

modified to any large extent. The offer which you made was carefully considered by the board, and any important modification will necessitate a reconsideration of the whole matter, with consequent delay. Besides this, it now appears that the working-expenses of the Greymouth-Brunnerton Railway have risen enormously, and that the population of the Hokitika district is steadily diminishing, facts which will not be likely to induce the Board to look more favourably upon the venture than they did at first. My directors will await the telegram relating to this subject that you say you will send."

I await a reply to my letter of the 14th May, addressed to the Hon. Mr. Fergus, submitting a modified offer for the leases of the two sections in question; and, as I informed you, this offer (after approval by the Government) will have to be considered by the board before a final arrangement can be come to. I would therefore suggest that you should give this matter your early consideration; otherwise there will hardly be time to submit the question to the House of Representatives during the coming session.

I have, &c.,

ROBERT WILSON,
General Manager, Midland Railway Company (Limited).

No. 11.

The Hon. the MINISTER for PUBLIC WORKS, to the GENERAL MANAGER, Midland Railway Company.

SIR,—

Public Works Office, Wellington, 21st June, 1890.

I have the honour to acknowledge the receipt of your letters of the 14th and 29th ultimo, relative to the proposals for the completion of the Greymouth-Hokitika Railway, and the leasing of the Greymouth-Brunnerton line by the Midland Company.

The amended offer accompanying your letter of the 14th ultimo has been duly considered by the Government, but, as the terms therein stated are not on the whole so favourable as those in previous offers, there does not seem to be any probability of an agreement between us, more particularly as your directors insist that "modification in taxation must be a *sine qua non*," and that "they cannot give much hope that their terms will be modified to any large extent," also that you do not see your way to advise the company to give more than 35 per cent. of the gross receipts as rent for the Greymouth-Brunnerton line.

As regards the rent, which is the main item, the amended offer is decidedly less favourable than the former ones. Instead of 37½, which you said your directors might possibly see their way to give, the amended offer is for 35 per cent., less all rates and taxes. As the average excess of receipts over expenditure on the Greymouth-Brunnerton line for the last five years has been 45 per cent., and as the traffic will in all probability increase considerably year by year, the Government does not see its way to entertain any offer to lease the line which does not propose to give 45 per cent. of the gross earnings as rent.

Under these circumstances, therefore, unless you are able, on a reconsideration of the question, to advise your directors to modify their offer in this respect, I am afraid there is very little hope of the negotiations leading to any satisfactory results.

I have, &c.,

T. FERGUS,

Minister for Public Works.

R. Wilson, Esq., General Manager, &c., Midland Railway, Christchurch.

[Approximate Cost of Paper.—Preparation, £1 5s.; printing (1,300 copies), £3 7s. 6d.]

By Authority: GEORGE DIDSBURY, Government Printer, Wellington.—1890.