

SESS. II.—1887.]
NEW ZEALAND.

WASTE LANDS COMMITTEE

(REPORT OF THE), ON THE PETITION OF THE WELLINGTON AND MANAWATU RAILWAY
COMPANY, TOGETHER WITH MINUTES OF EVIDENCE AND APPENDIX.

Report brought up 21st December, and ordered to be printed.

REPORT.

THE petitioners pray that land may be allocated to them in accordance with the contract.

I have the honour to report that there has not been sufficient time to take all the evidence required, but the evidence which has been taken and printed is herewith laid on the table of the House.

21st December, 1887.

JAMES FULTON,
Chairman.

MINUTES OF EVIDENCE.

THURSDAY, 24TH NOVEMBER 1887. (Mr. J. FULTON, Chairman.)

Mr. TRAVERS, Counsel for the Petitioners, made the following statement:—

I APPEAR as counsel on the part of the Wellington-Manawatu Company to support the petition now before this Committee. The company claims consideration in connection with certain provisions in its contract with the Crown, in respect of which, however, it at once admits that its claim has now become an equitable one only, there being no absolute undertaking on the part of the Crown in the contract itself to do that which the company contends that the Crown ought to have done. But the circumstances which I propose to bring before the Committee will, I think, satisfy it that, although there was no positive engagement on the part of the Crown in the contract itself to provide for the matter in question—and, indeed, there were excellent reasons why the Crown should not have entered into any positive undertaking—there were assurances on the part of the Crown given under such circumstances as justified the company in waiving any right to a positive undertaking. As the Committee is aware, a former Government had commenced the construction of a line of railway from Wellington to the Manawatu, and had expended a considerable sum of money in prosecuting the work. It had taken possession of lands for the purposes of that railway, and had provided plant which was used in prosecuting the work, which (if my recollection serves me) was being carried on by day-labour in order to give relief to a number of persons who claimed to be then unemployed, and unable to maintain themselves otherwise than by the aid of works projected and carried on by the Government. The work in question has been always recognised as one of considerable importance; and, indeed, I may say, of necessity. But for reasons which I am not concerned with at all, the Government which succeeded that which had commenced these works did not think fit to prosecute them, although at the same time it expressed its willingness to afford facilities for doing so to any private persons or company who would undertake them. The people of Wellington, and of the district through which the railway now passes, were so impressed with the importance of the work, that a number of gentlemen at once placed themselves in communication with the Government with a view to obtaining such concessions as would justify them in embarking capital in the undertaking. The Government, however, had no power to do anything of the kind without legislative authority; but, after giving the matter submitted to it the most careful consideration, it caused an Act to be passed by the Assembly called “The Railways Construction and Land Act, 1881,” under the provisions of which it was enabled to make provision for the construction of the line in question by private enterprise, and to make such concessions as were calculated to lead persons having the capital at command to embark it in undertakings of the kind. After a good deal of negotiation on the subject, especially in relation to the provisions of that part of the Act which authorised the allocation of lands along the line of a projected railway, an arrangement was made between the projectors of the present company and the Government under which concessions of land were agreed to be granted. The company was thereupon at once established, the primary object being the construction of the line, but the formation of the company was based, as the Government knew, upon the assurances given that concessions of land of adequate value should be made to it. The concessions ultimately agreed to were to comprise the work already done, the plant on the ground (which was useless for any other purpose), the right to reclaim a tract of land in the Harbour of Wellington (which was to be done and was done with material from the tunnels and other works), and a grant to the company of land of an assessed value, equal to 30 per cent. of the cost of the railway, not exceeding, however, £5,000 per mile. In order to give effect to this, the Government instructed the officers of the Lands Department to make a return of all lands available for purposes of allocation. Now, honourable members will see, if they look at the Railways Construction and Land Act, that provision is made for setting apart land within fifteen miles *on each side of the railway*, to be selected by the company and the Government in alternate blocks. But in this case there was not sufficient land on each side of the line, within the distance prescribed by the Act, which could be appropriated in that manner, and, as this was known before the Act was passed, a provision was introduced into it to enable the Government to set apart land in a different manner for the purpose of meeting the case. It was, in effect, found that there was sufficient land to meet the proposed allocation, but a portion of that land, of considerable value, was separated from the line of railway, and the district through which it passes, by the physical obstacle of the Tararua Range; and, as it was supposed, not unnaturally, that the line would specially benefit the country on the western side of the range only, it was felt that some difficulty might arise if it became necessary to resort to lands on the eastern side of the range, which would not *prima facie* be benefited by the line. The length of the line is 84½ miles, and as the price per mile was fixed at £5,000, the 30 per cent. in land which the Government had agreed to grant to the company would bring the allocation up to £126,400, or thereabouts. Now, there was not land enough on the western side of the range to meet this, and the intention to include within the area of allocation the land on the eastern side of the Tararua Range was at once objected to by the inhabitants of that side, who caused representations to be made to the Government by their members in Parliament against the appropriation of this land for the company's line on the special ground that its construction would not benefit in any degree the people on that side of the range. The Government, feeling, no doubt, that there was some force in

these representations, and not being desirous of infringing the right to have the land in question appropriated to the purpose of completing the line between Masterton and Woodville, yielded to these representations, and withdrew the land in question from the allocative area. But, inasmuch as there had been a positive agreement between it and the company to make an allocation to the extent of 30 per cent. of value, the Government was placed in a dilemma by being compelled to ask the company to forego its right to allocation within the locality referred to, and it was at this time that it made to the company the representations to which I am about to allude. The company was not desirous of embarrassing the Government in any degree by insisting upon the literal performance of the agreement made between them, and consented to forego the right which it *prima facie* had to an allocation in the locality referred to upon the distinct assurance of the Government that it had been in treaty, and was still in treaty, with the Native owners for the purchase of large blocks of valuable land on the western side of the range through which the railway would pass, and that there was every reason to believe that, within a reasonable time, it would be in a position to acquire a sufficient quantity of these lands to make up the deficiency which would be caused by excluding from the area of allocation the lands on the eastern side. There were reasons why the Government should ask the company to be content with these, and with the further assurance that reasonable endeavours would be made to acquire the land within the period mentioned in the contract, rather than insist upon any positive engagement on the subject. The Government said that, as five years was the time within which the work had to be completed, and as the allocation was to be made in proportion to the progress of the works, it would fix the same period as that within which the area of the land already available was to be supplemented by acquisition from the Natives. The company had, therefore, every reason to believe that before the work was completed the Government would be in possession of a sufficient quantity of land on the western side of the range to make good the loss which it (the company) would apparently sustain by surrendering its right to allocation out of the lands on the eastern side. You will observe, Sir, from the statements I have handed to you, and which I prepared in order to show the exact nature of the claim of the company, that I call attention to the fact that, in the contract between the Crown and the company, there is a distinct admission on the part of the Crown as to the extent of the allocation agreed to be made. In that respect the contract is quite emphatic. A plan was annexed to the contract showing by a red border the lands absolutely set apart for allocation, and the recital which precedes clause 10 admits that the lands so shown left a large deficiency in the area agreed to be granted. It will be seen, then, that the company need go no further than the contract itself in support of the allegation, "that there was a positive agreement on the part of the Government that the endowment in land should amount to 30 per cent. in value on the estimated cost of the line, taking its length at eighty-four and a quarter miles, and its cost at £5,000 per mile." But the company was confined, as regards their allocation, to the land shown by the red border on the plan annexed to the contract, although the area was admittedly insufficient for the purpose, but insufficient only because the company, *at the request of the Government*, had consented to the elimination from the map and from the original schedule of the blocks of land lying on the eastern side of the range, for the reasons which I have already mentioned to the Committee. And now let me call attention to the clauses which provide for this deficiency, which are as follows: "11. That, if within the period of five years computed from the date of these presents, Her Majesty the Queen shall acquire lands within the area shown by a yellow border upon the map hereunto annexed and marked D, and such lands, or a proportionate part of the same, shall in the opinion of the Governor be available for the purpose, the same or a proportionate part of the same as the case may be, shall forthwith after such acquisition be withdrawn from sale and set apart to be granted to the company under the powers and to be dealt with in manner respectively provided by Parts I. and V. of the said Act, and shall be and be deemed to be subject to selection by the company in like manner as hereinbefore provided in respect of the lands shown by a red border and colour on the map hereunto annexed and marked C, but so nevertheless that the total area of lands so to be set apart and selected shall not, when valued and assessed as by the said Act provided, exceed in value the sum of twenty-nine thousand eight hundred and five pounds. 12. That when and so soon as any lands shall have been acquired as aforesaid, the same shall be assessed and valued with all convenient speed, in manner provided by the said Act, in order to render the same available for selection by the company; and the company may accordingly select the same in like manner, and for the like purposes, and subject to the like provisions and conditions as are hereinbefore contained in respect of the lands shown by a red border on the map hereunto annexed and marked—."

These clauses, as I contend, amount not only to a positive admission on the part of the Crown that there was not within the red border a sufficient quantity of land to meet its arrangements with the company, but also to a virtual undertaking on the part of the Crown that it should be supplemented within five years by the acquisition of land for the purpose. Now, I shall show, both by correspondence and verbal evidence, there was a distinct statement made by the Government that it was, in fact, at the date of the contract in negotiation for valuable tracts of land in the hands of the Natives, from which, when acquired, there would be no difficulty in supplementing the company's endowment. It may be asked, Why was there not in the contract itself a positive undertaking on the part of the Crown to acquire these lands within the five years? Why the matter was left in its present position? Why the right to the endowment was made contingent, in point of fact, upon the acquisition of the land within the term? The reason is not far to seek, and was present to both the Government and the company when the contract was executed. It was this, that, inasmuch as the power to provide these additional lands was dependent upon the willingness of the Natives to sell, it would not have been expedient for the Crown to enter into any positive contract on the subject, because, if the covenant had not been fulfilled, its nonfulfilment would have entailed a legal pecuniary liability in favour of the company, which it could at once have enforced. Now, Sir, I will show that there has always been a very great dilatoriness on the part of the Crown in completing purchases from Natives, from causes more or less cogent, one of which has

always been present to me—namely, that so long as agents were paid by the year instead of by the result, there was no particular reason for them to hurry through their negotiation, their occupation being gone as soon as the transaction was over. It would have been far better if they had been paid by results instead of by annual salary; yet so it was. But it was not supposed at the time that even this known dilatoriness would have extended to such a period as five years, for the Government had long been unquestionably anxious to acquire the land in question for the purposes of settlement. Knowing this, the company had every reason to suppose that, within the period named, the Government would have been in a position to supplement the deficient allocations. The company also believed that the Government would be diligent in its endeavours to do so, not only for purposes of settlement, but also for the purpose of keeping faith with the company, which had voluntarily surrendered its right to land at the eastern side of the range in order that the Government might not have to face political or other difficulties in connection with it. A good deal of correspondence took place upon this matter between the company's Secretary and its Chairman and the Government. This correspondence had three phases. Firstly, the phase anterior to the formation of the company; next, the phase immediately succeeding its formation, and from thence up to the end of 1883; and, lastly, that which it assumed when the correspondence was reopened in the year 1885. With respect to this last period, the company has, with regret, to express its belief that the late Minister of Native Affairs was not disposed to afford any consideration to the company, or, indeed, to give effect to the assurances of his predecessors in office in connection with this matter. Indeed, it will be my duty to bring before this Committee evidence that the honourable gentleman, in dealing with Native proprietors of some of the blocks which were under negotiation even so long ago as when the company's contract was entered into, has expressly stated "that he was not prepared to complete his negotiations until the expiration of the five years mentioned in the contract; because, if he did so, it would give the company the right to claim an allocation which he was not at all disposed to favour." In point of fact, we say that the late Minister of Native Affairs has expressly delayed the completion of the purchase of these blocks in order to defeat the right of the company, and the company, as this Committee will observe, is quite justified in treating such conduct as a breach of faith, which it is believed the Legislature will not countenance, and which was certainly not in contemplation when the contract was entered into. Now, Sir, I would like to say a word or two with reference to the policy of allocations of the kind made to the company I represent. There is a general, but, as I submit, false impression on the minds of persons outside with respect to the object of endowments such as are contemplated by the Railways Construction and Land Act. The accounts of the Public Works Department of the colony show sufficiently that the Government railways, at all events, do not yield, by a long way, the interest on the cost of construction; that there is, in fact, a considerable loss on that head, which has to be supplemented from other sources of revenue. This was in contemplation both by capitalists and the Government at the time that the Act in question was passed, and the object of providing the allocations in question was not to give a mere bonus to persons who might be induced to enter upon the class of undertaking contemplated by the Act, but to supply them with the means of making up the loss which must inevitably for some time result where such works are constructed through thinly-populated districts. The risk to those who embark their capital is manifest, and the Government felt that it was not, as I understand, violating any political principle in making some provision against that risk. It is popularly supposed that, because some portion of the land allocated to the company I represent has realised very good prices upon sale, the lands allocated are likely to be a source of great profit; but the company is absolutely precluded, by the terms of its agreement with the Crown and by its own memorandum of association, from appropriating any portion of the proceeds of the lands, or even of such land as it may acquire by purchase, to any other purpose than the construction and working of the railway, until a clear profit is shown from the traffic on the line. Moreover, the estimate for the purposes of allocation was a low one—£5,000 per mile—and the company is in a position to say that it has expended a far larger amount than this in the construction of its works. It is manifest, too, that, so soon as it is shown that its line is worked at a profit on the capital cost, the Government, acting under the powers of the Land Act, will at once take it over. The Government will wait until the company has succeeded before availing itself of the power to acquire the line; but there can be little doubt that, so soon as the company has shown that it has established a line capable of yielding a profit, it will be deprived of its undertaking by the Government taking it over under the provisions of the Act. Now, Sir, I propose to go through the correspondence which has taken place between the company and the Government. But, before doing so, I formally put in a copy of the memorandum and articles of association. You have the contract before you, and a statement of the case which the company proposes to make. You have also before you a copy of the return, prepared by the Waste Lands Department, of the lands available for allocation, though, as I have already mentioned, some of these lands were afterwards withdrawn from the allocation area in consequence of the representations made by the Government to the company. It will not surprise the Committee when I state that it was found impossible to raise the whole capital of the company in New Zealand, or that, although the promoters were able to obtain from local sources such an amount of capital as indicated the *bona fides* of the undertaking, it could not reckon upon locally raising so large a sum as £650,000 or £700,000 for the construction of a railway which was to run through a thinly-populated country. In order to obtain the balance of capital necessary the company availed itself of the services of Sir Julius Vogel, who then resided in London. Of course, what he did in his capacity as agent for the company could not bind the Government, but the prospectus which he issued for the purposes of the company indicates the opinion he entertained of the position of the company in relation to the matters before the Committee. The prospectus now produced was issued under his direction, and its contents indicate the importance which he attached to the clauses in the contract relative to the deficient land allocation. This prospectus was issued for the purposes of a loan of £360,000 on 5 per cent. debentures at par, and, in the estimate which it contains of the assets of the company which were to form the security to lenders, the land

yet to be allocated to the company, in order to make up the deficiency I have already referred to, is particularly specified. It is put in this way: "In addition to the above there is land yet to be allocated to the company by the Government, which therefore cannot be valued (about 65,000 acres), but, say, at above rate, £130,000." This prospectus was issued in 1883. There was then no actual experience of the value of the land which the company was to get, but there were opinions entertained by gentlemen who had some knowledge of the country that a good deal of the land was of considerable value. A good deal of it is, no doubt, very indifferent, consisting of mountain tops of the usual character, which may fetch a few shillings per acre. But the land in the vicinity of the line has always been considered to be of large value for purposes of settlement. In point of fact the construction of the line was based on the existence of a tract of country suitable for settlement. Gentlemen who had merely travelled from Wellington to Foxton, along the sandy beach, with the sea on one side and most uninviting sandhills on the other, generally came to the conclusion that there was not an acre of useful land throughout the district. Indeed, a Commission, appointed by Government to inquire into the expediency of constructing a line of railway through the district, reported dead against it. But those who had better opportunities of becoming acquainted with the land knew that there were large areas of extreme fertility, and especially spoke in high terms of the Horowhenua Block.

Mr. Ross: I think it might enable the Committee to follow more closely the position if you state how it was that the successor to Mr. Bryce, who came into office at the end of 1884 (the contract was made in 1882, and Mr. Bryce was then Native Minister), did not complete the purchase of any part of this Native land before 1887.

