

No. 4.

The AGENT-GENERAL to the Hon. the PREMIER.

(Telegram.)

London, 5th July, 1888.

MIDLAND.—Has it yet been decided Government approve of proposal to clause 38. Company desirous sealing contract immediately.

The Premier, New Zealand.

F. D. BELL.

No. 5.

The Hon. the PREMIER to the AGENT-GENERAL.

(Telegram.)

Wellington, 20th July, 1888.

MIDLAND.—Clause 4, adopt message 14th June. Clauses 36 and 15 agree. Clause 38, cannot agree; present clause with proviso must be retained, but agree add, "and if the said parties cannot agree as to terms of such an agreement the same shall be settled by arbitration as herein provided." Clause 39, agree alter as suggested, but excise heading to Schedule after words "schedule of rates." Clauses 21, 30, 37, and 46 cannot agree.

The Agent-General, London.

H. A. ATKINSON.

No. 6.

MEMORANDUM by the UNDER-SECRETARY for PUBLIC WORKS for the AGENT-GENERAL, London,
re Midland Railway (adoption of Abt system at Arthur's Pass).

Wellington, 21st July, 1888.

In reply to that portion of your letter of the 19th May last which refers to the principle upon which the reduction of the land-grant to the Company should be made, I have the honour, by direction of the Minister for Public Works, to explain that the reason why the Government wished the reduction of the land-grant to be proportionate to the reduction in the cost of the line from the beginning to the end of the deviation (rather than on the basis of the saving, if any, in the total cost of the whole railway below £2,500,000) was because it is pretty well evident that if the latter basis were adopted there would be very little, if any, reduction in the land-grant at all.

Thus, for instance, by reference to Mr. Blair's report on the East and West Coast Railway, D.-1A, 1886, copy herewith, in table at foot of page 2, it will be seen that the East to West Coast (Springfield to Brunnerton) portion of the railway will probably cost £1,505,000, and the West Coast to Nelson (Brunnerton to Belgrove) portion £1,330,000, making a total for the whole railway of £2,835,000; so that, even if a saving of £400,000 is effected by the deviation at Arthur's Pass, it is evident that if the basis of reduction of land-grant in proportion to saving in the whole cost below £2,500,000 were adopted, the Government would get no commensurate benefit out of this deviation.

That is to say, in fact, that the adoption of the Arthur's Pass deviation would possibly have the effect of reducing the cost of the railway from £2,835,000 to £2,435,000, thus attaining a saving to the Company of £400,000; while the saving to the Government in the shape of land-grant, if the basis of saving on total cost is adopted, would be, not on the basis of £400,000, but only on the basis of £65,000.

Why the House should have fixed the statute cost of the railway at £2,500,000, when it was well known that the cost would be at least £2,800,000, is not very clear; but it was, it is believed, something in the nature of a compromise between the promoters and opponents of the Bill in 1884, inasmuch as some of the opponents of the measure at that time thought that the portion from Nelson to Brunnerton ought not to be provided for at all, whereas others thought that it should be provided for on same basis as the other portion—namely, up to its probable full cost—and the result was that, although it was provided for in the Bill, the cost of it, for the purpose of the land-endowment, was there fixed at only £1,000,000.

The effect, therefore, of the Company obtaining permission to materially reduce the cost of the railway by making a deviation at Arthur's Pass, while reduction in land-grant would only be to such extent as the cost of the whole railway would fall short of £2,500,000, would be to improve their position as regards the whole project to the extent of whatever the saving by deviation at Arthur's Pass would be—say, £400,000—and would not attain any commensurate saving to the Government in the shape of land-grant.

The only basis, therefore, upon which the Government could attain a saving in land-grant, commensurate with the saving attained by adoption of Abt system, seemed to be to confine the question of reduction of land-grant to the portion of line between beginning and end of deviation, as it is probably throughout that portion only that there can be any material saving attained in cost of line as compared with original estimate.

This basis is, of course, somewhat upset by the proviso that the reduction should only take effect if cost of whole line is less than £2,500,000; but the Company seemed to consider that to be a vital point, and it was ultimately conceded accordingly, after careful consideration. The effect of the cablegrams up to date, therefore, comes to this: that if line costs less than £2,500,000 the land-grant will be reduced, not on the basis of the slight saving that may be made below the £2,500,000, but on the basis of the saving effected between beginning and end of deviation.

The question as between the Government and the Company will, it is presumed, be already set at rest by the cablegram which was sent from here last night; but it has been thought desirable to send this explanation of the position which the Government has taken up in the matter, from time to time, for your information.

The Agent-General, London.

C. Y. O'CONNOR,
Under-Secretary for Public Works.