lyttelton, Nelson, and Greymouth, and to the Government railway termini at those ports and at Christchurch.

4. As to Time for the £150,000.

The time for expending the first sum of £150,000, in accordance with the contract, to be extended to 31st July, 1887.

5. As to the Deposit of £5,000.

This amount to be paid to me upon the assignment of the contract being executed.

6. As to the Assignment of the Contract.

The assignment to contain a covenant by the company to execute, in New Zealand, a contract, in such form as the Government require, whereby the company, being domiciled in the colony, shall directly contract with the Government to carry out the provisions of the assigned contract, to the intent that the contract with the company shall be brought within the law of the colony. The contract so executed between the Government and the company to contain a covenant similar to the one in the assigned contract, restricting the company from assigning it without the consent of the Government; and the present assignment to contain a provision restricting the company from making any assignment before the new contract is executed in the colony.