Mr. Travers: I am afraid I shall have to say that Mr. Bryce had become somewhat hostile to the company. The correspondence which I have here will show this, or, at all events, that Mr. Bryce was not altogether favourable to the company. I think I have already mentioned that, while we had reason to believe that the Minister of Lands, the Minister for Public Works, and the Hon. the Premier were all favourable to the company, we found persistent opposition on the part of each of the honourable gentlemen who occupied the position of Native Minister. In 1884 Mr. Bryce ceased to be Native Minister, and he was succeeded by Mr. Ballance, who, I am obliged to say, has shown still greater hostility to the claims of the company than even his predecessor did. For, though money was at Mr. Ballance's disposal for the purpose of completing the purchase of the blocks in question, he refused to avail himself of it for the reason I have stated before—namely, in order to defeat the rights of the company. As I have already said, the correspondence between the company and the Government, up to the year 1883, has three phases—the first before the contract was entered into, the next after the contract had been entered into, and the last after the matter had been transferred from the Public Works to the Native Department. I now propose to call the attention of the Committee to this correspondence, and to offer a few observations upon such parts of it as appear to me of weight in connection with the company's case. The first letter on the subject is one dated the 13th February, 1882. [Letter read.] I would at once invite the attention of the Committee to one special fact which will be found to pervade the whole correspondence—namely, that there has always been a distinct statement on the part of the company, with reference to the supplementing of the deficiency in land for allocation, that this deficiency arose in consequence of a request on the part of the Government, acceded to by the company in the manner already detailed to the Committee. From the commencement to the end of the correspondence this is to be found in the letters addressed to the Government by the company, whilst, in those addressed by the Government to the company, there is not a syllable dissenting from this proposition. You will see, Sir, that this bears out what I have said, that the period of five years mentioned in the contract was an arbitrary time fixed with reference to that allowed for the construction of the railway, on the completion of which the selection of the allocated land was to be completed. No reply was received to the letter of the 13th February, 1882, except perhaps the ordinary official acknowledgment of its receipt, but no reply to the request contained in it. On the 21st September, 1882, an interview took place between the Minister for Public Works and the Deputy Chairman of Directors of the company, at which Messrs. Levin, Johnson, Plimmer, and the Secretary were present. A minute of what took place was made by the Secretary of the company after the deputation had withdrawn, and that minute will be placed before the Committee. It was made immediately after the deputation had left the Hon. the Minister, and the statements contained in it will be found to be borne out by a letter which was addressed on the next day to the Hon. the Minister for Public Works with reference to that interview. The letter was dated 22nd September, 1882. [Letter read.] I think the statement I have made as to the correctness of the minute referred to will be fully borne out on reading the reply to this letter; for in that reply there is no suggestion that it contained any misrepresentation on the part of the company with respect to the actual arrangements between it and the Crown as to the blocks withdrawn—namely, that this was done on the distinct understanding that diligence would be used to acquire the lands on the western side of the range with a view to supplementing the company's allocation. The answer to the above letter is dated the 18th October, 1882. [Letter read.] On the 22nd November, 1882, a letter was sent to me, as solicitor for the company, from the Public Works Office. [Letter read.] You will observe, Sir, that in neither of these letters is there any suggestion that the statement made by the Chairman, in his letter of the 22nd September, was not in accordance with fact. Of course, Sir, the company, with an assurance of the kind referred to, and seeing that the contract did not contemplate any grant in money, naturally concluded that it was justified in relying upon the understanding which existed with reference to the acquisition of these lands, and in believing that that understanding would be given effect to within a reasonable time. It certainly could not have been contemplated by the company that, in the long interval which elapsed since the date of the Minister's letter, no steps would be taken to fulfil the arrangements that had been made. Now, when it was found that the matter had been transferred to the Native Minister, the

company at once placed itself in communication with him, for it may easily be understood that it felt some anxiety about the curtailment, to the extent of nearly 25 per cent., of its intended endowments. It was natural that it should endeavour to keep the matter alive. Some people say that the easiest way to move a Government is to perpetually worry it. Whether this is so or not I cannot say. My own experience does not enable me to form an opinion on the subject; but there is an idea abroad that the more you worry a Government the more you are likely to get. There is no doubt that, acting to a certain extent on this idea, the company kept the matter alive, for several interviews took place between the Chairman and the Minister for Public Works, the results of which are detailed in these papers. I do not propose to go into the whole of this correspondence, though I intend to lay the whole before the Committee. This correspondence, however, shows this fact: that throughout there is, on the part of the company, an assertion of the existence of the understanding between it and the Government to which I have already frequently referred. I propose, now, to call special attention to one or two particular letters in which the company expressed a desire that, if the Government did not care to carry on negotiations with the Native owners, it should be permitted to do so. The first of these letters is from Mr. Wallace, the Secretary of the company, addressed to the Minister of Native Affairs in July, 1882. [Letter read.] The Minister replied as follows. [Letter read.] The effect of this letter is that the Government would release its right of pre-emption, and thus give the company an opportunity of acquiring the land. But that course was not considered desirable by the company, because it would expose the Native owners to solicitation all round from persons who would endeavour to outbid each other in the manner usual in respect to lands which have been released from Proclamation. The company preferred to hold on, with a view to the Government acquiring the land within the period mentioned in the contract. A careful examination of the correspondence will show that the company had reason to suppose that the Government was sincere in its expression of desire to acquire the lands in question; and, relying upon this, it placed the services of one of its own officers, Mr. Alexander McDonald, at the disposal of the Government to aid it in doing so; and I think I shall be in a position to show that, had Mr. McDonald's services been used for that purpose, the lands in question would have passed into the hands of the Government years ago. It was, indeed, entirely through Mr. McDonald that the Government was enabled to acquire any portion of this land, and the company actually paid a considerable portion of his expenses in the belief that the Government would carry out the undertaking to which I have so often referred. Of course, the Committee will understand that my position is that of counsel in this matter, and that if I state unpalatable facts it is not from any wish to show disrespect to a Minister, who may in the discharge of his duty have supposed that he was not called upon to consider the interests of the company. I am not imputing any improper personal motives to Mr. Ballance; but the effect of his acts has been to defeat the rights of the company. I am fain even to believe that, had the honourable gentleman been aware of the nature of the arrangements between the company and his predecessors, he would, so far from doing anything to prevent these arrangements from being carried into effect, have done what was necessary to that end. It was in the belief that the Government was doing its best to acquire the lands in question that the company did not take any steps in the matter between 1883 and 1885. Finding, however, that time was slipping by, and that the possibility of their obtaining the residue of their land was vanishing, the directors, in December of that year, waited upon the Minister of Native Affairs in relation to the matter. Correspondence took place afterwards, which gradually became very curt on the part of the Government, until at last it culminated in a letter in which the company was point blank told "that the Government did not deem them entitled to any consideration at all on its part." In this connection I propose to call the attention of the Committee to a report, written by direction of the Chairman of the company, of what took place at the interview I have referred to. It was written immediately after the return of the deputation, and its contents were summarised in a letter sent afterwards to the Native Minister. In this report this passage occurs: "Mr. Levin stated that from his own knowledge he knew that when the company agreed to surrender its claims to the lands in the Forty-Mile Bush, Sir John Hall recognized that it would be the duty of the Government to do their best to make up the deficiency from the blocks under Proclamation; and it was only from want of funds that no attempt was made to do so whilst the company's affairs were under his care." That was the statement made by Mr. Levin to the Native Minister. Now, Sir, I venture to say that the gentlemen who composed that deputation—Mr. Levin, Mr. Charles Johnston, Mr. Nathan, and Mr. Shannon—were all men upon whose statements credit might be placed. Mr. Levin is a gentleman occupying a very high position in this community. He has been a member of the Legislature of New Zealand, and, I believe, is generally recognised as one whose word may be accepted as absolute upon questions of fact. Mr. Levin made the statement I have read as a matter within his own knowledge, and it will be seen that he was only reiterating that which is to be found throughout the correspondence, from the earliest to the latest date—namely, that there was a distinct representation on the part of the Government, when the land on the eastern side of the Tararua Range had been withdrawn from the allocation-area, that every effort should be made to supplement it out of land to be afterwards acquired. A letter was written immediately afterwards (on the 24th July), by the Secretary of the company, recapitulating what had taken place at the interview. It was addressed to the Hon. the Minister for Public Works. [Letter read.] The answer to that was as follows. [Letter read.] The Committee will again observe that there is no suggestion whatsoever of the non-existence of the understanding referred to at the interview, and in the letter of the 24th July. In answer to the reply to that letter the company wrote as follows. [Letter read.] The answer to this was [letter read]. To that the Secretary replied as follows under date 22nd August last. [Letter read.] The reply deals with the matter finally, distinctly, and curtly. [Letter read.] And that closed the whole correspondence, and closed it in such a way as precluded the reopening of any negotiations whatever. The company was given to understand that the Government had nothing whatever to do with it, and had left it to its fate. I propose to have a fair copy of this correspondence made and laid before the Committee, which

will probably be the best way for the Committee to see the full effect of the various phases which I have mentioned. And I think the Committee will come to the following conclusions—namely, that the company was, by agreement with the Crown, entitled to a 30-per-cent. allocation under the Act; that instructions were given to the Survey Department of the colony to set apart all lands available for allocation within fifteen miles of the railway; that a return was made of lands available for allocation; that that return included lands on the eastern side of the Tararua Range, which the Government found it difficult to deal with in the face of opposition on the part of the inhabitants of the districts in which it was situated, urged through their representatives in Parliament; that, on the request of the Government, the company surrendered its right to the allocation of this land upon the distinct assurance that the Government was negotiating for the acquisition of blocks of land on the western side of the range, which, when acquired, would be applied to supplement the deficiency of allocation, and the further assurance that diligence would be used in acquiring these blocks, in order to satisfy the company's claim; that there were sufficient reasons why no absolute covenant on that head had been inserted in the contract, and equally sufficient reasons why the company was justified in relying upon the assurances of the Government; that up to the year 1883, although a certain degree of opposition to the wishes of the company had been shown by the Hon. Mr. Bryce, as Native Minister, that opposition did not take the form which it took in the hands of his successor in office; and that the company had, up to the time when the late Government took office, reasonable grounds for believing that its claims would be recognised and the necessary lands acquired from the Natives within the period of five years. But, from the time that the matter came under the consideration of the late Government, no hope has been held out of any consideration being given to the assurances of their predecessors. This will be borne out on the face of the correspondence, and I think I shall be able to show, by verbal evidence, not only that no consideration was to be extended to the company in the matter, but that it was the absolute, avowed intention of the Native Minister, in whose department this matter was placed, not to exercise the powers of purchasing lands before the expiration of the five years, for the express purpose of allowing the statute not to operate—namely, to allow the period of five years mentioned in the contract to expire before land should be acquired to satisfy the allocation. We shall submit to the Committee, that such a course of proceeding is at variance with the equitable rights of the company; that the duty of the Government was to give effect to the honourable undertaking between themselves and the company—that is, to perform strictly and properly the duty they undertook. The company has carried out the duty it undertook, which was to devote its capital and its energies to the construction of a work of very great value, which has already added materially to the value of the railways in the possession of the Government beyond the points to which the company's undertaking extends; and so far from deserving the treatment it has received, the company, seeing the enormous obligations it has undertaken and the almost certainty that the whole amount of its endowments, if given to-morrow, would amount to no more than a reasonable indemnity for the heavy risks it has undertaken, is entitled to ask from this Committee a favourable consideration of its case, both as affecting the equity of the case and as a matter (if I may venture to say so) affecting the honour of the Government of New Zealand in its arrangements with gentlemen who have expended their capital in the prosecution of an important public work.

FRIDAY, 25TH NOVEMBER, 1887.

Mr. McKERROW examined. (Mr. W. T. L. TRAVERS appeared for the petitioners.)

1. *Mr. Travers.*] You are Surveyor-General, Mr. McKerrow, I believe?—Yes.
2. And you were Surveyor-General of the colony at the time of the contract being made with the Manawatu Railway Company?—Yes.
3. Did you receive any instructions from the Government with respect to a return of lands available for allocation under the terms of the proposed contract?—Yes.
4. Were they in writing?—No; verbal, as far as I recollect.
5. Will you state to the Committee the terms of these instructions?—I received instructions at various times, the purport of which was that certain Crown lands, within certain limits, were defined on a map to be valued for the purposes of future allocation to the Manawatu Railway Company. The company then appointed a valuer, Mr. Linton; and then Mr. Linton and I appointed an umpire, Mr. Kennedy Macdonald. We three proceeded to the ground, and Mr. Linton and I valued the land. As we agreed upon our valuation there was no further valuation required.
6. Was not that proceeding taken after you had made a return of lands available for allocation?—I cannot remember. It was all known beforehand—all the lands we were to value. I do not remember all the various phases and succeeding steps, because there was a good deal of conversation and discussion in the matter.
7. Do you know this writing, Mr. McKerrow?—No; I do not. I think the figures in pencil are like my own.
8. This is said by the company to be a copy of the return furnished by you to the Government for the purposes of the railway allocation?—Quite possibly.
9. Have you any reason to doubt that it is a copy of the return?—I have no distinct recollection about it at all. I see from the pencilling that it is like my writing, and I think it is, but I am not sure. The ink is not my writing: it is probably that of one of our clerks.
10. Mr. Barron, I believe?—No; it is not Mr. Barron's.
11. Was there not some return made before there was any proceeding to value?—A schedule was made of the lands to be included in the valuation, I think. I cannot recall it. It is a long time ago. There was so many interviews and arrangements, ups and downs, backwards and forwards, that I cannot remember, but I think a return was made.
12. Of lands available for allocation?—Yes.

13. Have you any recollection of whether the lands treated as available for allocation included lands on the eastern side of the Tararua Range?—I have a distinct recollection that it did not. When I say a distinct recollection, I mean a distinct recollection that the Minister of Lands at the time, Mr. Rolleston, would not allow any lands on the east side of the range, commonly known as the Forty-mile Bush, to be included.

14. Is not the Makakahi land on the east side, between the Forest Reserve and the fifteen-mile limit?—Yes.

15. According to this return they appear to be valued. They are included in the return of the lands within the fifteen miles of the West Coast Railway, and actually valued?—I think, now you are going over this ground, that this must have been a preliminary return showing all the lands that were within the fifteen-miles district; but this is merely a preliminary return, and the actual thing that was agreed upon ultimately between the Minister of Lands and the company as to what was to be valued is set forth in the schedule to the contract. I remember now distinctly that the Minister made a most decided stand upon that point, and that he would not allow any land in the Forty-mile Bush.

16. Have you any recollection of having valued these lands with Mr. Linton?—No; my recollection is that we did not value the lands in the Forty-mile Bush; but that we simply valued the lands that are now scheduled to the contract. I just took a note of them before I came over. The total value of the lands was £96,570, that was the ultimate value, and these were the lands that were scheduled in the contract that the Minister of the day agreed with the company should be scheduled for valuation.

17. There is two hundred thousand odd acres in that land?—Yes, that is actually in the contract. You will find it in the schedule to the contract.

18. Was not a return made, as a matter of fact, by you to the Government of lands available, with their valuations? I may mention to you that this copy was supplied to us from your department as a return?—I will tell you what I remember now. I remember that before this was gone into at all, the Government, or rather the Minister of Lands, Mr. Rolleston, was asking all about these values, and, with the aid of the Chief Surveyor of the district, we made a schedule, with a series of values to them, but that was before the land was examined on the spot, in the regular manner. It was simply to give him an idea or rough guide as to how much land there was, and what might be the possible value. It was not of an authoritative nature. I think I can recollect too that, seeing I was named in the statute as valuer, I was very careful not to commit myself as to the value given.

19. I may at once state that we do not question that point at all. What I ask is, whether or not that return of Crown lands was made in the first instance in connection with the proposed construction of this railway—whether it did not include lands on the eastern side of the Tararua Range?—My recollection is that the Minister was supplied with a list of all the lands within the fifteen miles, and he then took a most decided stand that no lands on the eastern side—no flat lands—should be taken.

20. That is what we understand; but these lands were within the fifteen-mile area, and the return gave such in the first instance, I presume?—Yes, that information was supplied to the Minister.

21. Now, I would ask you again; just tax your recollection whether or not?—Just let me explain to the Committee for a moment. I was summoned to this Committee to give evidence, but I was not told upon what subject I was to give evidence. It was only an hour ago that I was speaking to an officer of the department, and said I was summoned to the Waste Lands Committee, and asked him if he knew what it was about. He said, "The Manawatu Railway business, I suppose;" and I have just scampered through the papers since then.

22. I am not finding fault at all, Sir. I would ask you to try and tax your memory whether or not, if your recollection carries you so far, lands on the eastern side were not valued by yourself in the first instance, which were subsequently excluded?—No, they were not; that is my firm recollection.

23. I am sorry, but Mr. Linton will say differently?—No, I can recollect very distinctly in this way, that we devoted a week to it. It was just between Christmas and New Year, 1881, and we rode over the ground from Palmerston across the Manawatu, and going in from the sandhills at the nearest points, and working down to Otaki, and from there we took coach, arriving in Wellington late on Saturday night.

24. And then may I ask how it was that this return came from the department?—I do not bind myself; I do not know how it was made up. My own surmise is, that it was made up as a sort of preliminary guide for the Minister as to what the values might be.

25. No, Sir; it is headed, "Return of Crown lands within fifteen miles of the West Coast Railway"?—Of course, if the Committee wish, I will try and trace its origin: if it was given to the Minister, there would be the original or a copy of it in the books, which could be seen.

26. Yes. Would you be good enough to see if there is a copy of this and the covering letter? [To the Chairman]. I think, Mr. Chairman, that I addressed a letter to you, in which I asked for all papers. I did not know what the formal course was, but I asked that the Clerk should give notice to the Government to produce these very documents.

27. *The Chairman.* [Perhaps, Mr. McKerrow, you may find them amongst these papers [produced]?—No; it is not here. Probably it will be in the Survey Department.

28. *Mr. Travers.* I have already stated to the Committee that we knew these lands were afterwards excluded from the allocation area?—I remember all about this schedule to the contract, and that these were all passed, and I have a very distinct recollection about the decided stand the Minister took about the Forty-mile Bush.

29. What I understand is this: That these lands were within the fifteen-mile area, and were excluded from the allocation area by the Government?—Yes.

30. *Mr. J. Mackenzie.*] Will you give us the total area that has been handed over to the company?—Two hundred thousand odd acres. You will find the whole area in the schedule.

