

railway from a junction with the Government line from Nelson to Belgrove, up to and including the long tunnel through the Spooner Range, and the works are progressing satisfactorily.

The estimated cost of this section, including the acquisition of the necessary land, probable extras on the contract, &c., is about £60,000, and the work is to be completed by the 3rd October, 1892. A bond for £20,000 has been entered into by the Company to insure that the expenditure on the section shall amount to at least £60,000, as provided by the Midland Railway Contract, and a cash deposit of £5,000 has also been taken to insure the due completion of the same, as required by "The Midland Railway Contract Act, 1890."

On the East and West Coast section of the railway but little new work has been put in hand during the year, the question of the deviation of the line near Lake Brunner, which was authorised on certain conditions by "The Midland Railway Contract Act, 1890," not having been finally settled until the 7th July last. The Company, however, let a contract for the Kotuku Section, 5 miles and 34½ chains in length, promptly on the deviation being assented to, and will, I understand, let further contracts shortly. Some difficulty arose as to compliance with the conditions that Parliament imposed in reference to the deviation, which resulted in negotiations of a somewhat lengthy nature, and it was only after considerable trouble that the matter was definitely settled. It is not necessary to go into details of these negotiations here. Suffice it to say that terms satisfactory to both the Government and the Company were ultimately agreed upon, while at the same time the wishes of Parliament were respected. A short piece of the line from Kaimata to Stony Creek, a distance of 1 mile 42 chains, has recently been completed and passed as safe and fit for traffic, thus bringing up the total length of completed line on this section of the railway to a little over 10 miles.

At the Springfield end of the same section of the railway no new works have, so far as the Government is aware, been put in hand during the late financial year; but the Springfield contract, which was let in January, 1890, is now nearing completion.

The Midland Railway contract was signed on the 3rd August, 1888; the contract time for the completion of the whole of the works contracted for being ten years from the date of the original contract entered into with the colonial syndicate on the 17th January, 1885, so that a period of less than three and a half years now remains before the whole railway from Springfield to Brunnerton and from Brunnerton to Belgrove should be completed and open for traffic.

The amount agreed upon as the estimated cost of the whole railway was £2,500,000, and the cost of the works so far completed and ready for traffic (estimated on the basis laid down in the contract) is in round figures £230,000. If we add to this a sum of £120,000 as the possible value (on the same basis) of the work so far done on the sections now under construction, we have a total sum of £350,000 as the approximate value (on the contract basis) of all the work so far done by the Company on its railway. This roughly represents about one-seventh of the whole work contracted for, leaving about six-sevenths, of the estimated value of £2,150,000, to be done in the remaining three and a half years of the contract term. From this it will be evident that the Company will have to proceed at a very much more rapid rate in the future than it has done in the past if the whole of the works contracted for are to be completed within the contract time, or anywhere near that time.

The land grants so far made to the Company under the contract total to an area of nearly 150,000 acres, of the estimated total value of about £115,000. The area granted during the late financial year was 74,526 acres, of an estimated value of £64,103.

Negotiations have been going on between the Government and the Company in regard to the question of mining reserves, and also as to the disposal of lands for settlement purposes. I have considered that the first step to be taken to conserve the auriferous lands for mining is to proclaim reserves amounting in the aggregate to say 250,000 acres out of the 750,000 acres which the contract allows us to reserve; the first selections being in the immediate vicinity of the