31. But the area that has been actually given?—It has all been given, or is in the process of being given.

32. But the company want more, do they not?—Yes; they want to make up to a value of £1,500 per mile.

33. I find that there is a difference between the areas by about 26,625 acres that the company said that they had when they went on the London market, and that which they got from the Government. Can you tell us how they get these 26,000 acres?—No; I do not know how it was.

34. What I want to find out is, how the company came to have 236,000 acres down, seeing this only shows 210,000 acres?—210,000 acres represented £96,570, which is all the Government undertook to give them.

Mr. Macarthur. I think that was purchased from the Natives themselves direct.

36. *Mr. J. McKenzie.*] Can you give an explanation as to the discrepancy in the value in this circular and the valuation by yourself, which is £96,000 odd. The company value it at £458,000 odd?—By statute the land was to be valued without any prospective value arising from the railway. No doubt the company valued it as it would be after the railway is constructed.

37. There is a difference between them of over £300,000; the company say they were to be allocated so much land?—It is in this way: By the contract, the estimated value of the railway was to be £5,000 a mile, on these 84½ miles, and on every mile they were to get 30 per cent. up to a limit, if the Government thought fit, on the estimated cost; that is to say, the Government had power to give them £1,500 worth of land for every mile of railway they constructed, and they constructed 84½ miles. The amount of land to be given on this basis would be, at 30 per cent., £126,375, as the Minister of Lands thought fit. The land that was actually allocated to them was £96,570, leaving a balance of £29,805, which the Government said they might give, if they themselves purchased land within five years of the date of the contract. The Government did not purchase a single acre within the five years of the contract, and that is how the matter stands.

38. How did the company come to be able to buy land from the Natives?—In this way: The company employed a buyer, who had great influence with the Natives, Mr. Macdonald, and he succeeded in negotiating for the company when the Government purchasers could not succeed in getting land from them.

39. And the company got the benefit?—Yes.

40. I understood that at this time all Native lands were under certain restrictions; that it was only the Government who could buy?—The Government had the power of putting a Proclamation, so that no one could buy but themselves.

41. Was there not a Proclamation on this land?—There could not have been, or the purchase could not have been completed. I may say that the Government was extremely anxious, and did all they could to assist the company in getting a freehold of these Native lands. At that time there was some prejudice amongst the Natives against the Government: there was some particular obstacle, in consequence of which they would not sell to any one but Mr. Macdonald. The Government had been trying to get this land for years and years, but there seemed to be some insoluble difficulty, until the company took it, and then, when the Government was out of it, they seemed willing to deal with private persons.

42. Who appointed the gentlemen who made the valuation with you?—He was appointed by the company, and the umpire was appointed by Mr. Linton and myself. We had some little differences of opinion, but we managed to compromise in every case. Of course the umpire was there to see all that was going on—ready to decide, if necessary.

43. *Mr. Ross.*] I was going to ask if these lands which were excluded are those to which he refers as not having been valued by him and Mr. Linton?—That is my recollection, that they were not valued for any purposes of allocation.

44. Why do you say, Mr. McKerrow, that the Government failed and gave up the attempt to buy these Native lands, which the company afterwards bought?—Well, of course, they did not give up the attempt; they were simply trying it for many years unsuccessfully. That was before the railway was thought of.

45. Supposing they had succeeded in getting this land, I suppose the Government would have given this £29,000 excess of land?—Well, I cannot say much about that. I do not think the Minister of Lands would have given them any more: he thought they had got enough.

46. He was not prepared to give it to them then?—No.

47. Supposing they were expected to give this extra money, 30 per cent. in full, could not that have been met by the Government paying the first price which the company had paid?—Yes; it could have been partly met in that way, no doubt.

48. But your contention is, that they were not bound or interested at that time?—They were not bound as to any understanding.

49. Surely this expresses willingness to make up the supplementary difference if they were to acquire land within the five years?—I read this section 11, which you will notice is put in a very guarded way, and there is a limit of five years, which expired in March, 1887.

50. *Mr. Whyte.*] You have just recently seen this implied agreement?—I have just read it before I came over here. I had seen it before, but I have just read it over again.

51. Can you explain why Mr. Rolleston objected to give the land on the eastern side of the range?—I have already explained that he would not give it.

52. Do you think it was due to the fact that the land was situated in a different watershed altogether?—That was partly the reason. Mr. Rolleston said it was absurd to give them land on the other side of the range.

53. *Mr. O'Callaghan.*] Did the company incur no expense in assisting the Government in the purchase of the Native lands?—None at all that I know of.

54. Was there any land beside Native land available on the west side of the range, within the fifteen miles—no other land available which could have been given except Native lands?—None at all; there are just the Native and Crown lands.

55. Was there any more Crown land on the west side of the range that could have been given to the company?—No, it was all given.

56. *Mr. Ballance.*] In reference to this allocation of 30 per cent. of the estimated cost of the line, you are aware of the opinion of Mr. Rolleston on the subject?—Yes.

57. Did he try to acquire any land afterwards for the company by purchasing from the Natives?—Not that I am aware of. Giving an opinion, I should say that he would not care to try it.

58. Do you know if Mr. Bryce tried to acquire any of this land?—I do not know. The Government were trying hard for years, before ever the company appeared on the scene at all, to purchase this land with the object of opening it up for settlement.

59. I mean that the contract having being made, did Mr. Bryce try to acquire this land?—I could not say that. No doubt the Land-purchase Department could state definitely on that point: I never heard him speak of it.

60. Have you any papers showing that Mr. Rolleston expressed his opinion that the company had got sufficient?—No; I do not think I could produce any papers to show that.

61. Who was the umpire?—Mr. Kennedy Macdonald. He went with us, but did not require to give an opinion.

62. Had you anything to do with the valuation of this land for the purpose of floating the company in London?—No; I positively refused to have anything to do with it, or allow any of our staff to have anything to do with it.

63. Have you seen the prospectus?—Not till I saw it here.

64. You do not remember who was appointed valuer?—I do not remember. I may say that very considerable pressure was brought to bear upon me to allow our Chief Surveyor and Commissioner to be their valuer, but I would not allow it. I positively said "No," so far as the department was concerned. Of course, if the Government overruled me it would have been different.

65. *Mr. Travers.*] I do not know upon what authority Mr. McKerrow says that, because the secretary says that application was never made for any such person. It would be in writing if it existed. Mr. McKerrow is probably under some misapprehension. I should be very sorry indeed to think that he would say such a thing, knowing it to be incorrect; and I think he has been misinformed on this point?—No, Sir; I am speaking of my own knowledge in the matter. There was an officer who was asked to be valuer, and Mr. Marchant was the gentleman. Mr. Marchant saw me on the morning of the new year—I think it was as I was going down to the wharf—and asked me about it, telling me the proposal that had been made to him. I told him that I could not agree to it. Then I was interviewed on the subject, and I said, "No, I would not agree to it." Then the Minister was interviewed on the subject (Mr. Rolleston), and he would not agree to it. There was no writing in the matter; but the whole matter was before myself, the Minister, and Mr. Marchant, by personal interviews by parties who were negotiating the financial business of the company.

66. There is nothing in the record about that?—No, there was not.

67. *Mr. Ballance.*] Then you have no personal knowledge of the position, or how the valuation was made?—No; as the department refused to have anything to do with it, and it was none of my business to know.

68. You say you based the valuation on the then value, and not the prospective value?—No; it is specially provided that prospective value was not to be taken.

69. *Mr. Whyte.*] Was that application to the Government for a valuer done with the avowed intention of showing the valuation in the London market?—Yes, that was my main objection. I said in effect to the parties who saw me, "It looks to me very improper that you should select Mr. Marchant, because he is not such a super-excellent valuer; but his name is to appear in London as the valuer, and by this means the Government is to be inveigled into the matter, and if the valuation does not turn out as you say, the Government may be brought in to make up the deficiency." This view I took up, and the same view was taken by the Minister.

70. *Mr. Ballance.*] Did you remember that stipulation with regard to the £29,000 for the land at the time you read that clause?—I was not consulted in making up the contract: I know nothing about that.

71. Did you know at the time that it was in the contract that land was to be purchased for the company to the extent of £29,000?—I cannot say that I did. The contract was made by the Public Works Department.

72. *Mr. Macarthur.*] Do you know whether the Government removed any restrictions or made any concessions which enabled the company to purchase this Native land?—I could not say so definitely, but I know that the Government were very favourable to facilities being given to the company to buy the land, and would do everything to assist them.

73. They could only proclaim the land if they had made advances upon it, could they?—Yes: I would not say that they had made any advances.

74. But, so far as you know of your own knowledge, the Government did not make any concession which could be made in the matter of this Native land purchase which could be held to be a fulfilment of any promise as to the £29,000?—No, I do not think I know of anything of that kind.

75. *Mr. O'Callaghan.*] Did the Government of the day consider it was an equivalent for the £29,000?—I could not say.

76. *Mr. Macarthur.*] The purchasing of these Native lands by the company was altogether an transaction independent of the Government?—Yes; quite independent.

77. There was no application to the Government for having made it?—Quite so.

78. *Mr. Travers.*] Would you permit me to call attention to the clause, "Whereas land shown by the red border," in the preamble clause 11, "is insufficient to provide land agreed to be granted to the company under the powers of this Act," &c.?—Exactly so.

79. So that it was agreed to be granted to the company. It is stated here. Does not that recall to you that the agreement to the company was a grant for the actual 30 per cent.?—I have already stated what I knew of the views of the Minister—Mr. Rolleston.

80. He was a member of the Cabinet at the time—one of the parties to this contract—was he not?—I suppose so.

81. *Mr. J. McKenzie.*] Did the Government give up all the land they had within this area?—All, except that on the east side of the range. They gave all the land on the west side—all that lay near the railway-line, and a considerable portion near the Wellington Harbour, on the tops of the hills.

82. No alternate blocks?—No, it was all given that the Government had at the time.

83. *Mr. Ross.*] I understood that there was some land on the west side of the range that the Government refused to give?—No, only on the east side.

84. I understood that there was sufficient land on the west side to enable the company to have enough?—No; if I said so I was wrong. I said there was sufficient in the limits of fifteen miles to make up £1,500; but the Minister refused to give them any on the other side of the watershed.

85. *Mr. O'Callaghan.*] Do any of the concessions made in connection with the reclamation go towards a compensation for the loss which the company sustained in not receiving the whole of its allocation?—I could not say. Very likely that was in the mind of the Minister: but that was agreed upon before this land was valued. There was not, as far as I know, any other arrangement made about this or about certain earthworks already begun by the Government.

86. Perhaps you would be good enough to state whether or not the eastern portion of the land, which Mr. Rolleston did not agree to hand over to the company, is in rather a favourable position for the special settlement which he was establishing?—Yes, it was very good land.

87. Was that the reason, do you know, why the land was not handed over?—That was one reason, and the other reason that Mr. Whyte suggested, that it was not in the same watershed. Of course there is the great Tararua Range between. It would have been actually giving land on each side of the then proposed Government railway from Masterton to Mangamahoe and Woodville.

88. And did it weigh with the Minister at the time that there was sufficient on the other side of the watershed?—I know that was his private opinion.

89. These were the principal reasons: that the land was on the other side of the watershed, and that the company was getting sufficient?—Yes; all these reasons combined. Mr. Rolleston took up this position: that he would not agree to it at all. He told me —

90. *Mr. Macarthur.*] Was not there a period during which it was contemplated to give this land on the east side of the range, only that there were some representations made by the members for Wairarapa?—I cannot say. I do not remember that. Of course, the matter was under consideration for a period, and there were various phases of the proposals.

91. It is evident, from the correspondence we had read yesterday, that there was such a period; and that representations had been made to the Government, in consequence of which they withdrew the land on the eastern side of the range from allocation?—It is quite likely. I do not remember it.

92. *Mr. Whyte.*] And the lands that you said were given at the Hutt and elsewhere were not included?—Yes; they were in this £96,000.

Mr. MARCHANT examined.

93. *Mr. Travers.*] You are, I believe, Chief Surveyor for the Provincial District of Wellington and Commissioner of Crown Lands?—Yes.

94. Were you Chief Surveyor at the time this contract was entered into?—Yes; but not Commissioner of Crown Lands.

95. Mr. Holdsworth was Commissioner then, I believe?—Yes.

96. Did you receive any instructions for returns of lands available for allocation to the Wellington and Manawatu Railway Company in the year 1881—a request to make a return?—I received such instructions about the time you speak of in the year 1882.

97. Have you the instructions with you?—No.

98. It would be desirable that they should be before the Committee?—I think I may say, speaking from memory, that they were verbal.

99. You were authorised to prepare schedules: did you prepare them?—I did.

100. Can you state any of the instructions?—They would be to the effect that I was to forward, for the information of the Minister for Public Works, descriptions and values of the lands within fifteen miles on both sides of the proposed railway.

101. Did you make such return?—I did.

102. Have you got a record of it in your papers?—I have, but I did not know the drift of the evidence required, or I would have brought them.

103. Will you produce the return?—I can do so. I will send down for it. I remember the value I placed was about £115,000; and there were about 363,000 acres, within the fifteen miles of the railway. The value of £115,000 included what are now Forest Reserves, land in the Forty-mile Bush, across the watershed, and the Crown lands on the western side of the range.

104. And the Forest Reserves were afterwards excised?—Yes; that reduced the amount of the lands in the schedule to 210,000 acres.

105. That also excludes land in the Forty-mile Bush?—Yes.

106. And I understand that the valuation ultimately was confined to the lands which were shown upon the portion of the map marked pink?—Yes; the final valuation.

106A. Mr. McKerrow has told us that application was made to you to become the valuer of the company with a view to financial negotiations with London?—He said so.

107. Have you any recollection of the application?—I had an application to make a valuation of the company's land.

108. Can you state by whom that application was made to you?—Firstly, by Mr. Tolhurst, who put me in communication with Sir Julius Vogel. Sir Julius Vogel then requested me to make a valuation of the Crown lands.

109. Had you any direct communication with the directors of the company or the Secretary on the subject?—Not with the Secretary: I do not recollect speaking to any other than Mr. Tolhurst and Sir Julius Vogel.

110. So far as you were concerned, then, it was not from any communication with the company, or the officers of the company, that it was made?—Except in so far as these gentlemen were concerned with the company.

111. There was not, as far as you were aware, any direct authority to them produced to you to justify them in their application to you to do this?—I understood they were acting on behalf of the company. I am not sure that Mr. Nathan did not speak to me about it. No letters passed between us.

112. And you declined?—No; I said on certain conditions I would do it.

113. But, ultimately, you did not do it?—No; the conditions were that the Government should approve of it, which they did not.

114. Can you say of your own knowledge whether the land on the western side of the range which has been allocated to the company has or has not risen in value owing to the construction of the railway?—It has risen in value decidedly since the construction of the line.

115. Can you say whether there was any demand for land between Paikakariki and Longburn before the construction of the line?—Yes; there was a demand for land at the back of Otaki, and the two blocks in the vicinity of the Horowhenua Block. We did not acquire possession of all the blocks which are now included in the allocation.

116. There was a rising demand?—There was.

117. No roads, I believe, were there?—We had started roads at the Waikawa, and had prepared the land for sale. There was a considerable demand for land.

118. But your opinion is that the construction of the line has added very greatly to the value of the whole of the district?—Certainly, and more especially in lands contiguous to the railway.

119. Mr. McKerrow was asked whether the allocation-map which was supplied included the whole of the unsold lands available for allocation at the date on which it was made. He has replied that it did. Can you say whether you have or not ascertained whether some lands were—probably inadvertently—excluded from the map—lands which have since been sold by the company?—Mr. McKerrow clearly stated the broad fact that the whole of the available lands were included in the allocation; but you evidently refer to isolated outlying sections scattered throughout the district which were not included in the valuation.

120. To what extent of land did this omitted portion amount?—It must have been very inconsiderable—a section or two here and there, scattered about.

121. May I ask if any land has fallen into the hands of the Government during the five years since the first making of the contract by failure on the part of the settlers or otherwise to complete purchase?—There are some in the area of allocation which were not in the original allocation, but were afterwards allocated. There are one or two sections here and there, including a section for the protection of the Gorge Road, which had been improperly included in the allocation-area, and some which have been set aside, in connection with the Rimutaka Railway.

122. But the fact has been that, although these two large blocks had been actually included in the contract, they were subsequently taken back again?—No doubt.

123. And the area of allocation mentioned in the contract has been reduced by upwards of four thousand acres?—That would require examination, because it is a case of "give and take." Areas have been given in excess in certain localities, but less in others.

124. *Mr. Reed.*] There is only one question as to the amount of "give and take." Can you say whether the excess was in favour of the company or whether it was very much as they were when the allotments were first made?—No, I cannot. We are only getting out the last of the grants at the present time; but with regard to the majority, they were improperly included in the first instance, all except the northern reserve next to the Gorge.

125. What is the area of that?

Mr. Travers: The company would not make any question of that, because they think it has been improperly made a reserve.

126. *Mr. Reed.*] And the others?—They were, I think inadvertently, included in the first allocation.

127. *Mr. Ballance.*] There is a point here in the prospectus, Mr. Marchant, which perhaps you can throw some light upon: it says, "In addition to the above there is land agreed to be allocated to the company by the Government, which, therefore, cannot be valued—about sixty-five thousand acres: where are these sixty-five thousand acres referred to—do you know?—It must have been in anticipation of their being acquired from the Natives.

128. Can you fix where these Native lands are from that map?—The Horowhenua Block has upwards of fifty thousand acres, and the Ngarara has upwards of thirty thousand; it meant, if the land was acquired, it was to be given out of such land acquired by the Government.

129. Was it referred to or indicated? It says, "about sixty-five thousand acres." That would appear that the land had been indicated?—Of course I had nothing to do with the contract or arrangement. But, if you ask me to interpret that, I should say it was to be taken out of the lands acquired.

130. You think the Horowhenua would be a portion of it?—Yes; it has always been a block upon which envious eyes have been set.

131. Can you refer to any block which Natives have been asked to sell?—The Pukehou, Horowhenua, and the Ngarara Blocks.

132. What is the area of the Tuwhakaturua: it is not given here?—No. I would be about one thousand six hundred acres, and No. 2 two thousand five hundred; but this is only a guess.

133. What is the Pukehou?—There might be two thousand or three thousand acres there.

134. How would you make up sixty-five thousand acres?—The Horowhenua is about fifty thousand acres and the Ngarara is said to be about thirty thousand acres; but then the Natives might not sell.

Mr. Travers: May I venture to mention to that honourable gentleman that this is only an estimate of what might be got: it all depends on that.

135. *Mr. Ballance*.] Has any portion of this land been bought up by Mr. Macdonald for the company, do you know, since that time?—I am not aware that he has bought any of the lands which I have specified.

136. What lands has he bought then?—The operations of the company have been chiefly confined to the Manawatu-Kukutauaki Block.

137. What was the extent of these blocks?—I should say they were about sixty thousand or seventy thousand acres.

138. The Government were then buying these blocks, were they not?—Yes.

139. Was the Proclamation over these blocks at the time?—I believe so; but that is a matter for the Land-purchase Department.

140. They were in the scheduled area, I suppose?—Portions of them were, and are in the schedule now.

141. They were all west of the Tararua?—Yes.

142. *Mr. O'Callaghan*.] When were the forest reserves made?—I have no doubt they were made, speaking from memory, before the valuation. Some had been decided upon prior to this, and the northern one was proposed. Then, I changed the boundaries set down upon the allocation-map.

143. Was that subsequent to the agreement with the company?—No, that was prior to the contract.

144. And no forest reserves were taken out after the contract was made?—No, except one at the Gorge, of 250 acres.

145. The interests of the company were not interfered with by the reserves made for forests?

Mr. Travers: No, we do not contend that.

146. *Mr. O'Callaghan*.] Did it affect the area that was available at the west side of the watershed?—It did by taking away the mountain tops from the allocation; but they were perfectly useless land.

147. *Mr. Ballance*.] Would you give the name of that block of sixty thousand or seventy thousand acres that the Government were negotiating for?—The Manawatu-Kukutauaki Block.

148. *Mr. O'Callaghan*.] I have one question more. It was stated yesterday that the land deficiency was caused at the request of the Government. Was that borne out by the general bearing of the whole question,—that the Government caused the land deficiency?—I may repeat, Sir, I had nothing to do with the negotiations; and I am not well acquainted with the terms of the agreement, beyond what I see in print; but I shall be happy to answer as far as I can.

149. I mean, did the company understand that there would be a deficiency in the first instance at the west side of the watershed—did they not apparently expect to get no land on the east side of the watershed very early in the negotiations?—

150. *Mr. Travers* said it was at the request of the Government, and it pervaded the whole of the negotiations?—Yes; it is my opinion that it was so: I think it is a fact.

151. And beyond this removal of the lands taken out of the watershed, there was no other action of the Government to cause the deficiency?—No, except these small areas.

152. *Mr. Macarthur*.] In reference to the Manawatu-Kukutauaki Block, you say the Government were negotiating for them at the same time as the company?—No, previous to the company being formed.

153. I think you said the Government have a Proclamation over that block, but that you did not know of your own knowledge?—I believe they had.

154. Do you know if they withdrew that?—I do not know definitely.

155. That was the impression that you gave to the Committee—that the Government had a Proclamation over it, and, after having it proclaimed, it had to be withdrawn?—I have not the slightest doubt about it.

156. Why I am asking this question is, that we shall get definite information afterwards, as, unless the witness is perfectly certain on the point, he should not give impressions?—Well, I have been asked a lot of questions that do not come in my own observation, and I have given the best information I can.

157. *Mr. J. McKenzie*.] Are you a shareholder in the company?—No, but I was for a short time.

TUESDAY, 13TH DECEMBER, 1887.

Mr. J. W. MARCHANT, Commissioner of Crown Lands, Wellington, re-examined.

158. *Mr. Travers*.] You have already given evidence before the Committee?—Yes.

159. You are aware of the area which is included in the schedule of the contract?—Yes.

160. Since that computation was made, has any alteration taken place in the quantity of land which was there fixed—210,502 acres? From what cause has there been any diminution,

if any?—The area in the allocation schedule appears to be 210,502 acres. My office has been issuing warrants for the titles of the company for the lands comprised in the schedule. In doing so, we have arrived at a stage when an estimate can be made of the exact, or nearly the exact, area available for the company under the contract. I estimate that the company will receive titles in the whole for 203,033 acres, which shows a deficiency on the estimated amount in the schedule of 7,468 acres 3 roods 19 perches. This is an approximate estimate, as, until the surveys have been carried further, we cannot state precisely the true amount.

161. Can you say whether the deficiency is likely to be diminished or increased?—I cannot anticipate which way it will be.

162. Is there any chance of it being materially diminished?—I hope this estimate will be found correct when the survey is complete. The deficiency arises through certain sections of land having been sold by the Commissioner of Crown Lands between the time of the preparation of the allocation map and the signing of the contract. The area so disposed of in Fitzherbert District and the Forest Reserve at the Gorge amounts to 1,208 acres; then, in surveying the boundary-line of the Forest Reserve from the Gorge southwards, the company's scheme showed the line differently from the sketch map, and this affects the area by 3,040 acres. Also in the Akatarawa District certain sections were included in the allocation—inadvertently, I presume, because they had been sold or set apart for other purposes. The permanent railway reserve on the Rimutaka of 4,450 acres was also included in the allocation area. The total of those areas which I have just specified amount to about 10,840 acres. On the other hand, additions have been made to the areas in other localities, which account for the difference between 10,840 and 7,469 acres.

163. May I ask whether any portion of the land so deficient was agricultural land?—The Fitzherbert sections would hardly be classed as agricultural land—it is pastoral land; we would offer it for £1 per acre. The 1,205 acres are worth about £1 per acre.

164. Will you state the values of the other deficient portions: in reality, what the value of the seven thousand odd acres would be?—I prefer to give it by sections. The Fitzherbert sections would be worth £1 per acre; the encroachment on the Forest Reserve, along the forest back boundary—3,040 acres—5s. an acre; the sections which have now been excluded from the allocation area in the Akatarawa District may be valued at 10s. per acre; and the permanent railway reserve on the Rimutaka I put at from 2s. 6d. to 5s. per acre.

165. I observe that you class the encroachment on the Forest Reserve at 5s. an acre. Are you aware of the valuation put upon the adjacent land?—I believe the company sold or tried to sell the land at about £1 per acre.

166. I ask whether the land of the same class which you now value at 5s. per acre was not valued for the purpose of the contract throughout at £1 per acre?—Yes; it has been so valued.

167. Why do you assume that this is only worth 5s. an acre, when the adjacent land was valued at £1?—My reason for putting the value at 5s. per acre is that it really includes the tops of hills—the country lying at the back of the Fitzherbert Block. You will understand that the frontage land may be worth £1 10s., and the back land 2s. 6d.

168. Why do you differentiate the deficient area from the rest of this, which appears to be all of the same character?—Well, as I have tried to explain to the Committee, the area that I am valuing is a narrow strip along and takes in the higher tops of the hills. When I made the valuation I valued the back land at 2s. 6d., and the frontage land at whatever it might be worth.

169. Can you say when the block called Tuwhakatupua was bought?—I cannot.

170. *Mr. Ross.*] Do you consider £1 per acre a fair average valuation for the land?—I think it was.

Major KEMP examined.

171. *Mr. Travers.*] Do you know the blocks of land called Horowhenua and Tuwhakatupua?—I know Horowhenua, not Tuwhakatupua.

172. Have you any interest in the Horowhenua Block?—Yes.

173. Has that block been passed through the Native Land Court?—Yes.

174. To whom has it been allocated by the Court?—It was awarded to me, and I allocated portions of it to other people when it was subdivided. Are you asking about the whole of the block?

175. I am asking about the whole of the Horowhenua Block. Have you any authority from the other persons interested in the block to sell it or dispose of it?—Why ask me when I am the chief owner of that block?

176. It is not to offend, but merely to have an answer?—The land is mine, and is divided amongst my people.

177. Are you now in a position, and when were you in a position, to sell it according to the law of Parliament?—I have no wish to sell the land; I have power to sell.

178. When did the land pass through the Court so as to give you power to sell?—In 1886.

179. Did you offer to sell that land to the Government, or any part of it?—I sold portions of it to my friend, Mr. Ballance, about the time of the last sitting of Parliament.

180. When did you first offer any part of it for sale to the Government?—This was a confirmation on my part of the previous arrangement. I wished to establish a township there, but thought I should not be able to do so; and so I sold portion of the land to the Government.

181. Did you not offer to sell the whole of the block to the Government?—Which block do you mean? I am not going to prevaricate or beat about the bush. I agreed to sell 4,000 acres; that is all I would sell.

182. That was in 1886?—No; in 1887—this year. I have nothing further to say.

183. I want to ask you at what date was the transaction settled when you conveyed the land to the Government?—It was this year, during last session.

184. When the money was paid?—Yes. The money was paid to me, and I gave over the and, and there was an end to it.

185. Do you know Mr. Alexander McDonald?—Yes.

186. Did you ever negotiate with him for the sale of other parts of the block besides the 4,000 acres to the Government?—I had some indefinite conversation with him or some arrangement with him about selling the land, but the only final arrangement was with the Government. I made my bargain with the Government, and intend to keep to that, and that is the end of the whole thing. If you have any fault to find about that you must settle it with Mr. Ballance.

187. Do you say that you never offered any other portion of the land to the Government except the 4,000 acres?—I only consented to sell 4,000 acres to the Government.

188. When the subdivision took place did you not agree to sell a larger portion of the land?—I did not.

189. Do you remember having had any conversation with Mr. Ballance about the payment of the money for the land?—Yes; I had a conversation with Mr. Ballance. It was arranged that I should get £1 10s. an acre, and when the price was fixed I handed over the land.

190. Was the payment put off for any time after the arrangement for the purchase was made?—There was some delay while we were arguing what the price should be, but when the price was fixed then the money was paid.

191. Did you not convey 800 acres of land to Messrs Sievwright and Stout?—Those gentlemen had a claim against me and against the people of my other tribe, and it was given them to settle that claim.

192. Was not the month of March last fixed for the payment of the money for the 4,000 acres?—I do not remember that March was fixed for the payment.

193. Was there a written agreement between you and the Government for the sale of the land?—After the terms were settled there was an agreement between Mr. Lewis and myself.

194. Settling the terms of purchase?—It was fixing the price at £1 10s.—the final settlement.

195. Then, you transacted business with Mr. Lewis?—Yes; Mr. Lewis will be able to give evidence on that. My copy of the paper is at Wanganui.

196. Were you not asked to wait until March for the payment of the money, because if it was paid before the company would get the land?—I do not remember.

197. *Mr. Ballance.*] You have said there was some delay, was not that in order that Mr. Marchant should send the valuation of the land in?—There was a delay of that sort.

198. And as soon as the valuation was sent in by Mr. Marchant instruction was given to Mr. Lewis to complete the purchase?—Yes.

199. Do you think any unnecessary delay took place in the Native Office after the terms had been arranged and the valuation made?—There was no unnecessary delay. The only delay was when you stated that it would be necessary to send Mr. Marchant out to inspect the land. Mr. Marchant made a valuation of the land, and the money was paid immediately afterwards.

200. You have referred to 800 acres of land conveyed to Messrs. Sievwright and Stout. Was not that conveyed to Mr. Sievwright alone?—I gave the land to Mr. Sievwright. It was he who came to Wanganui to interview me.

201. The debt due was to Mr. Sievwright, and not to any one else?—I only recognise Mr. Sievwright in the affair.

202. *Mr. Ross.*] Was the debt due to the firm of Messrs. Sievwright and Stout for law expenses?—£800 was given for legal expenses incurred by me in dealing with my Wanganui land.

203. To the firm?—Those were the lawyers I applied to.

204. But the debt was only due to Mr. Sievwright?—Sir Robert Stout was behind the scenes. Mr. Sievwright was the only person who came to me. There was only one occasion on which Sir Robert Stout came to Wanganui to see me; he only paid me one visit, but after he went away Mr. Sievwright came frequently.

205. You recognise you owe the money to Mr. Sievwright, and no one else?—I received no money from those lawyers, but I owed them money for law expenses.

206. *Mr. Macarthur.*] This visit of Mr. Sievwright was in conjunction with Sir Robert Stout, who was his partner?—I wished to consult those lawyers with a view to ascertaining whether I could get what I wished with regard to my land. Messrs. Stout and Sievwright both came to see me. Then Sir Robert Stout returned and Mr. Sievwright came to see me frequently on the same business.

207. Were you dealing with them as a firm or separately?—I was dealing with them both; but when one went away then I negotiated with the other.

208. *Mr. Ballance.*] Did not Mr. Sievwright advance money at various times?—No; he gave me no money. His claim was for legal expenses.

209. *Mr. Travers.*] I ask whether the whole of the land was not under Proclamation, thus preventing you from alienating to persons other than the Crown at the time this allocation took place to Mr. Sievwright?—I never received a copy in Maori of that Proclamation. Better inquire of the Government if there was such a Proclamation in force.

210. Are you not the sole owner of the Tuwhakatupua No. 2 Block?—There was some arrangement between myself and the Ngatiraukawa about that land. I have a thousand acres there; the rest belongs to the Ngatiraukawa.

211. Did you offer it for sale to the Government?—No; Tuwhakatupua No. 1 was offered for sale to the Government.

212. Did you not offer 1,200 acres of No. 2?—I made no offer to sell to the Government. It was in Tuwhakatupua No. 1 that was bought. Some of the Muaupoko had their names affixed as owners of that block, and a portion of it was sold. Some of them may have withheld their shares. I do not know.

Mr. T. W. LEWIS, Under Secretary of Native Affairs, examined.

213. *Mr. Travers.*] You are Under-Secretary of the Native Department?—Yes.

214. And have been for some time?—Yes.

215. Have you had any knowledge of the Horowhenua and Tuwhakaturua Block of country for some years past?—As to the Horowhenua certainly; and also as to the Tuwhakaturua.

216. May I ask whether it was within your knowledge that as far back as 1882 the Government were anxious to purchase these blocks?—I cannot say the Government were anxious to obtain them.

217. Had they ever made advances upon them?—Yes; advances had been made upon the Horowhenua Block. I would explain that I was not in charge of the Native Land Purchase Department in 1882, so that I cannot say anything definite about that time.

218. Are you not aware from the records of the department that the Government opened negotiations for the purchase and made advances?—That is earlier than 1882.

219. Is it not a fact that a portion of those advances still remains owing by the Natives on those blocks?—Recently the purchase was made from Major Kemp of 4,000 acres.

220. Now, was that taken out of the purchase-money for advances previously made upon the block?—No; credit was taken for recent advances made to Kemp. Any old advance has not been taken into account.

221. Was not the whole of the Horowhenua Block under Proclamation?—Yes.

222. Even before 1882?—Yes; I do not remember the date.

223. I believe the effect of that was to give the Government the pre-emptive right?—Yes.

224. And they had made advances on account of purchase-money?—Yes.

225. I have here a copy of a letter addressed to the Minister of Native Affairs, which I believe will be found filed, dated the 10th November, 1882. Can you turn to that, Mr. Lewis?—Yes.

226. You will observe there that an extract is given purporting to be an extract from a letter from the Under-Secretary of Public Works to the Chairman of the company, written by the authority of the Minister for Public Works. [Letter read]. Have you any doubt, looking to that, that the Government were endeavouring to acquire the blocks?—The state of the matter, so far as my general knowledge goes, is that as far as the Horowhenua Block is concerned the state of the title precluded the Government or any one else from dealing with it. It being held under the Act of 1867, Kemp's sole name being in the certificate and a number of other Native names indorsed on it, there could be no dealing with this block unless the Natives were bought out. With regard to the other blocks, the Wellington and Manawatu Company were at this time in negotiation for land on that coast, and it was a matter of utter impossibility for the Government and the company to buy land at the same time. That is to say, the price being given by the company would preclude purchase by the Crown.

227. That would be a reason for delaying purchase?—It would put the Government out of the way of profitable purchase; but the power of purchase still existed and the pre-emptive right remained.

228. The first step towards a satisfactory completion of the purchase of the Horowhenua Block was the subdivision of the land, it being held at the time under the Act of 1867. Was application ever made for a Court for that subdivision?—Not that I remember.

229. There has been a subdivision recently?—Yes; Kemp made an application for subdivision.

230. At what date did he make the application?—I am unable to say, but it was comparatively recently—seven or eight months ago, I believe.

231. There was an application for subdivision?—Yes.

232. For what purpose was it—not for the purpose of dealing with the land?—Yes; Kemp had made a proposal to the Government to cut off portions of this land for a township and suburban land; the idea being to deal with the block in that way, and to divide the balance amongst the persons entitled.

233. Was there not, at the same time, an intention on the part of the Crown to purchase?—Not at that time. It was simply that the Natives should deal with the land independently.

234. But could they do that so long as the Proclamation existed?—The Proclamation, I presume, would have to be withdrawn to enable them to do so. The scheme for dealing with the land was submitted to the Native Minister.

235. But they could not deal with it upon any scheme unless the Proclamation was revoked?—No; but the Government approved of the scheme as a scheme; therefore, I presume the Proclamation would have been lifted, to enable the scheme to be carried out.

236. Assuming the Proclamation to have been removed, what was to have prevented the Natives from disregarding the scheme?—That I cannot say, unless the Government bound them by conditions.

237. It is a question whether that would be binding?—It might have been.

238. At all events, they were barred under the Proclamation?—Yes.

239. Was there not some negotiations between the Government and the company for the removal of the Proclamation to enable the company to purchase?—I do not remember.

240. You cannot say whether or not the Government offered to remove the Proclamation?—No; but there may have been negotiations of which I am not aware before I was in charge of the department.

241. Can you remember an interview that the Chairman of the company and the secretary of the company had with the Native Minister on the 21st May, 1881—or any interview?—I do not remember being present at any interview.

242. Can you remember the circumstances of an interview having taken place?—I am aware that interviews have taken place, but I am not cognisant of what occurred at them.

243. Have you a letter of the 21st May, 1886, addressed to you by the secretary of the company? I will read the letter upon the assumption that it is to be found among the letters in the office. It is as follows:—[Letter read.] Have you any recollection of any such communication as that?—Yes.

244. Had you any interview with the Native Minister in reference to it?—I cannot remember

what took place upon that letter. [The witness here asked for permission to telegraph to his office for the letter, and this was granted.]

245. I believe that, as a fact, a portion of the Horowhenua Block has been purchased from the Natives since?—Yes.

246. Can you say of your own knowledge whether Mr. Alexander McDonald assisted in inducing the Natives to press for a subdivision of their lands through the Native Land Court with a view to sell?—I have already explained that the subdivision, so far as I am aware, was upon different grounds than the proposed sale to the Government. Mr. McDonald attended the Native Land Office with Mr. Kemp, and, I believe, acted in the interests of the Natives.

247. Can you say whether or not Mr. McDonald's services were tendered by the company for the purpose of facilitating the Government?—It is stated in that letter.

248. But he took some part in it?—Undoubtedly.

249. Were the negotiations with the Natives confined to the 4,000 acres purchased?—Yes.

250. Was that all Kemp expressed a desire to sell?—Yes; Kemp was anxious to raise money, and he found that this township scheme was not likely to provide funds, and he therefore offered this 4,000 acres.

251. He was very much pressed for money?—Yes; he expressed himself so.

252. How long a time elapsed between the arrangements for the purchase and the payment of the money?—A portion of the money was paid on the date of the agreement.

253. Have you no recollection of the date of the agreement?—I cannot answer from memory, but I believe it was on

254. Have you no recollection of the time which elapsed between the date of the agreement and the final payment: was it a month, or two months, or three months?—What agreement?

255. The agreement for the purchase?—There was no contract.

256. Major Kemp has told us that there was?—That was given to him either the day before or on the day of signing, and simply expressed the terms of sale.

257. What was the date of that?—I shall be able to settle that later. Practically, the date of the agreement and the signing was the same.

258. If the negotiations with the Natives were completed in one day, it would be a curious fact?—Yes. The negotiations extended over a week or two weeks.

259. Had he not previously signified his desire to sell portion of the land?—He was anxious to sell, but asked a high price, and the Government were not anxious to entertain the offer at the price stated.

260. Then, do I understand that the alteration in the price and completion of the purchase took place within the last week?—Within the last day or two.

261. What price per acre?—£1 10s.

262. Has that land been disposed of?—Not that I am aware of.

263. It remains in the hands of the Government as part of the waste lands of the Crown?—Yes.

264. Have you purchased the Tuwhakatupua Block?—Yes.

265. Which?—The No. 1.

266. And no part of No. 2?—I am unable to answer from memory.

267. No. 1 joins the Manawatu River?—Yes.

268. You purchased No. 1, but cannot say as to No. 2?—I can ascertain that, and also as to the date of purchase, and as regards the Tuwhakatupua No. 2—the dates, and so forth.

269. Had you any interview with Mr. Wallace regarding this letter of the 21st May, 1886?—To the best of my recollection, Mr. Wallace came to see me about that time.

270. Assuming this letter to correctly state the position, were any negotiations opened with Major Kemp for the acquisition of these blocks about or soon after that date?—I should prefer deferring my answer until I have the papers before me.

271. Can you charge your memory as to whether you received instructions to open negotiations for the purchase?—The ordinary official course would be, on receipt of that letter, to lay it before the Minister for his instructions. I cannot say what the instructions were. They would be on the letter, and I acted upon them, whatever they were.

272. And it was only this year that the Horowhenua Block was bought?—That is all.

273. Some time in the month of March?—After that.

274. And the Tuwhakatupua Block?—The Tuwhakatupua was completed by cutting off the land by the Native Land Court in favour of the Crown.

275. Do you know the area of the Tuwhakatupua No. 1?—I cannot say.

276. Have you no recollection at all of any conversation with Mr. Ballance with reference to the desire of the Government to carry out negotiations with a view to meeting the wishes of the company?—The recollection I have is more in the shape of impressions with reference to those West Coast purchases. They are, that the price was so raised by the action of the company that it was practically out of the question for the Government to go in for any purchases.

277. We will suppose for a moment that there had been a desire on the part of the Government to complete its contract with the company, how would the Government be a loser if it allocated the land to the company at the price it paid?—From a land-purchase point of view the Government would always be a loser by giving a higher price than necessary.

278. Therefore, although the Government would not have been a loser in the special transaction, still, as a matter of policy, the Government did not care to deal with the land at a higher price?—I am unable to say what the policy of the Government would have been; but, as a matter of wisdom, it would have been unwise, as it would have raised the price everywhere, and the Government were going in for land purchases in other localities.

279. Were you present at Palmerston when the subdivision took place?—Yes.

280. Now, when it took place, had Kemp expressed a desire to sell a large proportion of the

Horowhenua Block immediately upon subdivision taking place?—No; the question of selling a portion of the block was not discussed.

281. You say the price you actually did give was £1 10s. an acre?—Yes; exactly £1 10s.

282. Was that, or was it not, a high price compared with the average price given for Native lands?—It was a high price, but it was supposed to be the pick of the land; and, in fact, the price Kemp first wanted was £3 10s.

283. Yes; but still it was a high price compared with the price usually given for the same class of land?—Well, £1 10s. has been given for land in special localities.

284. Would not £1 10s. an acre have been treated by you as a high price in 1886—an impolitic price?—I would say this: I should consider it unwise for the Government, except under special circumstances, to purchase land at £1 10s. an acre.

285. What were the special circumstances to induce the Government to purchase this land. Was it not simply to provide Kemp with money to meet his necessities, and to induce him to deal with the Government in respect to other blocks?—No; I think not. I think it was on the ground of Kemp's very pressing necessities, and the fact that the Proclamation over the land prevented him from raising money.

286. But the purchase, looking at it as a matter of policy, apart from this necessity of Kemp's, was not advisable?—Looking at the general policy of the Native Land Department, and the fact that they were purchasing all over the country, I should not consider it a satisfactory transaction.

287. You find, as a rule, that, although the Natives have a thorough appreciation of the quality of land, they would yet expect the higher price to apply to all land?—This land was a good bargain, and was well worth the money.

288. And the railway, in point of fact, has made it all valuable?—Yes.

289. And before the railway it would scarcely have been saleable?—I should think not.

[The papers telephoned for were at this stage produced.]

290. Have you now got the letter of the 21st May, 1881?—Yes; but there is no instruction upon it.

291. Had you any interview with Mr. Ballance with reference to it? The secretary says Mr. Ballance referred him to you with reference to the matter. Apparently, from the absence of any minute, the matter dropped?—That would appear to be so.

292. A simple way of getting rid of it?—I am unable to speak of what was done. I am frequently absent from Wellington, and there might have been some instruction regarding the matter, but there is nothing to show me that anything was ever done about it.

293. Have you no memoranda in the office which will show you that after the 21st May, 1886, you first began negotiations for the purchase of the Horowhenua Block?—Yes; I can produce whatever is necessary on that point.

294. May I ask you whether, when the land has been acquired through the Native Land Department, it passes out of their control, and under what department it is placed?—As soon as it is "proclaimed" waste land of the Crown the Native Land Purchase Department has no further control over it, and it passes to the Waste Lands Department.

295. You will observe in this letter that the prime object with which Mr. Nathan had an interview with the Native Minister was that of obtaining some satisfaction of the claim of the company for the balance of the allocated land?—Yes.

296. Was that object at all in view, or discussed, or referred to by the head of your department at the time of the purchase being made of this 4,000 acres?—As a matter of fact, there were no negotiations for the purchase of the Horowhenua Block until the expiration of the five years mentioned in the contract.

297. May I ask you whether or not the negotiations were postponed in consequence of that limitation in the contract?—It would appear that that question would be more a policy question for the Minister.

298. Had you no instruction about the completion of the purchase before or after the five years with reference to the claim of the company to the allocation? Had you no conversation with the Minister on the subject?—Not specifically; but reference has been made to the agreement.

299. Were not the negotiations for any part of the Horowhenua Block postponed in consequence of the existence of this clause?—I cannot say.

300. May I ask whether you received assistance from the secretary of the company in bringing Kemp to the Land Court? Did the company pay his expenses?—I should like to answer that question at a little length for the information of the Committee. The Government were in no way interested, from a land-purchase point of view, in the subdivision, or in any of the individuals about this time. Mr. McDonald, who was the agent of the company, was acting apparently on Kemp's behalf. It appeared to me that Kemp's interest, and the interest of the company, and the interest of Mr. McDonald were one apart from any Government interest in the matter whatever. I mean to say, the Government were not concerned in any of the matters at the time in which Mr. McDonald and Kemp acted, as far as I know.

301. Were you aware that the company, at its own expense, facilitated the business so far as Kemp was concerned—that they helped with their funds, and assisted in getting Kemp's subdivision, with a view of allocation, to the Government?—I would not say that at all. Decidedly not, because at the time of the sitting of the Court at which the division took place I was at Palmerston, on entirely different business, to purchase interests in the Mangatainoko Block. There is a reference to an interview with Mr. Wallace and Kemp at that meeting at Palmerston, but then I distinctly told Kemp and Wallace and McDonald that the Government were not anxious in any way for the purchase of the Horowhenua Block, and had nothing to do with the division then before the Court. I was called as a witness before the Court in connection with the subdivision, but not in any way in consequence with the Land Purchase Department.

302. Can you remember whether anything took place between Mr. Ballance and Sir Julius Vogel with reference to funds for the purchase of the Horowhenua Block?—I am not aware of anything. When I say that, I probably heard at the time remarks to that effect, but I have no official cognisance of it.

[Mr. Travers here read a memorandum made by the authority of the chairman of the company.]

303. Have you any recollection of anything connected with that?—Nothing. As I explained before, my land-purchase duties often take me away a great deal. I have no knowledge of that. I am aware it has been stated, probably in conversation with Mr. Wallace and Mr. Nathan, that the money difficulty could be got over in the way suggested.

304. I presume you were aware that the company were anxious that the Government should acquire this land with a view of supplementing the allocation?—Yes.

305. You cannot say that the Government desired to postpone the acquisition until after the five years?—I cannot say.

306. It was discussed—there was a conversation about it?—Not from that point of view. Necessarily the period has been referred to, but I could not say, nor do I think it right to say, what would be the policy of the Government.

307. *Mr. Ross.*] Mr. Lewis said there was an advance made on the Horowhenua Block previous to 1882?—Yes; they are old advances. There are money payments charged to the block going back as far as the time of Sir Donald McLean.

308. Was it known at the time the contract was entered into that these advances were made?—Undoubtedly. Whatever payments were made upon the block were known to the Government.

309. Do you think the Government would have been induced to give an unusually high price for the land if they had been under the impression that they would be bound to hand over the land if the company completed negotiations?—I should not think the Government would give a high price under the circumstances.

Mr. ALEXANDER McDONALD, of Awahuri, examined.

310. *Mr. Travers.*] I believe you have been connected with the Natives in business?—Yes.

311. Do you know the Horowhenua Block?—Yes.

312. And the Tuwhakaturua Block?—Yes.

313. Did you take any part in the passing of those blocks through the Native Land Court?—I had something to do with the subdivision.

314. With what view was that subdivision of the Horowhenua Block carried out?—I understood it was subdivided for the purpose of making it possible to sell. The people were precluded from selling previous to subdivision, and it was probably also to enable them to get their title and deal with their land.

315. Were there a large number in the schedule of the certificate?—One hundred and fifty-one or one hundred and fifty-two.

316. So that any allocation of the land in the certificate would have required the whole of the signatures?—The Government still under that particular title.

317. Then, the subdivision was to enable them partly to sell and partly to individualise their titles?—Yes.

318. Have you any idea of the extent of Kemp's interest in the block on subdivision?—He got three blocks in his own name alone—one of 4,000 acres, one of 1,200 acres, and one of 800 acres; and he got a share in a block of 16,000 acres, with one of the young Warana Hunia, son of the late Kawana Hunia.

319. Then, he and Kemp had 16,000 acres independently of the original block?—Yes.

320. Had Kemp any interest in any other block?—No; he had a share in the 16,000 acres.

321. Can you say of your own knowledge whether any of the Native owners, when the subdivision orders were made, were prepared to sell?—Yes; a great many of them.

322. Did they offer them?—They offered them at the time the land was going through the Court; but there was the Proclamation on the land, which prevented them from selling.

323. Was Kemp desirous of selling?—I heard of him offering only the 4,000-acre piece.

324. Others of the Natives were prepared to sell?—Yes.

325. What extent of land was offered in that way?—There would have been a considerable amount altogether. There were, I think, about a hundred Natives to have 100 acres each, and there was also an allowance made of 5 per cent. for road-making—a block of one thousand two hundred or one thousand three hundred acres altogether.

326. Which they were prepared to sell?—A great many of them.

327. Was that notified to the Government?—I am not aware of any special notification.

328. Did you take any part in getting the subdivision effected?—I did. I was instrumental in getting Kemp to make the application in the first instance.

329. State whether this was done in your capacity as agent of the company?—It was. I was employed by the company to get it done.

330. With what view?—To enable the land to be purchased by the Crown.

331. For what purpose?—I understood with a view of allocation to the company.

332. Was it largely or mainly through your intervention that they were brought to apply for subdivision?—I understood so. It was recognised that it was necessary for Kemp to apply, as he was sole trustee in the title. I understood that some difficulty had been found in getting Kemp to make application, and I was asked to see him.

333. By whom?—Mr. Wallace, on behalf of the company. I was given to understand that the company were at the time in communication with the Government, with a view to getting the land

purchased to supplement the endowment. If I remember rightly, I declined to negotiate with Kemp unless I understood the company asked me to do so with the knowledge and consent of the Government.

334. Who paid the expenses?—Mr. Wallace paid me, on behalf of the company.

335. So that you were employed by the company, and acted under the impression that it was in accordance with arrangements with the Crown, for the purpose of getting Kemp to bring the land before the Court after subdivision with a view to allocation to the Crown to supplement the endowment to the company?—Yes.

336. And you acted upon that?—Yes.

337. And the result was?—The immediate result was that Major Kemp came to Wellington with me and had an interview with the Native Minister, and the result of that interview was that Major Kemp made an application, which was written in Mr. Lewis's office.

338. Can you state the date?—June, 1886.

339. When did the Court sit?—I understood that the Court was to sit as soon as possible, but Kemp became very ill, and the Court was delayed from time to time; so that it did not sit until November or December.

340. Can you say whether Kemp had entered into negotiations with the Government for the sale of the land in anticipation of it passing through the Court?—At the same interview at which Kemp agreed to apply to the Court he offered 4,000 acres for sale to the Government.

341. The delay in the completion of negotiations for the purchase was chiefly due to Kemp's illness?—Yes; the delay of the sitting of the Court.

342. What was the price he asked?—The proposal was made to the Government in writing, and was to the effect that the Government should buy the land at a price to be agreed upon between himself and Mr. Ballance. If they could not agree then it was to be referred to arbitration, and Kemp agreed to accept any price so fixed. Then Mr. Ballance made a counter-proposal, that the land should be dealt with under the Native Land Administration Act in the ordinary way. But Major Kemp wanted money badly, and it was found that great delay would occur in getting the money, and it was ultimately determined that the Government should buy the land.

343. At what price?—The price was to be fixed by arbitration.

344. At all events, the negotiations for the sale commenced immediately after Major Kemp's interview?—Yes; and but for this illness the Court would have dealt with the matter months before it did.

345. Was not Kemp at that time very short of money, and pressing for it?—I understood he was. In fact, at the same interview he got an advance upon the land in anticipation of the transaction.

346. And you, as agent of the company, understood that this would be given to supplement the allocation if purchased within the time? What was the date of the sitting of the Court?—November or December.

347. What was the delay, after the sitting of the Court, in making the subdivision order?—A fortnight, but he dealt with the Crown at once.

348. And all that time he was very much pressed for money?—Yes; very badly. He was corresponding with the Government all the time the Court was sitting, and Mr. Lewis saw him once or twice.

Mr. W. H. LEVIN examined.

349. *Mr. Travers.*] You are a merchant, living in Wellington, Mr. Levin?—Yes.

350. And I believe you took part in the arrangements for the allocation of land as an endowment under the Act?—I was a member of the House of Representatives at the time that the Railway Land and Construction Act was passed, and I was also a member of the House of Representatives and a director of the railway company when arrangements for the allocation were made.

351. Have you any recollection of the withdrawal of any lands on the eastern side of the Tararua Range from the allocation area?—Yes; a distinct recollection.

352. Why were these lands withdrawn?—There were certain lands in the Wairarapa West County, I think, which were included in the allocation area, and the company were distinctly under the impression that they were part of the lands to be allocated to them; but, at the instance of the members for the Wairarapa District, who urged that these lands—that is my recollection of the reasons—should be set aside for other purposes, I believe for special settlements, or for some special reasons in connection with the District of the Wairarapa, the Government urged on the railway company that they should abandon their claim for these lands,—I am speaking of the Government of which Sir John Hall was the Premier. The railway company did agree to do this, with a clear understanding that the Government would use every diligence in making up land from other sources.

353. Can you remember from what source the Government expected to supplement the allocation?—By endeavouring to procure Native lands within the fifteen-mile radius.

354. Can you remember as to whether anything was said as to whether they were anxious for any Native land at the time?—The most prominent incident that occurs to my mind is this: In order that the lands might be acquired, and on the representation of the company, the Government sent Mr. Booth to arrange for the purchase of the lands. Mr. Booth was unsuccessful, and the Government removed him, and appointed Captain Mair to endeavour to complete the purchases. This was, I understood, to complete the allocations. At any rate, my distinct impression is that it was the intention of the Government to fulfil their contract with the company to the letter, and that they were to use all diligence to endeavour to accomplish that end.

355. Now you, I think, took part in the formation of the company, and took shares to a considerable amount in the company. Can you say whether or not, in your belief, the company would have been formed had it been understood that they would not receive this deficiency in the alloca-

tion?—I have no hesitation in saying this: that, as I conceived it to be a part of my duty, as a director of the company, to honourably fulfil my bargain according to the terms of the contract, so I took it to be without the slightest hesitation the duty of any Government to fulfil both the intention and the letter of their bargain.

356. Can you say whether or not the formation of the company and the subscription of the necessary capital were, or were not, affected by the understood agreement, or arrangement, with the Government to supplement the allocation?—I can only answer that by saying that one of my great regrets in the matter is that my name should be connected with a prospectus which was issued, leading the public to suppose that the land would be given for allocation if I thought it would not be given.

357. And you never had any reason to doubt, till lately, that they would not fulfil their part of the bargain?—I have thought so for some little time, but I had no idea at the time the contract was entered into.

358. Have you been a member of any deputations to the Government with respect to this, since the company was formed?—Yes; I have had several conversations with members of different Governments, and I have been on deputations to them.

359. In the course of your interviews with members of Governments, has this understanding that you have spoken of been discussed or mentioned?—Yes.

360. Did any of the members of the Government with whom you had the interview ever repudiate the existence of this understanding?—"Repudiated" is rather an awkward word.

361. Well, "dissent" from the understanding?—I heard Mr. Ballance say that we had enough land, which I did not think was an argument at all.

362. What I mean was, Did Mr. Ballance or any member of his Government say that no such application was ever arrived at as that which incurred the surrender of the Mangatainoko land. You say the company surrendered this on the understanding that the Government would supplement it by purchasing Native lands. What I want to know is, if there was any dispute at any time as to this understanding?—No; I have no recollection of any dispute ever being made as to the understanding.

363. The contract says, if they acquire land within five years the allocation is to be supplemented; and I understand from your evidence that you say that the Government pledged itself to acquire the lands for that purpose with all convenient speed?—That was my distinct understanding at the time the contract was made.

364. Do I understand that, so far as your communications with the Government are concerned, that understanding has never been repudiated?—There is no doubt that both Mr. Ballance and Mr. Bryce said that they did not consider that they were under any obligations.

365. As individuals or as a Government?—I have a recollection of one interview with Mr. Ballance as Minister of Lands and Native Affairs, and another with Mr. Bryce. I did not know what Mr. Ballance's personal feelings to the railway were, but I knew that Mr. Bryce was personally hostile.

366. What reason did Mr. Bryce or Mr. Ballance urge in reference to the matter?—Mr. Bryce gave merely the reason of obstinacy, as far as I can recollect. He said he was not going to move a hand's-turn to help the railway, and Mr. Ballance said he thought they had land enough. It struck me that both gentlemen put aside any understanding at all, with a view of not fulfilling what I conceived to be a clear, distinct, and honourable understanding. Otherwise I do not think the railway would have been gone on with.

367. *The Chairman.*] Do you mean by "understanding," the contract?—My distinct idea of the understanding was that the Government, with all diligence, should endeavour to find land to fulfil the balance of the contract. The Government with whom we entered into the contract knew that we were going to borrow money, and that we were going to form a company and construct a railway on the basis of a contract which the Government, as far as we knew until recently, would carry out. The Government undertook to give us land to the value of 30 per cent. on the basis of a cost of £5,000 per mile. I was in England for some months the year before this, and our creditors in England never have had a single doubt in the matter. They lent the money on the good faith of this land being allocated.

368. What I was asking was this: Does it not state distinctly in the contract that the amount of land allocated was insufficient to meet the agreement of the Government?—Yes; I want to lay stress on that, because that was the understanding on which the company raised the money. The Government say, in effect, We have no land to give you now, but we will during the five years use all due diligence to fulfil our part of the contract.

369. *Mr. Travers.*] Was it not a fact that representations were made that the Government would, within the five years, be in a position to carry it out?—I have said before that the understanding was, at the time the contract was made, that the Government would use all due diligence. There is, in my mind, no doubt about it.

370. Can you say, from anything within your own knowledge with respect to the London market, what the effect would have been if this understanding which you refer to had not existed under the provisions of the contract?—Well, I can only give my impression, and it is that we should not have raised the money to construct the railway.

371. *Mr. Ross.*] I would just repeat the question I asked of the Secretary, Mr. Wallace: Can you state why there was no alternative equivalent provided in the event of their not being able to give the land?—By the alternative equivalent you mean that if they could not give land they should give money? It may be within your recollection that Government originally intended to construct this line, and actually a contract had been let by the Minister for Public Works who preceded Mr. Oliver—Mr. Macandrew, I believe it was—for the construction of the first section; but when the Government of which Sir John Hall was Premier, and Mr. Oliver Minister for Public Works, came into power the contract which had previously been accepted was cancelled, and a

payment of money was made to the contractor in consideration of the cancelment. Then myself and others, seeing the importance of this line, set to work to see if it could not be constructed by private enterprise, and it was in consequence of the desire to construct the East and West Coast Middle Island line and the Manawatu line that the Railway Land Construction Act was brought in by the Government of the day. As you may be aware, Sir John Hall's Government were badly off, so far as money was concerned, and that I take to be a reason why no promise on their part to promise money-payment, if they could not give land, was put in. But I do not think there was even a question in the minds of the Government, of which Sir John Hall was Premier, as to finding land to complete the allocation, because they had liens on a very considerable quantity of land on the West Coast, the titles to which they thought they would be able to complete. Five years was put in, because it was hoped to be ample time in which to complete the purchase, and it was coterminous with the time in which the company would complete the construction of their line.

372. The company was running a great risk?—Yes; but the Government could not give more land; there was no more in their possession within the fifteen-mile radius.

373. They might have extended the boundary?—They had to make this contract under the Railway Construction Act, which provided that allocated lands could only have been given within a radius of fifteen miles. The Government practically gave us every acre they had within the fifteen-mile radius at the time they entered into the contract.

374. *Mr. Ballance.*] You have said that the Government expressed their intention to use all due diligence to acquire the land: Was the expression verbal to you, Mr. Levin, by any members of the Government?—It was expressed to me verbally more than once at the time the Government represented the demands of the Wairarapa members for the withdrawal from the allocation of the land in the Forty-mile Bush.

375. To acquire from the Natives during the five years?—Yes; that is the only land they could acquire.

376. Was any statement made to you to that effect?—Yes; the statement made was that they would acquire the land to fulfil the conditions of the contract.

377. Did Mr. Bryce tell you that?—No; Mr. Bryce said he would not move a hand's-turn to do it; he would as Native Minister have to get the land. I was alluding to Sir John Hall. He said he would do the best he could.

378. It was Sir John Hall who said all due diligence would be exercised?—Yes.

379. While Mr. Bryce said he would not move a hand's-turn to help the railway?—He did not do that at the time the contract was entered into. When he used that expression, it was at an interview I had with him, I think, in 1885. It was some time subsequent to the contract being completed.

380. Did you remind him of the promise of the Premier?—I did.

381. What did he say to that?—I cannot recollect as to that. My impression was that when the interview with Mr. Bryce was held Sir John Hall was not in the Government.

382. Still, Mr. Bryce would recognise that the statement of the Premier of his own Government would be binding on him?—I should hope that he would, but he did not seem to think so.

383. Did you remind him of it?—I did.

384. Had you any interviews with Mr. Rolleston?—No; I do not recollect.

385. Was he hostile?—Never to me; as far as I know. I have spoken to him over and over again on the subject of the railway generally, not in reference to the allocation specially, and my impression was that he was from first to last in favour of it.

386. My reason for asking that is that Mr. McKerrow has given evidence that Mr. Rolleston stated that he thought the company had enough land?—On the contrary, I have heard him always say that he was entirely favourable to the enterprise.

387. *Mr. Jones.*] I should like to ask the question: Suppose the Natives had steadily refused from that day to this to part with any of their lands, would you then have any claim against the Government?—Yes; I take it we should have a very distinct claim, not for land, but for an equivalent. I have been connected with the transactions as member of the House and as a director of the company from the beginning. My understanding throughout was that the Government would subsidise us in land, if they had it, to the extent of 30 per cent., at the rate of £5,000 per mile. You are asking a supposititious question, because I am at variance with you. If they did fail in finding land, the company would have had a good claim to go to the Government for consideration.

388. I suppose the Government did use every diligence, and did not then succeed, as the Natives refused to sell, would the company have had a claim against them then?—I think we should then have had a claim against the Parliament of the country.

Mr. BEETHAM, M.H.R., examined.

389. *Mr. Travers.*] You are a member of the House of Representatives, Mr. Beetham, and were, I believe, during the year 1882?—Yes; I was.

390. Do you remember the arrangement with the Government for an allocation of land for the Wellington-Manawatu Railway Company?—Yes; my memory is quite distinct about the matter.

391. Did you, as member, become aware of the fact that an area of land on the eastern side of the Tararua Range had been included in the allocation area?—Yes; I was told so: and immediately I thought it my duty to wait on the Government with respect to that allocation, and I invited Mr. Buchanan to go with me. We saw the maps of the proposed allocation, and the fifteen-mile line we found ran through the district, which is now Pahiatua Township. This took in nearly the whole of the level land in that neighbourhood, and I objected, both as member for the district and as a member of the Waste Lands Board, that this land should be taken for the purposes of the Manawatu Railway Company.

392. Now, can you remember what took place? Do you know of your own knowledge what

took place in consequence of this representation?—Well, Mr. Johnston told us that he thought we had a right to complain. He was Minister for Public Works at that time. The land was withdrawn up to the summit of the Tararua Range.

393. Can you remember the circumstances under which the withdrawal took place at all, as far as the company and the Government are concerned?—No; I had no connection with the negotiations. I knew that the arrangements were much altered after the land was withdrawn from allocation to the company. During the conversation I said to Mr. Johnston, "How will you arrange with the company if you withdraw the whole of this land?" He told me that there were certain Native lands on the other side of the ranges that the Government expected to be able to buy, with the view of handing them over to the company, in lieu of the lands that had been withdrawn.

394. Then, it was on your representation and that of Mr. Buchanan that this was withdrawn from the allocation area?—I believe so. Of course, I do not think it is necessary, in explanation, that I should explain my reasons, but I felt, as member representing the district and as member of the Waste Lands Board, that the land should be dealt with by the Board interested in the progress of settlement, and not by a company, whose interests might possibly be opposed to ours.

395. Was the land of good value?—Yes; the land was of considerable value—some of the best land in the Wellington Province.

396. *Mr. Ross.*] The land you refer to was withdrawn before the signing of the contract?—Yes.

WEDNESDAY, 14TH DECEMBER, 1887.

Mr. J. WALLACE examined.

397. *Mr. Travers.*] I believe you became secretary to the company very early in its formation?—From its inception.

398. As such did you take any part in the negotiations with the Government with respect to the allocation of lands under "The Railways Construction Act, 1881?"—Yes; I was present at all the interviews which the directors had with the Government, and conducted the correspondence.

399. In course of doing this did you at any time make minutes of the results of what took place at interviews with the Government?—Yes, I did.

400. Some of these minutes, I believe, have been laid before the Committee?—Yes.

401. Have you any others but these which have been laid before the Committee relating to the question of allocation of lands?—I have my own memoranda in my diary.

402. Made at the time?—Yes.

403. Now, can you remember when first the lands were set apart for allocation?—Yes, I do. It was early in 1882, I think.

404. Before the contract was entered into?—Yes.

405. Have you any recollection of what took place with reference to the lands on the eastern side of the Tararua Range, in the Forty-mile Bush?—The Government appointed Mr. McKerrow, the Surveyor-General, in pursuance of the Act, to value the lands that had been set apart under the proposed allocation; and the company, on their part, appointed Mr. Linton. They together went up to the district, entering at Fitzherbert, near Palmerston, as it was reported to me afterwards. They agreed to the valuation of certain blocks in the Forty-mile Bush, Mangatainoko, I think it was called, amounting to 20,000 acres. They valued this on an average at £1 an acre, and valued the remainder, that are now included in the schedule attached to the contract.

406. And did anything after this valuation take place—did anything special occur—with reference to the lands in the Mangatainoko?—After they had made a valuation of the land, and signed the award together, the umpire, Mr. Macdonald, agreeing to their valuation, these lands that I have referred to in the Forty-mile Bush, on the eastern side of the Tararua Range, the Government asked the company to agree to withdraw all the blocks on the eastern side of the Tararua Range.

407. Asked the company in what way? State the circumstances under which the request was made.—They stated that representations had been made to them.

408. Who stated; who was the actor in it?—I do not know who the actor was. It was not done in my presence. I believe Sir John Hall, in conversation with Mr. Levin, one of our directors, stated that representations had been made to him by the members of that district that the land in the area of allocation, as required by the Lands and Railways Construction Act and recognised in the proposed contract, were not altogether served or benefited by the railway.

409. The representatives said that the country would not be benefited by the line, and asked the Government to withdraw the land, and the Government asked the company to consent to the withdrawal of the blocks from allocation?—Yes.

410. And the company consented?—Yes, they consented after an understanding came to with the Government in relation to certain Native blocks of lands that were under Proclamation, and on which certain progress for their purchase had been made by the Government. Those were on the western side of the range alongside of our railway, and within the area of allocation. These, when purchased, were to be applied towards making up the deficiency of our allocation.

411. That was the understanding?—Yes, there was an understanding to that effect, and the 11th clause of the contract was put in to provide for such an arrangement.

412. The company, I believe, has made considerable purchases of Native lands on the western side of the range?—It has.

413. Now, can you say from your own knowledge whether or not the blocks of land referred to by the Government, and which I believe are called the Horowhenua and Whakatapua Nos. 1 and 2, have been purchased by the Government within the last five years, or if they have tried to do so?—

Yes, as a matter of fact, the Tuwakatapua has not been purchased. It contains about fourteen hundred acres, I believe. The Tuwakatapua No. 2 has been subdivided, and if the Government had wished they might have bought it from the Native owners since. As regards the Horowhenua, it has been subdivided within the time named under in our contract, namely, five years. There was a period named, in which the Government might be enabled to get the lands for making up the deficiency in the schedule. The Horowhenua was by assistance of the company put in such a position that the Government might have made arrangements for its purchase to a very large extent. I believe they might have made the purchase of four-fifths of its area.

414. Can you say whether or not the company at any time asked the Government to waive the right of pre-emption over this land in favour of the company?—No; we did not do that directly, we rather inclined to the Government making the purchase.

415. I believe that there was correspondence and interviews, was there not, in which the company pressed the Government from time to time during the five years to take steps to acquire these lands?—Yes; they were applied to by letter and by deputations composed of the chairman, several directors, and myself from time to time, both to the last Government, and the preceding Government especially.

416. Now, at these interviews which took place, and at which, I believe, you were present, was the understanding to which you have referred ever mentioned?—It was always referred to.

417. Did the members of the Government upon whom the deputation waited ever express any dissent as to the existence of such an understanding?—The members of the Government with whom the company made the contract always recognised our claim: I mean Sir John Hall's Government.

418. And not one thing has ever taken place to show that the Government dissented from the proposition of the company that an understanding existed that the land should be acquired?—No; except that one of the members of the Government, the Native Minister, Mr. Bryce, expressed himself adverse to the proposal, but it was more of an individual opinion than as a member of the Government.

419. But did the Government formulate at any time, at interviews or otherwise, their dissent from the proposition that such an understanding had been arrived at?—No; on the contrary, they admitted it, and expressed themselves willing and ready to assist in continuing the negotiations for the purchase of these blocks; and, as you may see from the correspondence that passed between the company and the Government, certain steps were taken by them and instructions given to their representatives to proceed with the purchase of the land.

420. Since the contract was entered into there has been a diminution, I believe, of the land included in the schedule, as mentioned by Mr. Marchant?—There has.

421. Can you say what was the value of the land in the schedule so withdrawn?—One portion of the land withdrawn was in Fitzherbert Block. The portion of the land referred to as being withdrawn in Fitzherbert, was valued at £1 an acre; and Mr. Marchant stated in his evidence that there was a portion of the Forest Reserve that was taken out originally that was understood to be part of the two blocks referred to in Schedule Nos. 4 and 4A, Fitzherbert Block, of 9,000 acres each, and included in the same valuation.

422. At £1 an acre?—Yes; they formed part of the two blocks. I quite understood that Mr. McKerrow and Mr. Linton valued portions of the Forest Reserve that were afterwards withdrawn by the Survey Office, and included these at a valuation of £1 an acre. I am not quite sure as to what the valuation of the land on the top of the Rimutaka hills was. They made various valuations per acre of that part, some being put at 10s. an acre and some down as low as 2s. 6d. They made a total valuation of £3,075 for the 15,000 acres. We considered a portion of what was called the Railway Reserve, with the Rimutaka road-line through it, as the most valuable portion of the block. The land was alongside the road, very accessible, covered with good birch valuable for sleepers, and was well worth 15s. an acre.

423. What do you consider to be the money value—I mean the total allocation value of the land—found to be deficient since the contract was made?—Assuming that the Fitzherbert blocks were 4,000 acres, that would be £4,000; and the balance, about three thousand acres, at 10s. an acre, would make £5,500.

424. That amount would have been added to the £29,000?—Yes.

425. Now, what price have you obtained for similar land, or have you sold any similar land; and if so, what price have you obtained for such land as that withdrawn?—From £1 5s. to £1 15s. per acre for the Fitzherbert land.

426. So that the money lost exceeds the diminution in the allocation value by an average of 10s. per acre?—Yes; quite equal to that.

427. I believe you had something to do with the preparation of the documents attached to the contract—this prospectus?—Yes.

428. There is a valuation of the allocated lands in this, is there not?—Yes.

429. And it was on this, I believe, that the prospectus issued in London was practically framed?—Yes, I think so.

430. The amounts are the same—£58,151, £90,000, £43,000, and £6,000. There is also £130,000 in the prospectus issued in London. Had you anything to do with that?—Not exactly; but I may, in my correspondence with the Home Board—we have a directory in London—have showed how the deficiency was made up, and what the value of the land would be, assuming that we got an allocation of a similar assortment of land in quality and character as we had in the first instance. Then, I might go on to explain that the—

431. I was going to ask you if the value per acre of the allocated land was ascertained?—The average value of the allocated land made to us was £210,000—say about 9s. 2d. per acre. I assume that if we get a similar assortment of land it would be valued in the same way, and the result would

be the same. That would give us for the £30,000 65,000 acres, which, if valued at the same rate as those in the prospectus, would make the sum £130,000.

432. Who made these values? Were they made by independent persons?—They were.

433. Was it an arbitrary value put upon them by the company?—No; two gentlemen were deputed by Sir Julius Vogel: they were Mr. J. G. Wilson, M.H.R., and Mr. Gower. They were appointed by Sir Julius Vogel to make the valuation.

434. This was independent of the company?—Yes.

435. I believe Sir Julius Vogel was employed as agent to negotiate the loan, and he required an independent valuation, and appointed these gentlemen; so that the valuation which appears here was a valuation obtained by Sir Julius Vogel, and was obtained for the purpose of the prospectus in London?—Yes.

436. Can you say by whom this prospectus was framed—was it by the Home Board or Sir Julius Vogel?—I understood by Sir Julius Vogel.

437. He had the entire direction of the raising of the loan?—Yes. I think the prospectus was compiled and issued before we had a Board in London.

438. I believe he had power to associate with himself a Board of persons who were to act with him as agents. This was done entirely independent of the Board here, or any general agent of the company in London, was it not?—Yes, that is so.

439. So that the company is not practically responsible, in a sense, for these figures?—It is not.

440. The company has sold land, has it not?—Yes.

441. It has had several sales?—Yes. We have sold about twenty-four thousand acres.

442. What was the total price realised for the 24,000 acres?—The average price was £1 18s. 6d. per acre, and the total was £53,000, which included the prices for several townships.

443. I believe a considerable proportion of that land was land purchased by the company?—Yes, about five thousand acres; the remainder was allocated, and the price that we got for our rural lands averaged from £1 to £4 15s. an acre.

444. Now, Mr. Wallace, you have known that district for many years, have you not?—Yes, I have.

445. Can you say whether, before the construction of the railway, there was any demand for land in that district?—As a matter of fact the Government had large portions of the Fitzherbert blocks under offer at £1, £1 5s., and £1 10s. an acre for a long time, and they did not sell any until we were opening the railway. That gave an impetus to the sale of these lands.

446. But I am speaking of land further south, between Fitzherbert and the Paikakariki. Was there any demand—a general demand—for the land?—No; there was no land for sale, as there were no roads by which to approach it, the only approach being by the sea-beach.

447. So, practically, it was inaccessible?—Yes.

448. The opening of the railway has given a large value to these lands?—Yes. And these values in the prospectus, I may say, are based on the assumption that the railway would be made to give the land an enhanced value.

449. I suppose this value is, in fact, excessive?—It is quite in accordance with the results,

450. Yes; but it includes a considerable tract of hilly ground?—Yes; but that is valued at a certain rate.

451. And do you say that you believe that these values will be realised?—I do.

452. But only as the result of the railway communication?—Yes.

453. What class of persons have come to purchase lands in the district?—Good settlers, who have shown themselves such.

454. Is any large area being placed under clearing and cultivation?—Yes; as far back as nine months ago between eight thousand and nine thousand acres was felled by those who purchased land, and arrangements are being made for this being burned off. They have townships, and roads are being cleared and made; after the burning season grass will be sown, and I have no doubt from five thousand to six thousand acres will be in occupation.

455. Are the settlers numerous?—Very numerous. In fact none of them bought more than seven hundred acres—that is two or three blocks together.

456. Are there any industrial works—saw mills, and so forth?—Yes, three sawmills have been erected. A very large one is now going up, equal to cutting from 30,000ft. to 40,000ft. a week. Two little ones are at work now, one cutting from 2,000ft. to 3,000ft. a day, the other less. The latter has not been very successful in its operations.

457. Settlement then is progressive along the line?—Yes, rapidly progressing. It is a bush country, and they cannot make such rapid progress in the way of occupation as if it had been cleared open land without bush.

458. And the purchasers are going into occupation, are they not?—Yes, all well satisfied with their bargains, and keeping the payments well up. There have been some good exchanges made already, in which a considerable profit has accrued.

459. What has been the average actual cost of the line from Wellington to Manawatu?—A little over £8,000 per mile.

460. The allocation was based upon £5,000 a mile was it not?—Yes.

461. And the actual cost of the line has been a little over £80,000?—Yes.

462. What is the amount of debentures outstanding?—£680,000.

463. At what rate of interest?—Five per cent.

464. What amount of capital is paid up?—£150,000 paid up, and £20,000 still in the progress of payment, and will be paid up at the end of six months from now, and £680,000 debentures.

465. £830,000, in point of fact, of capital invested?—Yes.

466. Now, as a fact, has not the company been under the necessity of resorting to the allocated lands in order to supplement their revenue for the purposes of meeting interest upon the cost of construction?—Yes.

467. Including interest on the capital?—Yes, on the capital paid up.
468. Has the company carried out the terms of sale stipulated for by the Government in the contract?—Yes, as far as we have got titles for our land.
469. There has been considerable delay, has there not, in obtaining titles?—Yes; we have not got them all yet.
470. But so far as you have dealt with the lands they have been dealt with in accordance with the regulations stipulated for by the Government at the time?—Yes.
471. And which are very similar to their own?—Yes; identical, I believe.
472. So that in selling these lands you are carrying out the system of settlement, which is also carried out by the Government?—As it was carried out by the Government at the time our contract was made.
473. Now, in the townships which have been laid out by the company, have they set apart sites free of cost for educational and public purposes generally?—In the sites for the townships upon allocated land, and also upon the sites for townships upon our own purchased land, we have devoted five acres for educational purposes and three acres for public buildings, such as police offices, post and telegraph offices, &c., and five acres at every four miles on main roads in rural districts.
474. And so that out of your purchased lands you have made similar reserves for public purposes that the Government has stipulated for in respect to the allocated lands?—Yes; for educational purposes and for public purposes.
475. Now, after the late Government came into office, did you have any interviews with any members of the Government?—Mr. Nathan, chairman of the company and several directors, have had frequent interviews with the Public Works Minister, and the Minister of Native Affairs, the Hon. Mr. Ballance.
476. The Public Works Minister, I believe, was the Hon. Mr. Richardson?—Yes.
477. Had you an interview with the Native Minister on the 2nd of December, 1885?—Yes.
478. Did you, in that interview, make a minute of what had taken place?—Yes, I did.
479. Is this a minute made immediately afterwards?—Yes.
480. And do you believe that this correctly states what took place on the occasion?—I submitted it to the members of the deputation, and they all recognised it as an accurate report. The deputation consisted of Messrs. Nathan, Shannon, Johnston, and myself.
481. And they considered it as a correct report of what had taken place?—Yes.
482. Was the substance of this afterwards communicated to the Government in a letter?—Yes.
483. Have you the letter?—Yes.
484. Now, as a matter of fact, did Mr. Levin state, as a member of that deputation, that from his own knowledge he knew that when the company surrendered its claims in the Forty-mile Bush, Sir John Hall said he knew it was their duty to make up the blocks for allocation?—Yes.
485. Mr. Levin, as a fact, did say so?—Yes.
486. Did the Hon. the Native Minister dissent from the proposition of Mr. Levin?—He said that he did not recognise at that time that the company had that claim, but it was only his private opinion.
487. The point I want to know is, did the Native Minister dissent from what Mr. Levin had stated as to the understanding of his predecessor?—No, he did not; he merely expressed his own opinion, and said he thought the company had done its work very well, and was entitled to a recognition; but he was not prepared to say that it was the duty of the Government to find money to purchase Native land.
488. Can you say or not whether any communication took place with Sir Julius Vogel, who was then, I believe, Colonial Treasurer, with reference to this matter?—No individual interview, but at a subsequent interview with the Native Minister there was one.
489. I suppose you did not find Mr. Ballance very favourable to the views of the company?—No.
490. But he did not allege or state that the proposition made by Mr. Levin was correct or otherwise?—That is so.
491. You had a subsequent interview with him on the 9th November, 1886?—Yes.
492. What was that about?—Specially advocating the company's claim, and referring to what we had been agitating about, and asking the Government to make up the deficient allocation.
493. Was there any particular block of land referred to?—Mr. Nathan, chairman of the company, and myself were the only members of the deputation at that time. We pointed out to him that there was a probability of the Government being able to purchase the Horowhenua at that time, as we understood Major Kemp to be favourable towards making application for a subdivision of it.
494. You made a minute of what took place?—Yes.
495. Is this the minute?—Yes.
496. Is that a correct statement of what you believe to have taken place then?—Yes, and it is embodied in the letter addressed to Mr. Lewis, which Mr. Lewis produced.
497. That was a letter to Mr. Lewis, written in consequence of what took place between you and the Minister?—Yes.
498. Is this a minute of what took place on the 20th May?—Yes.
499. And you addressed Mr. Lewis on the following day?—Yes.
500. Had you any interview with Mr. Lewis about this?—On the day of the interview with the Minister Mr. Ballance introduced Mr. Nathan and myself to Mr. Lewis. The interview was to this effect, that Major Kemp was willing to go in for a subdivision, and we knew as a matter of fact that, through the influence of Mr. Alexander Macdonald, who was in the employ of the company, Major Kemp would make that application, and that Wirihanu Hunia, who was largely interested as one of the owners of the block, was in harmony with Major Kemp at that time.

Formerly there had been a disagreement between Wirihau's father and Major Kemp, and in consequence of that disagreement Major Kemp, who had the real power, had afterwards refused to go in for a subdivision or allow the land to be sold. But when Hunia died, and his sons became interested, then Major Kemp was willing to enter into negotiations for the sale.

501. As a matter of fact, he did make application for the subdivision?—Yes; having stated this opinion to the Minister, he thought it was a favourable time to do something to encourage us to do what we could in the way of assisting the Government towards acquiring the land, and he introduced us to Mr. Lewis forthwith.

502. And the result was to address Mr. Lewis with this letter of the 21st May, 1886?—Yes. I may say that Mr. Ballance at that time was more favourable in his expressions towards the claims of the company than he had been at the former interviews. He recognised that the company had done its work well. The railway was then about completed to run right through, and he had been over it a short time previous to that, and, from his observations, he gave the company credit for the work they had done in performance of their contract. He expressed the opinion that it was a great thing for the colony—the line being open—and he was much more favourable than he was generally anticipated to be.

503. Afterwards you had another interview with him on the 9th November. After you wrote to Mr. Lewis nothing came of it?—Nothing, except that I gave him maps and details: so there was something came of it. Mr. Lewis invited me to get Major Kemp down to Wellington to see what could be done. He did not give me a written authority, as he said it was not proper that he should do so; but, on the understanding that the company was assisting, he recommended me to get Major Kemp down. He was then in Wanganui, and I got him down shortly afterwards. He remained about town for three weeks or a month, and he was during that time anxious to make the application, and the overtures for the purchase were entered into.

504. The result was that Major Kemp made application for a subdivision about two months afterwards?—Yes.

505. And sold to the Government a block of land?—Yes.

506. And the subdivision of the block took place?—Yes, in about November or December. It was postponed, as has already been stated, in consequence of Major Kemp's illness. A sitting of the Court was called together immediately afterwards.

507. Mr. Macdonald has told us that it was postponed from time to time in consequence of Major Kemp's illness?—Yes.

508. What I want to know is this: Did you and the members of the deputation understand that if the purchase of these Native lands was completed within the five years the land would go towards the allocation of the company?—We said we expected that, but there was no direct commitment of the Minister. He did not say that the Government would agree to it, but he thought we were well entitled to receive our deficiency because of the manner in which we had carried out the contract. But he did not express himself definitely upon that point until afterwards.

509. That is what I asked: what I understand is that the company gave assistance to the Government, on the expectation that the allocation would be supplemented in consequence?—Decidedly. The inference on the minds of the chairman and myself was that if we assisted in the way I have described, by making the block available for sale, that the company were likely to have the deficiency made up. We were not told so, but that was the inference. The acquiescence of the Government and my being introduced to Mr. Lewis, and being invited through him to bring Major Kemp down, and do all that I could through my influence with Mr. Macdonald to get Major Kemp to apply for subdivision, led me to that conclusion.

510. Had you not been led to that inference would the company have taken the part they did in acquiring these lands?—We would not.

511. Then it was an inference you fairly drew from what took place?—We did.

512. You afterwards had an interview with Mr. Ballance on the 9th November, 1886, relative to the purchase of Horowhenua?—Yes.

513.—Was this memorandum made immediately afterwards?—It was.

514. And it fairly reflected what took place?—Yes.

515. Here it appears that Mr. Ballance was willing and ready to buy Horowhenua if he had the money, and that if the Treasurer would advance the money he would do it forthwith. That did take place, did it?—Yes.

516. Can you say whether or not the chairman of the company had an interview with Sir Julius Vogel in reference to it?—He had an interview the next day following that of the interview with Mr. Ballance.

517. He was then Treasurer?—Yes.

518. Did he intimate or not whether money could be obtained?—He expressed his opinion, in relation to the matter, that he thought the company's claims should be recognised, and that he was prepared to find £25,000; and, if Mr. Ballance would come down to see him at the steamer, as he was just then leaving for Christchurch, he would give him an order on the Treasury, I think it was, for that sum of money, for the purpose of purchasing Horowhenua.

519. Sir Julius Vogel distinctly stated that he would be prepared to find the money, and he was willing to recognise the claims of the company?—Yes; so it was reported to me. Then, I understood afterwards that Mr. Ballance had an interview with Sir Julius Vogel; and I had a telephone message from his department next day that nothing could be done in the way of purchasing the Horowhenua Block until Sir Julius Vogel came back from Christchurch.

520. You say that this was in your presence, the interview with Sir Julius Vogel?—No; I was not present. But the chairman reported this: that there was a distinct admission by Sir Julius Vogel of his recognition of the rights of the company. I may say, in corroboration of that, that when Sir Julius Vogel returned from Christchurch I was requested by the chairman to wait upon him and ask whether he was prepared to find the money for the purchase of Horowhenua. I did wait upon

him, and he said then that Mr. Nathan had given him a wrong impression as to the rights of the company for the purchase of Horowhenua; that it had not been discussed by the Cabinet, and that he was unable to find funds from the particular fund that he had in his mind when the promise was made to Mr. Nathan that he would give Mr. Ballance an order for £25,000 for the purchase, and that all he would consent to would be that, if any purchase was made, a full definition of the company's claims and the land that might be applied should be made before he would agree to it. That was the result of the interview; but he admitted to me that he had promised to Mr. Nathan to find £25,000 in the way that I have described.

521. Did you say he admitted that he had promised to Mr. Nathan that he would find the £25,000?—Yes.

522. For the purpose of purchasing Horowhenua, with a view to the company's claim being made up?—Yes. He said, further, that, until it was before the Cabinet and the company's claims had been thoroughly examined and defined, he could not agree to what he had expressed himself as favourable to before.

523. Then, do I understand that throughout these negotiations Sir Julius Vogel admitted the right of the company to have this allocation made up, and, in the first instance, expressed his intention of allowing a sum for the purchase, which would be devoted to that purpose?—Yes.

524. I believe Mr. Nathan is now in England?—Yes.

525. Was this taken from him?—That was taken from information he gave me.

526. Now, it is here stated that Mr. Ballance said he was willing and ready to buy Horowhenua if he had the money; and, if the Treasurer would advance a sufficient sum, he would buy it forthwith?—That is what he said to Mr. Nathan and myself.

527. In any interview you had with Mr. Ballance did he ever dispute the existence of the understanding already referred to between the Government and the Crown that they should use diligence in purchasing lands to make up the allocation?—He did not admit that the Government he was connected with was responsible; but he did not dispute that that was the arrangement between the company and the Government that had made the contract.

528. *Hon. Mr. Ballance.*] I would like to ask Mr. Wallace one or two questions. I may say before doing so that, on the whole, I think that the evidence that has been given by him has been accurate and fair. I know, as regards the impressions that he has formed, that he has formed his own impressions and inferences, and I will say nothing about that. I have no doubt he has drawn them from the best of his ability, and I may only state, as far as the facts are concerned, that he has been very accurate. With regard to the conversation he and Mr. Nathan had with myself, and that Mr. Nathan had with Sir Julius Vogel, Mr. Wallace has stated that Sir Julius Vogel told Mr. Nathan that he had given him a wrong impression of the circumstances. Now, what circumstances does Mr. Wallace refer to?—What I understood Mr. Nathan to say was that Sir Julius Vogel had expressed himself as favourable to the company's claim being recognised, and because of that impression he was agreeable to find you the money to make the purchase, and that the lands ought to be purchased. When he came back he said that what Mr. Nathan had said to him left a wrong impression. What he meant by that I cannot say. I was not present at the interview.

529. But you must have heard from Mr. Nathan as to what had taken place?—Mr. Nathan explained what the company's claims were, and the clauses of the contract, and I presume that Sir Julius recognised that these claims were correct, and so on.

530. Yes, it is quite true that Sir Julius Vogel did recognise that, on the statement of Mr. Nathan the company, was entitled to the allocation, and agreed to advance the money. When Sir Julius Vogel came back from Christchurch Mr. Nathan went to him?—No; I went to him by direction of Mr. Nathan.

531. And then he told you that I found he had given him a wrong impression of the circumstances, and therefore he could not advance the money now. Did Sir Julius Vogel say what the wrong impression was, or the circumstances?—No; he did not tell me what the circumstances were.

532. Did he mean to say that Mr. Nathan had in any way deceived him by the statement he had made?—No; he did not say that.

533. Then you have referred to a telephonic communication between Sir Julius Vogel and myself in regard to this providing of the money?—That was what Mr. Nathan reported to me, that whilst he was in Sir Julius Vogel's office he telephoned to Mr. Ballance to meet him at the steamer, and that he would find the money, and give him an order on the Treasury, as far as I can recollect.

534. Did not Mr. Nathan tell you at the same time that I had stated that the matter had to be referred to the Cabinet, and that it must be considered?—He did not say that, and I may say that Sir Julius Vogel said it was not necessary to refer it to the Cabinet; that he had the power, and could take it from some particular fund, which I think was mentioned.

535. Did he tell you that I expressed my opinion that the matter would have to be decided by the Cabinet?—Yes; but Sir Julius Vogel said that you were wrong.

536. Did Mr. Nathan tell you that the matter had been referred to the Cabinet, and that the Cabinet had come to the conclusion not to buy the land?—Yes; that is referred to in my own correspondence, and the company was recommended to apply to Parliament.

537. Now you said that you would have to supplement the interest which would be required, from the sale of land—

Mr. Travers: Supplement the annual expenditure—not necessarily the interest.

538. *Mr. Ballance.*] I mean to say you would have to make up a deficiency in revenue from the sales of land?—That might be for the first year; we cannot tell till the results of the year are known.

539. Did not your last balance-sheet show that you were paying about 7 per cent. per annum?—No; about 5 per cent. per annum; that was upon our limited experience of six months, which included some of the best portions of the year.

540. Have you any reason to change that opinion?—There has been a slight falling-off of the revenue, which takes place during the winter months; but then the balance of the financial year would not be up till the end of February. We may do enough to enable us to pay the whole of our interest or we may not, according to circumstances.

541. You offered to sell the railway to the Government in the year 1885, did you not, and also to sell back to the Government the land?—Yes.

542. Did you estimate this amount in the sum total—this £29,000—in making your offer to the Government?—Well, the price that was named to the Government was based solely upon our assets.

543. If the Government were prepared to find payment for the portion of the line then completed, and finish the railway, and take back the allocated and other lands at a price made for payment. There was no reference to this claim?—No; there could be no reference to that. It was a matter of bargain between the company and the Government at the time. Our claim was preferred in all negotiations, I believe, by Mr. Nathan; but the Government offered a particular sum—namely, the value of our allocated land, and the cost price of our purchased land.

544. And after the Government had concluded the negotiations—in fact, they were concluded—did you withdraw from them? If the land had been purchased you would have got no value for this land?—No; we would only have received the money for the land allocated.

545. You offered to sell back to the Government the land you had acquired from them—the definite quantity you had received—at the price of the valuation?—Yes.

546. Then, if the Government had concluded that bargain, you would have received nothing for this claim of £29,000?—Well, what we would have received for our allocated lands would be the sum equal to the value of them. I do not know what the chairman did, but he showed that we had a claim for £29,000 then, and in the negotiations that may have been left aside. Ultimately the Government were prepared to offer a sum equal to the value of the allocated land and to the cost of our purchased land, and to find enough money to finish the railway.

547. And you have no recollection if this was raised?—No; I was not present.

548. And you did not hear?—As a matter of fact, I gave him all our valuations, and this was amongst them; and, further, large concessions the Government had made to us on account of the work done by the previous Government before we started the railway; and the railway material. We showed that we were giving them all up.

549. Have you any copy of the negotiations—any statement of the value of the land at that time?—Yes; I think so. But, as a matter of fact, it was simply the schedule of our allocated lands as it now appears in the contract. It was put before you. We had not parted with any of the land, except, perhaps, a thousand acres or so.

550. Was not there a written statement as to what land the Government would have to take over?—Yes.

551. Can you produce it; the Committee might desire to see it?—I think so.

552. Now, with regard to the prospectus you have said that Sir Julius Vogel is entirely responsible for, and that you were not certain that the London Board was formed at the time?—Yes.

553. But you have a London Board on it here?—But the prospectus was compiled before this.

554. The prospectus was compiled with the names of the Board on it though, and the moment it was issued the London Board was responsible for it and indorsed it. The Board here as well—did they never see it?—After it was issued.

555. They saw it before it was issued, did they not?—No, as a matter of fact it was issued in the London market before we had copies of it.

556. You say that Sir Julius Vogel appointed valuers?—Yes.

557. Sir Julius Vogel was in London at the time?—No; he was here. That was before he went Home.

558. Did he appoint valuers?—He did.

559. Who paid them?—The company found Sir Julius Vogel's commission, and the agreement was that the expenses of valuers should be found, £100.

560. From what source?—By the company.

561. Then the company really paid the valuers?—Yes, through Sir Julius Vogel; but we did not arrange with them as to what sum they should receive. We were to pay for an independent valuation.

562. It would appear that the investors in London thought the company would be responsible for the valuation. They did not know Vogel in it?—I understood so—that he was understood to be responsible. Sir Julius Vogel arranged with a financial company to put the loan in the market, and the preliminaries were arranged by Messrs. Hamilton, Kennear, and Beatson, of Edinburgh, to do it, and it was part of the arrangement that the prospectus should be issued in that form.

563. What did the valuers receive?—£100 or £110.

564. Did they go over the land?—Yes; they went over the land.

565. After the company saw the valuation that they had made, did the company come to the conclusion that it was a fair valuation?—It was a fair valuation when the railway was completed. It was understood that the valuation was a prospective one.

566. You have said that the members of the Government with whom the contract was made were always in favour of the contract, but said this did not apply to Mr. Bryce. Was he a member of the Government?—He was a member of the Cabinet, and he was reminded that he was a member of the Cabinet that had agreed to the contract.

567. Did he express any dissent from the contract?—No.

568. Did Mr. Rolleston?—No.

569. Did he say the company had got enough land?—No; he was always present at all the

interviews of the company with the Government at that time.

570. You heard what Mr. McKerrow said the other day, that Mr. Rolleston said he thought you had got too much land?—I never heard such an expression from Mr. Rolleston: on the contrary, he assisted us.

571. Did you look on it as a right, that you were to receive the maximum quantity of land?—Yes.

572. Had you any reason for this?—I understood that was the understanding in the first instance with the Government that we should get the full maximum; and that they were prepared to assist us; and that it was only for political purposes that we were requested to allow that portion in the Forty-mile Bush to be withdrawn.

573. Sir John Hall has written a letter. Can you explain why it was that he was not prepared to give you the full value of the land in money, when he would not locate it in any certain place?—There were no reasons given. I cannot explain them. There was no discussion on that point.

574. Why was the term limited to five years?—Because our contract for the execution of the railway was the period of five years. I think it was just taken for that reason—an arbitrary reason. We thought that Government would be able to acquire the land in that time, and that they would be coterminous.

575. Had you many interviews with the Government between 1882 and 1884 in regard to this land?—Yes, a good many of them.

576. Are you sure of that?—Yes; there is correspondence here showing that we were in communication with them.

577. I understood from the correspondence that you had no communication with the Government from the end of 1882, in your letter to Mr. Walter Johnston, the Minister for Public Works, and that you had no communication till the next Government in 1885?—No, that is not so.

578. You have said that the Horowhenua Block could have been purchased at any time. Do you speak from your own knowledge?—Not at any time. I said it could have been purchased when we brought it specifically before the Government. There were reasons why it might not have been bought while your predecessor was in office.

579. You heard Mr. Lewis's evidence yesterday?—I did not hear it all; but I know what is was. During the time your predecessor was in office I believe the land could not been purchased. That was one reason why there was a little inactivity in not pressing these claims between 1885 and afterwards.

580. Then, really it could not have been purchased until the subdivision took place?—Yes, to a certain extent. We might have been able to obtain it.

581. Was it not a fact that you were in negotiation with the Government urging that this land should be purchased?—Yes, but I knew that although Kemp was the ostensible owner there were a great many claimants behind him.

582. Therefore the purchase could not have taken place before the subdivision?—I know, as a matter of fact, that the Native Lands Department were in negotiation for the purchase of the block, and they could never get Kemp to agree to the subdivision, and that it was only by the influence of Mr. Macdonald and my own, and some other influence, that he agreed at last; and we did not get that influence to bear until we had an understanding with the Government that it would have been allocated to the company.

583. And therefore the block could not have been purchased till the present year?—It could have been purchased in 1886.

584. The subdivision did not take place then, did it?—Yes, it took place when I addressed the letter to you calling your attention to it. Shortly after that the subdivision had been complete.

585. I understood you to say the Horowhenua Block could have been purchased at any time. But you recognise now that it could not have been purchased until the subdivision had taken place?—Yes.

586. Are you aware that Major Kemp was prepared to sell any larger quantity than ten thousand acres at any time?—I understood that the subdivision of the block was made in this way: That the Government would be able to buy some of the larger subdivisions at once—thirteen thousand and odd acres that were handed over to the hundred Native claimants: they get 105 acres each, which they were prepared to sell, and are prepared to sell now; and I understood that Major Kemp had made overtures to you from Palmerston by telegram to sell a very large quantity of the block.

587. Have you any evidence of that? I am not aware of that.—I have this evidence only that the chairman says that he was aware of a telegram being sent from Kemp to you offering to sell his interest in the block.

588. You heard Major Kemp's evidence yesterday?—I heard evidence which was quite contradictory to what he said to me. I heard that he was not prepared to sell more than ten thousand acres.

589. *Mr. Kerr.*] Do you know, from you own knowledge, that your railway cost £8,000 a mile?—I do, having kept all the accounts.

590. That is, including what the Government gave you as well. That is, the Government gave you so many miles already made?—A small portion of it. They spent £33,000 upon labour.

591. What was it that the Government gave you?—They gave us work, which cost £33,000.

592. That is, including rails and carriages, and so on?—Yes; there was a total value of £50,000.

593. Was that taken into consideration in the cost of £8,000 per mile? Your part must have cost more than £8,000 a mile, because they gave you this.—We did not pay for it.

594. That is for the £8,000 a mile?—It was scattered over four miles of railway here and there that they gave us.

595. You have stated just now that the company had to sell land to pay the interest?—No; we might have to do so. Our income might not be equal to our expenditure, and we might have to sell land to make it up.

596. As a matter of fact you have not had to do so yet?—We have not been running for a financial year yet.

597. I see, according to the prospectus, that the land you have got now is valued as much as would make the railway altogether. Is that so?—No; it would come to over £800,000. The amount you refer to was the estimated cost for the purpose of allocation.

598. *Mr. Ross.*] *Mr. Wallace* stated that there was an understanding that lands should be given up to the east of the ranges, and that certain Native lands, if acquired within five years, should be substituted for that land. Is that so?—Yes.

599. Then, why was the limited time fixed? You say because your railway had to be constructed within five years. Then, why was it that there was no alternative equivalent in the event of the Government not purchasing, giving to the company this Native land? You say that there was no alternative equivalent given?—I cannot explain why it was not.

600. Then, there was between nine and ten thousand acres withdrawn from the present schedule. Was not this land which had been specially reserved for other purposes—which had been specially reserved for allocation?—We did not know that some of it was land that had been really sold. The Government Survey Department made the allocation, and they did not seem to know it. The Survey Office prepared our allocation-map, and included the areas as represented in our schedule. Then, when they saw their mistake, it was withdrawn. This was quite recently, when they were making up our grants, that they discovered that these blocks had been sold and dealt with. This was within two months ago. We are just getting our grants now, although our railway was finished in November, 1886.

APPENDIX.

PETITION.

To the Honourable the House of Representatives in Parliament assembled.

THE HUMBLE PETITION OF THE WELLINGTON AND MANAWATU RAILWAY COMPANY (LIMITED),
SHEWETH,—

1. THAT on the 20th March, 1882, a contract was made between Her Majesty the Queen, of the one part, and your petitioners, of the other part, whereby amongst other things, your petitioners agreed and undertook to construct within five years from the date of the said contract, and thereafter to work and maintain, a line of railway between the City of Wellington and a point now known as Longburn, on the northern side of the Manawatu River.

2. That amongst other terms and provisions contained in the said contract were provisions of which the following are copies: "Now it is hereby further agreed between the Queen and the company—(10.) That as soon as conveniently may be after the execution of this contract the lands shown by a red border and colour on the map hereunto annexed, and marked C, shall be withdrawn from sale and set apart to be granted to the company, under the powers and to be dealt with in manner respectively provided by Parts I. and V. of the said Act. And whereas the land shown by the red border on the map hereunto annexed, and marked C, taken at the aggregate of the values set forth in the Second Schedule hereto, is insufficient to provide the amount of endowment in land agreed to be granted to the company under the powers contained in Part V. of the said Act: Now it is hereby further agreed between the Queen and the company—(11.) That if within the period of five years, computed from the date of these presents, Her Majesty the Queen shall acquire lands within the area shown by a yellow border upon the map hereunto annexed, and marked D, and such lands or a proportionate part of the same shall, in the opinion of the Governor, be available for the purpose, the same or a proportionate part of the same, as the case may be, shall forthwith after such acquisition be withdrawn from sale, and set apart to be granted to the company under the powers and to be dealt with in manner respectively provided by Parts I. and V. of the said Act, and shall be and be deemed to be subject to selection by the company in like manner as hereinbefore provided in respect of the lands shown by a red border and colour on the map hereunto annexed, and marked C, but so, nevertheless, that the total area of lands so to be set apart and selected shall not when valued and assessed, as by the said Act provided, exceed in value the sum of twenty-nine thousand eight hundred and five pounds. (12.) That when and so soon as any lands shall have been acquired as aforesaid the same shall be assessed and valued with all convenient speed, in manner provided by the said Act, in order to render the same available for selection by the company; and the company may accordingly select the same in like manner and for the like purposes, and subject to the like provisions and conditions, as are hereinbefore contained in respect of the lands shown by a red border on the map hereunto annexed, and marked C."

3. That the said railway was completed and opened throughout for traffic in the month of November last, and the whole of the works and rolling-stock used thereon have been duly approved by the Engineer-in-Chief of New Zealand.

4. That your petitioners have reason to believe that the Government has contracted for the purchase of a large block of land within the area referred to in clause 11 of the said contract, and that there is within such area a sufficient quantity of land available for the purpose in that and the 12th clause of the said contract, but your petitioners are informed that the purchase of the said lands has not yet been completed.

5. That your petitioners submit that the Government ought without delay to take all such steps as may be necessary to provide for the allocation to your petitioners of a sufficient quantity of land for the purposes aforesaid from the area of land referred to in the 4th paragraph of this

petition, or, in the alternative, that the Government should be authorised to make to your petitioners such compensation as may be reasonable in lieu of such allocation.

Your petitioners therefore humbly pray that your honourable House will be pleased to take the claim of your petitioners into favourable consideration, with a view to recommending that effect be given to the object and intent of clauses 11 and 12 of the said contract, or to the alternative claim of your petitioners.

And your petitioners as in duty bound will ever pray, &c.

The seal of the company was hereunto affixed this 11th day of May, 1887, by order of the directors of the company.

(L.S.) JAMES WALLACE, Secretary.

[*Approximate Cost of Paper.*—Preparation, not given; printing (1,300 copies) £20 1s.]

By Authority: GEORGE DIDSBURY, Government Printer, Wellington.—1887.